TORSTAR

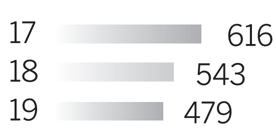
ANNUAL REPORT

2019

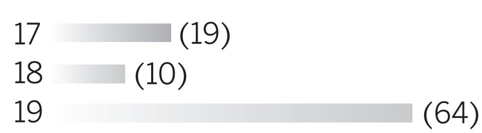
FINANCIAL HIGHLIGHTS	2019	2018
OPERATING RESULTS ($000)		
Operating revenue	**$478,975**	$543,391
Adjusted EBITDA [1]	**29,274**	34,793
Operating profit (loss) [1]	**(64,232)**	(9,876)
Net loss	**(51,920)**	(31,570)
Cash provided by (used in) operating activities	**(9,916)**	14,444
PER CLASS A AND CLASS B SHARES		
Net loss	**($0.64)**	($0.39)
Dividends	**$0.07**	$0.10
Price range (high/low)	**$1.06/$0.39**	$1.92/$0.57
FINANCIAL POSITION ($000)		
Cash and cash equivalents and restricted cash	**$50,402**	$75,402
Equity	**$185,501**	$229,447

The Annual Meeting of shareholders will be held Wednesday, May 6, 2020, at The Toronto Star Building, 3rd Floor Auditorium, One Yonge Street, Toronto, beginning at 10 a.m. It will also be webcast live on the Internet.

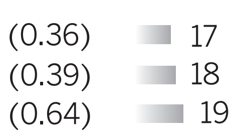
OPERATING REVENUE ($MILLIONS)



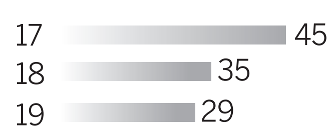
OPERATING PROFIT (LOSS) ($MILLIONS) [1]



NET LOSS PER SHARE



ADJUSTED EBITDA ($MILLIONS) [1]



[1] These are non-IFRS measures. These along with other non-IFRS measures appear in the President's message. Refer to page 37 for a reconciliation of IFRS measures.

This annual report contains forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario). We caution readers not to place undue reliance on these statements as a number of factors could cause our results to differ materially from the beliefs, targets, outlooks, expectations, goals, estimates and intentions expressed in such forward-looking statements. Additional information about these factors is contained on page 9 under the heading "Forward-Looking Statements".

MESSAGE FROM THE CHAIR

John Honderich
Chair, Board of Directors

2019 marked the second complete year of the transformation and was forecast to be difficult as necessary expenditures, changes and restructuring were implemented.

The financial results do reflect this heavy investment period as the executive team led by President and Chief Executive Officer John Boynton strove to put the new strategy in place.

Under the transformation plan, a major effort has been undertaken to promote both digital registration and then digital subscription at our Daily Brands and Community Brands news products. By the end of the year, we had secured a total of nearly 80,000 digital-only and digital-plus-print subscriptions across all our brands. On Community registrations, we exceeded our target and ended the year with more than 280,000 registered users. As part of the transformation, we have added to our growing lineup of newsletters and ended the year with a total of approximately 600,000 newsletter recipients. As a result of these initiatives, Torstar now has a significant database of first-party data necessary to pursue our digital strategy. Industry experience has shown that paid subscriptions are significantly more likely to come from readers who have already registered for online access or signed up for newsletters.

Torstar also announced the appointment of Wayne Parrish as Senior Vice-President Editorial. A media executive with decades of service in the Canadian media, he will be responsible for the overall implementation of the editorial transformation across Torstar.

The key to securing subscriptions is undoubtedly unique, high-quality journalism, which has been the hallmark of Torstar’s newspapers. In 2019 that tradition continued. At the 70th annual National Newspaper Awards, Torstar journalists won top prizes in three categories. Overall, Torstar journalists were finalists in 12 of the 21 categories. At the Ontario Newspaper Awards, which are open to newspapers outside Toronto, Torstar journalists won 10 first-place honors while Torstar reporters, editors and photographers were awarded 15 top prizes at the Ontario Community Newspaper Awards. This year also saw much greater collaboration among Torstar dailies resulting in superb reporting on such topics as healthcare, tainted water, the plight of international students attending Ontario post-secondary schools and Ontario doctors’ OHIP billings.

As part of the ongoing transformation process, the company undertook a host of cost-reduction measures. A significant part of these measures were layoffs and buyouts across all divisions. Over the years, one of Torstar’s greatest strengths has been its dedicated and loyal employees. We want to pay special tribute to those who have departed, acknowledging that their collective contribution will not be forgotten.

Finally, I would like to thank Torstar director Paul Weiss, who is stepping down after more than a decade of superb service both as a director and Chair of the Audit Committee. Torstar has benefitted very much from the dedication, diligence and strategic wisdom of all the board directors as the work of the transformation unfolds. Their collective oversight has been of great value.

TO OUR SHAREHOLDERS

John Boynton
President and Chief Executive Officer

2019 was a busy, challenging and critical year for the organization and our transformation journey.

While we experienced many challenges in 2019, we also achieved some critical and foundational success that will help us on our transformation journey in the coming years.

In 2019 we were again affected by the continuing decline in print advertising revenues and the trend for customers to receive their news and information on their smartphones or other mobile devices. That decline impacted us in many ways:

First, our financial results continued to reflect the negative impact of print advertising and flyer distribution declines. We are obviously unhappy with this trend. Second, we announced the closure of the printed editions of our free StarMetro commuter newspapers in Vancouver, Calgary, Edmonton, Halifax and Toronto due to falling print advertising revenues and the increased use of smartphones by our customers for their news and information. Third, we initiated a round of layoffs, buyouts and other cost-cutting measures across the business in order to keep our costs in line with our revenues.

The positive news was that we enjoyed a number of successes that provide encouraging signs that we are on the right path in transforming our company and adapting to the new digital and data-driven reality.

In 2018 we spent the first full year of our three-to-five-year transformation journey completing much of the detailed organizational restructuring and putting new data capabilities and technology platforms in place.

In 2019, we experienced the first full year of paid digital subscription offerings on thestar.com and single sign-on registration across all Community Brands news sites.

At the end of 2019 we had a total of almost 80,000 customers across all our Daily and Community brands with either a digital-only or a print-and-digital subscription. We are pleased with these numbers, especially given that we only launched digital subscriptions on thestar.com beginning in the fall of 2018. Indeed, some 40 news organizations globally have more than 100,000 digital subscribers, with many of these organizations having offered paid digital subscriptions for many years.

Also, we exceeded our 2019 target for digital registrations to our Community Brands news sites, ending the year with more than 280,000 registered users. In addition, our newsletter programs on thestar.com, regional dailies and our Community sites continue to show significant growth, with our reach totalling nearly 600,000 recipients by the end of 2019.

Through the subscription and registration programs we are adding value to our audiences by the collection and use of first-party data. Our data team has collected valuable data and executed almost 50 algorithms to drive the business and has made major inroads in organizing the data in order to improve the efficiency and performance of our digital advertising.

Such first-party data is critical in today's digital environment and is needed for both subscriptions and targeted advertising. For example, industry experience indicates that customers who have registered on a news website are significantly more likely to become paid subscribers than customers who do not register. On the advertising side, one of the key shifts is a move away from a reliance on third-party cookies and a demand for more first-party data. Torstar has begun to use its collection of first-party data for advertising purposes by introducing data-driven media mix recommendations to clients.

Another major positive step for Torstar in 2019 was the completion of the merger of the eight Torstar defined benefit pensions plans with the Colleges of Applied Arts & Technology (CAAT) Pension Plan, reducing the risk associated with our exposure to defined benefit pension liabilities. Also, as part of the merger, we replaced most of our defined contribution and Group RRSP plans with the CAAT defined benefit plan for eligible employees. The merger with the CAAT pension plan also replaces uncertain and more volatile funding of our defined benefit pension plans with a much more predictable monthly expense.

We are continuing to launch exciting transformation initiatives in 2020. These include introducing a suite of new digital marketing products and services aimed at small- to medium-sized businesses and launching an innovative digital-only news and information project that combines local news with contributions from community groups in areas underserved by mainstream media.

Importantly in 2019 our journalism continued to shine throughout the year. Overall, Torstar journalists won more than three dozen first-place national and Ontario newspaper editorial awards.

Our Daily and Community newsrooms collaborated on Vote2019 coverage, providing comprehensive coverage from the national leaders' campaigns to local ridings. In an unprecedented initiative, the Toronto Star arranged to have the leaders of the Liberals, Conservatives, NDP and Green Party meet at our offices with our journalists and answer online questions from readers across Canada.

Also, our publications undertook a series of ground-breaking investigations that followed in our tradition of great journalism. At the Toronto Star our journalists launched an expanded database of OHIP billings by Ontario doctors that gained widespread interest as did another major investigative project, the Tainted Water series that harnessed the journalism of the future through collaboration with journalism students across the country and with citizens who helped the series by taking part in water-quality tests. Also, the St. Catharines Standard teamed up with the Toronto Star on a series looking into the financial plight of international students in universities and colleges, and with The Hamilton Spectator on a series outlining changes to health-care systems across the region. Our Community editorial teams continue to refine their content strategy using data to identify content that is of most interest to our customers and that helps drive registrations and subscriptions. At Torstar, we continue to produce high-quality journalism that we believe is worth paying for.

On the regulatory front, encouraging developments occurred around the world and in Canada in 2019. Australia announced sweeping reforms to enhance the government's powers to enforce their regulation of global technology giants and stiffer codes of conduct between global technology giants, the media industry and consumers. In Europe, France, the United Kingdom and the European Parliament adopted similar measures, as well as approving taxation and copyright measures aimed at leveling the playing field with multinational technology giants. In Canada, the Competition Bureau made a public call for information about "conduct in the digital economy that may be harmful to competition." It made the call as part of increased scrutiny of anti-competitive conduct in digital markets. Also, the federal Liberals promised to take a more forceful approach to taxing foreign technology giants on the advertising revenue they generate in Canada. As well as increasing oversight of multinational technology giants, we urge the federal, provincial and local governments to advertise with Canadian media companies to help support Canadian news gathering and publication. Such action would help Canadian news organizations to better compete with large multinational firms.

OPERATING RESULTS

Torstar's overall results in 2019 were affected by the continued pressures on print advertising and flyer distribution.

We ended the year with $42.2 million of cash and cash equivalents, $8.2 million of restricted cash, and no bank indebtedness. Cash used in operating activities was $9.9 million in 2019 compared to cash generated by operating activities in 2018 of $14.4 million. Our cash balance does not include the receipts of approximately $20 million in digital media tax credits and approximately $25 million from the sale of The Hamilton Spectator building, which both occurred after the year-end.

Our adjusted EBITDA including joint ventures and VerticalScope was $50.3 million in 2019, a decrease of $10.5 million from the prior year and included the benefit of $36.9 million of digital media and journalism tax credits. 2018 included the benefit of $23.9 million of digital media tax credits. Operating revenue was $479.0 million in 2019, down $64.4 million, or 12%, relative to 2018.

Our Community Brands operating segment is a diversified media business that has more than 70 community newspapers, numerous digital operations, a large flyer distribution network as well as magazines and consumer shows. Adjusted EBITDA in 2019 was $30.3 million, which included $18.2 million of tax credits. Excluding the tax credits and the impact of a change in accounting for leases, adjusted EDITDA was $12.1 million, down $13.6 million from prior year. Operating revenue was $225.5 million compared to $257.0 million in 2018. Digital revenue was comparable to 2018 reflecting continued growth in local digital advertising offset by declines in properties in other digital verticals. The flyer distribution category, representing 37% of the Community Brands revenue base, declined by 12% in 2019.

Our Daily Brands segment includes the Toronto Star, The Hamilton Spectator, Waterloo Region Record, St. Catharines Standard, Niagara Falls Review, Welland Tribune and Peterborough Examiner daily newspapers as well as each of their respective websites, The Kit and some of our digital properties. The Daily Brands segment also included our StarMetro free daily newspapers across Canada until December 20, 2019. This segment reported adjusted EBITDA of $9.3 million in 2019 and included $18.7 million of tax credits. Excluding the tax credits and the impact of the change in accounting for leases, adjusted EBITDA was a loss of $9.4 million, down $11.0 million from prior year. Revenues were $243.3 million, down $28.4 million, or 10%, primarily the result of lower print advertising revenues. Subscriber revenues, which represent approximately 50% of the Daily Brands' total revenue in 2019, grew 1% relative to 2018. Digital advertising revenues fell 1% compared to 2018 and reflected growth at the regional daily websites offset by a decrease in digital advertising revenues at the Toronto Star.

VerticalScope operates more than 1,500 user forums and premium content sites across North America in verticals such as automotive, power sports, outdoors, home and health. Our proportionate share of VerticalScope's adjusted EBITDA was $20.5 million in 2019, down $3.4 million or 14% compared to 2018, reflecting lower operating revenue partly offset by lower salary and benefits costs and other operating costs partially as a result of the integration of prior year acquisitions. Adjusted EBITDA at VerticalScope as a percentage of operating revenue was 47% in 2019. Operating revenue in 2019 was down 12% from 2018.

Torstar also has minority investments in associated businesses, including an approximate 15% equity investment in Blue Ant Media Inc., an independent media company, as well as an approximate 19% interest in Black Press Ltd., a company that publishes more than 150 titles in print and online in Canada and the U.S.

OUR GREATEST STRENGTH

We are fortunate to have talented and dedicated employees at all levels of our company, with some of the best people in their chosen field anywhere in Canada, and in some cases anywhere in the world.

Guiding these employees is our outstanding executive leadership team including Lorenzo DeMarchi, our Executive Vice-President of Torstar and Chief Financial Officer; Marie Beyette, Senior Vice-President, General Counsel and Corporate Secretary; Jennifer Barber, Senior Vice-President, Finance and CFO Community and Daily News Brands; Ian Oliver, Executive Vice-President of Torstar and President of Community Brands and Operations; Neil Oliver, Executive Vice-President and President of Daily News Brands; Pary Bell, Senior Vice-President of Commercial Products and Sales Operations; Angus Frame, Senior Vice-President, Digital Product Management and Digital Product Development; Pam Laycock, Senior Vice-President, Transformation and Strategy; Anna Marie Menezes, Vice-President, Customer Revenue and Lifecycle Management; Kelly Bird, Senior Vice-President, Human Resources; Geoff Wright, Vice-President, Content Strategy; John Souleles, Chief Data Officer, and Wayne Parrish, Senior Vice-President, Editorial, who joined Torstar in January, 2020. We also benefit from the leadership of Rob Laidlaw, the founder and CEO at VerticalScope.

I would also like to acknowledge the support and counsel I received as CEO from our Chair, John Honderich, and all the members of the Board of Directors in the past year. I look forward to their wise counsel as we continue our transformation journey.

The quality of our employees, the strength of our leadership team, the diversity of our businesses and our commitment to transforming Torstar give me confidence that we can continue to transform and build our company to compete in today's digital, data- and mobile-driven world.

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NOTES

For the year ended December 31, 2019

The following management's discussion and analysis ("MD&A") of Torstar Corporation's ("Torstar", "we", "our" or the "Company") operations and financial position is supplementary to, and should be read in conjunction with, the audited Consolidated Financial Statements of Torstar Corporation for the year ended December 31, 2019 (the "2019 Consolidated Financial Statements").

We report our financial results under International Financial Reporting Standards ("IFRS") as set out in the CPA Canada Standards and Guidance Collection. All financial information contained in this MD&A and in the 2019 Consolidated Financial Statements has been prepared in accordance with IFRS, except for certain "non-IFRS Measures" as described in Section 14 of this MD&A. Per share amounts are calculated using the weighted average number of shares outstanding for the applicable period. The Company has three reportable operating segments: Community Brands (or "Communities"), Daily Brands (or "Dailies") and Digital Ventures.

This MD&A is dated February 25, 2020 and all amounts are in Canadian dollars unless otherwise noted.

Additional information relating to Torstar, including our Annual Information Form, is available on our website at www.torstar.com and on SEDAR at www.sedar.com.

Forward-looking statements

Certain statements in this MD&A and in the Company's oral and written public communications may constitute forward-looking statements that reflect management's expectations regarding the Company's future growth, financial performance and business prospects and opportunities as of the date of this MD&A. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate", "believe", "plan", "forecast", "expect", "estimate", "goal", "predict", "intend", "would", "could", "if", "may" and similar expressions. This MD&A includes, among others, forward-looking statements regarding expectations regarding our transformation efforts, including our efforts to stabilize our core business, develop a more balanced mix of revenue streams, obtain and grow digital subscription and advertising revenue, add value to our audiences and collect and use data, reduce costs and identify efficiencies to offset key future expenditures, recognize value in investments and assets outside of our core business and increase shareholder value, deepen our digital relationship and engagement with consumers, and better serve our advertising clients in Sections 1 and 5 of this MD&A, expectations related to the closure of our Hamilton printing and mailroom operations (including associated restructuring charges and cost savings, and our agreement to sell the Hamilton property) in Sections 2, 3 and 5 of this MD&A, expected savings including savings from restructuring initiatives and other cost reductions in Sections 2, 3, 4 and 5 of this MD&A, expectations relating to anticipated eligibility and benefits related to the new refundable labour tax credit for qualifying journalism organizations and the anticipated timing and amount of digital media tax credits in Sections 2, 3, 4, 5, 6 and 13 of this MD&A, expectations related to the merger of our defined benefit pension plans with the Colleges of Applied Arts & Technology ("CAAT") jointly sponsored defined benefit pension plan (including the expected benefits of the transaction, expected funding and expenses for registered defined benefit obligations and contributions to the CAAT Plan, and expected reimbursements) in Sections 2, 3, 4, 6, and 8 of this MD&A, estimates and expectations relating to impairment of assets in Sections 3, 4, 9, 12 and 13 of this MD&A, estimates and expectations relating to contingent liabilities in Sections 4 and 13 of this MD&A, Torstar's outlook for 2020, including anticipated revenue trends within the Daily and Community Brands segments, anticipated technological changes, revenue, traffic and user engagement trends, Adjusted EBITDA margins and cash flow at VerticalScope, and anticipated capital and operating expenditures in Section 5 of this MD&A, expectations regarding cash flows, forecasted cash requirements, potential measures to increase liquidity and capital resources, and the Company's dividend policy in Section 6 of this MD&A, expectations regarding the costs, obligations, contributions, return on plan assets, discount rates, health care cost trends, required funding (and potential reimbursement), solvency liabilities and other expectations related to employee future benefit obligations in Section 8 of this MD&A, expectations described in connection with critical accounting policies and estimates and judgements in Section 9 of this MD&A, expectations regarding recent accounting pronouncements in Section 10 of this MD&A and expectations regarding risks and uncertainties in Section 16 of this MD&A. All such statements are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. These statements reflect current expectations of management regarding future events and operating performance, and speak only as of the date of this MD&A. In addition, forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

By their very nature, forward-looking statements require management to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that management's assumptions may not be accurate and that actual results, performance or achievements may differ significantly from such predictions, forecasts, conclusions or projections expressed or implied by such forward-looking statements. We caution readers not to place undue reliance on the forward-looking statements in this MD&A as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, outlooks, expectations, goals, estimates or intentions expressed in the forward-looking statements.

These factors include, but are not limited to:
-the Company's ability to operate in highly competitive changing industries;
-the Company's ability to compete with digital media, global technology giants, other newspapers and other forms of media;
-the Company's ability to respond to the shift to digital media and the shift by advertisers to other digital platforms;
-the Company's ability to meet challenges in the digital advertising market;

-the Company’s ability to adapt to new digital platforms and the increasing prominence of mobile;
-the Company’s ability to attract, grow and retain its digital audience and profitably develop its digital platforms;
-the Company’s ability to compete effectively for content, audience and readership;
-the Company's ability to charge for news content used by search, social media and other technology companies;
-the Company’s ability to attract and retain advertisers and customers;
-the Company’s ability to attract and retain readers and traffic;
-the Company’s ability to build and maintain adequate subscription levels;
-the Company’s ability to integrate the technology associated with new digital platforms;
-general economic conditions and customer prospects in the principal markets in which the Company operates;
-the Company’s ability to reduce costs;
-loss of reputation;
-dependence on third party suppliers and service providers;
-reliance on technology and information systems;
-cybersecurity, data protection and risks of security breaches;
-investments in other businesses;
-the Company’s ability to execute appropriate strategic growth initiatives and transformation plans (including acquisitions and dispositions);
-unexpected costs or liabilities related to acquisitions and dispositions;
-labour disruptions;
-reliance on printing operations;
-newsprint costs;
-distribution costs;
-privacy, anti-spam, communications, competition, consumer protection, advertising/marketing, distribution, e-commerce, data use and environmental laws, health and safety regulations and other laws and regulations applicable generally to the Company’s businesses, and any related regulatory proceedings;
-litigation;
-changes in employee future benefit obligations;
-dependence on and competition for key personnel;
-foreign exchange fluctuations and foreign operations;
-availability of insurance;
-income tax, other tax credits and government grants;
-intellectual property rights and other content risks;
-credit risk;
-availability of capital and restrictions imposed by credit facilities;
-controls over financial reporting, results of impairment tests and uncertainties associated with critical accounting estimates
-dividend policy;
-thin trading and maintenance of public listing of our Class B shares;
-market price for our Class B shares;
-sales of shares by our directors or executive officers;
-holding company structure;
-control of the Company by the Voting Trust; and
-the ultimate outcome of the Hamilton property sale transaction including the risks that one or more of the conditions to closing of the transaction may not be satisfied, the transaction could be modified or restructured or the transaction may not close.

Torstar cautions that the foregoing list is not exhaustive of all possible factors, as other factors could adversely affect Torstar’s results. In addition, a number of assumptions, including those assumptions specifically identified throughout this MD&A, were applied in making the forward-looking statements set forth in this MD&A which the Company believes are reasonable as of the date of this MD&A. Some of the key assumptions include, without limitation, assumptions regarding the performance of the North American economies; tax laws; continued availability of printing operations; availability of financing on appropriate terms; exchange rates; market conditions and competition; rates of return and discount rates relating to pension expense and pension plan obligations; discount rates and trends in healthcare costs relating to post employment benefits; expected future revenues; expected future liabilities; expected future cash flows and discount rates relating to valuation of intangible assets; successful development and launch of strategic initiatives and new products; expected benefits from the Company's sale of the land and building located in Hamilton, Ontario; and expected benefits from the transaction with CAAT. There is a risk that some or all of these assumptions may prove to be incorrect. There is no assurance regarding the amount and timing of future dividends. When relying on our forward-looking statements to make decisions with respect to the Company and its securities, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not intend, and disclaims any obligation, to update any forward-looking statements, whether written or oral, or whether as a result of new information or otherwise, except as may be required by law.

Management's Discussion and Analysis – Contents

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1. Overview and Strategic Initiatives

A summary of our business and strategic initiatives

Torstar is a broadly based Canadian media company listed on the Toronto Stock Exchange (Symbol:TS.B). The Company has three reportable operating segments: Community Brands ("Communities"), Daily Brands ("Dailies") and Digital Ventures.

The Daily Brands include the daily Toronto Star newspaper and thestar.com, The Hamilton Spectator, the Waterloo Region Record, the St. Catharines Standard, the Niagara Falls Review, the Welland Tribune and the Peterborough Examiner daily newspapers, as well as each of their respective websites. The Dailies also include through a joint venture arrangement, Torstar's interest in the Chinese-language Sing Tao Daily and its related publications in Toronto, Vancouver and Calgary as well as wheels.ca, and other specialty publications and magazines and distribution services. Until December 20, 2019, the Dailies also included the English-language StarMetro free daily print newspapers published by Free Daily News Group Inc. (“Metro” or "StarMetro").

The Communities include more than 70 weekly community newspapers, digital properties (including homefinder.ca, save.ca, travelalerts.ca, and regional online sites, such as durhamregion.com) and flyer distribution operations. The Communities also include a number of specialty publications, directories and consumer shows.

Digital Ventures includes our 56% interest in VerticalScope Holdings Inc. ("VerticalScope") and includes eyeReturn Marketing Inc. (“eyeReturn”). Digital Ventures also included our joint venture interest in the company that operated Workopolis. On April 12, 2018, workopolis.com and related assets were sold to Recruit Holdings Co., Ltd.

Our investment in VerticalScope is classified as an associated business rather than a consolidated subsidiary or joint venture as a result of certain terms in the applicable shareholders’ agreement. VerticalScope is a Toronto-based vertically focused digital media company with expertise in programmatic advertising and which has approximately 230 employees and services the North American market through its network of user forums and premium content sites offering advertisers access to large audiences in popular verticals including automotive, powersports, outdoors, technology, home and health.

We also have several other investments in associated businesses, which at December 31, 2019 included a 19% equity investment in Black Press Ltd. (“Black Press”), a 15% equity investment in Blue Ant Media Inc. (“Blue Ant”), a 33% equity investment in Canadian Press Enterprises Inc. (“Canadian Press”) and an approximate 22% interest in Nest Wealth Asset Management Inc. ("Nest Wealth").

Black Press is a privately held company that publishes more than 150 titles in print and online in Canada and the U.S. and has operations in British Columbia, Alberta, the Yukon, Saskatchewan, Manitoba, Washington, California, Hawaii and Alaska.

Blue Ant is a privately held, international content producer, distributor and channel operator founded in 2011. Blue Ant creates content for multiple genres including factual, factual entertainment, short-form digital series and kids programming. Their distribution business offers a catalogue of 3,000+ hours of content, including the largest 4K natural history offering on the market, and their international channel business offers a portfolio of media brands.

Canadian Press operates The Canadian Press news agency.

Nest Wealth is an online investment portfolio manager in the financial technology sector.

Basis for MD&A Presentation

The operating results that are presented in Note 3 of the 2019 Consolidated Financial Statements include our proportionate share of joint venture operations and our 56% investment in VerticalScope as this is how management views and assesses the performance of each segment. As noted in Note 3 of the Consolidated Financial Statements, management monitors the operating results of the operating segments for the purpose of assessing performance, which includes the proportionately consolidated share of joint venture operations and our 56% interest in VerticalScope. Decisions regarding resource allocation are made at the reportable operating segment level.

However, for the purpose of this MD&A, the results set out below and presented on a by segment basis do not include our proportionate share of the operating results of our joint venture operations or our 56% investment in VerticalScope for the years ended December 31, 2019 and December 31, 2018. The results set out below only include the Communities and Dailies operating segments. We do not present or discuss the operating results of the Digital Ventures segment separately as this segment without the inclusion of VerticalScope is too small to be considered a reportable segment. The balance of the Digital Ventures segment, consisting of eyeReturn, is included in “Corporate & Other". The results set out in the discussion of the segments only include the Communities and Dailies operating segments. The balance of the Digital Ventures segment, consisting of eyeReturn, is included in “Corporate & Other".

Competitive Landscape and Strategic Initiatives

Our core operations have focused efforts on the execution of a multi-year transformation of our traditional news brands. At the core of this transformation, our mission is to profitably grow by delivering and engaging each paying customer with trusted news, information and content that is most relevant to their personal passions, needs and desire for positive change in our communities and businesses. Central to our strategy is the use of data as a key asset to fuel the growth of new digital subscription revenue streams and to enhance the value and performance of our digital audience to advertisers.

Our goal is to stabilize our core media business by developing a more balanced mix of operating revenue streams which include a large print subscriber and flyer distribution revenue base complemented by growing digital subscription and advertising revenue streams to mitigate declines we are experiencing in print advertising. Reducing costs through coordinated alignment of activities across our operating units will be an important element of the strategy to allow us to focus investment spending on areas most likely to generate future growth. Having reduced the risk associated with our exposure to our pension liability in 2019, we believe ensuring appropriate recognition of the value of investments and assets outside our fully owned businesses are important keys to increasing shareholder value in the future.

Noteworthy developments and progress related to our transformation plan thus far include:

- Launching of paid digital subscription offerings on thestar.com.
- Introducing single sign-on (user registration) on thestar.com and across all news sites within the Community Brands segment as a first step in adding value to our audiences through the enhanced collection and use of first party data.
- Launching of potential subscription models in the Community Brands segment and fully rolling out paid subscriptions in one test market.
- Strengthening our talent base and implementing foundational technologies in the areas of data infrastructure, advanced analytics capabilities and customer life cycle management capabilities.
- Completing the merger of the eight Torstar defined benefit pension plans (the “Torstar Plans”) with the Colleges of Applied Arts & Technology Pension Plan (the "CAAT Plan"), reducing the risk associated with our exposure to defined benefit pension liabilities

Refer to our Highlights of 2019 in Section 2 of this MD&A for our progress on each of the above noted initiatives.

As we look forward into 2020, our goal is to deepen our digital relationship and engagement with consumers as we strive to:

- Consistently grow our monthly paid digital only subscriber base to between 40,000 and 50,000 by the end of the year
- Almost double the number of print subscribers with digital access to our Daily News publications to over 90,000 by the end of the year
- End the year with between 300,000 and 400,000 registered users on our Community Brands news sites, up from 280,000 at the end of 2019

  Test 5 to 10 new digital only community sites across the country in areas not served by our traditional products

We are also focused on better serving our advertising clients and adding value to their digital and traditional marketing efforts by:

- introducing data driven media mix recommendations to our advertising clients
- introducing a suite of new digital marketing products and services aimed at small to medium sized businesses
- improving the efficiency and performance of our digital media through enhanced collection and use of first party data
- providing large clients and agencies with the ability to create custom audiences and campaigns across Torstar's digital properties

2. Highlights

Highlights for 2019 compared to 2018

(in $000's, except per share amounts)	2019	2018	Favourable (Unfavourable)
Operating revenues	$478,975	$543,391	($64,416)
Net loss from continuing operations	(51,920)	(38,045)	(13,875)
Per Share	*($0.64)*	*($0.47)*	*($0.17)*
Adjusted loss per share[1]	*($0.18)*	*($0.11)*	*($0.07)*
Operating profit (loss)[1]	(64,232)	(9,876)	(54,356)
Adjusted EBITDA including joint ventures and VerticalScope[1,2]	50,295	60,765	(10,470)

[1]These are non-IFRS or additional IFRS measures, refer to Section 14 of this MD&A.
[2] Includes proportionately consolidated share of joint ventures and VerticalScope's operations.

Highlights:

- We continued to make progress on the transformation of our business including digital subscription offerings, ending the year with almost 80,000 subscribers with digital access including almost 28,000 digital only subscribers to our Daily Brands news sites. We also have more than 200,000 registered users in our Daily Brands news sites.

- We now have over 280,000 registered users in the Community news sites and continue to evaluate potential subscription models in the Community Brands segment. In one test market, we have fully rolled out paid subscriptions and subscribers now represent approximately 18% of the homes where we deliver.

- In December 2019, we completed the transfer of assets from the Torstar Plans into the CAAT Plan following receipt of consent from the Financial Services Regulatory Authority of Ontario ("FSRA") for the merger. The transfer of assets was the final stage in completing the merger. The liabilities for all past benefits under the Torstar Plans have now been transferred and the CAAT Plan has assumed responsibility for all pension benefit payments under the Torstar Plans. We recorded a gain of $24.6 million in 2019 on the transfer of our defined benefit pension plans to the CAAT Plan.

- Effective December 20, 2019 we ceased publication of the printed editions of the StarMetro free daily newspaper in Toronto, Vancouver, Calgary, Edmonton and Halifax in order to both reduce costs and transition to a digital-only news service outside of Ontario.

- In the fourth quarter of 2019, we recorded a gain on sale of assets of $3.5 million primarily related to the sale of two real estate properties in Ontario for total cash proceeds of $5.7 million.

- In the third quarter of 2019, we sold our portfolio investments in Kensington Venture Fund, L.P. and 1760335 Ontario Inc. (Canadastays.com) and received total cash proceeds of $4.9 million.

- During the third quarter, we closed our Hamilton printing and mailroom operations used by the Hamilton Spectator which is expected to result in annualized net savings in the range of approximately $5 to $6 million. Printing work performed at the Hamilton facility was transitioned to TC Transcontinental Printing and other external printers as well as Torstar-owned facilities. In connection with this decision we also extended our printing arrangements with Transcontinental to 2024.

- In February 2020, we announced an agreement to sell the land and building used by the Hamilton Spectator, for a purchase price of $25.5 million. The agreement is subject to customary closing conditions and adjustments and the Company anticipates that the sale will be completed in the first quarter of 2020.

- During the first quarter of 2019, we entered into an agreement with Apple to provide Toronto Star content on Apple News+, Apple's new paid subscription service that launched in Canada and the United States on March 25, 2019. Under this agreement, we receive a share of Apple News+ subscriber revenue and can also sell advertising against our content on the Apple News+ platform.

- Ended 2019 with $42.2 million of cash and cash equivalents and $8.2 million of restricted cash; Torstar has no bank indebtedness.

- Our operating revenue was $479.0 million in 2019, down $64.4 million or 12% relative to 2018.

- Our net loss from continuing operations was $51.9 million ($0.64 per share) in 2019. This compares to a net loss from continuing operations of $38.0 million ($0.47 per share) in 2018. Our net loss in 2019 included $28.1 million of non-cash amortization and depreciation, $35.5 million of restructuring and other charges and $29.7 million of non-cash impairment charges, partially offset by a gain of $24.6 million on the transfer of our defined benefit pension plans to the CAAT Plan. Our net loss in 2018 included $26.9 million of non-cash amortization and depreciation, $17.5 million of restructuring and other charges and $8.0 million of non-cash impairment charges related to our investment in joint ventures.

- Our Adjusted EBITDA including joint ventures and VerticalScope (see "non-IFRS measures" in Section 14) was $50.3 million in 2019 and included the benefit of $36.9 million of digital media and journalism tax credits (2018 - $23.9 million). Excluding the tax credits and the impact of a change in accounting for leases effective January 1, 2019, Adjusted EBITDA including joint ventures and VerticalScope was down $27.8 million in 2019, with the Daily Brands down $11.0 million and Community Brands down $13.6 million. These declines primarily reflected lower print advertising and flyer distribution revenues which were only partially offset by the benefits of savings from restructuring and other cost reduction initiatives. Our proportionate share of VerticalScope's Adjusted EBITDA was $20.5 million, down $3.4 million compared to 2018, resulting from lower operating revenues associated with year over year declines in search related traffic and the transition to a new technology platform which were only partially offset by lower salaries and benefits and other cost reductions.

- Adjusted loss per share (see "non-IFRS measures" in Section 14) was $0.18 in 2019 compared to adjusted loss per share of $0.11 in 2018. Adjusted loss per share in 2019 included a $0.35 per share effect of amortization and depreciation.

The following chart provides a continuity of earnings (loss) per share from the year ended December 31, 2018 to the year ended December 31, 2019:

	Earnings (Loss) Per Share	Adjusted Earnings (Loss) Per Share *
Loss per share from continuing operations attributable to equity shareholders in 2018	**($0.47)**	**($0.11)**
Changes		
• Adjusted EBITDA*	(0.07)	(0.07)
• Amortization and depreciation	(0.01)	(0.01)
• Restructuring and other charges	(0.22)	
• Impairment of assets	(0.37)	
• Non-cash foreign exchange	0.03	
• Income (loss) from joint ventures and associated businesses	0.12	
• Other income	0.34	
• Other	0.01	0.01
Loss per share attributable to equity shareholders in 2019	**($0.64)**	**($0.18)**

*These are non-IFRS or additional IFRS measures, refer to Section 14 of this MD&A.

3. Annual Operating Results

A discussion of our operating results for 2019 and 2018

Unless otherwise noted, the following is a discussion of our 2019 operating results relative to 2018. We have three reportable operating segments to which Corporate costs have not been allocated. Management of the segments are accountable for the operating revenues, Adjusted EBITDA and operating profit (loss) of the segments.

The operating results that are presented in Note 3 of the 2019 Consolidated Financial Statements include our proportionate share of joint venture operations and our 56% investment in VerticalScope as this is how management views and assesses the performance of each segment. As noted in Note 3 of the Consolidated Financial Statements, management monitors the operating results of the operating segments for the purpose of assessing performance, which includes the proportionately consolidated share of joint venture operations and our 56% interest in VerticalScope. Decisions regarding resource allocation are made at the reportable operating segment level.

However, for the purpose of this MD&A, the results set out in the tables below and presented on a by segment basis do not include our proportionate share of the operating results of our joint venture operations or our 56% investment in VerticalScope for the years ended December 31, 2019 and December 31, 2018. The results set out in the tables below only include the Communities and Dailies operating segments. We do not present or discuss the operating results of the Digital Ventures segment separately as this segment without the inclusion of VerticalScope is too small to be considered a reportable segment. The balance of the Digital Ventures segment, consisting of eyeReturn, is included in “Corporate & Other".

2019				
(in $000's)	**Communities**	**Dailies**	**Corporate and Other**	**Total Per Consolidated Statement of Loss**
Operating revenue	$225,538	$243,262	$10,175	$478,975
Salaries and benefits[1]	(93,679)	(75,676)	(10,252)	(179,607)
Share based compensation	304	97	(275)	126
Other operating costs	(101,894)	(158,418)	(9,908)	(270,220)
Adjusted EBITDA*	30,269	9,265	(10,260)	29,274
Amortization & depreciation	(14,205)	(10,182)	(3,743)	(28,130)
Share based compensation	(304)	(97)	275	(126)
Restructuring and other charges	(10,261)	(25,244)	(18)	(35,523)
Impairment of assets	(21,540)	(8,187)		(29,727)
Operating profit (loss)*	($16,041)	($34,445)	($13,746)	($64,232)

2018				
(in $000's)	**Communities**	**Dailies**	**Corporate and Other**	**Total Per Consolidated Statement of Loss**
Operating revenue	$257,015	$271,628	$14,748	$543,391
Salaries and benefits[2]	(123,138)	(83,811)	(12,347)	(219,296)
Share based compensation	391	63	(259)	195
Other operating costs	(111,078)	(164,211)	(14,208)	(289,497)
Adjusted EBITDA*	23,190	23,669	(12,066)	34,793
Amortization & depreciation	(11,662)	(12,402)	(2,885)	(26,949)
Share based compensation	(391)	(63)	259	(195)
Restructuring and other charges	(9,610)	(7,752)	(163)	(17,525)
Operating profit (loss)*	$1,527	$3,452	($14,855)	($9,876)

[1]Salaries and benefits in 2019 included the recovery of $30.1 million and $6.8 million of digital media and journalism tax credits respectively ($15.9 million and $2.3 million in the Communities segment, respectively and $14.2 million and $4.5 million in the Dailies segment respectively).
[2]Salaries and benefits in 2018 included the recovery of $23.9 million of digital media tax credits ($0.5 million in the Communities segment and $23.4 million in the Dailies segment.
*These are non-IFRS or additional IFRS measures, refer to Section 14 of this MD&A

Operating revenue

Operating revenue was down $64.4 million or 12% in 2019. Subscriber revenues increased 1%, reflecting growth in digital subscription revenues offset by modest declines in print subscriber revenues. Print advertising revenues were down 21% and flyer distribution revenues were down 12% from prior year.

Digital advertising revenue decreased 8% in 2019, reflecting continued solid growth in local digital advertising within the community websites and growth in other digital revenue streams at the Star offset by declines at eyeReturn marketing and other digital properties. Digital advertising revenues were 13% of total operating revenues in 2019 and 12% of total operating revenues in 2018.

The following charts provide a breakdown of operating revenue for 2019 and 2018 (in $000's):

	Communities		Dailies		Corporate and Other		Total Consolidated	
Year ended December 31, 2019	**$**	%	**$**	%	**$**	%	**$**	%
Print advertising	**$80,964**	**36%**	**$74,100**	**30%**			**$155,064**	**32%**
Digital advertising	**24,949**	**11%**	**25,199**	**10%**	**$10,175**	**100%**	**60,323**	**13%**
Flyer distribution	**84,406**	**37%**	**19,174**	**8%**			**103,580**	**22%**
Print and digital subscriber	**434**		**119,243**	**49%**			**119,677**	**25%**
Other	**34,785**	**16%**	**5,546**	**3%**			**40,331**	**8%**
Total	**$225,538**	**100%**	**$243,262**	**100%**	**$10,175**	**100%**	**$478,975**	**100%**

	Communities		Dailies		Corporate and Other		Total Consolidated	
Year ended December 31, 2018	**$**	%	**$**	%	**$**	%	**$**	%
Print advertising	$99,375	39%	$97,671	36%			$197,046	36%
Digital advertising	25,084	10%	25,848	10%	$14,748	100%	65,679	12%
Flyer distribution	95,531	37%	21,573	8%			117,104	22%
Print and digital subscriber	460		118,004	43%			118,465	22%
Other	36,565	14%	8,532	3%			45,097	8%
Total	$257,015	100%	$271,628	100%	$14,748	100%	$543,391	100%

Salaries and benefits

Salaries and benefits costs were $179.6 million in 2019 and included the benefit of $30.1 million of digital media tax credits (2018 - $23.9 million) and $6.8 million in respect of a refundable labour tax credit for qualifying journalism organizations (2018 - $nil). The digital media tax credits represent recoveries of previously incurred salary and benefit costs and are related to claims made in respect of prior years for a program for which we were no longer eligible after April 2015. The tax credit for qualifying journalism organizations is a new refundable labour tax credit for qualifying journalism organizations that was approved as part of the federal budget on June 21, 2019.

Excluding the digital media and journalism tax credits (together referred to as "tax credits"), salaries and benefit costs in 2019 were down $26.7 million or 11% largely reflecting $20.7 million of lower costs associated with the benefit of savings from restructuring initiatives as well as $4.3 million of lower pension expense.

Other operating costs

Other operating costs primarily consist of circulation/flyer distribution costs, newsprint costs and other production costs which represented 43%, 11% and 13% respectively of other operating costs in 2019.

Other operating costs were down $19.3 million or 7% in 2019. Of these decreases, $4.4 million were due to the change in accounting for leases as part of the adoption of IFRS 16 *Leases* effective January 1, 2019. The remaining decrease in other operating costs was the result of lower print volumes and the impact of other cost reductions.

Adjusted EBITDA

Our Adjusted EBITDA was $29.3 million in 2019, down $5.5 million relative to the prior year and included the benefit of $36.9 million of tax credits (2018 - $23.9 million). Excluding the impact of the tax credits as well as the change in accounting for leases, our Adjusted EBITDA loss was $7.6 million in 2019 compared to Adjusted EBITDA of $15.3 million in 2018, with the Daily Brands down $11.0 million, Community Brands down $13.6 million, and Corporate and Other improved by $1.7 million. These declines primarily reflected lower print advertising and flyer distribution revenues which were only partially offset by the benefits of savings from restructuring and other cost reduction initiatives.

Adjusted EBITDA including joint ventures and VerticalScope

The following table provides a summary of Adjusted EBITDA including our proportionately consolidated share of Adjusted EBITDA for our joint venture operations and 56% interest in VerticalScope.

Adjusted EBITDA*		
	Twelve months ended December 31	
	2019	2018
Adjusted EBITDA*	**$29,274**	$34,793
Joint ventures - Adjusted EBITDA*	**514**	2,057
VerticalScope - Adjusted EBITDA* (56%)	**20,507**	23,915
Adjusted EBITDA including joint ventures and VerticalScope*	**$50,295**	$60,765

*These are non-IFRS measures, refer to Section 14 of this MD&A

As indicated in Note 3 of the Consolidated Financial Statements, we manage the performance of our operating segments including our proportionately consolidated share of joint ventures and VerticalScope. Our Adjusted EBITDA including joint ventures and VerticalScope was $50.3 million in 2019, down $10.5 million relative to the prior year and included the benefit of $36.9 million of tax credits (2018 - $23.9 million). Excluding the benefit of these tax credits and the impact of the change in accounting for leases, Adjusted EBITDA including joint ventures and VerticalScope was $13.4 million in 2019, down $27.8 million relative to 2018. Our proportionate share of Adjusted EBITDA at VerticalScope was $20.5 million in 2019, representing a decrease of $3.4 million or 14% compared to 2018 (16% in U.S. dollars) resulting from lower operating revenues associated with year over year declines in search related traffic and the transition to a new technology platform which were only partially offset by lower salaries and benefits and other cost reductions.

Amortization and depreciation

Amortization and depreciation expense increased by $1.2 million in 2019 to $28.1 million reflecting $5.6 million of higher amortization as a result of the change in accounting for leases was which was effective January 1, 2019 partially offset by lower amortization and depreciation at the Daily and Community Brands.

Restructuring and other charges

Restructuring and other charges were $35.5 million in 2019, and are expected to result in annualized net savings of $41.3 million ($9.6 million of which were realized in 2019). This has resulted in the reduction of approximately 640 positions. Total restructuring and other charges of $17.5 million were recorded in 2018.

We have undertaken several restructuring initiatives for a number of years in order to reduce our ongoing operating costs. At December 31, 2019, our liability for payments in respect of these restructuring initiatives was $30.1 million (2018 - $18.0 million). The following chart provides a year-over-year summary of the realized and expected net savings by year:

	Year of Initiative			
(in $000's)	**2017**	**2018**	**2019**	**Total**
Realized net savings in:				
2017	$12,100			$12,100
2018	9,900	$8,700		18,600
2019		11,100	$9,600	20,700
Expected net savings in:				
2020		100	31,700	31,800
Annualized net savings	$22,000	$19,900	$41,300	$83,200

Impairment of assets

In 2019, we incurred non-cash impairment charges of $21.5 million in the Community Brands segment and $8.2 million in the Daily Brands segment. These charges have no impact on cash flows.

As a result of the challenges presented by the continued structural changes in the advertising industry, including uncertainty in the print advertising market and dominance of the rapidly evolving digital market by global technology giants, we performed impairment tests on the carrying value of property, plant and equipment and intangible assets in the Daily Brands and Community Brands segment. As a result of this testing, we determined that the carrying value of the property, plant and equipment and intangible assets in the Community Brands segment exceeded its recoverable amount and accordingly, we recorded a non-cash impairment charge of $13.1 million in the Community Brands segment in respect of property, plant and equipment and $8.4 million in respect of intangible assets. In addition, we determined that the carrying value of intangible assets in the Daily Brands segment exceeded its recoverable amount, and accordingly, we recorded a non-cash impairment charge of $8.0 million in respect of intangible assets in the Daily Brands segment.

Operating profit (loss)

The higher operating loss in 2019 was primarily the result of the above noted changes in Adjusted EBITDA combined with higher non-cash impairment charges and higher restructuring and other charges.

Loss from joint ventures

Loss from joint ventures was $0.2 million in 2019 and $5.4 million in 2018. The loss from joint ventures in 2018 included non-cash impairment charges of $8.0 million related to our joint venture investment in Sing Tao. The loss from joint ventures in 2018 also included a $3.7 million gain on the sale of Workopolis.com and related assets that were sold in April 2018 as well as $1.8 million of restructuring charges related to the closure of the remaining Workopolis business following the sale.

During the fourth quarter of 2018, we concluded that there were indicators of impairment for our joint venture investment in Sing Tao Daily resulting from lower forecasted operating revenues that reflect challenges in the print advertising market. In carrying out the impairment test, we determined that the carrying amount of the joint venture investment in Sing Tao Daily exceeded its value in use ("VIU") and accordingly, we recorded an impairment charge of $8.0 million. These charges did not have any impact on cash flows.

Loss from associated businesses

Loss from associated businesses was $16.2 million in 2019 compared to a loss of $20.4 million in 2018. The loss from associated businesses was heavily influenced by VerticalScope's amortization and depreciation policy related to acquisitions.

The 2019 loss included income of $1.0 million from Black Press offset by a loss of $1.6 million from Blue Ant and a loss of $15.0 million from VerticalScope. The 2019 loss from VerticalScope included $33.1 million of non-cash amortization and depreciation expense. The 2018 loss included income of $2.3 million from Black Press offset by a loss of $1.3 million from Blue Ant and a loss of $20.7 million from VerticalScope. The 2018 loss from VerticalScope included $38.9 million of non-cash amortization and depreciation expense and $2.3 million of acquisitions related expense.

Our share of Black Press' net income was $1.0 million in 2019 (income of $2.3 million in 2018), representing Black Press' results through November 30, 2019. Black Press has a February fiscal year end and therefore does not have a coterminous year-end with us.

Our share of Blue Ant's net loss was $1.6 million in 2019 (loss of $1.3 million in 2018) representing Blue Ant's results through November 30, 2019 which included dilution gains of $0.3 million ($0.4 million in 2018). Our equity interest in Blue Ant was 15% at the end of 2019 comparable with our equity interest at the end of 2018. Blue Ant has an August fiscal year end and therefore does not have coterminous year-end with us.

We did not record any income or loss during 2019 or 2018 in respect of our investment in Canadian Press as the carrying value had previously been reduced to $nil. We will begin to report our share of Canadian Press' results once the unrecognized losses, including Other Comprehensive Income ("OCI") losses ($0.6 million as of December 31, 2019) have been offset by net income or OCI. For the year ended December 31, 2019, we would have reported a net income of $3.5 million, which included a gain on transfer of their employee benefits obligations to CAAT, and other comprehensive income of $1.8 million from Canadian Press (2018 – loss of $0.1 million and other comprehensive loss of $0.5 million).

Investment in VerticalScope

We own a 56% interest in VerticalScope. Our investment in VerticalScope is accounted for as an associated business using the equity method as a result of certain terms in the Shareholder's Agreement. The following is summarized supplemental information for VerticalScope for the year ended December 31, 2019, including our fair value adjustments on acquisition of the investment. Given that this investment is accounted for as an equity investment, the information provided in the following table are non-IFRS measures but include a reconciliation to the IFRS measure calculated using the equity method.

VerticalScope Results		
	Twelve months ended December 31	
	2019	2018
Operating revenue (100%)	**$77,563**	$88,558
Salaries and benefits (100%)	**(25,522)**	(28,706)
Share based compensation (100%)	**1,676**	2,861
Other operating costs (100%)	**(17,376)**	(20,333)
Adjusted EBITDA (100%)	**36,341**	42,380
Amortization & depreciation (100%)	**(58,641)**	(68,993)
Share based compensation (100%)	**(1,676)**	(2,861)
Restructuring and other charges (100%)	**(437)**	(1,368)
Operating profit (loss) (100%)	**($24,413)**	($30,842)
Net Loss (100%)	**($26,517)**	($36,684)
Our equity share	**56%**	56%
Loss from associated business (56%)	**($14,964)**	($20,701)

VerticalScope's operating revenue in 2019 was $77.6 million, down 12% (14% in U.S. Dollars). Operating revenues continue to be affected by year over year declines in search related traffic and ongoing transition of user forums to a new technology platform. As at December 31, 2019, VerticalScope has migrated over 300 sites, representing approximately 35% of forum traffic.

VerticalScope’s Adjusted EBITDA was $36.3 million in 2019, down $6.0 million or 14% relative to 2018 reflecting lower operating revenue partially offset by lower salary and benefits costs and other operating costs partially as a result of the integration of prior year acquisitions. Adjusted EBITDA at VerticalScope as a percentage of operating revenue was 47% in 2019.

VerticalScope’s operating loss was $24.4 million in 2019 compared to an operating loss of $30.8 million in 2018. This decrease was largely the result of $10.4 million of lower amortization and depreciation expense partially offset by the impact of lower Adjusted EBITDA noted above.

During 2019, VerticalScope generated U.S. $17.9 million of cash from operations and made debt repayments of U.S. $16.5 million. VerticalScope's debt, net of cash, decreased U.S. $9.8 million from U.S. $118.4 million at December 31, 2018 to U.S. $108.6 million at December 31, 2019.

Other income

Other income was $28.6 million in 2019 compared to $0.3 million in 2018. Other income in 2019 included a gain of $24.6 million related to the transfer of the Torstar Plans' pension assets and liabilities for all past benefits to the CAAT Plan as well as a gain of $3.5 million related to the sale of two real estate properties in Ontario. See Section 8 of this MD&A for further discussion. Other income in 2018 also related to a gain on the sale of a real estate property.

Net loss from continuing operations

Our net loss from continuing operations was $51.9 million ($0.64 per share) in 2019. This compares to a net loss from continuing operations of $38.0 million ($0.47 per share) in 2018. Our net loss in 2019 included $28.1 million of non-cash amortization and depreciation, $35.5 million of restructuring and other charges and $29.7 million of non-cash impairment charges, partially offset by a gain of $24.6 million on the transfer of our defined benefit pension plans to CAAT. Our net loss in 2018 included $26.9 million of non-cash amortization and depreciation, $17.5 million of restructuring and other charges and $8.0 million of non-cash impairment charges related to our investment in joint ventures.

Segment Operating Results – Community Brands

Operating revenues
Operating revenues in the Community Brands segment were down $31.5 million or 12% in 2019. Local print advertising revenues, which represented 26% of the Community Brands' operating revenues, were down 16% in 2019. National print advertising revenues, which represent only approximately 3% of the Community Brands' overall operating revenue, were down 32% in 2019. Flyer distribution revenues which represented approximately 37% of the Community Brands' total operating revenue in 2019 were down 12% in 2019.

Digital advertising revenue in the Community Brands segment in 2019 was comparable to 2018 reflecting continued strong growth in local digital advertising revenues offset by continued declines in properties in other digital verticals.

Salaries and benefits costs
The Community Brands' salaries and benefits costs included $18.2 million of tax credits (2018 - $0.5 million). Excluding these tax credits, salaries and benefits costs were down $11.7 million (9%) in 2019 largely reflecting the benefit of $11.9 million of cost savings from restructuring initiatives.

Other operating costs
The Community Brands' other operating costs were down $9.2 million or 8% in 2019, $3.0 million of which was related to the change in accounting for leases. The remaining decrease in other operating costs was largely the result of volume related reductions in circulation and flyer distribution costs, lower newsprint consumption, and other cost reductions.

Adjusted EBITDA
The Community Brands' Adjusted EBITDA was $30.3 million, which included $18.2 million of tax credits (2018 - $0.5 million). Excluding the tax credits and the impact of the change in accounting for leases, the Community Brands' Adjusted EBITDA was $12.1 million, down $13.6 million in 2019 reflecting lower operating revenues which were partially offset by savings related to restructuring initiatives as well as other cost reduction initiatives.

Operating profit (loss)
The Community Brands' higher operating loss in 2019 primarily reflected the above noted changes in Adjusted EBITDA combined with higher non-cash impairment charges.

Segment Operating Results – Daily Brands

Operating revenues
Operating revenue in the Daily Brands segment was down $28.4 million or 10% in 2019. Subscriber revenue, which represented approximately half of the Daily Brands' operating revenue, grew 1% in 2019, reflecting new and growing digital subscription revenue partially offset by a slight reduction in print subscription revenue.

The decrease in operating revenue in 2019 was primarily the result of lower print advertising revenues. Local print advertising revenues, which represented approximately 18% of the Daily Brands' total operating revenues in 2019, were down 19% relative to 2018. National print advertising revenues, which represented only 7% of the Daily Brands' total operating revenue, continued to be more challenged and were down 39% in 2019. Flyer distribution revenue, which represented approximately 8% of the Daily Brands' operating revenue, was down 11% in 2019.

Digital advertising revenues in the Daily Brands in 2019 were down 1% relative to 2018 and reflected lower digital advertising revenues at the Star partially offset by continued digital growth at other dailies.

Salaries and benefits costs
The Daily Brands' salaries and benefits costs were down $8.1 million or 10% in 2019 and included the benefit of $18.7 million of tax credits (2018 - $23.4 million). Excluding the tax credits, salaries and benefit costs decreased $12.9 million or 12% in 2019 reflecting $8.8 million of savings from restructuring initiatives, including the closure of the Hamilton printing and mailroom operations in the third quarter of 2019, and $2.9 million of lower pension expense.

Other operating costs
The Daily Brands other operating costs were down $5.8 million or 4% in 2019 including a $1.3 million decrease related to the change in accounting for leases. The underlying change in other operating costs reflected lower volume related circulation and distribution costs, lower newsprint consumption and other cost reductions partially offset by the new outsourcing costs resulting from the closure of the Hamilton printing and mailroom operations in the third quarter of 2019.

Adjusted EBITDA
The Daily Brands Adjusted EBITDA was $9.3 million in 2019, and included $18.7 million of tax credits (2018 - $23.4 million). Excluding the tax credits and the impact of the change in accounting for leases, Adjusted EBITDA for the Daily Brands segment was a loss of $9.4 million, down $11.0 million in 2019, largely reflecting lower print advertising and flyer distribution revenues which were partially offset by savings related to restructuring initiatives, lower pension expense as well as other cost reduction initiatives.

Operating profit (loss)
The Daily Brands' higher operating loss in 2019 reflected the above noted change in Adjusted EBITDA combined with higher restructuring and other charges and non-cash impairment charges partially offset by lower amortization and depreciation expense.

4. Fourth Quarter Operating Results

A discussion of our fourth quarter operating results

Overall Performance
Unless otherwise noted, the following is a discussion of our fourth quarter 2019 operating results relative to the fourth quarter of 2018. The results set out in the tables below and presented on a by segment basis do not include our proportionate share of the operating results of our joint venture operations or our 56% investment in VerticalScope for the three months ended December 31, 2019 and December 31, 2018. The results set out in the tables below only include the Communities and Dailies operating segments. We do not present or discuss the operating results of the Digital Ventures segment separately as this segment without the inclusion of VerticalScope is too small to be considered a reportable segment. The balance of the Digital Ventures segment, consisting of eyeReturn, is included in “Corporate & Other".

Fourth Quarter 2019				
(in $000's)	Communities	Dailies	Corporate and Other	Total Per Consolidated Statement of Loss
Operating revenue	$57,829	$63,046	$3,168	$124,043
Salaries and benefits[1]	(20,906)	(16,985)	(1,241)	(39,132)
Share based compensation	69	26	(1,005)	(910)
Other operating costs	(24,528)	(39,513)	(2,564)	(66,605)
Adjusted EBITDA*	12,464	6,574	(1,642)	17,396
Amortization & depreciation	(2,740)	(3,365)	(1,702)	(7,807)
Share based compensation	(69)	(26)	1,005	910
Restructuring and other charges	(2,567)	(12,815)		(15,382)
Impairment of assets		(8,187)		(8,187)
Operating profit (loss)*	$7,088	($17,819)	($2,339)	($13,070)

Fourth Quarter 2018				
(in $000's)	Communities	Dailies	Corporate and Other	Total Per Consolidated Statement of Loss
Operating revenue	$68,719	$71,736	$4,405	$144,860
Salaries and benefits [2]	(29,042)	(19,335)	(2,517)	(50,894)
Share based compensation	147	49	(645)	(449)
Other operating costs	(27,094)	(40,706)	(3,584)	(71,384)
Adjusted EBITDA*	12,730	11,744	(2,341)	22,133
Amortization & depreciation	(2,883)	(3,316)	(714)	(6,913)
Share based compensation	(147)	(49)	645	449
Restructuring and other charges	(3,883)	(1,994)	1	(5,876)
Operating profit (loss)*	$5,817	$6,385	($2,409)	$9,793

[1]Salaries and benefits in the three months ended December 31, 2019 included the recovery of $7.1 million and $2.3 million of digital media and journalism tax credits respectively ($3.9 million and $1.0 million respectively in the Communities segment and $3.2 million and $1.3 million respectively in the Dailies segment)

[2]Salaries and benefits in the three months ended December 31, 2018 included the recovery of $7.9 million of digital media tax credits, $7.4 million in the Dailies segment and $0.5 million in the Communities segment.
*These are non-IFRS or additional IFRS measures, refer to Section 14 of this MD&A

Operating Revenue
Operating revenue was $124.0 million, down $20.8 million or 14% in the fourth quarter of 2019. Subscriber revenues were comparable to prior year in the fourth quarter reflecting growth in digital subscription revenues offset by modest declines in print subscriber revenues. Print advertising revenues were down 24% and flyer distribution revenues were down 16% respectively from prior year.

Digital revenue decreased 7% in the fourth quarter of 2019, reflecting continued solid growth in local digital advertising within the community news sites and growth in other digital revenue streams at the Star offset by declines at eyeReturn Marketing and other digital properties. Digital revenues were 14% of total operating revenues in the fourth quarter of 2019 compared to 13% in the fourth quarter of 2018.

The following charts provide a breakdown of operating revenue (in $000s):

	Communities		Dailies		Corporate and Other		Total Consolidated	
Fourth Quarter 2019	**$**	%	**$**	%	**$**	%	**$**	%
Print advertising	**$19,343**	**33%**	**$19,260**	**31%**			**$38,603**	**31%**
Digital advertising	**6,783**	**12%**	**7,723**	**12%**	**$3,168**	**100%**	**17,674**	**14%**
Flyer distribution	**23,069**	**40%**	**5,252**	**8%**			**28,321**	**23%**
Print and digital subscriber	**95**		**29,892**	**47%**			**29,987**	**24%**
Other	**8,539**	**15%**	**919**	**2%**			**9,458**	**8%**
Total	**$57,829**	**100%**	**$63,046**	**100%**	**$3,168**	**100%**	**$124,043**	**100%**

	Communities		Dailies		Corporate and Other		Total Consolidated	
Fourth Quarter 2018	**$**	%	**$**	%	**$**	%	**$**	%
Print advertising	$25,214	37%	$25,547	36%			$50,761	35%
Digital advertising	7,021	10%	7,656	11%	$4,405	100%	19,082	13%
Flyer distribution	27,200	40%	6,478	9%			33,678	23%
Print and digital subscriber	116		29,797	42%			29,913	21%
Other	9,168	13%	2,258	2%			11,426	8%
Total	$68,719	100%	$71,736	100%	$4,405	100%	$144,860	100%

Salaries and benefits
Our salaries and benefits costs were $39.1 million in the fourth quarter of 2019 and included the benefit of $7.1 million of digital media tax credits (2018 - $7.8 million) and $2.3 million in respect of a refundable labour tax credit for qualifying journalism organizations (2018 - $nil). Excluding the tax credits, salaries and benefit costs in 2019 were down $10.2 million or 17% largely reflecting $7.0 million of lower costs associated with the benefit of savings from restructuring initiatives including the closure of the Hamilton printing plant.

Other operating costs
Other operating costs primarily consist of circulation and flyer distribution costs, newsprint costs and other production costs which represented 43%, 10% and 13% respectively of other operating costs in the fourth quarter of 2019.

Our other operating costs were down $4.8 million or 7% in the fourth quarter of 2019. Of these decreases, $1.1 million were due to the change in accounting for leases as part of the adoption of IFRS 16 *Leases* effective January 1, 2019. The remaining decrease in other operating costs was the result of lower print volumes and the impact of other cost reductions partially offset by increased costs associated with outsourced printing of the Hamilton Spectator and certain other publications.

Adjusted EBITDA
Our Adjusted EBITDA was $17.4 million in the fourth quarter of 2019, and included the benefit of $9.4 million of tax credits (fourth quarter of 2018 - $7.8 million). Excluding the impact of the tax credits and change in accounting for leases, Adjusted EBITDA in the fourth quarter of 2019 was $8.0 million, down $7.4 million relative to the fourth quarter of 2018 with the Daily Brands down $2.6 million, Community Brands down $5.4 million, and Corporate and Other improved $0.6 million. These declines reflect lower operating revenues partially offset by cost savings from restructuring initiatives and other cost reduction initiatives.

Adjusted EBITDA including joint ventures and VerticalScope
The following table provides a summary of our Adjusted EBITDA which includes our proportionately consolidated share of Adjusted EBITDA for our joint venture operations and 56% interest in VerticalScope.

Adjusted EBITDA*		
	Three months ended December 31	
	2019	2018
Adjusted EBITDA*	**$17,396**	$22,133
Joint ventures - Adjusted EBITDA*	**(125)**	392
VerticalScope - Adjusted EBITDA* (56%)	**6,133**	7,250
Adjusted EBITDA including joint ventures and VerticalScope*	**$23,404**	$29,775

*These are non-IFRS measures, refer to Section 14 of this MD&A

Our Adjusted EBITDA including joint ventures and VerticalScope was $23.4 million in the fourth quarter of 2019, down $6.4 million from the fourth quarter of 2018 and included the benefit of $9.4 million of tax credits noted above. Excluding the impact of tax credits and the change in accounting for leases, Adjusted EBITDA including joint ventures and VerticalScope was $14.0 million in the fourth quarter of 2019, down $9.0 million relative to the fourth quarter of 2018. Our proportionate share of Adjusted EBITDA at VerticalScope was $6.1 million in the fourth quarter of 2019, down $1.1 million or 15% relative to the fourth quarter of 2018 (16% in U.S. dollars) resulting from lower operating revenues associated with year over year declines in search related traffic and the transition to a new technology platform which were only partially offset by lower salaries and benefits and other cost reductions.

Restructuring and other charges
Restructuring and other charges were $15.4 million in the fourth quarter of 2019 and $5.9 million in the fourth quarter of 2018. Restructuring initiatives undertaken in the fourth quarter of 2019 are expected to result in annualized net savings of $21.4 million, $0.3 million of which was realized in the fourth quarter of 2019, and have resulted in the reduction of approximately 250 positions.

Impairment of assets
During the fourth quarter of 2019, we incurred non-cash impairment charges of $8.2 million in the Daily Brands segment. These charges have no impact on cash flows. As a result of the challenges presented by the continued structural changes in the advertising industry, including uncertainty in the print advertising market and dominance of the rapidly evolving digital market by global technology giants, we performed impairment tests on the carrying value of property, plant and equipment and intangible assets in the Daily Brands and Community Brands segment. As a result of this testing, we determined that the carrying value of intangible assets in the Daily Brands segment exceeded its recoverable amount, and accordingly, we recorded a non-cash impairment charge of $8.0 million in the Daily Brands segment.

Operating profit (loss)
In the fourth quarter of 2019 our operating loss was $13.1 million compared to operating profit of $9.8 million in the fourth quarter of 2018, reflecting the changes to Adjusted EBITDA discussed above as well as higher non-cash impairment charges and restructuring and other charges.

Loss from joint ventures
Loss from joint ventures was $0.4 million in the fourth quarter of 2019 compared to a loss of $7.9 million in the fourth quarter of 2018. The loss in the fourth quarter of 2018 included a non-cash impairment charge of $8.0 million related to our joint venture investment in Sing Tao.

Loss from associated businesses

Loss from associated businesses was $1.4 million in the fourth quarter of 2019 compared to a loss of $5.0 million in the fourth quarter of 2018. The loss in the fourth quarter of 2019 included income of $0.3 million from Black Press, income of $0.8 million from Blue Ant and a loss of $2.1 million from VerticalScope. The loss from VerticalScope in the fourth quarter of 2019 included $7.8 million of non-cash amortization and depreciation expense.

The loss in the fourth quarter of 2018 included income of $1.1 million from Black Press, a loss of $0.8 million from Blue Ant and a loss of $5.1 million from VerticalScope. The loss from VerticalScope in the fourth quarter of 2018 included $8.6 million of non-cash amortization and depreciation expense and $2.3 million of acquisitions related expense resulting from adjustments to contingent considerations and interest accretion costs.

Investment in VerticalScope

The following is summarized supplemental information for VerticalScope for the fourth quarter of 2019, including our fair value adjustments on acquisition of the investment. Given that this investment is accounted for as an equity investment, the information provided in the following table are non-IFRS measures but include a reconciliation to the IFRS measure calculated using the equity method.

VerticalScope Results		
	Three months ended December 31	
	2019	2018
Operating revenue (100%)	**$21,890**	$24,850
Salaries and benefits (100%)	**(6,617)**	(7,721)
Share based compensation (100%)	**358**	1,148
Other operating costs (100%)	**(4,762)**	(5,429)
Adjusted EBITDA (100%)	**10,869**	12,848
Amortization & depreciation (100%)	**(13,759)**	(15,249)
Share based compensation (100%)	**(358)**	(1,148)
Restructuring and other charges (100%)	**(305)**	(566)
Operating profit (loss) (100%)	**($3,553)**	($4,115)
Net Loss (100%)	**($3,716)**	($8,983)
Our equity share	**56%**	56%
Loss from associated business (56%)	**($2,097)**	($5,069)

VerticalScope's operating revenue was $21.9 million in the fourth quarter of 2019, down $3.0 million or 12% (12% in U.S. Dollars), representing an improvement from the trend experienced in the third quarter of 2019. Revenues continued to be impacted by the ongoing transition of user forums to a new technology platform. As at December 31, 2019, VerticalScope has migrated over 300 sites, representing approximately 35% of forum traffic.

VerticalScope’s Adjusted EBITDA was $10.9 million in the fourth quarter of 2019, down $2.0 million or 15% relative to the fourth quarter of 2018, reflecting lower operating revenue partially offset by lower salary and benefits costs associated with the integration of prior year acquisitions as well as other cost savings. Adjusted EBITDA at VerticalScope as a percentage of operating revenue was 50% in the fourth quarter of 2019.

VerticalScope’s operating loss was $3.6 million in the fourth quarter of 2019 compared to an operating loss of $4.1 million in 2018, largely a result of lower amortization and depreciation expense offset by the impact of lower operating revenues.

During the fourth quarter 2019, VerticalScope generated U.S. $2.3 million of cash from operations and made debt repayments of U.S. $2.9 million.

Other income

Other income was $28.9 million in the fourth quarter of 2019 and $nil in the fourth quarter of 2018 and included a gain of $24.6 million related to the transfer of the pension assets and liabilities for all past benefits under the Torstar Plans to the CAAT Plan as well as a gain of $3.5 million related to the sale two real estate properties in Ontario. See Section 8 of this MD&A for further discussion.

Income and other taxes
We recorded an income tax recovery of $0.4 million in the fourth quarter of 2019 and income tax expense of $nil in the fourth quarter of 2018. We have not recognized the benefit of net deferred income tax assets on the consolidated statement of financial position.

Net income attributable to equity shareholders
Our net income attributable to equity shareholders was $14.1 million ($0.17 per share) in the fourth quarter of 2019. This compares to a net loss attributable to equity shareholders of $3.1 million ($0.04 per share) in the fourth quarter of 2018.

The following chart provides a continuity of earnings per share from the fourth quarter of 2018 to the fourth quarter of 2019:

	Earnings (Loss) Per Share	Adjusted Earnings (Loss) Per Share *
Earnings (loss) per share attributable to equity shareholders in 2018	**($0.04)**	**$0.15**
Changes		
• Adjusted EBITDA*	(0.06)	(0.06)
• Amortization and depreciation	(0.01)	(0.01)
• Restructuring and other charges	(0.12)	
• Impairment of assets	(0.10)	
• Interest and financing costs	(0.01)	(0.01)
• Non-cash foreign exchange	0.02	
• Income (loss) from joint ventures and associated businesses	0.14	0.04
• Other income	0.35	
Earnings per share attributable to equity shareholders in 2019	**$0.17**	**$0.11**

*These include non-IFRS measures, refer to Section 14

Segment Operating Results – Community Brands

Operating revenue
Operating revenues from the Community Brands segment were down $10.9 million or 16% in the fourth quarter of 2019. Local print advertising revenues, which represented 26% of the Community Brands' operating revenues, were down 19% in the fourth quarter of 2019. Local print advertising revenue declines in the fourth quarter were exaggerated due to $1.0 million in incremental revenue related to the Ontario provincial election recorded in the fourth quarter of 2018. Adjusting for this factor, local print advertising revenues in the Communities were down 15% in the fourth quarter of 2019. National print advertising revenues, which represented only 3% of the Community Brands' operating revenue, were down 34% in the fourth quarter of 2019. Flyer distribution revenues which represented approximately 40% of the Community Brands' total operating revenue in the fourth quarter of 2019 were down 15% against a strong comparable period in the fourth quarter of 2018.

Digital advertising revenues in the Community Brands segment were down 3% in the fourth quarter of 2019 reflecting continued strong growth in local digital advertising revenues which were more than offset by continued declines in properties in other digital verticals.

Salaries and benefits costs
The Community Brands' salaries and benefits costs were $20.9 million in the fourth quarter of 2019 and included $4.9 million of tax credits (2018 - $0.5 million). Excluding these tax credits, salaries and benefits costs were down $3.7 million (13%) in the fourth quarter of 2019 primarily reflecting the benefit of $3.6 million of cost savings from restructuring initiatives.

Other operating costs
The Community Brands' other operating costs were down $2.6 million or 9% in the fourth quarter of 2019, $0.7 million of which was related to the change in accounting for leases. The remaining decrease in other operating costs was largely the result of volume related reductions in circulation and flyer distribution costs, lower newsprint consumption, and other cost reductions.

Adjusted EBITDA

The Community Brands' Adjusted EBITDA was $12.5 million in the fourth quarter of 2019 and included $4.9 million of tax credits (2018 - $0.5 million). Excluding the tax credits and the impact of the change in accounting for leases, the Community Brands' Adjusted EBITDA was $7.6 million, down $5.4 million in 2019 reflecting lower operating revenues which were partially offset by savings related to restructuring initiatives as well as other cost reduction initiatives.

Operating profit

The Community Brands' operating profit was $7.1 million in the fourth quarter of 2019, up $1.3 million from $5.8 million in the fourth quarter of 2018 reflecting the above noted changes in Adjusted EBITDA combined with lower restructuring and other charges.

Segment Operating Results – Daily Brands

Revenues

Daily Brands operating revenues were down $8.7 million or 12% in the fourth quarter of 2019. Subscriber revenues which represented 47% of the Daily Brands' total operating revenue in the fourth quarter of 2019 were comparable to the fourth quarter of 2018.

The decrease in operating revenue in the fourth quarter of 2019 was primarily the result of lower print advertising revenues. Local print advertising revenues, which represented approximately 18% of the Daily Brands' total operating revenues in the fourth quarter of 2019, were down 18% relative to the respective period in 2018. National print advertising revenues, which represented only 8% of the Daily Brands' overall operating revenue, continued to be more challenged and were down 39% in the fourth quarter of 2019. Flyer distribution revenues, which represented 8% of the Daily Brands' total operating revenue in the fourth quarter of 2019, were down 19% in the quarter.

Digital advertising revenues from the Daily Brands segment were up 3% in the fourth quarter of 2019 reflecting growth at the regional daily websites as well as growth in digital revenue streams at the Star.

Salaries and benefits costs

The Daily Brands' salaries and benefits costs were $17.0 million in the fourth quarter of 2019 and included the benefit of $4.5 million of tax credits (2018 - $7.3 million). Excluding the impact of these tax credits, salaries and benefit costs decreased $5.2 million or 19% in the fourth quarter largely reflecting the benefit of $3.3 million of cost savings from restructuring initiatives and cost savings related to the closure of the Hamilton printing and mailroom operations in the third quarter of 2019.

Other operating costs

The Daily Brands' other operating costs were down $1.2 million or 3% in the fourth quarter of 2019, $0.3 million of which was related to the change in accounting for leases. The underlying change in other operating costs reflected lower volume related circulation and distribution costs, lower newsprint consumption and other cost reductions partially offset by the new outsourcing costs resulting from the closure of the Hamilton printing and mailroom operations in the third quarter of 2019.

Adjusted EBITDA

The Daily Brands' Adjusted EBITDA was $6.6 million in the fourth quarter of 2019, and included the benefit of $4.5 million of tax credits (2018 - $7.3 million). Excluding the tax credits and the impact of the change in accounting for leases, Adjusted EBITDA in the Daily Brands segment was $2.1 million, down $2.7 million in the fourth quarter of 2019, due to lower operating revenues which were only partially offset by savings related to restructuring and other cost saving initiatives.

Operating profit

The Daily Brands' operating loss was $17.8 million in the fourth quarter of 2019 compared to operating profit of $6.4 million in the fourth quarter of 2018 reflecting higher restructuring and other charges and non-cash impairment charges along with the above noted changes in Adjusted EBITDA.

5. Outlook

The outlook for our business in 2020

The Community Brands and the Daily Brands continued to face a very challenging print advertising market in 2019 resulting from ongoing shifts in spending by advertisers. Similar trends have continued early into 2020 and it is difficult to predict if these trends will improve or worsen in the balance of the year. Flyer distribution revenues declined 12% in 2019 and we expect this trend to be slightly better in 2020 including the benefit of an additional week of publication in the Communities segment in the fourth quarter of 2020. Subscriber revenues grew modestly in 2019, benefiting from new digital subscription revenues offset by modest declines in print subscription revenue. We expect this trend to continue in 2020 and that total subscriber revenues in 2020 will be comparable to 2019 levels.

Digital advertising revenues at the Community Brands and Daily Brands segments were down 1% in 2019 and we expect to reverse this trend and achieve modest growth in digital advertising revenues in 2020 as we continue to benefit from solid growth in local digital advertising at the community news sites offset by modest declines in other digital verticals.

We expect the cost base in 2020 to benefit from $31.8 million of full year savings related to restructuring initiatives undertaken through the end of 2019 ($6.6 million in the Community Brands segment and $25.2 million in the Daily Brands segment) including those related to the closure of the StarMetro print editions in December 2019. We also expect to identify additional cost savings that we would benefit from in 2020 and which may also result in additional restructuring and other charges.

We also continue to expect to benefit from approximately $6 to $7 million of refundable labour tax credits for qualifying journalism organizations in 2020 (1/3 in the Community Brands segment and 2/3 in the Daily Brands segment).

At VerticalScope, we expect that revenue and traffic will continue to be negatively impacted by the migration of forum sites on to a new technology platform. Over 300 sites representing approximately 35% of forum traffic were migrated by the end of 2019 and the remaining sites are expected to be migrated by the end of 2020. The new platform is expected to improve the user experience and site performance and return the sites to growth over time. However traffic and revenue are likely to decline during the transition and a period of adjustment and revenue trends experienced in 2019 are expected to continue for the full year in 2020. Early indicators suggest that site performance and user engagement has improved on migrated sites. Adjusted EBITDA margins and cash flow from operations are expected to decline somewhat but remain relatively strong.

From a cash flow perspective, we expect to reduce capital expenditures in 2020 to approximately $13 million, the majority of which relates to capital spending related to technology platforms in connection with our transformation activities as well as spending on initiatives that reduce our future operating expenses. In addition, at the end of 2019 we had net receivables related to digital media tax credits totaling $31.3 million, $20.2 million of which was received subsequent to the end of 2019. The amount and timing of any further cash to be realized is dependent upon the final review and approval by the Canada Revenue Agency.

6. Liquidity and Capital Resources

A discussion of our cash flow, liquidity, credit facilities and other disclosures

We use cash and cash equivalents on hand and any cash generated by our operations to fund working capital requirements, capital expenditures, distributions to shareholders, and acquisitions. Based on our current and anticipated level of operations, it is expected that our future cash flows from operating activities including working capital, combined with existing cash and cash equivalents, will be adequate to cover forecasted cash requirements through the end of 2020. In the future we may need to take additional measures to increase our liquidity and capital resources. Such additional measures may include the sale of investments or assets or obtaining additional debt or equity financing.

In 2019, we used $9.9 million of cash in operating activities, we used $5.1 million of cash in investing activities and we used $11.0 million of cash in financing activities.

In the fourth quarter of 2019, we used $10.9 million of cash in operating activities, we generated $2.2 million of cash in investing activities and we used $1.4 million in financing activities.

At December 31, 2019, we had $42.2 million of cash and cash equivalents as well as $8.2 million of restricted cash. Restricted cash included $7.5 million held as collateral for outstanding standby letters of credit supporting an unfunded executive retirement plan liability. At December 31, 2018 we had $68.2 million of cash and cash equivalents as well as $7.2 million of restricted cash which included $5.8 million held as collateral for outstanding standby letters of credit supporting an unfunded executive retirement plan liability.

Operating Activities

In 2019, we used $9.9 million of cash in operating activities. This included $4.7 million of funding towards our employee future benefit plans of which $1.9 million was contributed to registered defined benefit pension plans and $2.7 million was contributed to other post-employment benefit plans. We have recorded a receivable of $2.6 million including $1.9 million of minimum funding payments to the Torstar Plan plus other adjustments, which is expected will be recovered from CAAT in 2020. In addition, non-cash working capital increased $5.6 million and restricted cash increased $1.1 million in 2019. The increase in non-cash working capital was largely related to increased receivables in respect of digital media and journalism tax credits. Subsequent to the end of 2019, we received $20.2 million of digital media tax credits.

During 2018, we generated $14.4 million of cash from operating activities which was net of funding of $11.0 million of contributions to our employee future benefit plans, an $8.8 million increase in non-cash working capital and a $1.9 million decrease in restricted cash.

In the fourth quarter of 2019, we used $10.9 million of cash in operating activities which included $0.9 million of funding towards our employee future benefit plans and an $16.0 million increase in non-cash working capital. The increase in non-cash working capital was largely related to increased receivables in respect of digital media and journalism tax credits. Subsequent to the end of 2019, we received $20.2 million of digital media tax credits.

During the fourth quarter of 2018 we generated $29.2 million of cash from operating activities. This included $0.6 million of contributions to our employee future benefit plans and a $6.3 million decrease in non-cash working capital.

Investing Activities

During 2019, we used $5.1 million of cash in investing activities for $14.6 million of additions to property, plant and equipment and intangible assets, $1.1 million for acquisitions and portfolio investments and we received $10.6 million of proceeds from the sale of assets, $5.7 million of which was related to the sale of two real estate properties in Ontario and $4.9 million of which as related to the sale of our investments in Kensington Venture Fund, L.P. and 1760335 Ontario Inc. (Canadastays.com).

During 2018, we used $9.8 million of cash in investing activities for $14.4 million of additions to property, plant and equipment and intangible assets, $2.2 million for acquisitions and portfolio investments and received $6.5 million of proceeds from the sale of assets.

During the fourth quarter of 2019, we generated $2.2 million of cash from investing activities reflecting $5.7 million of proceeds from the sale of assets offset by $3.6 million of additions to property, plant and equipment and intangible assets.

During the fourth quarter of 2018, we used $7.4 million of cash in investing activities, $6.4 million of which was for additions to property, plant and equipment and intangible assets and $1.1 million for additions to portfolio investments.

Financing Activities

We used cash of $11.0 million in financing activities in 2019, $6.0 million of which was related to the payment of dividends and $5.0 million of which was used for lease payments. We used cash of $7.8 million in financing activities in 2018, substantially all of which was used for the payment of dividends.

We used cash of $1.4 million in financing activities in the fourth quarter of 2019 for lease payments and we used $2.0 million in financing activities in the fourth quarter of 2018 for the payment of dividends.

Dividends per share were 2.5 cents in each quarter of 2018 and the first three quarters of 2019. Dividends were suspended in the fourth quarter of 2019. The Board of Directors intends to review its dividend policy again in the fourth quarter of 2020.

Contractual Obligations and Other

As at December 31, 2019, we had the following significant contractual obligations which were not included in our liabilities in the Statement of Financial Position.

(In 000's) Nature of the Obligation	Total	2020	2021 – 2022	2023 – 2024
Services	$43,779	$15,578	$18,089	$10,112
Total	$43,779	$15,578	$18,089	$10,112

Other receivables include a $35.5 million receivable for Digital Media Tax Credits (December 31, 2018 - $23.1 million) and accounts payable and accrued liabilities include $4.2 million of professional fees related to these tax credits (December 31, 2018 - $2.7 million).

During 2019, we received a refund, net of professional fees, of $21.9 million related to a 2015 digital media tax credit claim in the Dailies segment. We also recorded a total recovery in salaries and benefits expense, net of professional fees, of $30.1 million as well as $2.7 million of interest income. The total recovery of $30.1 million includes a recovery of $3.5 million to adjust the amount accrued for the 2015 claim in the Dailies segment to the amount received and a recovery of $26.6 million related to three claims for the Communities segment.

In November 2019, we received approval from the Canada Revenue Agency for one of these claims totalling $20.2 million, and the refund was received subsequent to the end of the year. The remaining two claims, which represent a net receivable of $11.1 million, are subject to an audit by the Canada Revenue Agency.

Outstanding Share and Share Option Information

As at February 25, 2020, we had 9,807,135 Class A voting shares and 71,529,265 Class B non-voting shares outstanding. As at December 31, 2019 we had 9,807,495 Class A voting shares and 71,528,905 Class B non-voting shares outstanding. More information on our share capital is provided in Note 21 of the 2019 Consolidated Financial Statements.

As at February 25, 2020, we had 9,970,613 (December 31, 2019 - 10,233,113) options to purchase Class B non-voting shares outstanding to executives. More information on Torstar's share option plan is provided in Note 22 of the 2019 Consolidated Financial Statements.

7. Financial Instruments

A summary of our financial instruments

Foreign Exchange

In order to offset the foreign exchange risk associated with the investment in VerticalScope, we continue to enter into zero cost collar arrangements to hedge the original net investment of U.S $137.0 million. In June 2019, at the expiry of a previous collar arrangement we simultaneously entered into a new U.S. $137.0 million zero cost collar arrangement maturing in 2020, with a range of Cdn $1.21 to Cdn $1.40 for U.S. $1.00.

The collar arrangements were designated as a hedge of the net investment in VerticalScope. When the rate of exchange is above or below the collar range, the changes in fair value are recorded in OCI to the extent of hedge effectiveness. When the rate of exchange is within the collar range, while there are no cash payments, the change in fair value reflect the cost of hedging and are recorded in OCI to the extent of hedge effectiveness and accumulated in a separate component of equity within AOCI. Any gains or losses related to the ineffective portion of the hedge are recorded in net income.

8. Employee Benefit Obligations

A summary of our employee benefit obligations

On September 27, 2018, we received approval from the members of our eight registered defined benefit pension plans to proceed with the merger of the Torstar Plans into the CAAT Plan effective October 1st, 2018 with Torstar and certain of its subsidiaries becoming participating employers under the CAAT Plan. The merger was subject to the consent of FSRA.

Effective October 1, 2018, members of the Torstar Plans began participating in the new DBplus provisions of the CAAT Plan. In addition, effective January 1, 2019, most employees that had been participating in the Company's defined contribution plans also began participating in the CAAT Plan and most employees hired after January 1, 2019 participate in the CAAT Plan. Subsequent to all of these changes, we have a small number of employees participating in one remaining defined contribution plan.

Pension expense and contributions to the CAAT Plan are based on a fixed percentage of employee earnings. For the year ended December 31, 2019, we expensed contributions made to the CAAT Plan totalling $7.1 million. In 2018, pension expense for these related employees was approximately $4.3 million higher.

On December 2, 2019, we completed the transfer of assets from the Torstar Plans into the CAAT Plan following receipt of consent from FSRA to the merger. The transfer of assets was the final stage in completing the merger. The liabilities for all past benefits under the Torstar Plans have now been transferred and the CAAT Plan has assumed responsibility for all pension benefit payments under the Torstar Plans. We recorded a gain of $24.6 million for the transfer of the Torstar Plan assets and liabilities for past benefits to the CAAT Plan, which includes a curtailment gain of $12.6 million, a settlement gain of $9.4 million and a gain of $2.6 million related to a refund from the CAAT Plan, including $1.9 million for excess minimum funding payments and other adjustments.

We continue to have an unregistered, unfunded defined benefit pension plan that provides pension benefits to eligible senior management executives of Torstar. We also have a post employment benefit plan that provides health and life insurance benefits to certain grandfathered employees, primarily in the newspaper operations.

We had the following employee future benefit obligations as at December 31:

($000's)	2019	2018
Registered pension plans		($42,620)
Unregistered/unfunded pension plans	(8,143)	(7,308)
Post employment benefit plan	(45,796)	(44,641)
	($53,939)	($94,569)

We have recognized the following expense in operating profit related to the defined benefit obligations:

($000's)	2019	2018
Registered pension plans	($977)	($9,023)
Unregistered/unfunded pension plans	(187)	(375)
Post employment benefits plan	(212)	(221)
	($1,376)	($9,619)

The cost and obligations of unregistered/unfunded pensions and post employment benefits earned by employees is calculated annually by independent actuaries using the projected unit credit method prorated on service and management's best estimate of assumptions for salary increases, employee turnover, retirement ages of employees, mortality rates and expected health care costs. On an interim basis, management estimates the changes in the actuarial gains and losses. These estimates are adjusted to actual when the annual calculations are completed by the independent actuaries.

The significant assumptions made by management in 2019 and 2018 were:

	2019	2018
To determine the net benefit obligation at the end of the year:		
Discount rate	**2.7%**	3.5% to 3.9%
Rate of future compensation increase	**2.5%**	2.5%
To determine benefit expense:		
Discount rate	**3.5%**	3.1% to 3.4%
Rate of future compensation increase	**2.5%**	2.5%
	2020	
To determine the pension benefit expense for the following year:		
Discount rate	**2.7%**	
Rate of future compensation increase	**2.5%**	

The discount rate of 3.5% was the yield at December 31, 2019 on high quality Canadian corporate bonds with maturities that match the expected maturity of the pension obligations. The selection of a discount rate that was one percent higher (holding all other assumptions constant) would have resulted in a decrease in the value of the net pension plan obligation at December 31, 2019 of $0.6 million. A discount rate that was one percent lower would have increased the value of the net pension plan obligation at December 31, 2019 by $0.6 million.

Management has estimated the rate of future compensation increases to be 2.5%. This rate includes an anticipated level of inflationary increases as well as merit increases. Management has considered both historical trends and expectations for the future. Recent compensation increases have been lower than this range given current market conditions but management believes the range reflects an appropriate longer-term view.

For the post employment benefits plan that provides health and life insurance benefits to certain grandfathered employees, the key assumptions are the discount rate and health care cost trends. The discount rate used is the same as the prescribed rate for the defined benefit pension obligation. If the estimated discount rate were one percent higher, the obligation at December 31, 2019 would be approximately $4.7 million lower. If the estimated discount rate were one percent lower, the obligation at December 31, 2019 would be approximately $5.7 million higher. For health care costs, the estimated trend was for a 5.0% increase for the 2019 expense. For 2020, health care costs are estimated to increase by 5.0%. If the estimated increase in health care costs were one percent higher, the obligation at December 31, 2019 would be approximately $1.0 million higher. If the estimated increase in health care costs were one percent lower, the obligation at December 31, 2019 would be approximately $0.9 million lower.

We recognize these actuarial gains and losses as realized, through OCI. Actuarial gains of $18.9 million were recognized through OCI in 2019, of which $21.3 million of actuarial gain related to the Torstar Plans prior to the transfer to the CAAT Plan, and actuarial gains of $12.3 million were recognized through OCI in 2018.

9. Critical Accounting Policies and Estimates

A description of accounting estimates and judgements that are critical to determining our financial results, and changes to accounting policies

Accounting Policies

The accounting policies used in the preparation of the 2019 Consolidated Financial Statements are outlined in Note 2 of the 2019 Consolidated Financial Statements for the year ended December 31, 2019, including the nature and impact of the adoption of IFRS 16 *Leases,* effective January 1, 2019. We have not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Accounting Estimates and Judgements

The preparation of our 2019 Consolidated Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, and liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Management uses estimates when accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, provisions, share-based compensation plans, employee benefit plans, deferred income taxes and tax credits. Estimates are also made by management when recording the fair value of assets acquired and liabilities assumed in a business combination.

Estimates are based on a several factors, including historical experience, current events and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The more significant estimates and assumptions made by management are described below:

Employee Future Benefits
The accrued net benefit asset or liability and the related cost of defined benefit pension plans and other post employment benefits earned by employees is determined each year by independent actuaries based on several assumptions. The actuarial valuation uses management's assumptions for rate of compensation increase, employee turnover, retirement ages, mortality rates, trends in healthcare costs and expected average remaining years of service of employees. Management applies judgement in the selection of these estimates, based on regular reviews of salary increases, health care costs and demographic employee data. The most significant assumption is the discount rate.

The discount rate used to determine the present value of the net defined benefit obligation is based on the yield on long-term, high-quality corporate bonds, with maturities matching the estimated cash flows from the benefit plan. A lower discount rate would result in a higher employee benefit obligation.

Management's current estimates, along with a sensitivity analysis are further discussed under "Employee Future Benefit Obligations" in this MD&A and are disclosed in Note 20 of the 2019 Consolidated Financial Statements.

Impairment of non-financial assets
At each reporting date, we are required to assess our investments, intangible assets, and property plant and equipment for potential indicators of impairment such as an adverse change in business climate that may indicate that these assets may be impaired. If any such indication exists, we estimate the recoverable amount of the asset, CGU or group of CGUs and compare it to the carrying value.

For intangible assets other than goodwill, we are also required to assess at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

The test for impairment for property, plant and equipment, intangible assets, investments is to compare the recoverable amount of the asset or CGU to the carrying value. The recoverable amount is the greater of fair value less cost to sell ("FVLCS") and VIU. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

We have computed the FVLCS using a market multiple based on the average market multiples of comparable entities. In calculating the recoverable amount, under either a VIU or FVLCS methodology, management is required to make several assumptions, including, but not limited to, expected future revenues, expected future cash flows, market multiples and discount rates. Our assumptions are influenced by current market conditions and levels of competition, both of which may affect expected revenues. Expected cash flows may be further affected by changes in operating costs beyond what we are currently anticipating. Changes in any of these assumptions may have a significant impact on the fair value of the investment, CGU or group of CGUs or intangible assets and the results of the related impairment testing. Refer to Note 13 of the 2019 Consolidated Financial Statements for further details about the methods and assumptions used in estimating the recoverable amount.

As at December 31, 2019 the carrying value of investments, intangible assets and property, plant & equipment represented 33%, 3%, and 6% respectively of total assets and each reporting segment had investments, intangible assets and property, plant and equipment with carrying values subject to these estimates. As at December 31, 2018 the carrying value of investments, intangible assets and property, plant and equipment represented 34%, 8% and 12% respectively of total assets. These values, for the applicable segments, are outlined in the notes to the 2019 Consolidated Financial Statements. In the year ended December 31, 2019, we recorded impairment charges, related to investments totaling $29.7 million. In the year ended December 31, 2018, we recorded impairment charges related to our joint venture investment in Sing Tao totaling $8.0 million. These charges impact net income but have no effect on cash flow. Refer to the discussion of "Impairment of assets" in Section 3 for further detail surrounding the impairment of asset charges recorded during 2019.

Income and other tax credits

We have recorded the benefit of digital media tax and journalism credits based on estimates, using accounting principles that recognize the benefit when it is more likely than not that the ultimate determination of the tax treatment of a position will result in the related benefit being realized. The assessment of the likelihood and amount and the timing of realization of such amounts can materially affect the determination of net income or cash flows. Refer to Note 16 of the 2019 Consolidated Financial Statements for further details on the digital media and journalism tax credits.

Significant judgements made by management are described below.

Classification of investments as portfolio investments, associated businesses, joint ventures and subsidiaries

Classification of investments requires judgement on whether we control, have joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. Joint control is the contractually agreed sharing of control over the financial and operating policy decisions of the investee. It exists only when the decisions require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not represent control or joint control over those decisions. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

In assessing the level of control or influence that we have over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. Black Press and Blue Ant have been classified as associated businesses based on management's judgement that we have, based on rights to board representation and other provisions in the respective shareholder agreements, significant influence despite owning less than 20% of the voting rights throughout 2019 and 2018 for Black Press and for Blue Ant. Similarly, VerticalScope has been classified as an associated business, rather than a consolidated subsidiary or joint venture, based on management's judgement that we have, based on provisions in the shareholders agreement, significant influence despite owning 56% of the voting rights.

Classification of cash equivalents

Classification of cash equivalents requires judgement on whether short-term investments are easily convertible into cash. Short-term investments with maturities on acquisition of 90 days or less are presumed to be cash equivalents due to the short holding period of the investment. We have classified our short-term investments with original maturities on acquisition of over 90 days but less than 365 days as cash equivalents based on management's judgement that the short-term investments are liquid as we have a contractual right to convert them into cash with 30 days' notice.

Determination of operating segments, reportable segments and CGUs

We have three reportable operating segments for segment reporting purposes: Community Brands, Daily Brands and Digital Ventures. "Corporate" is the provision of corporate services and administrative support. Our chief operating decision-maker monitors the operating results of the operating units separately for the purpose of assessing performance. Segment performance is evaluated based on operating profit which corresponds to operating profit as measured in the consolidated financial statements except that it includes the proportionately consolidated share of joint venture operations. Decisions regarding resource allocation are made at the reportable segment level.

Each of the Communities, Dailies and Digital Ventures segments include CGUs which have been grouped together for purposes of impairment testing. Within the Communities segment, we have identified one CGU including the community newspapers and their flyer distribution and printing operations. Within the Dailies segment, we have identified one CGU, which includes all daily newspapers and their respective flyer distribution as well as a number of other smaller digital platforms and publications. Within the Digital Ventures segment, we have identified eyeReturn as one CGU.

10. Recent Accounting Pronouncements

A discussion of recent IFRS developments that will affect our business

The International Accounting Standards Board ("IASB") continues to issue new and revised IFRS. A listing of the changes in IFRS is included in Note 2(t) in our 2019 Consolidated Financial Statements. Most of the new standards are currently not expected to have a material effect on our financial reporting.

11. Controls and Procedures

A discussion of our disclosure controls and internal controls over financial reporting

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by Torstar in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to Torstar's management, including the CEO and CFO as appropriate, to allow timely decisions regarding required disclosure.

As at December 31, 2019, under the supervision of, and with the participation of the CEO and CFO, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our CEO and CFO have concluded that, as at December 31, 2019, our disclosure controls and procedures were effective.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls include policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Torstar; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and (3) 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.

All control systems contain inherent limitations, no matter how well designed. As a result, management acknowledges that our internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

Management, under the supervision of, and with the participation of the CEO and CFO, assessed the effectiveness of internal controls over financial reporting, using the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, and based on that assessment concluded that internal controls over financial reporting were effective as at December 31, 2019.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during the three months ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

12. Selected Annual Information

A summary of selected annual financial information for 2019, 2018 and 2017

(in $000's - except per share amounts)	2019	2018	2017
Operating revenue	$478,975	$543,391	$615,685
Net loss from continuing operations	($51,920)	($38,045)	($30,638)
Per Class A voting and Class B non-voting share - Basic and Diluted	($0.64)	($0.47)	($0.38)
Net income (loss)	(51,920)	(31,570)	(29,288)
Net income (loss) attributable to equity shareholders	(51,669)	(31,524)	(29,171)
Per Class A voting and Class B non-voting share Basic and Diluted	($0.64)	($0.39)	($0.36)
Average number of shares outstanding during the year (in 000's) Basic and Diluted	81,259	80,990	80,785
Cash dividends per Class A voting and Class B non-voting share	$0.07	$0.10	$0.10
Total assets	$361,109	$426,792	$481,227

Operating revenue has declined each year reflecting a structural shift within the advertising industry from print media to digital media along with a shift to digital subscriptions and declines in print advertising revenues.

Over the three-year period, significant labour and other cost savings have been realized in the newspaper operations from restructuring initiatives and other cost reductions. The provisions for the costs of these restructuring initiatives have had a negative impact on net income, generally in a period in advance of the cost savings being realized.

Total assets have declined over the three-year period reflecting total impairment charges of $29.7 million in 2019, and $8.1 million in 2017. In addition, we recorded amortization and depreciation expense totaling $28.1 million in 2019, $26.9 million in 2018 and $37.0 million in 2017.

13. Summary of Quarterly Results

A summary view of our quarterly financial performance

The following table presents selected financial information for each of the eight most recently completed quarters:

	Quarter Ended							
(in $000's - except per share amounts)	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Operating revenue	$124,043	$111,758	$127,192	$115,982	$144,860	$126,388	$143,171	$128,972
Net Income (loss) from continuing operations	$14,344	($41,010)	($17,508)	($7,746)	($3,257)	($18,777)	$4,849	($20,860)
Per Class A voting and Class B non-voting share - Basic and Diluted	$0.17	($0.50)	($0.22)	($0.09)	($0.04)	($0.23)	$0.06	($0.18)
Net Income (loss) attributable to equity shareholders	$14,132	($40,933)	($17,441)	($7,427)	($3,117)	($18,753)	$4,848	($14,502)
Per Class A voting and Class B non-voting share Basic and Diluted	$0.17	($0.50)	($0.22)	($0.09)	($0.04)	($0.23)	$0.06	($0.18)

The summary of quarterly results illustrates the cyclical nature of revenues in Daily Brands, Community Brands and Digital Ventures. The second and fourth quarters are generally the strongest driven by seasonality in advertising revenues.

Net income (loss) from continuing operations has also been affected by restructuring and other charges, losses on impairment of assets as well as the benefit of digital media and journalism tax credits. Net income (loss) from continuing operations included $18.0 million, $6.5 million, $3.0 million and $9.4 million of these tax credits in the first, second, third and fourth quarters of 2019 as well as $0.3 million, $15.8 million and $7.8 million in the first, second and fourth quarters of 2018 respectively and $13.4 million in the fourth quarter of 2017. In addition, losses on impairment of assets of $1.6 million, $19.9 million and $8.2 million were recorded in the second, third and fourth quarters of 2019 respectively.

The first quarter of 2018 also included an income tax recovery of $6.3 million from discontinued operations in respect of the sale of Harlequin. The fourth quarter of 2018 included pre-tax recoveries from discontinued operations of $0.3 million while the fourth quarter of 2017 included pre-tax recoveries from discontinued operations of $1.0 million, all of which related to provisions for indemnities in respect of the sale of Harlequin.

14. Reconciliation and Definition of Non-IFRS Measures

A description and reconciliation of certain non-IFRS and additional IFRS measures used by management

In addition to operating profit (loss), an additional IFRS measure, as presented as a subtotal in the consolidated statement of income (loss), management uses the following non-IFRS measures: Adjusted EBITDA/Adjusted EBITDA including joint ventures and VerticalScope and adjusted earnings (loss) per share, as measures to assess the consolidated performance and the performance of the reporting units and business segments.

Adjusted EBITDA/Adjusted EBITDA including joint ventures and VerticalScope

Adjusted EBITDA is used by management as an important proxy for the amount of cash generated by our ongoing operations (or by a reporting unit or business segment). Adjusted EBITDA is not the actual cash provided by operating activities and is not a recognized measure of financial performance under IFRS. We calculate Adjusted EBITDA (and calculate the Adjusted EBITDA of our joint ventures and VerticalScope) as operating revenue, less salaries and benefits and other operating costs, as presented on the consolidated statement of income (loss), and exclude share based compensation, restructuring and other charges and impairment of assets. Share based compensation is eliminated as it is a non-cash expense that fluctuates significantly from period to period, as a result of industry compensation practices. Restructuring and other charges and impairment of assets are eliminated as these activities are not related to ongoing operations as of the end of the period. The exclusion of impairment of assets also eliminates the non-cash impact. Adjusted EBITDA is also used by investors and analysts for valuation purposes. The intent of Adjusted EBITDA is to provide additional useful information to investors, analysts and readers of our financial statements. The measure does not have any standardized meaning under IFRS and accordingly may not be comparable to measures used by other companies (including calculating EBITDA on an adjusted basis to exclude restructuring and other charges, impairment of assets and share based compensation).

Adjusted EBITDA including joint ventures and VerticalScope is calculated in the same manner as described above, except it includes proportionately consolidated results for our joint ventures and our 56% interest in VerticalScope for which management is accountable. Our Adjusted EBITDA including our proportionate share of joint ventures and VerticalScope is regularly reported to the chief operating decision maker and corresponds to the definitions of Adjusted EBITDA used in our historical discussions. The following is a reconciliation of Adjusted EBITDA with operating profit (loss), an additional IFRS measure which appears as a subtotal in our Consolidated Statement of Income (Loss):

	Per Consolidated Statement of Income (Loss)	
	Fourth Quarter 2019	**Fourth Quarter 2018**
Operating profit (loss)	($13,070)	$9,793
Add: Restructuring and other charges	15,382	5,876
Add: Impairment of assets	8,187	
Add: Share based compensation	(910)	(449)
Add: Amortization and depreciation	7,807	6,913
Adjusted EBITDA	$17,396	$22,133
Joint ventures - Adjusted EBITDA	(125)	392
VerticalScope - Adjusted EBITDA	6,133	7,250
Adjusted EBITDA including joint ventures and VerticalScope	$23,404	$29,775

	Per Consolidated Statement of Income (Loss)	
	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
Operating profit (loss)	($64,232)	($9,876)
Add: Restructuring and other charges	35,523	17,525
Add: Impairment of assets	29,727	
Add: Share based compensation	126	195
Add: Amortization and depreciation	28,130	26,949
Adjusted EBITDA	$29,274	$34,793
Joint ventures - Adjusted EBITDA	514	2,057
VerticalScope - Adjusted EBITDA	20,507	23,915
Adjusted EBITDA including joint ventures and VerticalScope	$50,295	$60,765

Adjusted earnings (loss) per share

Adjusted earnings (loss) per share is used by management to represent the per share earnings of results of our ongoing operations (or by a reporting unit or business segment) and is not a recognized measure of financial performance under IFRS. We believe this metric is also useful for investors for this purpose. We calculate adjusted earnings (loss) per share as earnings (loss) per share from continuing operations less the per share effect of restructuring and other charges and impairment of assets, including our proportionate share of restructuring and other charges and impairment of assets for our joint ventures and 56% interest in VerticalScope, as well as the per share effect of non-cash foreign exchange, other income (expense) and change in deferred taxes. Restructuring and other charges and impairment of assets are eliminated as these activities are not related to ongoing operations as of the end of the period. Non-cash foreign exchange, other income (expense) and changes in deferred taxes are eliminated as these are not related to routine operating activities. The intent of presenting adjusted earnings (loss) per share is to provide additional useful information to investors, analysts and readers of our financial statements. Our method of calculating adjusted earnings (loss) per share may differ from other companies and accordingly may not be comparable to measures used by other companies. The measure does not have any standardized meaning under IFRS, is not a recognized measure of financial performance under IFRS, and accordingly may not be comparable to measures used by other companies.

The following is a reconciliation of adjusted earnings (loss) per share to earnings (loss) per share.

	Fourth Quarter		Twelve months ended December 31	
	2019	2018	2019	2018
Adjusted earnings (loss) per share	$0.11	$0.15	($0.18)	($0.11)
• Restructuring and other charges	(0.19)	(0.07)	(0.44)	(0.22)
• Restructuring and other charges for joint ventures and VerticalScope		(0.01)	(0.01)	(0.03)
• Impairment of assets	(0.10)		(0.37)	
• Impairment of assets for joint ventures and VerticalScope		(0.10)		(0.10)
• Non-cash foreign exchange		(0.01)	0.01	(0.02)
• Other income	0.35		0.35	
• Other				0.01
Earnings (loss) per share from continuing operations	$0.17	($0.04)	($0.64)	($0.47)

Operating profit (loss)

Operating profit (loss) is an additional IFRS measure and appears as a subtotal in our consolidated statement of income (loss). Management uses operating profit (loss) to measure the results of operations inclusive of impairments and restructuring and other charges. We believe that operating profit (loss) provides additional useful information to investors, analysts and readers of our financial statements. The measure does not have any standardized meaning under IFRS and accordingly may not be comparable to measures used by other companies. Our method of calculating operating profit (loss) may differ from other companies and accordingly may not be comparable to measures used by other companies.

15. Enterprise Risk Management

Enterprise risks and uncertainties Torstar is facing and how we manage these risks

Definition of Business Risk

We define business risk as the degree of exposure associated with the achievement of key strategic, financial, organizational and process objectives in relation to the effectiveness and efficiency of operations, the reliability and integrity of financial reporting, compliance with laws, regulations, policies, procedures and contracts and safeguarding of assets within an ethical organizational culture.

Our enterprise risks are largely derived from our business environment and are fundamentally linked to our strategies and business objectives. We strive to proactively mitigate our risk exposures through performance planning, effective business operational management and risk response strategies which can include mitigating, transferring, retaining and/or avoiding risks. We also strive to avoid taking on undue risk exposures whenever possible and to ensure alignment of exposures with business strategies, objectives, values and risk tolerances.

Section 16 summarizes the principal risks and uncertainties that could affect our future business results.

Torstar's Risk and Control Assessment Process

In 2019, we used a multi-level enterprise risk and control assessment process that incorporated the insight of employees throughout the organization.

At a high level, during the year, we performed an assessment of key business and strategic risks in order to capture changing business risks, monitor key risk mitigation activities and provide ongoing updates and assurance to the Audit Committee. This assessment included interviews with senior managers. Additionally, our assessment process incorporated input from internal and external audit, internal control over financial reporting compliance activities and risk assessment activities, as well as input from other relevant internal and external compliance and audit processes. Key enterprise risks were identified, defined and prioritized, and risks were classified into discrete risk categories.

Lastly, we conducted detailed risk assessments through various compliance activities and risk management initiatives (e.g. health and safety, network and IT vulnerability, fraud and ethics assessments and environmental assessments). The results of these multiple risk assessments were evaluated, prioritized, updated and integrated into the key risk profile during the year.

Board risk governance and oversight

In carrying out the above noted process, we have also ensured that the key risks identified in the key risk matrix were assigned for oversight by the Board, or one or more Board committees, as outlined in the Board's terms of reference and Board Committee mandates.

16. Risks and Uncertainties

Risks and uncertainties facing our business

We are subject to a number of risks and uncertainties, including those set forth below. A risk is the possibility that an event might happen in the future that could have a negative effect on our financial condition, financial performance or our business. The actual effect of any event on our business could be materially different from what is anticipated. The risks described below impact some or all of our businesses, including our investment in VerticalScope. This description of risks does not include all possible risks.

Revenue Risks

Our revenue is primarily dependent upon the sale of advertising, the distribution of inserts and flyers and the generation of subscription revenue. Advertising revenue includes in-paper advertising, digital advertising and specialty publications.

Competitive Intensity, Digital Shift and Prevalence of Global Technology Giants

We operate in a highly competitive environment. Our publications, platforms and sites, and those of VerticalScope, face intense competition for users, readers, subscribers and advertisers. The extent and nature of competition has intensified over the past several years as a result of the rapid and continued development of digital and other media alternatives and the rise of global technology giants, and this has resulted in the fragmentation of audiences and an overall decline in legacy print and flyer advertising revenues, which were historically the largest component of our revenue stream. We expect intense competition to continue.

There has been a continuing structural shift within the media industry from print to digital formats and, as a result, digital media generates significant competition for advertising and subscription revenue and readership. This shift has and will continue to negatively impact our print advertising revenue and, to a lesser extent, our print subscription revenue. Digital competition is not limited to platforms that provide news and news aggregation. Our digital competitors include but are not limited to providers of search engine marketing, display advertising, digital flyers, digital classifieds, digital directories, social media, mobile advertising, loyalty programs, ecommerce and digital retailers and video advertising. Competition also comes from a variety of other sources such as free and paid local, regional and national newspapers, radio, broadcast (including subsidized public broadcasters) and cable television, magazines, outdoor, direct marketing, flyers, directories, and other communications and advertising media.

Our existing and potential future digital competitors range from start-up operations with low cost structures to large global players who may not be subject to the same regulatory requirements and restrictions as Canadian companies. The shift to digital media has resulted in a significant increase in competition from global competitors, including large U.S. and international news and other content providers, as well as global technology giants and digital platform providers such as Google, Facebook, Apple and Amazon. These competitors are increasingly larger, and may have sales tax and other tax advantages over Canadian companies, and access to greater operational, financial and other resources. They may have interests in multiple forms of media, hold vast pools of user data, provide greater audience reach, and offer more sophisticated targeting capabilities, and they may be more successful in attracting advertising and subscription revenue.

Challenges in the Digital Advertising Market

Revenue generated by our advertising offerings will depend, to a large extent, on their perceived effectiveness and the continued growth in, and evolution of, digital advertising. To date, digital advertising revenues have only partially offset a portion of the significant loss of print advertising revenue and we may not be successful in replacing print revenue declines in the future.

Global technology giants have taken a dominant share of the digital advertising market, including advertising revenue and advertising revenue growth. We anticipate that this trend will continue. In addition, online advertising networks, exchanges, real-time bidding and programmatic buying channels that allow advertisers to target audiences are playing an increasingly significant role in the advertising industry. As programmatic advertising becomes more prevalent, advertisers are increasingly showing a preference for lower priced advertising solutions, which in turn puts downward pressure on the price of all advertising services. Advertisers also have increased access to data and greater ability to reach customers directly with digital technologies, which may contribute to reduced spending on external advertising. Many advertisers are insourcing their digital media buying and increasingly using their own marketing channels and engaging in direct communications with their customers and prospects. We may not be able to successfully adapt to these rapid changes and increasing number of digital media options, to respond as quickly or effectively to new or emerging technologies and changes in consumer behavior as our competitors, or to distinguish our products and services from those of our competitors.

Demand for newer forms of advertising, such as video, branded content and other custom advertising, is rising. However, the margin on revenues from some of these forms of advertising is typically lower than the margin generated from print advertising and traditional digital display advertising. As a greater percentage of our advertising revenue comes from these lower margin advertisements, we may experience further downward pressure on our advertising revenue margins.

The use of technology to restrict or block the targeting or display of advertising (for example, through ad blocking software) or to hamper the ability to obtain insight into user behaviour and engagement (for example, by eliminating cookies) by device manufacturers, operating system and browser providers, search engines, network carriers or consumers could increase. Major browser providers (some of whom are the same global technology giants with whom we compete for advertising revenue) have recently indicated they will soon begin to limit or phase out the use of cookies. These technological changes may have an adverse impact on our ability to provide advertising inventory, deliver effective advertising solutions and attract advertisers to our platforms.

Adapting to New Digital Platforms and the Increasing Prominence of Mobile
We have been investing significant time and resources in our digital platforms and associated capabilities to evolve our existing products and develop new products and revenue sources, including digital subscription offerings, mobile platforms, video and other evolving content delivery platforms. There is a risk that we will be unable to successfully attract or retain subscribers, users and advertisers with our existing or new digital platforms. In addition, some of our digital platforms and products are in early stages of development or implementation and may not contribute to profitability in a meaningful way or within a reasonable timeframe or at all. We also use third party platforms to distribute some of our content and advertising. Some of these third party platforms are controlled by the same global technology giants with whom we compete for advertising revenue, and their size, resources and leverage may impact our ability to negotiate a fair price for our content and advertising, affect the means by which we can distribute our content and advertising, and undermine our potential to generate meaningful revenue from our content and advertising. These third parties may also discontinue or modify their platforms, which could restrict access to our content and impact our ability to generate revenue through these platforms. In addition, distribution of our content and advertising on third party delivery platforms may hamper our ability to form a direct relationship with consumers, limit our opportunity to effectively monetize our own digital products, and negatively impact our control over the distribution of our content.

Consumers are increasingly relying on mobile devices to consume news and other content. Our success on mobile platforms depends upon the ability to provide a combination of content, advertising and digital subscriptions for most mobile connected devices, as well as the major operating systems that run on them. The design of mobile devices and operating systems is controlled by third parties, some of whom are the same global technology giants with whom we compete for advertising revenue. Through their mobile devices and operating systems, these third parties have the unique ability to obtain control of significant geolocation and other data that is becoming increasingly essential to effectively service the growing number of advertisers who wish to target their ads by user location and behavior. This could negatively affect our ability to offer effective advertising solutions as compared to our competitors and our ability to generate advertising revenue. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. In addition, these parties may also impact the ability to access specified platforms or content on mobile devices or operating systems. For example, they may choose to feature, favour or pre-load their own content, platforms or services on the mobile devices and operating systems they design, which could deter or impede consumers from downloading, accessing or using our content, platforms and services or hamper our ability to collect data. If our solutions were unable to work or attract consumers or we were otherwise unable to effectively provide content or advertising on these mobile devices, our ability to generate revenue could be significantly harmed.

Competition for Content, Audience and Readership
Our ability to grow and retain advertising and subscription revenue in this evolving competitive environment depends on a number of factors both within and outside of our control, including, among others:

- Our ability to deliver quality journalism and other content that engages our customers;
- Our ability to provide effective, competitive and innovative advertising solutions to clients;
- The performance, popularity, usefulness, and reliability of our products and services, and the platforms on which they are offered;
- Our ability to successfully adapt our products and services to continually evolving mediums, delivery and distribution methods and business models;
- Our ability to adapt to rapid industry changes and an increasing number of digital media options, and respond quickly and effectively to new and emerging technologies and changes in consumer behavior;
- The perceived value of our products and services;
- The availability of competitive products and services from global technology giants, as well as U.S. and international news organizations that offer low priced and/or tax free digital products and services in Canada;
- The availability of free news content, including from global technology giants and subsidized public broadcasters;
- Our ability to charge and/or negotiate a fair price for news content used by search, social media and other technology companies;
- Our ability to effectively develop, promote and monetize existing and new products and services;
- The visibility of our content, products and services on search engines, social media platforms and in mobile app stores compared with those of our competitors; and
- Our ability to distinguish our products and services from those of, and our brand strength relative to, our competitors.

Advertisers often base their decisions about where to advertise in print on readership and circulation data. Print readership levels, in addition to generating subscription revenues, have traditionally been an important factor in the ability of a newspaper to generate advertising revenues. General trends affecting the newspaper industry, including changes in everyday lifestyle and technology have meant that people are devoting less time to reading print newspapers than they once did and as a result print newspaper readership has been declining. This will continue to put negative pressure on print subscription revenues and print advertising revenues. While digital readership is an important factor in the ability of a newspaper to generate digital subscription and advertising revenue, it has had a negative impact on print subscription volumes and revenues and also on print readership. Our digital advertising and digital subscription revenue has not replaced, and may not replace in full, print advertising and print subscription revenue lost as a result of the digital shift.

Our reputation for quality journalism and content is an important factor in maintaining readership levels and subscriptions. We strive to provide content across numerous platforms that is perceived as reliable, relevant and entertaining by readers and advertisers. Public preferences and tastes, general economic conditions, the availability of alternative sources of and platforms for news and other content and forum discussions, the newsworthiness of current events, public perceptions regarding the credibility of media organizations and journalism in general, among other intangible factors, may also contribute to the fluctuation in readership levels, and accordingly, limit our ability to generate advertising and subscription revenue.

Digital readership, traffic levels and the ability to target consumers are key drivers of how digital advertisers base their decisions about where to advertise digitally. In order to be successful in digital advertising, we need to generate traffic on our digital platforms and gather and leverage data that is valuable to advertisers. With the increase in alternative digital content providers and digital platforms (including customized news feeds, news aggregation websites, search engines and social media and mobile based content delivery platforms), we face the risk that we may not be able to sufficiently attract and retain a base of frequent and engaged visitors to our digital platforms. This is particularly important for certain of our platforms, as well as those of VerticalScope, that rely on user generated content and forum discussions. If usage is insufficient or if we do not meet advertisers' expectations by delivering quality traffic, we may not be able to create enough advertiser interest in our digital platforms, or our advertising partners may pay less or cease doing business with us altogether. We may incur additional costs to attract readers and increase our platform usage and we may not be able to recover these costs through advertising or subscription revenues. In addition, certain new and evolving content delivery platforms may present more limited opportunities for advertising.

Our traffic levels and the visibility of our content, products and services (and those of VerticalScope) are dependent on internet search engines and our ability to influence search engine rankings, as we depend in part on various internet search engines and social media properties (some of which are controlled by the same global technology giants with whom we compete for advertising revenue) to direct traffic to our platforms and properties. Our ability to influence or gain insight into the factors driving the search engine rankings of these platforms and properties through search engine optimization efforts is limited. Moreover, the processes and logic by which search engine rankings and social media properties operate are often opaque, and may result in, among other things, ranking preference being given to popular content over credible content, free content over paid or metered content, and foreign content over Canadian content. Unilateral changes by internet search engines and social media properties in their algorithms, including changes affecting how content is displayed or prioritized within those engines and platforms, have caused and could in the future cause us to immediately and without warning receive less user traffic and affect our ability to generate advertising and subscription revenue.

Digital and Print Subscriptions: Challenges and Opportunities

We are becoming more reliant on subscription revenues. We implemented a pay model for online readership for thestar.com in late 2018, and certain of our other news sites (such as thespec.com and therecord.com) also offer paid digital subscriptions. We have also run a paid print and digital subscription pilot in a number of test markets within our Community Brands segment. Our ability to build and maintain customers for digital content depends on many factors, including consumer habits, the timely development and evolution of adequate and adaptable digital infrastructure, delivery platforms, perceived product value, price, available alternatives, delivery of high quality journalism and content, market acceptance of registration and subscription models, our ability to provide superior customer experience and service and other factors. In addition, the reputation of our digital platforms is an important factor in growing and maintaining traffic and generating advertising and subscription revenue. The continuing availability of free high quality news content from competitors (including subsidized public broadcasters who provide consumers with content competitive to ours in multiple mediums including digital, television and radio), could undermine our ability to attract and retain paying customers for, and to generate subscription revenues from, digital content. Advertisers' and customers' perceptions of the attractiveness of the content on our digital platforms, including in some cases user generated content and forum discussions, will impact our ability to generate advertising and subscription revenue. In addition, while a pay model may increase subscription revenues, we also face the risk of reduced page views, digital inventory and print and online readership levels, which could have a negative impact on advertising revenues.

Subscription revenues represent a large portion of our overall revenues. Our ability to maintain our print revenue levels may be affected by shifting demographics; the availability of alternative sources of news and other content (many of which are free to users); an increasing preference among many consumers to receive news and other content via means other than a print newspaper; the price of our print product and consumers' willingness to pay it; the quality and reputation of our content as compared to other content in the marketplace, both in print and other forms; and various other factors both within and outside of our control. If we are unable to offset falling print subscriptions with revenue from home delivery price increases, or to offset print subscription revenue declines with digital subscription revenue, it could have an adverse effect on our revenue.

Economic Conditions and Customer Prospects

Revenue from our publications, digital platforms and distribution operations is dependent on the prospects of our advertising clients and the buying decisions of customers, which can be affected by a variety of factors, including prevailing economic conditions and the level of consumer confidence. Adverse economic conditions generally, and economic weakness and uncertainty have had and may continue to have a negative impact on the advertising industry, our customers and on our operations. Certain of our local and national advertisers operate in industries that are sensitive to adverse economic conditions and are subject to increasing competition and shifts in their industries. A downturn that impacts any of these industries could also have an adverse impact on Torstar's revenue, as well as VerticalScope's and our other investments' revenue. In addition, a change in an advertiser's individual business, prospects or competitive position could alter their spending priorities and impact their advertising budgets, which could have an adverse effect on our revenue.

Cost Structure

Our Daily Brands and Community Brands segments are characterized by a relatively high fixed cost structure and accordingly, a change in revenue could have a disproportionately negative effect on our financial performance. Over the last several years, we have reduced costs in a number of ways including by automating tasks, reducing staff and outsourcing certain services. It is becoming increasingly difficult to continue to reduce costs from current levels. Our ability to achieve cost savings may be impacted by the level of unionization at our newspaper operations (including through our collective agreements), increased labour costs, existing third-party suppliers and service providers and our ability to outsource additional components of our business operations in the future (see "Dependence on Third-Party Suppliers and Service Providers" below). In addition, reductions in staff and cost control measures may impact our ability to attract and retain key employees (see "Dependence on Key Personnel" below).

Loss of Reputation

Our customers, shareholders and employees place considerable reliance on our good reputation, including our significant businesses and brands, and our ability to maintain our existing customer relationships and generate new customers depends greatly on this reputation. Our ability to preserve and leverage the value of our various brands and VerticalScope's ability to leverage its brands is also important to our success. In particular, the Toronto Star's and thestar.com's reputation for high-quality journalism and content makes these brands a key asset and their continued success depends in part on our ongoing ability to preserve and leverage the value of these brands. Our brands could be damaged by events or trends both within and outside of our control that erode consumer trust. The perceived reliability of our journalism might suffer as a result of negative publicity, or a general erosion of the public's confidence in the credibility of mainstream media organizations. In addition, as we outsource services and develop brand extensions, we may work with third party service providers or vendors whose actions could impact our reputation and the value of our brands. The loss or tarnishing of our reputation through negative publicity or otherwise, whether true or not, or a general reduction among consumers in trust in journalism or in the demand for reliable content sources could have an adverse impact on our business, operations or financial condition.

Dependence on Third-Party Suppliers and Service Providers

We rely increasingly on third-party suppliers and service providers for certain key services including distribution, printing, call center services, digital subscription and registration functions, certain information technology functions, including cloud computing and data storage, use and access, digital publishing and circulation platforms, and certain page production, advertising production and sales, content delivery and content supply requirements. In addition, we may outsource additional components of our business operations in the future. Our business or operations could be interrupted or otherwise adversely impacted by our third-party suppliers and service providers experiencing business difficulties or interruptions, by the suppliers or service providers being unable or unwilling to provide services as anticipated (for example, due to extreme weather events), by a lack of competition between existing or potential suppliers or service providers in the marketplace (for example, due to there being limited suppliers or service providers for a particular service), or by our being unable to transition to, integrate with or effectively utilize the services of the third-party suppliers and service providers. In such event, we may be unable to find alternate service providers in a timely and efficient manner and on acceptable terms, if at all. In addition, delays in delivery or other service disruptions could have a negative impact on our subscriber base and our ability to generate revenue.

Reliance on Technology and Information Systems

We place considerable reliance upon technology and information systems ("IT"), including systems built internally as well as those of third party service providers, throughout our operations, including for digital platforms, content delivery, circulation, subscription, payment processing, email, back-office support, software provision and other functions. The continuing, uninterrupted and secure performance of our systems is critical to our businesses. These systems often come from multiple third party vendors and must be interconnected and integrated in order to effectively support our operations. Certain systems may not have been designed with such connection in mind, and performing the required integrations may take more effort, time and money than originally anticipated. In addition, there is a risk that certain systems may not be able to connect effectively, securely, in a way that is error-free, or at all. We may experience unplanned outages or technical difficulties. Any interruption or failure of our internal or external systems could prevent us from servicing customers or cause data to be unintentionally disclosed. Our services may experience periodic service interruptions and delays involving our own systems and those of our third-party vendors. This could challenge our systems' ability to support our businesses' goals, and affect our ability to operate and transform our businesses in our preferred manner and at our desired pace. We have a steering committee in place which oversees technology and information systems security. We provide periodic reports to the Audit Committee. We continually re-assess our IT security threat landscape and its impact on our risk exposure. Despite our IT performance targets and security measures and those of our third-party service providers, our systems and those of our service providers may be susceptible to interruption, power loss, downtime, poor performance, natural disasters, fire, other extreme weather events, telecommunication failures, breach, vulnerabilities, damage or failure, including from obsolescence, loss of power, hacking or other unauthorized access, viruses, worms or other destructive or disruptive software, process breakdowns, human error, malfeasance, denial of service attacks, advanced persistent threats, phishing, social engineering or other similar events or issues. This could compromise our systems, disrupt our activities and result in the loss of customers, harm to our reputation and lost revenue. In addition, the information we collect, use and store could be inappropriately accessed, altered, corrupted, publicly disclosed or exposed, lost or stolen, and the performance and continuing uninterrupted service of our systems could be compromised. See also the risks and uncertainties described below related to "Cybersecurity and Data Protection".

Cybersecurity and Data Protection

Our businesses collect, use and store increasing amounts of data at our own premises and those of third party vendors, much of which is confidential, including intellectual property, employee information, personal information and business information (such as internal information and information from clients, customers, users of our digital platforms or services, suppliers and business partners). Businesses in general have seen a rise in cyberattacks (including by state-sponsored and criminal organizations and other individuals and groups) and as a result the risk of these kinds of attacks continues to increase. Attackers may use a blend of technology and social engineering techniques (including phishing intended to prompt employees, clients and users to disclose information or unintentionally provide access to systems or data, denial of service attacks, website spoofing and other techniques), to disrupt service or extract data. We seek to mitigate emerging and existing cyber risks through our continuous monitoring program, implementation of advanced technology-based defense systems and technological, physical and administrative controls which include entity wide security policies and procedures. While we have implemented controls, and taken other preventative actions to protect our systems against attacks, we can give no assurance that these controls and preventative actions will be effective, or that our systems and those of our service providers, or the data that we and our service providers collect, use and store, will be adequately protected.

The occurrence of any of these events could have an adverse effect on our operations and revenues, including through a disruption of our services or inappropriate disclosure of personal or confidential information, which could cause disruption of service, loss of customers, harm our reputation or damage our brands, and require us to expend resources to remedy such an event, improve the security or resilience of our systems or defend against further attacks, subject us to litigation, regulatory actions and investigations, fines or liability including under evolving cybersecurity, data protection, privacy and other applicable laws and regulations or divert management's attention and resources. As a result, our ability to conduct our business and our results of operations might be adversely affected. In addition, protecting against these events is costly and requires ongoing monitoring and updating as technologies change. The techniques used to obtain unauthorized access, disable or degrade service, create spoof websites or sabotage systems change frequently and are becoming more sophisticated, and consequently we and our service providers may be unable to anticipate, prevent, identify or adequately remediate such incidents. Our general liability insurance may not cover these risks and consequently we could be required to expend significant resources in connection with any costs, liabilities or losses that may be incurred. See also the risks and uncertainties described above relating to “Reliance on Technology and Information Systems” and below relating to "Government Regulations".

Investments in Other Businesses

We hold investments in businesses that we do not hold a controlling interest in and/or in which we do not exercise control over the management, strategic direction or daily operations. This includes a significant investment in VerticalScope, where we effectively share control over certain key matters, and a number of smaller investments in other businesses. Significant changes in the value of these investments and in particular, changes to the value of VerticalScope (including changes relating to the risks and uncertainties described above and below) could have a significant effect on Torstar’s overall value.

Strategic Initiatives and Transformation Plans

Our growth (and growth of our investments, including VerticalScope) is dependent on the ability to identify, develop and execute appropriate strategic initiatives. Strategic initiatives may involve organic growth, growth through acquisition or investment, and strategic partnerships and content arrangements.

Strategic initiatives also include our efforts to transform our traditional news brands and to generate new recurring revenue and digital revenue streams. Our transformation strategy is important to our long-term success, and involves the investment of resources to expand and enhance our existing products and services, and develop new products and services. Our transformation efforts pose a number of challenges and risks, which may include the need for us to acquire expertise in new areas; potential technological and operational issues; challenges associated with effectively allocating capital resources; new or increased costs; and increased regulatory and legal risk. These and other challenges may also divert our resources and the attention of management and other personnel. Our transformation plans may not advance as expected, may result in unanticipated costs or liabilities, and their expected benefits may not materialize (for example, they may fall short of return on investment targets or fail to generate sufficient revenue to justify our investments), any of which could adversely affect our business, results of operations and financial condition.

The implementation of our strategic initiatives is subject to the risks affecting our businesses generally, the risks associated with identifying and implementing new strategies and partnerships, and, for certain initiatives, the risks associated with acquisitions, investments or expansions. Strategic initiatives may not successfully generate revenues or improve operating profit. If they do, it may take longer or cost more than anticipated. In addition, there is no assurance that the implementation or integration of any particular strategic initiative will be successful.

Acquisitions and investments involve numerous additional risks, such as: difficulties in integrating operations, technologies, products and personnel; diversion of financial and management resources from existing operations; operating under commercial agreements entered into by an acquisition target; risks of entering new markets; potential loss of key employees; and inability to generate sufficient revenue to offset acquisition or investment costs. There is no guarantee that any such acquisition or divestiture will be available to us or that it will be available at an appropriate price or on satisfactory terms. In addition, acquisitions and divestitures are subject to regulatory risks. Please see “Government Regulations” below for further discussion.

Unexpected Costs or Liabilities Related to Acquisitions and Dispositions

From time to time, we may make acquisitions or sell certain investments, subsidiaries, real property and other assets. These transactions may affect our costs, revenues, profitability and financial position. Transaction agreements may provide for certain post-closing adjustments and indemnities or the assumption of certain liabilities and we may be subject to unexpected costs or liabilities in connection with such transactions. For example, we may have provided, or may be required to provide representations, warranties and/or indemnities to third party purchasers which may expose us to costs or liabilities for breaches of representations and warranties or indemnity claims including as a result of unexpected or unknown changes.

Labour Disruptions

We have a number of collective agreements at our newspaper operations. The newspapers face the risk associated with future labour negotiations and the potential for business interruption should a strike, lockout or other labour disruption occur. Such a disruption may lead to lost revenues and could have an adverse effect on our business.

The Toronto Star has approximately 160 staff at One Yonge Street covered by a collective agreement which expires on December 31, 2021.

Sing Tao has two collective agreements covering approximately 65 employees which expire on December 31, 2021. StarMetro Toronto operations have a collective agreement covering approximately 40 employees that will expire on March 6, 2020.

At the other Daily Brands, there are nine collective agreements covering approximately 240 employees. One agreement covering approximately 7 employees at the St. Catharines Standard expires December 31, 2020. One agreement covering approximately 50 employees at the Hamilton Spectator and four agreements covering approximately 65 employees at the Waterloo Region Record expired at the end of December 2018 and negotiations are ongoing. Negotiations are expected to commence shortly on one agreement covering approximately 10 employees at the Peterborough Examiner which expired in August 2019 and one agreement covering approximately 55 employees at the Hamilton Spectator which expired at the end of December 2019. One agreement covering four employees at the Niagara Falls Review will expire at the end of December 2020.

The Community Brands Group has a total of ten collective agreements covering approximately 185 employees. There are two agreements covering approximately 20 employees which expired August 2018 and negotiations are ongoing. Three agreements covering approximately 35 employees expired in November 2019 and negotiations are expected to commence shortly. There are five agreements covering approximately 130 employees that will expire December 2020.

Reliance on Printing Operations

Our newspaper operations place considerable reliance on the functioning of printing operations for the printing of our various publications. We are increasingly relying on third parties to print our publications. In the event that any of our print facilities or third party contracted print facilities experience a shutdown or disruption, we and/or the third-party printer will attempt to mitigate potential damage by shifting the printing to our remaining facilities or outsourcing such work to a third party commercial printer. However, given our reliance on such facilities and the limited number of printers in the marketplace with sufficient capacity to print our publications, such a shutdown or disruption could result in being unable to print or distribute some publications, and consequently could have an adverse effect. See also the risks and uncertainties described above related to “Dependence on Third-Party Suppliers and Service Providers”.

Newsprint Costs

Newsprint is the single largest raw material expense for our newspaper operations and represents approximately 11% of total operating costs for 2019. Newsprint is priced as a commodity with the price varying widely from time to time.

We could face a risk in supply of newsprint (including recycled newsprint) and/or increased prices as a result of a reduction in the number of suppliers (due to financial instability, restructuring or consolidation) or as a result of mill closures and/or changes in grades and types of newsprint supplied, or as a result of climate change. Volatility in the price of newsprint may also be caused by other factors influencing supplier profitability, including increased raw material and energy costs, limitations on the supply of raw materials, and changes in trade agreements and arrangements. We primarily source newsprint from two main suppliers. For 2020, we have fixed the cost of newsprint for a portion of the year with one of our suppliers. Newsprint prices are currently expected to be lower than what we experienced in 2019. There can be no assurance that we will be able to extend these arrangements in future years or that we will not be exposed in the future to volatile or increased newsprint costs which could have an adverse effect on our financial performance.

Distribution Costs

We rely on third party service providers to deliver many of our products to customers. These service providers range in size and scale from large distribution businesses to individual independent contractors. Significant increases in fees and costs associated with engaging these third party service providers (including increases due to wage increases, rising fuel prices, severe weather events, changes in employment laws, regulatory assessments of employment status, the effects of climate change or other matters) could materially increase our distribution expenses and/or have an adverse effect on our business, results and financial performance.

Government Regulations

General

Our businesses are subject to a variety of laws and regulations, policies and decisions, including laws applicable generally to business such as environmental, privacy, anti-spam, communications, competition, consumer protection, advertising/ marketing, distribution, e-commerce and copyright and trademark laws. We may be notified from time to time of additional laws, regulations, policies or decisions which governmental organizations or others may claim are or should be applicable to certain of our businesses. We may also be subject to adverse outcomes of legal and regulatory proceedings. Adverse outcomes of legal and regulatory proceedings, as well as changes in, or the failure to comply with, legislation, regulations, policies or decisions could adversely affect our operations and/or our reputation. If we are required to alter our business practices as a result of additional or changed laws, regulations, policies or decisions, or adverse outcomes of legal and regulatory proceedings, revenue could decrease, costs could increase and/or certain of our businesses could otherwise be harmed. In addition, the costs and expenses associated with dealing with any requests, orders or actions related to such legal and regulatory proceedings, laws, regulations, policies and decisions, the diversion of management's attention and resources and any payments of related penalties, judgements or settlements could adversely impact certain of our businesses. Any failure, or perceived failure, by us, our advertisers or our third party service providers to comply with laws and regulations, as well as any failure, or perceived failure, by us or our third party service providers to comply with our terms or policies, could result in claims against us by governmental entities or others, negative publicity and a loss of confidence in us by consumers or advertisers. Each of these potential consequences could adversely affect our business, reputation and results of operations.

Privacy, Confidential Information and Data Use and Protection

Laws relating to privacy, anti-spam, communications, data protection, digital advertising and the collection and use of consumer data have become more prevalent and increasingly restrictive in recent years both within Canada and in other parts of the world. These laws are evolving, and the way in which they are interpreted and enforced by regulators and courts in Canada and other jurisdictions is likely to continue to change in the future. For example, legislation and regulations - both within and outside of Canada - impose limits on our collection and use of certain kinds of information (including without limitation personal information gathered through online and mobile analytics, profiling data, geo-location data, data collected in the course of online behavioural advertising, and other personal data) and the distribution of certain communications. The costs of compliance and/or non-compliance with industry, legislative or regulatory initiatives to address these changes, consumer protection concerns or other related issues such as copyright infringement, unsolicited communications and computer programs, invasion of privacy, privacy breaches and breach notification, cyber-crime and unauthorized access could adversely impact our businesses.

In connection with many of our businesses, we routinely obtain personal and confidential information relating to our customers and users of our digital platforms or services, which may include potentially sensitive personal information. Our practices involving collection, use, disclosure and retention of personal information continue to evolve in light of changes in Canadian and foreign laws and in information technology and analytics technology and services. Any misuse or inadvertent or unauthorized dissemination of such information could violate applicable laws, cause damage to our relationships with our customers or others, cause damage to our brands and reputation, impair our ability to attract and retain our audiences, or result in legal or regulatory actions. See also the risks and uncertainties described above related to "Reliance on Technology and Information Systems", "Cybersecurity and Data Protection" and "Loss of Reputation".

E-commerce, Consumer Protection, Distribution, Marketing and Advertising

Various federal and provincial laws and regulations, as well as the laws of foreign jurisdictions (including advertising and marketing laws, consumer protection legislation, direct marketing, flyer distribution and e-commerce laws), govern the manner in which we offer, deliver and market our products, including with respect to pricing and subscription renewals. These laws and regulations often differ across jurisdictions and compliance can be complex. Any failure or perceived failure to comply with these laws or with our own consumer facing terms or advertising could cause damage to our brands and reputation, impair our ability to attract and retain subscribers or advertisers, or result in legal or regulatory actions.

Environmental and Health and Safety

We are subject to a variety of environmental, health and safety laws concerning, among other things, emissions to the air, water and sewer discharges, handling and disposal of wastes, recycling, the use of recycled materials, or otherwise relating to the protection of the environment and employee health and safety. Environmental, health and safety laws and regulations have become increasingly stringent, and such laws and regulations are expected to continue to change. While we have an environmental policy, an environmental committee and health and safety policies and committees in place to assist in monitoring compliance with applicable legislation, there can be no assurance that all applicable liabilities have been identified, that additional expenditures will not be required to meet current or future legislation, that we will be able to secure materials (such as recycled newsprint) that meet all applicable regulatory requirements, or that future laws, regulations or judicial interpretations (including those relating to climate change or the door-to-door distribution of printed materials) will not materially affect aspects of our business. Compliance with existing and new environmental, health and safety laws and regulations may subject us to unexpected costs and a failure to comply with present or future laws or regulations could result in fines, civil or criminal sanctions, third-party claims or other costs, including costs or expenses required to modify existing business processes.

Regulatory Proceedings

In November 2017 we completed a transaction with Postmedia, in which we purchased and sold a number of daily and community newspapers. The Competition Act (Canada) allows for a one-year period following the completion of a merger transaction during which the Commissioner of Competition may bring an application to the Competition Tribunal challenging the transaction on the basis that it prevents or lessens competition substantially in any relevant market. The Commissioner did not bring such an application. The Competition Bureau has indicated that it is investigating the transaction under the conspiracy provisions of the Competition Act. We do not believe we have contravened the Competition Act. However, the Competition Bureau's ongoing investigation of the Postmedia transaction, including any developments that are or are perceived to be unfavourable to us, could result in reputational damage, legal costs, diversion of management's attention and resources, fines, penalties or judgements, or otherwise adversely impact our businesses.

Litigation

We are involved in various legal actions, which arise in the ordinary course of business. These actions include the litigation as described under the heading "Legal Proceedings" in our most recent Annual Information Form. In particular, given the nature of our businesses, we have had, and may have, litigation claims filed which are related to the publication of our editorial and other content, copyright or trademark infringement, privacy, electronic communications and anti-spam, personal injury, product liability, breach of contract, misleading advertising, unfair competition, employment related matters or other legal claims. Although we maintain insurance for many of types of claims, there can be no assurance that insurance will be available or adequate for all such claims. In addition, there can be no assurance as to the outcome of any future litigation, proceedings or investigations or that the outcome will not be adverse nor have a negative impact on our results. We could incur significant costs in investigating and defending such claims, even if ultimately found not to be liable. See also the risks and uncertainties described below related to "Intellectual Property Rights and Other Content Risks".

Employee Future Benefits

Effective October 1, 2018, employees that participated in our eight registered defined benefit pension plans (the "Torstar Plans") began participating in the Colleges of Applied Arts & Technology Pension Plan (the "CAAT Plan") with respect to the accrual of future benefits. Effective January 1, 2019, most employees that participated in our group retirement savings/ deferred profit-sharing plans and defined contribution plans ceased participating in those plans and began participating in the CAAT Plan. Most new employees hired after January 1, 2019 will also participate in the CAAT Plan. Participating in the multiemployer CAAT Plan requires us to make periodic contributions to the CAAT Plan. As a participating employer in the CAAT Plan, we do not have the ability to reduce these contributions, and a failure to make the required contributions could subject us to penalties including interest on unpaid contributions and collection costs. A breach by Torstar of the agreement with CAAT could also subject us to the risk of CAAT terminating our participation in the CAAT Plan. In addition, in the event of a distressed wind-up of the CAAT Plan with a deficiency, there is a risk to Torstar of residual liability in respect of its own employees and former employees.

In December 2019, the transfer of assets from the Torstar Plans to the CAAT Plan was completed following the receipt of FSRA's consent to the merger of the Torstar Plans with the CAAT Plan. The transfer of assets was the final stage of the merger process. The liabilities for all past benefits under the Torstar Plans have now been transferred to the CAAT Plan together with the assets of the Torstar Plans, and the CAAT Plan has assumed responsibility for all related pension benefit payments under the Torstar Plans. Although no additional cash funding related to the transferred liabilities is expected to be required from Torstar in connection with the merger, there is a risk that Torstar may be required to contribute additional funds under certain circumstances, including in the event of a breach by Torstar of certain representations and covenants pursuant to the agreement between Torstar and CAAT.

In addition to the registered defined benefit pension plans, we also have an unregistered, unfunded defined benefit pension plan that provides pension benefits to eligible senior management executives and a post employment benefits plan that provides health and life insurance benefits to certain grandfathered employees. Torstar continues to be liable for these obligations and liabilities following the merger of the Torstar Plans with the CAAT Plan. These plans are being funded as payments are made. The liabilities associated with these plans may be affected by several factors, including changes to benefits provided to plan participants, changes to actuarial assumptions and methods, changes in participant demographics and plan experience, changes in the cost of healthcare and the discount rate used to assess plan obligations.

Dependence on and Competition for Key Personnel
We are dependent to a large extent upon the continued services of our senior management team and other key employees such as editorial, digital, sales and technical personnel, and including key employees of companies we invest in such as VerticalScope. There is increasingly intense competition for qualified managers and skilled employees (including in data, technology and product development focused roles which are key to our transformation) and our failure to recruit, train and retain such employees could have an adverse effect on our business, financial condition or operating results.

Foreign Exchange Fluctuations and Foreign Operations
Our investment in VerticalScope is denominated in U.S. dollars, VerticalScope's functional currency. To offset the exposure to Torstar's U.S. dollar investment in VerticalScope, we have entered into forward foreign exchange collar contracts to sell U.S. dollars. As a result, our cash flows and operating results may be affected by changes in the value of the Canadian dollar relative to the U.S. dollar (See additional information on foreign exchange risks in Section 7 of this MD&A and in Note 16 to our 2019 Consolidated Financial Statements). In addition, predominantly all of VerticalScope's revenues are earned in U.S. dollars. As a result, Torstar's share of VerticalScope's revenues and operating earnings are affected by changes in the value of the Canadian dollar relative to the U.S. dollar.

In addition, exclusive of our interest in VerticalScope, certain of our revenues, expenses and monetary assets and liabilities are denominated in currencies other than the Canadian dollar, largely the U.S. dollar. To the extent that the value of the Canadian dollar changes relative to the applicable foreign currencies, this will result in a foreign currency gain or loss reflected in our earnings.

Over the past few years, the Canadian currency has become increasingly volatile and may retain the same or higher levels of volatility in the coming years. To the extent that this continues, such volatility may be reflected in our operating results in the form of additional costs and reduced revenues.

Availability of Insurance
We have insurance, including media liability, property and casualty and directors' and officers' liability insurance, in place to address certain material insurable risks. Such insurance is subject to certain coverage limits, exclusions and deductibles that we believe are reasonable given the cost of procuring insurance. There is no assurance that such insurance will continue to be available on an economically feasible basis, that all events that could give rise to a loss or liability are insurable or insured, that amounts owing from insurers will be collected or that the insurance coverage will be sufficient to cover every material loss or claim that may occur involving our operations or assets.

Income Tax, Other Tax Credits and Government Grants
We have taken and hope to continue to take advantage of a number of federal and provincial tax credit and grant programs, including programs designed to support Canadian media organizations. We have recorded the benefit of digital media and qualifying journalism tax credits based on estimates, using accounting principles that recognize the benefit when it is more likely than not that the ultimate determination of the tax treatment of a position will result in the related benefit being realized. The assessment of the likelihood and amount and the timing of realization of such amounts can materially affect the determination of net income or cash flows. There can be no assurance that the amounts accrued will be realized, or that these tax credit or grant programs will continue to be available to us in the future or will not be reduced, changed or eliminated. Any future eliminations or reductions of these tax credits, or amendments to or unfavourable determinations regarding their application could increase our costs and affect our results of operations.

We have also recorded significant amounts of current and deferred income tax expense related to our investment in VerticalScope, and calculated these amounts based on substantively enacted income tax rates in effect at the relevant time. A legislative change in these rates could have a material impact on the amounts recorded and payable in the future.

While we believe that we have provided for adequate amounts of tax, significant judgement is required in interpreting tax legislation and regulations in relation to our businesses. Our tax filings are subject to audit by the relevant government revenue authorities and the results of the government audit could materially change the amount of our actual income tax expense, tax credits, income taxes payable or receivable, other taxes payable or receivable and deferred income tax assets or liabilities and could, in certain circumstances, result in an assessment of interest and penalties.

Intellectual Property Rights and Other Content Risks
We place considerable importance on the protection of our intellectual property rights. Our businesses generate a significant volume of content every day, including text, photographs, images, graphics and interactive content such as

third-party posts and links. Some of this content - in particular, carefully researched pieces of investigative journalism - is expensive and time-consuming to produce. However, once such content is published, we are often unable to prevent third parties from using the facts and ideas it contains to create their own stories on similar topics with comparatively little investment. In addition, unauthorized parties may attempt to copy or otherwise unlawfully obtain and use our content, services, and other intellectual property, and we cannot always effectively prevent such unauthorized uses or misappropriation of our intellectual property, or any resulting confusion that may arise among consumers or advertisers. Third parties may infringe upon our rights and changes and advancements in technology and the wide dissemination of content have made the enforcement of intellectual property rights more challenging. In addition, third parties may contest our intellectual property rights and there is a risk that some of the content we generate may be defamatory or infringing, and that content generated by users of our platforms and services (or those of VerticalScope) may be defamatory, infringing, incorrect, negligent, unlawful or otherwise inappropriate. There can be no assurance that our actions will be adequate to prevent the infringement of our intellectual property rights, or protect us against claims by third parties. If third parties were to contest the validity or scope of our intellectual property rights or to allege violation of their rights, such challenges could result in the limitation or loss of intellectual property rights and other damages and regardless of their validity, such claims could cause us to incur significant costs in investigating and defending such claims and have a negative impact on our reputation or results. See also the risks and uncertainties described above related to “Litigation”.

Credit Risk

Credit risk is the risk of our financial loss if a customer or counterparty to a financial asset fails to meet its contractual obligations. In the normal course of business, we are exposed to credit risk for accounts receivable from our customers and counterparties holding cash and cash equivalents, restricted cash and derivatives.

While we apply a prudent approach to the granting of credit to customers, the collectability of accounts receivable could deteriorate to a greater extent than provided for in our 2019 Consolidated Financial Statements. Accounts receivable are carried at net realizable value and the allowance for doubtful accounts has been determined based on several factors, including the aging of accounts receivable, evaluation of significant individual credit risk accounts and historical experience. If such collectability estimates prove inaccurate, adverse adjustments to future operating results could occur and could be material.

Our cash and cash equivalents, restricted cash and derivative instruments are held with Canadian chartered banks. While we regularly review the financial condition of these counterparties, a failure of a counterparty could adversely affect our consolidated financial condition.

Availability of Capital and Restrictions Imposed by Credit Facilities

If internal funds are not available from our operations, we may be required to raise additional financing through public or private equity or debt financings, or other arrangements with corporate sources or other sources of financing to fund operations and meet our financial commitments. However, there is no assurance that additional funding, if required, will be available to us in amounts or on terms acceptable to us, if at all.

We may from time to time, enter into agreements for additional financing, including agreements in respect of credit facilities. Such agreements may impose a number of restrictions on us including but not limited to restrictions on certain distributions as well as compliance with certain financial covenants and compliance with other affirmative and negative covenants.

In addition, the agreement governing certain indebtedness of VerticalScope imposes a number of restrictions and includes restrictions on certain distributions. The agreement also requires VerticalScope’s compliance with certain financial covenants and compliance with other affirmative and negative covenants.

These restrictions may limit flexibility in planning for and reacting to business or industry changes and strategic objectives and may make us more vulnerable to adverse economic and industry conditions.

Financial Reporting and Impairment

We are responsible for establishing and maintaining adequate internal controls over financial reporting, a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Economic, market, legal, regulatory, competitive, customer, contractual and other factors may affect the value of our long-lived assets, intangible assets and investments. If any of these factors impair the value of these assets, IFRS requires that we reduce their carrying value and recognize an impairment charge. This would reduce our reported assets and earnings in the year the impairment charge is recognized.

Dividends

Decisions on the declaration and payment of dividends are made by our Board of Directors based on our overall financial performance and cash flow outlook. There is no guarantee that dividends will be declared in the future or that we will make dividend payments at former levels. Subsequent to the end of the third quarter of 2019, the Board of Directors decided to suspend the quarterly dividend. The Board intends to review its dividend policy again in the fourth quarter of 2020. The holders of our Class B non-voting shares are generally not entitled to vote at any meeting of the shareholders of Torstar; provided that, if at any time we have failed to pay the full quarterly preferential dividend on the Class B non-voting shares in each of eight consecutive quarters, then and until we have paid full quarterly preferential dividends (7.5 cents per annum) on the Class B non-voting shares for eight consecutive quarters, the holders of the Class B non-voting shares are entitled to vote at all meetings of the shareholders at which directors are to be elected on the basis of one vote for each Class B non-voting share held.

Our Class B Non-Voting Shares are Thinly Traded and the Public Listing of our Shares May Not Be Maintained

Our Class B non-voting shares trade on the TSX and there may or may not be an active trading market for the Class B non-voting shares. The TSX has broad discretion regarding delisting. If the TSX determines that we no longer meet the applicable listing requirements, including with respect to the public distribution or liquidity of the Class B non-voting shares, there is a risk that the TSX may delist them.

Market Price for our Class B Non-Voting Shares

The market price for our Class B non-voting shares may fluctuate and be subject to wide variations in response to a number of factors, including actual or anticipated fluctuations in our results of operations; changes in our or others' estimates of future results of operations; changes in the economic performance or market valuations of other companies that investors see as comparable to us; changes in our executive officers and other key personnel; sales or perceived sales of our Class B non-voting shares; our dual class share structure; significant acquisitions, divestitures, strategic initiatives or capital commitments by or involving ourselves or our competitors; and trends, concerns or competitive developments, regulatory changes and other related issues in our industry or markets.

Financial markets are susceptible to significant price and volume fluctuations that may affect the market prices of companies' equity securities and can be unrelated to those companies' operating performance, underlying asset values or prospects. Accordingly, the market price of our Class B non-voting shares may decline even if our operating results, underlying asset values or prospects have not changed. There can be no assurance that continuing fluctuations in trading price and volume will not occur. If levels of volatility and market instability continue, our operations could be adversely impacted and the trading price of the Class B non-voting shares may be adversely affected.

Sales of Shares by our Directors or Executive Officers

Subject to compliance with applicable securities laws (and to the extent applicable, the requirements of the Voting Trust Agreement), officers and directors and their affiliates may sell some or all of their shares in the future. No prediction can be made as to the effect, if any, such future sales of shares will have on the prevailing market price of our Class B non-voting shares from time to time. However, the future sale of a substantial number of shares by one or more of our officers or directors or their affiliates, or the perception that any such sale could occur, could adversely affect the prevailing market price for our Class B non-voting shares.

Holding Company Structure

We have no material sources of income or assets, other than the interests that we hold in our subsidiaries, joint arrangements and other entities. As a holding company, our ability to meet our financial obligations is dependent primarily upon the receipt of cash dividends, interest and principal payments on intercompany advances, and other payments and distributions from our subsidiaries, joint arrangements and other entities in which we have an interest together with proceeds we raise through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and other amounts by our subsidiaries, joint arrangements and other entities in which we have an interest may be subject to statutory or contractual restrictions, are contingent upon the earnings of those entities and are subject to various business and other considerations.

Control of Torstar by the Voting Trust

Almost 99% of our Class A shares are held in a Voting Trust pursuant to a Voting Trust Agreement, which joins together seven groups of shareholders. Under the Voting Trust Agreement, each shareholder group is entitled to appoint a Voting Trustee. The Voting Trustees exercise various powers and rights, including among others the right to vote in the manner as determined by a majority of the Voting Trustees, all of the Class A shares of Torstar held by the members of the Voting Trust. The Class A shares are the only class of issued shares carrying the right to vote in all circumstances. Accordingly, the Voting Trust, through a single ballot, effectively elects the Torstar Board of Directors and controls the vote on all matters submitted to a vote of shareholders of Torstar. See also "Dividends" above.

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MANAGEMENT'S REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for preparation of the consolidated financial statements, notes hereto and other financial information contained in this annual report. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards using the best estimates and judgements of management, where appropriate. Information presented elsewhere in this annual report is consistent with that in the consolidated financial statements.

Management is also responsible for maintaining a system of internal control designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities by the Audit Committee of the Board. The Committee meets quarterly with management and the internal and external auditors, and separately with the internal and external auditors, to satisfy itself that management's responsibilities are properly discharged, and to discuss accounting and auditing matters. The Committee reviews the consolidated financial statements and recommends approval of the consolidated financial statements to the Board.

The internal and external auditors have full and unrestricted access to the Audit Committee to discuss their audits and their related findings as to the integrity of the financial reporting process.

John Boynton
President and Chief Executive Officer
February 25, 2020

Lorenzo DeMarchi
Executive Vice-President and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Torstar Corporation

Opinion

We have audited the consolidated financial statements of Torstar Corporation and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2019 and 2018, and the consolidated statement of loss, consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Other information

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

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 25, 2020

Torstar Corporation
Consolidated Statement of Financial Position
(Thousands of Canadian Dollars)

	As at December 31, 2019	As at December 31, 2018
Assets		
Current:		
Cash and cash equivalents	**$42,177**	$68,227
Restricted cash (note 6)	**8,225**	7,175
Receivables (note 16)	**120,924**	105,143
Inventories (note 7)	**2,709**	3,918
Assets held for sale (note 10)	**6,021**	
Prepaid expenses	**5,141**	5,152
Prepaid and recoverable income taxes		332
Total current assets	**185,197**	189,947
Investments in joint ventures (note 8)	**12,248**	12,692
Investments in associated businesses (note 9)	**108,362**	131,216
Property, plant and equipment (note 10)	**22,248**	49,205
Right-of-use assets (note 11)	**13,508**	
Intangible assets (note 12)	**12,598**	32,592
Other assets (note 14)	**6,948**	11,140
Total assets	**$361,109**	$426,792
Liabilities and Equity		
Current:		
Accounts payable and accrued liabilities (16)	**$58,453**	$61,814
Deferred revenue (note 4)	**12,691**	13,844
Lease liabilities (note 11)	**4,096**	
Derivative financial instruments (note 16)	**16**	2,843
Provisions (note 18)	**24,253**	13,247
Income taxes payable	**107**	515
Total current liabilities	**99,616**	92,263
Lease liabilities (note 11)	**11,675**	
Provisions (note 18)	**6,491**	5,343
Other liabilities (note 19)	**3,887**	5,170
Employee benefits (note 20)	**53,939**	94,569
Equity:		
Share capital (note 21)	**403,630**	403,437
Contributed surplus	**22,336**	21,928
Accumulated deficit	**(241,225)**	(198,384)
Other components of equity (note 23)	**1,202**	2,657
Total equity attributable to equity shareholders	**185,943**	229,638
Minority interests	**(442)**	(191)
Total equity	**185,501**	229,447
Total liabilities and equity	**$361,109**	$426,792

(see accompanying notes)

ON BEHALF OF THE BOARD

John Honderich
Director

Dan Jauernig
Director

Torstar Corporation
Consolidated Statement of Loss

(Thousands of Canadian Dollars except per share amounts)

	Year ended December 31	
	2019	2018
Operating revenue (note 4)	**$478,975**	$543,391
Salaries and benefits	**(179,607)**	(219,296)
Other operating costs	**(270,220)**	(289,497)
Amortization and depreciation (notes 10,11 and 12)	**(28,130)**	(26,949)
Restructuring and other charges (note 18)	**(35,523)**	(17,525)
Impairment of assets (note 13)	**(29,727)**	
Operating loss	**(64,232)**	(9,876)
Interest and financing costs (note 16)	**(1,385)**	(1,332)
Foreign exchange	**1,073**	(1,414)
Loss from joint ventures (note 8)	**(194)**	(5,414)
Loss from associated businesses (note 9)	**(16,150)**	(20,394)
Other income (note 24)	**28,618**	303
Loss before taxes from continuing operations	**(52,270)**	(38,127)
Income and other taxes recovery (note 15)	**350**	82
Net loss from continuing operations	**(51,920)**	(38,045)
Income from discontinued operations (note 25)		6,475
Net loss	**($51,920)**	($31,570)
Attributable to:		
Equity shareholders	**($51,669)**	($31,524)
Minority interests	**($251)**	($46)
Net income (loss) attributable to equity shareholders per Class A (voting) and Class B (non-voting) share (note 21(c)):		
Basic and Diluted:		
From continuing operations	**($0.64)**	($0.47)
From discontinued operations		$0.08
	($0.64)	($0.39)

(see accompanying notes)

Torstar Corporation
Consolidated Statement of Comprehensive Loss
(Thousands of Canadian Dollars)

	Year ended December 31	
	2019	2018
Net loss	**($51,920)**	($31,570)
Other comprehensive income (loss) ("OCI") that are or may be reclassified subsequently to net income (loss):		
Unrealized foreign currency translation adjustment ("CTA") (no income tax effect)	**11**	(33)
Unrealized foreign currency translation adjustment for associated businesses (no income tax effect) (note 9)	**(4,653)**	8,046
Unrealized gain (loss) on hedge of net investment (cost of hedging) (no income tax effect) (note 16)	**1,434**	(1,498)
Realized loss on hedge of net investment (cost of hedging) (no income tax effect) (note 16)		(120)
	(3,208)	6,395
OCI that will not be reclassified subsequently to net income (loss):		
Actuarial gain on employee benefits (note 20)	**18,907**	12,287
Actuarial gain (loss) on employee benefits for associated businesses (no income tax effect) (note 9)	**(2,051)**	795
Fair value change on equity instruments at FVOCI (note 23)	**(247)**	3,106
Income tax effect (note 15)		(300)
Gain on sale of equity instruments at FVOCI (note 23)	**63**	
	16,672	15,888
Comprehensive loss, net of tax	**($38,456)**	($9,287)
Attributable to:		
Equity shareholders	**($38,205)**	($9,241)
Minority interests	**($251)**	($46)

(see accompanying notes)

Torstar Corporation
Consolidated Statement of Changes in Equity
(Thousands of Canadian Dollars)

	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss) ("AOCI")	Fair value reserve of financial assets at FVOCI	Total attributable to equity shareholders	Minority interests	Total equity
As at January 1, 2018 (adjusted)	403,040	21,322	(174,237)	(5,074)	924	245,975	(145)	245,830
Net loss for the year			(31,524)			(31,524)	(46)	(31,570)
Other comprehensive income			13,082	6,395	2,806	22,283		22,283
Total comprehensive income (loss)			(18,442)	6,395	2,806	(9,241)	(46)	(9,287)
Dividends (note 21)	155		(8,099)			(7,944)		(7,944)
Issue of share capital – other (note 21)	242					242		242
Share-based compensation expense		606				606		606
Transfer of fair value of financial assets upon disposal (note 23)			2,394		(2,394)			
As at December 31, 2018	**$403,437**	**$21,928**	**($198,384)**	**$1,321**	**$1,336**	**$229,638**	**($191)**	**$229,447**
Net loss for the year			**(51,669)**			**(51,669)**	**(251)**	**(51,920)**
Other comprehensive income (loss)			**16,856**	**(3,208)**	**(184)**	**13,464**		**13,464**
Total comprehensive loss			**(34,813)**	**(3,208)**	**(184)**	**(38,205)**	**(251)**	**(38,456)**
Dividends (note 21)	**76**		**(6,091)**			**(6,015)**		**(6,015)**
Issue of share capital – other (note 21)	**117**					**117**		**117**
Share-based compensation expense		**408**				**408**		**408**
Transfer of fair value of financial assets upon disposal (note 23)			**(1,937)**		**1,937**			
As at December 31, 2019	**$403,630**	**$22,336**	**($241,225)**	**($1,887)**	**$3,089**	**$185,943**	**($442)**	**$185,501**

(see accompanying notes)

Torstar Corporation
Consolidated Statement of Cash Flows
(Thousands of Canadian Dollars)

	Year ended December 31	
	2019	2018
Cash was provided by (used in)		
Operating activities	**($9,916)**	$14,444
Investing activities	**(5,129)**	(9,838)
Financing activities	**(11,005)**	(7,756)
Decrease in cash	**(26,050)**	(3,150)
Cash, beginning of year	**68,227**	71,377
Cash, end of year	**$42,177**	$68,227
Operating activities:		
Net loss from continuing operations	**($51,920)**	($38,045)
Amortization and depreciation (notes 10,11 and 12)	**28,130**	26,949
Deferred income taxes (note 15)		(282)
Loss from joint ventures (note 8)	**194**	5,414
Distributions from joint ventures (note 8)	**250**	5,314
Loss from associated businesses (note 9)	**16,150**	20,394
Impairment of assets (note 13)	**29,727**	
Non-cash employee benefit expense (note 20)	**4,961**	13,163
Employee benefits funding (note 20)	**(4,668)**	(11,023)
Gain on transfer of employee benefits (note 20)	**(24,590)**	
Gain on sale of assets (note 24)	**(3,519)**	(292)
Other (note 26)	**2,005**	(207)
	(3,280)	21,385
Decrease (increase) in restricted cash (note 6)	**(1,050)**	1,881
Increase in non-cash working capital	**(5,586)**	(8,822)
Cash provided by (used in) operating activities	**($9,916)**	$14,444
Investing activities:		
Additions to property, plant and equipment and intangible assets	**($14,640)**	($14,411)
Acquisitions and portfolio investments (note 27)	**(1,125)**	(2,228)
Proceeds from sale of assets (notes 23 and 24)	**10,636**	6,490
Other		311
Cash used in investing activities	**($5,129)**	($9,838)
Financing activities:		
Lease payments (note 11)	**($5,038)**	
Dividends paid	**(6,015)**	($7,944)
Other	**48**	188
Cash used in financing activities	**($11,005)**	($7,756)
Cash represented by:		
Cash	**$14,188**	$32,752
Cash equivalents – short-term deposits	**27,989**	35,475
Net cash, end of year	**$42,177**	$68,227

(see accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2019 and 2018

(Tabular amounts in thousands of Canadian dollars except per share amounts)

1. CORPORATE INFORMATION

Torstar Corporation (the "Company") is incorporated under the laws of Ontario, Canada and its Class B (non-voting) shares are publicly traded on the Toronto Stock Exchange. The registered office is located at One Yonge Street, Toronto, Canada. The principal activities of the Company and its subsidiaries are described in Note 3.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The policies applied in these consolidated financial statements are based on IFRS policies effective as of December 31, 2019. These consolidated financial statements have been authorized for issue in accordance with a resolution from the Board of Directors on February 25, 2020.

Comparative figures for previous periods have been restated to conform to the current year presentation.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value as described in the accounting policies.

(c) Principles of consolidation

The consolidated financial statements of the Company include the accounts of Torstar Corporation and all its subsidiaries over which it has control. The Company controls an investee when the Company is exposed to, or has rights to, variable returns from its relationship with the investee and has the ability to affect those returns through its power over the investee. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power. These facts and circumstances include: the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the Company, other vote holders or other parties; and rights arising from other contractual arrangements. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences and are de-consolidated on the date when control ceases.

Profit or loss and each component of OCI are attributed to the equity holders of the Company and to the minority interests, even if this results in the minority interests having a deficit balance.

Intra-group balances and transactions are eliminated on consolidation. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(d) Investments in joint ventures and associated businesses

A joint venture is a type of joint arrangement in which the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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.

An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not represent control or joint control over those decisions.

The considerations made in determining joint control or significant influence are similar to those necessary to determine control over subsidiaries.

Investments in joint ventures and associates are accounted for using the equity method, whereby the investment is carried in the consolidated statement of financial position at cost (which includes acquisition-related fees) plus post-acquisition changes in the Company's share of the net assets of the investment. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. When the Company's share of losses of a joint venture or associate exceeds the Company's carrying value of the investment, 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 or associate.

The consolidated statement of income or loss reflects the Company's share of the results of operations of the joint venture or associate. Where there has been a change recognized directly in the OCI of the joint venture or associate, the Company recognizes its share of any changes and discloses this, when applicable, in OCI. When there has been a change recognized directly in the equity of the joint venture or associate, the Company recognizes, when applicable, its share of any changes in the consolidated statement of changes in equity.

The financial statements of the joint venture or associate are prepared for the same reporting period as the Company except when the joint venture or associate does not have coterminous year-end and quarter-ends with the Company, in which case the most recent period-end available in a quarter is used. When necessary, adjustments are made to bring the accounting policies of the joint venture or associate in line with those of the Company.

After the initial application of the equity method, the Company determines at each reporting date whether there is any objective evidence that the investment in the joint venture or associate is impaired and consequently whether it is necessary to recognize an impairment loss with respect to the Company's investment. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the impairment in the consolidated statement of income or loss.

Upon loss of significant influence over an associate, the Company measures and recognizes any retained investment at its fair value. Upon loss of joint control over a joint venture, the Company considers whether it has significant influence, in which case the retained investment is accounted for as an associate using the equity method, otherwise the Company measures and recognizes any retained investment as a portfolio investment at its fair value. Any difference between the carrying amount of the investment and the fair value of the retained investment or proceeds from disposal of the investment is recognized in profit or loss.

(e) Foreign currency translation

The Company's consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Each entity consolidated by the Company determines its own functional currency based on the primary economic environment in which the entity operates.

Transactions in foreign currencies are initially recorded by the entities in their respective functional currencies on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the entity's functional currency are translated at the rates as at the date of the consolidated statement of financial position (period-end rates). Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of income or loss, except for qualifying cash flow and net investment hedges for which these exchange differences are deferred in accumulated other comprehensive income or loss ("AOCI") within equity. These deferred foreign exchange gains and losses are carried forward to be recognized in income in the same period as the corresponding gains or losses associated with the hedged item. Non-monetary assets and liabilities are translated into functional currencies at historical exchange rates.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and items of income and expense are translated into Canadian dollars at the rates prevailing on the dates of the transactions, or average rates of exchange where these approximate actual rates. The resulting translation adjustments are included in OCI. Upon reduction of the Company's investment in a foreign subsidiary due to a sale or liquidation, the proportionate amount of AOCI is recognized in income.

(f) Financial instruments

Financial assets and liabilities

Financial assets and liabilities are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit and loss ("FVTPL").

The classification of financial assets at initial recognition is based on the financial asset's contractual cash flow characteristics and the Company's business model for managing the assets. In order for a financial asset to be classified and measured at amortized cost or fair value through OCI ("FVOCI"), it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company classifies its financial assets and liabilities into the following categories:

- Financial assets and liabilities at amortized cost (debt instruments)
- Financial assets at FVOCI, with gains or losses recycled to profit or loss on derecognition (debt instruments)
- Financial assets at FVOCI, with no recycling of gains or losses to profit or loss on derecognition (equity instruments)
- Financial assets and liabilities at FVTPL

Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the consolidated statement of financial position.

Financial instruments are recognized on the trade date - the date on which the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities at amortized costs (debt instruments)

The Company measures financial assets at amortized cost if both the following conditions are met:

- Hold-to-Collect business model test - the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 'SPPI' contractual cash flow characteristics test - the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date.

Loans and receivables include originated and purchased non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are classified as current assets in the consolidated statement of financial position and include current receivables, cash and cash equivalents and restricted cash. Non-current receivables are classified as other assets.

Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. Receivables are reduced by estimated bad debt provisions which are determined by reference to past experience and expectations. Cash and cash equivalents consist of cash in bank and highly liquid short-term investments.

Other financial liabilities are measured at amortized cost using the effective interest rate method. Other financial liabilities include accounts payable and accrued liabilities and long-term debt instruments. Long-term debt instruments are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Transaction costs related to long-term debt instruments are included in the value of the instruments and amortized using the effective interest rate method.

Financial assets at FVOCI with no recycling (Equity Instruments)

Upon initial recognition, the Company can irrevocably elect to classify its unquoted equity instruments (portfolio investments) at FVOCI with no recycling of gains or losses to profit or loss on derecognition. The classification is determined on an instrument-by-instrument basis. Each of the portfolio investments meets the definition of Equity under IAS 32, *Financial Instruments: Presentation* and are not held for trading. The portfolio investments are carried at fair value with the changes in fair value reported as unrealized gains or losses within OCI. Equity instruments classified in FVOCI are not subject to an impairment assessment.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income or loss when the right of payment has been established.

The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial assets and liabilities at FVTPL

The Company classifies certain financial assets and liabilities as either held for trading or designated at FVTPL. Assets and liabilities in this category include derivative financial instruments that are not designated as hedging instruments in hedge relationships.

Financial instruments at FVTPL are carried at fair value. Related realized and unrealized gains and losses are included in the consolidated statement of income or loss.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Impairment of financial assets

For trade receivables and contract assets, the Company applies a simplified approach in calculating expected credit losses ("ECLs") and recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derivative instruments and hedging

In the normal course of business, the Company uses derivative financial instruments to manage its risks related to foreign currency exchange rate fluctuations and share-based compensation liability and expense. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. Positions are monitored based on changes in interest and foreign currency exchange rates and their impact on the market value of derivatives. Credit risk on derivatives arises from the potential for counterparties to default on their contractual obligations to the Company. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality. The Company does not enter into derivative transactions for trading or speculative purposes.

All derivatives, including derivatives designated as hedges for accounting purposes and embedded derivatives, are recorded in the consolidated statement of financial position at fair value. The treatment of changes in the fair value of derivatives depends on whether or not they are designated as hedges for accounting purposes.

Collar arrangements and foreign exchange contracts to sell U.S. dollars have been designated as hedges against the foreign currency exposure on the net investment in VerticalScope Holdings Inc. ("VerticalScope"). Changes in fair value on these instruments arising from fluctuations in the rate of exchange of Cdn. dollar per U.S. dollar within the collar range are recognized in OCI to the extent of hedge effectiveness and accumulated in a separate component of equity. Fair value changes from movement in the foreign exchange rate within the collar range reflect the cost of hedging as the options have no intrinsic value. When the rate of exchange is above or below the collar range, the changes in fair value are recorded in OCI to the extent of hedge effectiveness with the portion related to the cost of hedging accumulated in the separate component of equity. The portion of the hedge that is deemed ineffective is recorded in the consolidated statement of income or loss.

The Company uses derivative instruments to manage its exposure to changes in the fair value of its deferred share unit (“DSU”) plans and the cost of its restricted share unit (“RSU”) plan. The changes in the fair value of these instruments are recorded as compensation expense. The change in the Company’s share price between the settlement date and the reporting date is included in the consolidated statement of financial position at the fair value of these derivative instruments at each reporting date.

The treatment of changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow or net investment hedge by documenting the relationship between the derivative and the hedged item. Documentation includes a description of the hedging instrument, the hedged item, the risk being hedged, the Company’s risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both the inception of the hedge and on an ongoing basis. The Company assesses the ongoing effectiveness of its hedges at each reporting date.

Amounts in AOCI are recycled to the consolidated statement of income or loss in the period when the hedged item will affect profit and loss (for instance, when the forecast sale that is hedged takes place). If a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any unrealized cumulative gain or loss remains in AOCI and is recognized when the forecast transaction is ultimately recognized in the consolidated statement of income or loss. If a forecast transaction is no longer expected to occur, the unrealized cumulative gain or loss that was reported in AOCI is recognized in the consolidated statement of income or loss.

Fair value hedges

These are hedges of the fair value of recognized assets, liabilities or a firm commitment. Changes in the fair value of derivatives that are designated as fair value hedges are recorded in the consolidated statement of income or loss together with any changes in the fair value of the hedged asset or liability attributable to the hedged risk.

Cash flow hedges

These are hedges of highly probable forecast transactions. The effective portion of changes in the fair value of derivatives that are designated as a cash flow hedge is recognized in OCI. The gain or loss relating to the ineffective portion is recognized in the consolidated statement of income or loss.

Net investment hedges

These are hedges of the Company’s net investment in its foreign operations, currently VerticalScope. The effective portion of the change in the fair value of the hedging instrument is recorded directly in OCI. The ineffective portion is recognized in the consolidated statement of income or loss in the period in which the change occurs. Upon the sale or liquidation of the foreign operations, the amounts deferred in AOCI are recognized in the consolidated statement of income or loss.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that a portion of the cash flows of the combined instrument varies in a way similar to a standalone derivative. If certain conditions are met, an embedded derivative is separated from the host contract and accounted for as a derivative in the consolidated statement of financial position, at its fair value. Any future changes in the fair value are recorded in the consolidated statement of income or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments, while providing effective economic hedges, are not designated as hedges for accounting purposes. Changes in the fair value of any derivatives that are not designated as hedges for accounting purposes are recognized in the consolidated statement of income or loss.

Determination of fair value

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. The fair value of instruments quoted in active markets is determined using quoted prices where they represent those at which regularly and recently occurring transactions take place. The Company uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgement, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity.

The Company categorizes fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used in the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value of derivative financial instruments reflects the estimated amount that the Company would have been required to pay if forced to settle all unfavourable outstanding contracts or the amount that would be received if forced to settle all favourable contracts at the reporting date. The fair value represents a point-in-time estimate that may not be relevant in predicting the Company's future earnings or cash flows.

The Company's derivative financial instruments include derivative instruments to manage its exposure associated with changes in the fair value of its DSU plans and the cost of its RSU plan, and foreign exchange forward contracts and collar arrangements to hedge the foreign currency exposure on its net investment in VerticalScope. The fair value of the derivative instruments used to manage the Company's exposure under the DSU and RSU plans is classified within Level 2 and is based on the movement in the Company's share price between the quarterly settlement date and the reporting date which are observable inputs.

The fair value of the foreign exchange forward contracts and collar arrangements is classified within Level 2 as it is based on foreign currency rates quoted by banks and is the difference between the forward exchange rate and the contract rate.

The fair value of portfolio investments that have quoted market prices is classified within Level 1 except when the securities are not actively traded and thus classified within Level 2. The fair value of portfolio investments that do not have quoted market prices is classified within Level 3 and determined when possible using a valuation technique that maximizes the use of observable market inputs and unobservable market inputs such as earnings multiples and cash flow projections.

(g) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Raw materials are valued at purchase cost on a first in, first out basis. The cost of finished goods and work in progress includes raw materials, translation and printing and production costs. Provisions are made for slow moving and obsolete inventory. If the carrying value exceeds the net realizable amount, a writedown is recognized. The writedown may be reversed in a subsequent period if the circumstances causing it no longer exist.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost or at fair value as deemed cost, net of accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income or loss as incurred.

Depreciation is calculated using the straight-line basis over the estimated useful life of the asset as follows:

• Buildings	
▪ Structural	25 – 60 years
▪ Components	10 – 35 years
▪ Machinery and equipment	3 – 40 years
▪ Furniture and fixtures	3 – 10 years
• Leasehold improvements	Term of the lease plus renewal periods, when renewal is reasonably assured

The useful lives and methods of depreciation and the assets' residual values are reviewed at least annually, and the depreciation charge is adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of income or loss when the asset is derecognized.

(i) Intangible assets

Intangible assets are recognized separately from goodwill when they are separable or arise from contractual or other legal rights and their fair value can be measured reliably. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets which have a finite useful life are amortized over the useful economic life of the asset and are stated at cost less accumulated amortization and any accumulated impairment losses. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits is accounted for by changing the amortization period or method, as appropriate, and adjusted prospectively.

Amortization is calculated using the straight-line basis over the estimated useful life of the asset as follows:

• Software	3 – 5 years
• Customer relationships and other	2 – 10 years
• Trademarks	2 – 5 years
• Domain names	5 – 10 years
• Other	5 – 10 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income or loss when the asset is derecognized.

(j) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed in the consolidated statement of income or loss.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the Company's previously held equity or jointly controlled interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Company will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IFRS 9, *Financial Instruments*, either in the consolidated statement of income or loss or as a change to OCI.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized in the consolidated statement of income or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(k) Non-current assets held for sale and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Remaining actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Additionally, the sale should be expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as a discontinued operation if it is:

- A component of the Company that is a cash generating unit ("CGU") or a group of CGUs;
- A major line of business or major geographical area; or
- Classified as held for sale or already disposed in such a way.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount, net of tax, as income or loss from discontinued operations in the consolidated statement of income or loss.

(l) Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (a CGU). The test for impairment for property, plant and equipment and intangible assets is to compare the recoverable amount of the asset or CGU to the carrying value. The recoverable amount is the greater of fair value less costs to sell ("FVLCS"), and value in use ("VIU"). An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

In its assessment of the recoverable amounts of the CGUs at December 31, 2019, the Company used the FVLCS approach. In its assessment of the recoverable amounts of the CGUs at December 31, 2018, the Company used both the FVLCS and VIU approaches.

The FVLCS calculation uses the following key assumptions:

- Earnings before interest, taxes, depreciation and amortization, and impairment of assets for the trailing twelve months.

- Earnings before interest, taxes, depreciation and amortization, and impairment of assets using a one year projection. The projections are based on the most recent financial budgets approved by the Company's Board of Directors.

- Market multiple in the range of 4.0 which are based on the average market multiples for comparable entities.

The VIU calculation uses cash flow projections for a five-year period and a terminal value. The terminal value is the value attributed to the cash flow beyond the projected period using a perpetual growth rate. The key assumptions in the VIU calculations are:

- Earnings before interest, taxes, depreciation and amortization, and impairment of assets, growth rates (for periods within the cash flow projections and in perpetuity for the calculation of the terminal value), future levels of maintenance expenditures on capital and discount rates. These estimates are based on management's best estimates considering historical and expected operating plans, strategic plans, economic conditions and the general outlook for the industry and markets in which the CGU or group of CGUs operates. The projections are based on the most recent financial budgets, approved by the Company's Board of Directors, three year strategic plans and management forecasts beyond that period.

- In calculating the VIU, the Company uses a discount rate in order to establish values for each CGU or group of CGUs. The discount rate applied to each calculation is a pre-tax rate that reflects an optimal debt-to-equity ratio and considers the risk free rate, market equity risk premium, size premium and the risks specific to each CGU or group of CGUs cash flow projections.

- The perpetuity growth rate is based on management's best estimates considering the industry, operating income trends and growth prospects for that specific CGU or group of CGUs.

(m) Revenue recognition

The Company has a number of different revenue streams all of which are derived from contracts with customers. Print and digital advertising revenue is primarily generated through the provision of advertisements in print publications as well as on various digital platforms. Revenue from subscribers is largely generated by home delivery subscriptions; single copy sales at newsstands and vending machines; and the provision of digital subscriptions. Flyer distribution revenue is primarily generated from the delivery of flyers to consumers on behalf of advertisers. Other revenues are generated from the provision of commercial printing for external customers as well as the sale of various products and services.

Revenue is measured based on the consideration specified in a contract and the Company recognizes revenue when it transfers control of a product or provides a service to a customer. A corresponding receivable is similarly recognized in instances where credit terms are extended as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. No element of financing is deemed present as normal credit terms are 30 days or less upon delivery. The contracts with customers typically have no further separate performance obligations to which a portion of the transaction price should be allocated nor are subject to variable consideration. When payment is received in advance of the criteria being met for recognition of revenue, a contract liability is recognized in deferred revenue. With respect to incremental costs such as sales commissions incurred in obtaining a contract, the Company has elected to apply the practical expedient to expense these costs when incurred as the term of the Company's contracts are one year or less.

Print advertising and flyer distribution revenue

Revenue related to print advertising and flyer distribution is recognized when a print advertisement or flyer is included in the newspaper and the newspapers and/or flyers are delivered to the reader.

Digital advertising revenue

The Company has a number of digital advertising revenue streams. The majority of the Company's digital revenue is recognized when advertisements are placed on digital platforms and to a lesser extent when a user clicks on an advertisement, on a per click basis.

Subscription revenue

In respect of revenue from subscribers related to print newspapers, the Company recognizes revenue at the time of delivery of the newspaper to the customer/subscriber. Revenue from single copy sales is recognized net of a provision for returns based on historical rates of returns. In the case of revenue from digital subscribers, revenue is recognized proportionately over the term of the subscription.

Other revenue

Other revenue is recognized upon delivery to or at the time that goods are made available to the customer. For example, when products are printed for external customers, revenue is recognized at the time that such materials are made available to the customer.

(n) Employee benefits

The Company has maintained both defined benefit and capital accumulation ("defined contribution") employee benefit plans. Details with respect to accounting for defined benefit employee future benefit plans are as follows:

- The net asset or net liability recognized in the consolidated statement of financial position is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets. The service cost and obligations of pensions and post employment benefits earned by employees are calculated annually by independent actuaries using the projected unit credit method prorated on service and management's best estimate of assumptions of salary increases, retirement ages of employees and expected health care costs.

- The present value of the defined benefit obligation is determined by discounting estimated future cash flows using the current interest rate at the reporting date on high quality fixed income investments with maturities that match the expected maturity of the obligations.

- Net interest is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation (at the beginning of the year) and is included in Interest and financing costs in the consolidated statement of income or loss.

- Past service costs are recognized immediately in the consolidated statement of income or loss.

- Current service costs, past service costs, special termination benefits, curtailment gains or losses and administration costs are recognized in the consolidated statement of income or loss and are included in salaries and benefits or restructuring and other charges, as applicable.

- Changes in actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized in OCI in the period in which they arise and charged or credited to retained earnings. On an interim basis, management estimates the changes in the actuarial gains and losses. These estimates are adjusted when the annual valuation or estimate is completed by the independent actuaries.

- For the funded plans, the value of any minimum funding requirements (as determined by applicable pension legislation) is recognized to the extent that the amounts are considered recoverable. Recoverability is limited to the extent to which the Company can reduce the future contributions to the plan.

Company contributions to defined contribution plans and to the Colleges of Applied Arts & Technology Pension Plan (the "CAAT Plan") are expensed as incurred.

Termination benefits are expensed at the earlier of the time at which the Company can no longer withdraw the offer of those benefits and the time at which the Company recognizes costs for a restructuring. Benefits which are not expected to be settled wholly within twelve months from the end of the reporting period are discounted.

(o) Share-based compensation plans

The Company has a share option plan, an employee share purchase plan (“ESPP”), two DSU plans and an RSU plan.

Share option plan and ESPP

Eligible senior executives may be granted options to purchase Class B non-voting shares at an option price which shall not be less than the closing market price of the shares on the last trading day before the grant. Share options vest, and are expensed, over four years from the date of grant.

Under the Company’s ESPP, employees may subscribe for Class B non-voting shares of the Company to be paid for through payroll deductions over two-year periods at a purchase price which is the lower of the market price on the entry date or the market price at the end of the payment period. The value of the shares that an employee may subscribe for is restricted to a maximum of 20% of salary at the beginning of the two-year period.

The fair value of share options granted and ESPP subscriptions are measured using the Black-Scholes pricing model. For share options, the model considers each tranche with graded vesting features as a separate share option grant. Forfeitures are estimated on the grant date and are revised as the actual forfeitures differ from estimates.

The fair value of share options granted and ESPP subscriptions is recognized as compensation expense over the vesting and subscription periods with a related credit to contributed surplus. The contributed surplus balance is reduced as options are exercised and as the ESPP matures through a credit to share capital. The consideration paid by option holders and the ESPP subscribers is credited to share capital when the options are exercised or when the plan matures.

DSUs

Eligible executives may elect to receive certain cash incentive compensation in the form of DSUs. Each DSU is equal in value to one Class B non-voting share of the Company and is issued on the basis of the closing market price per share of Class B non-voting shares of the Company on the Toronto Stock Exchange on the date of issue. DSUs also accrue dividend equivalents payable in additional units in an amount equal to dividends paid on Class B non-voting shares of the Company.

The Company has also adopted a DSU plan for non-employee directors. Each non-employee director receives an award of DSUs as part of his or her annual Board retainer. In addition, a non-employee director holding less than the minimum shareholding requirement of Class B non-voting shares, Class A voting shares, DSUs, or a combination thereof, receives the cash portion of his or her annual Board retainer in the form of DSUs. Any non-employee director may also elect to participate in the DSU plan in respect of part or all of his or her retainer and attendance fees. The terms of the director DSU plan are substantially the same as the executive DSU plan.

Compensation expense is recorded in the year DSUs are granted and changes in the fair value of outstanding DSUs, including deemed dividend equivalents, are recorded as an expense in the period that they occur. DSUs can only be redeemed once the executive or director is no longer employed with the Company whereupon the executive or director is entitled to receive the fair market value of the equivalent number of Class B non-voting shares, net of withholdings, in cash. Outstanding DSUs are recorded as long-term liabilities.

RSUs

Eligible executives may be granted RSU awards equivalent in value to Class B non-voting shares of the Company as part of their long-term incentive compensation. RSUs vest after three years and are settled in cash. RSU grants accrue dividend equivalents payable in additional units in an amount equal to dividends paid on Class B non-voting shares of the Company. RSUs are accrued over the three-year vesting period as compensation expense and a related liability. Forfeitures are estimated on the grant date and revised if the actual forfeitures differ from the estimates. The liability is recorded at fair value at each reporting date. Accrued RSUs are recorded as long-term liabilities, except for the portion that will vest within twelve months which is recorded as a current liability.

(p) Taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in the consolidated statement of income or loss, unless it relates to items recognized outside the consolidated statement of income or loss. Tax expense relating to items recognized outside of the consolidated statement of income or loss is recognized in correlation to the underlying transaction in either OCI or equity.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax

Deferred income tax is provided using the liability method for temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred income tax assets and liabilities are measured using substantively enacted tax rates and laws at the reporting date that are expected to be in effect when the temporary differences are expected to reverse.

Deferred income taxes are recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are not recognized for temporary differences that arise on initial recognition of assets and liabilities other than in a business combination.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which they can be utilized.

(q) Provisions

Provisions are recognized if the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as of the date of the consolidated statement of financial position, taking into account the risks and uncertainties surrounding the obligation.

Provisions are discounted and measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party (for example, because the obligation is covered by an insurance policy), an asset is recognized if it is virtually certain that reimbursement will be received.

(r) Leases

The Company assesses at the inception of a contract whether a contract is or contains a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

As a lessee, leases are recognized as a right-of-use asset and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. These payments are discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments are allocated between the liability and finance costs. The finance cost is charged to Interest and financing costs over the lease term.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company or if there is a change in the amount expected to be payable under a residual value guarantee. The lease liability is also remeasured when the underlying lease contract is amended. When there is a decrease in contract scope, the lease liability and right-of-use asset will decrease relative to this change with the difference recorded in net income or loss prior to the remeasurement of the lease liability. The remeasurement will use the applicable discount rate at the effective date of the lease modification.

The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability, any initial direct costs incurred and an estimate of costs to dismantle, remove or restore the underlying asset or site on which it is located less any lease payments made at or before the commencement date. The right-of-use asset is depreciated, on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The right-of-use asset may be adjusted for certain remeasurements of the lease liability and impairment losses. Leases that have terms of less than 12 months or leases on which the underlying asset is of low value are recognized as an expense in the consolidated statement of income or loss on a straight-line basis over the lease term.

Certain leases require the Company to make payments that relate to property taxes, maintenance and other non-lease costs. These non-lease costs are typically variable and are not included in the calculation of the right-of-use asset or lease liability.

(s) Use of estimates and judgements

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Management uses estimates when accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of long-lived assets, asset impairments, provisions, share-based compensation plans, employee benefit plans, deferred income taxes and tax credits. Estimates are also made by management when recording the fair value of assets acquired and liabilities assumed in a business combination.

Estimates are based on a number of factors, including historical experience, current events and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The more significant estimates and assumptions made by management are described below:

Employee benefits

The valuation by independent actuaries uses management's assumptions for rate of compensation increase, trends in healthcare costs, employee turnover and expected mortality. However, the most significant assumption is the discount rate which is used to determine the present value of the future cash flows that are expected to be required to settle employee benefit obligations. The discount rate is based on the market yield on long-term high-quality corporate bonds with maturities matching the estimated cash flows from the benefit plan at the time of estimation. A lower discount rate would result in a higher employee benefit obligation. Further details about the assumptions used are provided in Note 20.

Impairment of non-financial assets

The Company tests for impairment if there are indicators that impairment may have arisen. Impairment exists when the carrying value of an asset, CGU or group of CGUs exceeds its recoverable amount, which is the higher of its FVLCS and its VIU. The FVLCS calculation is based on the average of market multiples for comparable entities, less incremental costs for disposing of the asset. The VIU calculation is based on a discounted cash flow model. The key estimates and assumptions used in arriving at the FVLCS and VIU are outlined in Note 2(l).

In calculating the recoverable amount, management is required to make several assumptions, including, but not limited to, expected future revenues, expected future cash flows, forward multiples and discount rates. Management's assumptions are influenced by current market conditions and levels of competition, both of which may affect expected revenues. Expected cash flows may be further affected by changes in operating costs beyond what is currently anticipated. Management has also made certain assumptions for the market multiples, discount and terminal growth rates to reflect possible variations in the cash flows, however, the risk premiums expected by market participants related to uncertainties about the industry, specific reporting units or specific intangible assets may differ or change quickly, depending on economic conditions and other events. Changes in any of these assumptions may have a significant impact on the fair value of the investment, CGU or group of CGUs or intangible assets and the results of the related impairment testing.

As at December 31, 2019, the carrying value of investments, intangible assets and property plant and equipment represented 33%, 3%, and 6% respectively of total assets and each reporting segment had investments and intangible assets with carrying values subject to these estimates. As at December 31, 2018, the carrying value of investments, intangible assets, and property, plant and equipment represented 34%, 8%, 12% respectively of total assets. Additionally, as a result of lower forecasted revenues that reflect the continued challenges in the print advertising market, expected future revenues and cash flows, the Company has recorded impairment charges primarily related to property, plant and equipment and intangible assets totalling $29.7 million in the year ended December 31, 2019 ($8.0 million of impairment charges related to investments in joint ventures for the year ended December 31, 2018). These charges impact net income or loss but have no effect on cash flows.

More details are provided in Note 13.

Income and other tax credits

The Company has recorded the benefit of digital media and journalism tax credits based on estimates, using accounting principles that recognize the benefit when it is more likely than not that the ultimate determination of the tax treatment of a position will result in the related benefit being realized. The assessment of the likelihood and amount and the timing of realization of such amounts can materially affect the determination of net income or cash flows. More details are provided in Note 16.

Significant judgements made by management are described below:

Classification of investments as subsidiaries, joint ventures, associated businesses and portfolio investments.

Classification of investments requires judgement on whether the Company controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholders' agreements. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

The Company has classified its investment in VerticalScope as an associated business (rather than being consolidated subsidiary or classified as a joint venture) based on management's judgement that the Company does not have control but has significant influence, based on rights to board representation and other provisions in the shareholders' agreement. The Company has classified its investments in Black Press Ltd. and Blue Ant Media Inc. as associated businesses based on management's judgement that the Company has significant influence despite holding less than 20%, based on rights to board representation and other provisions in the respective shareholders' agreements.

Leases

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option and accordingly makes certain assumptions when deriving the value of the economic incentive. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Classification of cash equivalents

Classification of cash equivalents requires judgement on whether the short-term investments are easily convertible into cash. Short-term investments with maturities on acquisition of 90 days or less are presumed to be cash equivalents due to the short holding period of the investment. The Company has classified its short-term investments with original maturities on acquisition of over 90 days but less than 365 days as cash equivalents based on management's judgement that the short-term investments are liquid as the Company has a contractual right to convert them into cash upon 30 days notice without loss of interest after the initial 30 days.

Determination of operating segments, reportable segments and CGUs

The Company has three reportable operating segments: Community Brands ("Communities"), Daily Brands ("Dailies") and Digital Ventures. "Corporate" is the provision of corporate services and administrative support. Digital businesses outside the traditional newspaper operations are managed as one operating segment - Digital Ventures and remains a separate reportable segment. The Company's chief operating decision-maker ("CODM") monitors the operating results of the operating segments for the purpose of assessing performance. Segment performance is evaluated based on operating profit which corresponds to operating profit as measured in the consolidated financial statements except that it includes the proportionately consolidated share of joint venture operations. Decisions regarding resource allocation are made at the reportable operating segment level.

Within the Communities operating segment, the Company has identified one CGU which includes the community newspapers and their flyer distribution and printing operations. In addition, the Company has identified one CGU within the Dailies operating segment, which includes all daily newspapers and their respective flyer distribution as well as a number of other smaller digital platforms and publications. Within the Digital Ventures segment, the Company has identified eyeReturn Marketing as one CGU.

Determination of allowance for doubtful accounts

The Company applies a simplified approach in calculating ECLs for trade receivables and contract assets that have maturity of 12 months or less and do not contain a significant financing component and recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(t) Changes in accounting policies

Policies adopted in 2019:

The nature and impact of the adoption of IFRS 16 is described below. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16, *Leases*

The Company has adopted IFRS 16 *Leases* using a modified retrospective approach and has therefore not restated comparatives for the 2018 reporting period.

The Company has lease contracts primarily related to leases of real estate properties which prior to the adoption of IFRS 16 were classified as operating leases and lease payments were recognized as an operating cost in the consolidated statement of profit or loss. The Company had no finance leases on the date of the adoption. The new standard provides a single lessee accounting model which eliminates the distinction between operating and finance leases, by requiring lessees to recognize right-of-use assets and liabilities for the rights and obligations created by leases. The right-of-use asset is being depreciated over the term of the lease on a straight-line basis. The lease liability was initially measured at the present value of the lease payments payable over the term of the lease and accrues interest. Limited recognition exemptions may apply if the underlying asset has a low value or the lease term is less than 12 months. The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made in applying IAS 17 and IFRIC 4 *Determining whether an arrangement contains a lease* for existing contracts. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained.

The Company has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- Reliance on previous assessments of whether leases are onerous
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

On adoption, the Company recognized lease liabilities of $15.1 million which were measured at the present value of the remaining lease payments, using the Company’s discount rate of 10% as at January 1, 2019. Right-of-use assets of $15.0 million were measured at the amount equal to the lease liabilities, adjusted for prepaid or accrued lease payments as at January 1, 2019. Accounts payable and other liabilities were reduced by $0.1 million.

As at December 31, 2018, the Company disclosed contractual obligations related to significant office leases of $39.9 million. This included $21.8 million of non-lease components such as operating costs which are not capitalized as part of IFRS 16. The lease obligations were discounted by $3.2 million to arrive at an opening liability of $15.0 million.

3. SEGMENTED INFORMATION

The Company has three reportable operating segments: Community Brands (or "Communities"), Daily Brands (or "Dailies") and Digital Ventures. Corporate is the provision of corporate services and administrative support. Digital businesses outside the traditional newspaper operations are managed as one operating segment, Digital Ventures, which is a separate reportable segment. The Company's chief operating decision-maker ("CODM") monitors the operating results of the operating segments for the purpose of assessing performance. Segment performance is evaluated based on operating profit which corresponds to operating profit as measured in the consolidated financial statements except that it includes the proportionately consolidated share of joint venture operations and in the case of the Digital Ventures segment, the Company's 56% interest in VerticalScope, which as a result of terms in the applicable shareholder's agreement, is classified as an associated business (rather than being a consolidated subsidiary or classified as a joint venture). The Company owns a significantly higher percentage of VerticalScope relative to its other associated businesses. Decisions regarding resource allocation are made at the reportable operating segment level.

Year ended December 31, 2019	**Communities**	**Dailies**	**Digital Ventures**	**Corporate**	**Total**	**Adjustments and Eliminations[1]**	**Per Consolidated Statement of Loss**
Operating revenue	**$226,777**	**$259,272**	**$53,944**		**$539,993**	**($61,018)**	**$478,975**
Salaries and benefits	**(94,172)**	**(83,095)**	**(19,290)**	**($5,364)**	**(201,921)**	**22,314**	**(179,607)**
Other operating costs	**(102,285)**	**(166,850)**	**(15,707)**	**(4,006)**	**(288,848)**	**18,628**	**(270,220)**
Amortization and depreciation	**(14,388)**	**(10,719)**	**(36,825)**	**(9)**	**(61,941)**	**33,811**	**(28,130)**
Restructuring and other charges	**(10,261)**	**(25,760)**	**(312)**	**41**	**(36,292)**	**769**	**(35,523)**
Impairment of assets	**(21,540)**	**(8,187)**			**(29,727)**		**(29,727)**
Reportable segment operating profit (loss)	**($15,869)**	**($35,339)**	**($18,190)**	**($9,338)**	**($78,736)**	**$14,504**	**($64,232)**

Year ended December 31, 2018	Communities	Dailies	Digital Ventures	Corporate	Total	Adjustments and Eliminations[1]	Per Consolidated Statement of Loss
Operating revenue	$258,237	$289,931	$66,863		$615,031	($71,640)	$543,391
Salaries and benefits	(123,591)	(91,710)	(22,843)	($6,548)	(244,692)	25,396	(219,296)
Other operating costs	(111,521)	(172,936)	(21,234)	(5,692)	(311,383)	21,886	(289,497)
Amortization and depreciation	(11,846)	(12,812)	(42,073)	(2)	(66,733)	39,784	(26,949)
Restructuring and other charges	(9,610)	(8,068)	(2,662)	(114)	(20,454)	2,929	(17,525)
Impairment of assets		(8,000)			(8,000)	8,000	
Reportable segment operating profit (loss)	$1,669	($3,595)	($21,949)	($12,356)	($36,231)	$26,355	($9,876)

[1] Adjustments and eliminations represent the elimination of the proportionately consolidated results of, and transactions with joint ventures and VerticalScope.

Geographical information

The Company operates in Canada and generates revenue from the following main geographical areas:

	Revenue[1]		Long-lived assets[2]	
	Year ended December 31		As at December 31	
	2019	2018	**2019**	2018
Canada	**$472,626**	$533,805	**$48,354**	$81,797
United States	**6,349**	9,586		
Total	**$478,975**	$543,391	**$48,354**	$81,797

[1] Revenue is allocated based on the country from which the order is received.
[2] Non-current assets include property, plant and equipment, right-of-use assets and intangible assets.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

The following charts provide a breakdown of total disaggregated operating revenue for the years ended December 31, 2019 and 2018:

Year ended December 31, 2019	**Communities**	**Dailies**	**Other**	**Total Consolidated**
Print advertising	**$80,964**	**$74,100**		**$155,064**
Digital advertising	**24,949**	**25,199**	**$10,175**	**60,323**
Flyer distribution	**84,406**	**19,174**		**103,580**
Print and digital subscriber	**434**	**119,243**		**119,677**
Other	**34,785**	**5,546**		**40,331**
Total	**$225,538**	**$243,262**	**$10,175**	**$478,975**

Year ended December 31, 2018	Communities	Dailies	Other	Total Consolidated
Print advertising	$99,375	$97,671		$197,046
Digital advertising	25,084	25,848	$14,748	65,679
Flyer distribution	95,531	21,573		117,104
Print and digital subscriber	460	118,004		118,465
Other	36,565	8,532		45,097
Total	$257,015	$271,628	$14,748	$543,391

(b) Contract balances

The following table provides information about trade accounts receivable and deferred revenue:

	December 31, 2019	December 31, 2018
Trade accounts receivable (note 16)	**$73,031**	$77,873
Deferred revenue	**(12,691)**	(13,844)

The amount of $13.8 million recognized in deferred revenue as at December 31, 2018 has been recognized as revenue in the year ended December 31, 2019.

5. INVESTMENTS IN SUBSIDIARIES

The Company's material subsidiaries are: Toronto Star Newspapers Limited and Metroland Media Group Ltd., which are Ontario corporations. The Company has 100% voting and equity securities interest in each of these corporations.

The principal activities of these subsidiaries are described in Note 3.

6. RESTRICTED CASH

At December 31, 2019, the Company had restricted cash totalling $8.2 million (December 31, 2018 – $7.2 million) which includes $7.5 million (December 31, 2018 – $5.8 million) held as collateral for outstanding standby letters of credit in respect of an unfunded executive retirement plan liability (Note 20).

7. INVENTORIES

	December 31, 2019	December 31, 2018
Work in progress	**$39**	$108
Raw materials	**2,670**	3,810
	$2,709	$3,918

The Company expensed inventory costs of $30.1 million for the year ended December 31, 2019 (2018 – $33.6 million).

8. INVESTMENTS IN JOINT VENTURES

The Company's joint ventures include investments in Sing Tao Daily (approximately 50%) and included Workopolis (50%) prior to the sale in 2018.

The table below provides a continuity of investments in joint ventures:

	Year ended December 31	
	2019	2018
Balance, beginning of year	**$12,692**	$23,420
Loss from joint ventures	**(194)**	(5,414)
Distributions from joint ventures	**(250)**	(5,314)
Balance, end of year	**$12,248**	$12,692

On April 12, 2018, workopolis.com and related assets were sold to a subsidiary of Recruit Holdings Co., Ltd.
The loss from joint ventures in the twelve months ended December 31, 2018 included a $3.7 million gain on the sale of assets in Workopolis as well as $1.8 million of restructuring charges related to the closure of the remaining Workopolis business. In connection with the sale and subsequent wind-up of the remaining Workopolis business, the Company received a distribution from the joint venture of $3.8 million.

Summarized Supplemental Financial Information

The following is summarized supplemental financial information based on the Company's proportionate share of the joint ventures:

(i) Statement of Financial Position

	As at December 31, 2019	As at December 31, 2018
Cash and cash equivalents	**$6,171**	$5,714
Other current assets	**4,049**	5,474
Total current assets	**10,220**	11,188
Total non-current assets	**5,884**	5,655
Total assets	**$16,104**	$16,843
Current liabilities	**$2,936**	$3,522
Other non-current liabilities	**926**	629
Total equity	**12,242**	12,692
Total liabilities and equity	**$16,104**	$16,843

(ii) Statements of Loss and Comprehensive Loss

	Year ended December 31	
	2019	2018
Operating revenue	**$17,298**	$21,667
Salaries and benefits	**(7,912)**	(9,197)
Other operating costs	**(8,788)**	(10,412)
Amortization and depreciation	**(720)**	(852)
Restructuring and other charges	**(520)**	(2,157)
Impairment of assets (note 13)		(8,000)
Operating loss	**(642)**	(8,951)
Interest and financing costs	**(50)**	11
Foreign exchange	**(1)**	5
Gain on sale of assets and other	**420**	3,743
	(273)	(5,192)
Income and other taxes	**79**	(222)
Net loss and comprehensive loss	**($194)**	($5,414)

9. INVESTMENTS IN ASSOCIATED BUSINESSES

As of December 31, 2019, the Company's investments in associated businesses include a 19.4% equity interest in Black Press Ltd. ("Black Press"); a 15.4% equity investment in Blue Ant Media Inc. ("Blue Ant"); a 33.3% equity interest in Canadian Press Enterprises Inc. ("Canadian Press"); a 56.4% equity investment in VerticalScope and a 21.8% interest in Nest Wealth Asset Management Inc. ("Nest Wealth").

The table below provides a continuity of investments in associated businesses:

	Year ended December 31	
	2019	2018
Balance, beginning of year	**$131,216**	$142,769
Loss of associated businesses	**(16,150)**	(20,394)
OCI – Actuarial gain on employee benefits	**(2,051)**	795
OCI – Foreign currency translation adjustment	**(4,653)**	8,046
Balance, end of year	**$108,362**	$131,216

The table below provides details of income and losses from associated businesses:

	Net income (loss)		OCI	
	2019	2018	**2019**	2018
VerticalScope	**($14,964)**	($20,701)	**($4,224)**	$8,136
Black Press	**977**	2,294	**(2,089)**	552
Blue Ant	**(1,575)**	(1,349)	**(391)**	153
Nest Wealth	**(588)**	(638)		
Total	**($16,150)**	($20,394)	**($6,704)**	$8,841

Black Press

Black Press is a privately held company that publishes more than 150 titles in print and online in Canada and the U.S. and has operations in British Columbia, Alberta, the Yukon, Saskatchewan, Manitoba, Washington, California, Hawaii and Alaska. For the year ended December 31, 2019, the Company's share of Black Press' net income was $1.0 million and other comprehensive loss was $2.1 million (2018 – net income of $2.3 million and other comprehensive income of $0.6 million).

Blue Ant

Blue Ant is a privately held, international content producer, distributor and channel operator founded in 2011. Blue Ant creates content for multiple genres including factual, factual entertainment, short-form digital series and kids programming. Their distribution business offers a catalogue of 3,000+ hours of content, including the largest 4K natural history offering on the market, and their international channel business offers a portfolio of media brands. The Company's equity interest as at December 31, 2019 was 15.4% (December 31, 2018 – 15.6%). The Company's share of Blue Ant's net loss in 2019 was $1.6 million (2018 – net loss of $1.3 million) and includes dilution gains of $0.3 million in 2019 and $0.4 million in 2018.

Canadian Press

Canadian Press operates The Canadian Press news agency. The Company's carrying value in Canadian Press was previously reduced to $nil. The Company will begin to report its share of Canadian Press' results once the unrecognized losses ($0.6 million as of December 31, 2019) have been offset by net income, other comprehensive income or additional investments are made. For the year ended December 31, 2019, the Company would have reported net income of $3.5 million, which included a gain on the transfer of employee benefits obligations to CAAT prior to December 31, 2019, and other comprehensive income of $1.8 million from Canadian Press (2018 – net loss of $0.1 million and other comprehensive loss of $0.5 million).

Nest Wealth

Nest Wealth is an online investment portfolio manager, or "robo-advisor" in the financial technology sector. The Company's share of Nest Wealth's net loss was $0.6 million for the year ended December 31, 2019 (2018 – net loss of $0.6 million).

VerticalScope

VerticalScope is a Toronto-based vertically focused digital media company with expertise in programmatic advertising which services the North American market through its network of user forums and premium content sites offering advertisers access to large audiences in popular verticals including automotive, powersports, outdoors, home and health.

The Company has a 56.4% interest in VerticalScope. Pursuant to certain terms in the shareholders' agreement, the investment is accounted for as an associated business using the equity method.

The following is summarized supplemental financial information for 100% of VerticalScope including the Company's fair value adjustments on acquisition of the investment:

(i) Statement of Financial Position

	As at December 31, 2019	As at December 31, 2018
Cash and cash equivalents	**$6,641**	$21,923
Other current assets	**16,518**	18,468
Total current assets	**23,159**	40,391
Total non-current assets	**282,892**	334,318
Total assets	**$306,051**	$374,709
Current portion long-term debt	**$10,715**	$3,752
Other current liabilities	**20,457**	24,675
Total current liabilities	**31,172**	28,427
Long-term debt	**134,060**	176,418
Other non-current liabilities	**3,317**	
Total equity	**137,502**	169,864
Total liabilities and equity	**$306,051**	$374,709

(ii) Statements of Loss and Comprehensive Loss

	Year ended December 31	
	2019	2018
Operating revenue	**$77,563**	$88,558
Salaries and benefits	**(25,522)**	(28,706)
Other operating costs	**(17,376)**	(20,333)
Amortization and depreciation	**(58,641)**	(68,993)
Restructuring and other charges	**(437)**	(1,368)
Operating loss	**($24,413)**	($30,842)
Net loss	**($26,517)**	($36,684)
Other comprehensive income (loss)	**(7,485)**	14,418
Total comprehensive loss	**($34,002)**	($22,266)

Torstar's comprehensive loss attributable to its interest in VerticalScope was $19.2 million for the year ended December 31, 2019 ($12.6 million for the year ended December 31, 2018).

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and leasehold improvements	Machinery and equipment	Total
Cost				
Balance at December 31, 2017	$1,407	$61,191	$107,520	$170,118
Acquisitions (note 27)		154	88	242
Additions		580	3,019	3,599
Disposals	(19)	(2,501)	(2,786)	(5,306)
Foreign exchange			4	4
Balance as at December 31, 2018	**1,388**	**59,424**	**107,845**	**168,657**
Additions		**367**	**3,986**	**4,353**
Disposals	**(155)**	**(3,313)**	**(14,254)**	**(17,722)**
Assets held for sale	**(703)**	**(19,047)**		**(19,750)**
Balance as at December 31, 2019	**$530**	**$37,431**	**$97,577**	**$135,538**
Depreciation and impairment				
Balance at December 31, 2017		$38,859	$76,000	$114,859
Additions		3,890	5,102	8,992
Disposals		(1,701)	(2,701)	(4,402)
Foreign exchange			3	3
Balance as at December 31, 2018		**41,048**	**78,404**	**119,452**
Additions		**3,730**	**4,991**	**8,721**
Impairments (note 13)			**13,111**	**13,111**
Disposals		**(1,573)**	**(12,692)**	**(14,265)**
Assets held for sale		**(13,729)**		**(13,729)**
Balance as at December 31, 2019		**$29,476**	**$83,814**	**$113,290**
Net book value				
At December 31, 2017	$1,407	$22,332	$31,520	$55,259
At December 31, 2018	$1,388	$18,376	$29,441	$49,205
At December 31, 2019	**$530**	**$7,955**	**$13,763**	**$22,248**

<u>Assets held for sale</u>

The Company has reclassified the net book value of the land and building used by the Hamilton Spectator to assets held for sale as the Company determined that the facility's book value will be recovered principally through a sales transaction. Subsequent to December 31, 2019, the Company announced that it has an agreement to sell the land and building for a purchase price of $25.5 million. The agreement is subject to customary closing conditions and adjustments. The Company anticipates that the sale will be completed within one year of December 31, 2019.

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Right-of-Use Assets	Lease Liabilities
Balance at January 1, 2019 (note 2)	**$14,983**	**$15,054**
Additions	**4,399**	**4,399**
Terminations	**(116)**	**(103)**
Amortization	**(5,554)**	
Impairment (note 13)	**(204)**	
Payments		**(5,038)**
Interest expense		**1,459**
As at December 31, 2019	**$13,508**	**$15,771**
Current		**$4,096**
Non-current		**$11,675**

The right-of-use assets and lease liabilities relate to leases of real estate properties. The Company expensed costs related to short-term and low-value leases of $0.4 million in the year ended December 31, 2019.

12. INTANGIBLE ASSETS

	Finite life		
	Software	Other	Total
Cost			
Balance as at December 31, 2017	$67,557	$57,857	$125,414
Acquisitions (note 27)		946	946
Additions - internally developed	2,179		2,179
Additions - purchased	7,258		7,258
Disposals	(6,884)	(26)	(6,910)
Balance as at December 31, 2018	**70,110**	**58,777**	**128,887**
Additions - internally developed [1]	**2,598**		**2,598**
Additions - purchased [1]	**7,689**		**7,689**
Disposals	**(2,507)**		**(2,507)**
Balance as at December 31, 2019	**$77,890**	**$58,777**	**$136,667**
Amortization and Impairment			
Balance at December 31, 2017	$44,330	$40,867	$85,197
Amortization	9,418	8,539	17,957
Disposals	(6,833)	(26)	(6,859)
Balance as at December 31, 2018	**46,915**	**49,380**	**96,295**
Amortization	**11,219**	**2,636**	**13,855**
Impairments (note 13)	**10,071**	**6,341**	**16,412**
Disposals	**(2,493)**		**(2,493)**
Balance as at December 31, 2019	**$65,712**	**$58,357**	**$124,069**
Net book value			
As at December 31, 2017	$23,227	$16,990	$40,217
As at December 31, 2018	$23,195	$9,397	$32,592
As at December 31, 2019	**$12,178**	**$420**	**$12,598**

[1] These amounts include $1.7 million for software in development for which amortization has not commenced.

13. IMPAIRMENT OF ASSETS

The Company recorded the following impairment on its assets:

	Year ended December 31	
	2019	2018
Property, plant and equipment (note 10)	**$13,111**	
Right-of-use asset (note 11)	**204**	
Intangible assets (note 12)	**16,412**	
	29,727	
Investments in joint ventures (note 8)		8,000
	$29,727	$8,000

Impairment Testing

2019

As a result of challenges presented by continued structural changes in the advertising industry, including uncertainty in the print advertising market and dominance of the rapidly evolving digital market by large global players, the Company identified indicators of impairment and performed impairment tests on the carrying value of property, plant and equipment and intangible assets with a finite useful life for the Dailies and Communities cash generating units ("CGU").

In carrying out the impairment testing, it was determined that the carrying value of the Communities CGU exceeded its recoverable amount using the fair value less costs to sell ("FVLCS") approach. The FVLCS was estimated for each CGU by applying a market multiple of 4.0 times the trailing earnings before interest, taxes, depreciation and amortization, and impairment of assets for the current year. As a result, the Company recorded an impairment charge of $19.9 million in the Communities segment, allocated based on the relative carrying values of the property, plant and equipment and intangible assets with a finite useful life. The Company also recorded an impairment charge of $1.6 million associated with restructuring initiatives in the Communities segment.

It was also determined that the carrying value of the Dailies CGU exceeded its recoverable amount using the FVLCS approach. The FVLCS was estimated for each CGU by applying a market multiple of 4.0 times the trailing earnings before interest, taxes, depreciation and amortization, and impairment of assets for the current year. As a result, the Company recorded an impairment charge of $8.0 million for intangible assets with a finite useful life in the Dailies segment. In addition, the Company recorded $0.2 million impairment charge related to the closure of the StarMetro locations outside of Ontario.

The key assumptions used in the FVLCS include Normalized EBITDA and market multiples, which are based on average market multiples for comparable entities.

These impairments had no effect on the Company's operations or cash flows. There were no other impairments or reversals of impairments recorded as a result of the testing.

2018

During the fourth quarter of 2018, the Company concluded that there were indicators of impairment as a result of the significant change in the market capitalization of the Company. The Company performed impairment tests as at December 31, 2018 for all of the CGUs within the Dailies, Communities, and Digital Ventures segments. In carrying out the impairment test, the Company estimated the recoverable amount based on the FVLCS using a forward multiple of Normalized EBITDA and compared it to the carrying value of the CGU (note 2(l)). No impairment charges were recorded related to the impairment testing. A 10% decline in the forecasted normalized EBITDA would have resulted in an impairment in the Communities CGU and one of the Dailies CGU.

The Company also concluded that there were indicators of impairment for its joint venture investment in Sing Tao Daily resulting from lower forecasted revenues that reflect the continued challenges in the print advertising market.

In carrying out the impairment test, it was determined that the carrying amount of the joint venture investment in Sing Tao Daily exceeded its recoverable amount using the VIU approach. The after-tax discount rate used in estimating the recoverable amount was 13.0%. As a result, the Company recorded an impairment charge of $8.0 million.

14. OTHER ASSETS

	December 31, 2019	December 31, 2018
Portfolio investments (note 16)	**$5,067**	$9,211
ESPP receivable	**37**	101
Other	**1,844**	1,828
	$6,948	$11,140

15. INCOME TAXES

Income tax expense (recovery) is made up of the following:

	Year ended December 31	
	2019	2018
Current income tax expense (recovery):		
Current year	**($350)**	
Adjustment for prior years		200
	(350)	200
Deferred income tax expense:		
Origination and reversal of temporary differences		(300)
Reduction in carrying amount of deferred income tax assets		118
Adjustment for prior years		(100)
		(282)
Income tax expense (recovery) in the consolidated statement of loss	**(350)**	(82)
Deferred income tax expense (recovery) in OCI		300
Income tax expense (recovery) in OCI		300
Total income tax expense	**($350)**	$218

Income taxes of $0.3 million were received during the year from continuing operations (2018 – $0.1 million paid and refunds of $0.6 million received).

Reconciliation of effective tax rate

The combined Canadian federal and provincial statutory rate was 26.5% in 2019 (2018 – 26.5%).

	Year ended December 31	
	2019	2018
Loss before taxes from continuing operations	**($52,270)**	($38,127)
Recovery of income taxes based on Canadian statutory rate of 26.5% (2018 - 26.5%)	**($13,900)**	($10,100)
Increase (decrease) in taxes resulting from:		
Loss of joint ventures and associated businesses not recognized	**4,300**	6,700
Non-deductible impairment charges	**100**	
Reduction in carrying amount of deferred income tax assets		118
Utilization of previously unrecognized tax benefits	**(3,700)**	(700)
Movement in deferred income tax assets not recognized	**13,600**	2,800
Non-taxable portion of capital gains	**(800)**	
Non-deductible expenses and other permanent differences	**(250)**	1,100
Adjustment for prior years		100
Effect of lower provincial tax rates	**300**	(100)
Income tax recovery in the consolidated statement of loss	**($350)**	($82)
Effective income tax rate	**0.7%**	0.2%

Excluding the impact of non-deductible impairment charges, loss of joint ventures and associated businesses and the movement in deferred income tax assets not recognized, the Company's effective tax rate in 2019 would have been 28.03% (2018 - 25.1%).

Deferred income tax assets and liabilities

Net deferred income tax assets

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred income tax assets and liabilities as at December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2018	Recognized in net income (loss) from continuing operations	Recognized in OCI from continuing operations	Recognized in net income (loss) from discontinued operations	December 31, 2019
Provisions for returns and doubtful accounts	**$615**	**$95**			**$710**
Property, plant and equipment	**(4,380)**	**404**			**(3,976)**
Intangible assets	**(3,348)**	**2,484**			**(864)**
Share-based payment transactions	**446**	**(32)**			**414**
Tax losses carried forward	**7,398**	**(1,997)**			**5,401**
Provisions	**3,102**	**1,085**			**4,187**
Goodwill	**630**	**(162)**			**468**
Other	**(4,463)**	**(1,877)**			**(6,340)**
Net deferred income tax assets					

	December 31, 2017	Recognized in net income (loss) from continuing operations	Recognized in OCI from continuing operations	Recognized in net income (loss) from discontinued operations	December 31, 2018
Provisions for returns and doubtful accounts	$571	$44			$615
Property, plant and equipment	(4,947)	567			(4,380)
Intangible assets	(1,303)	(2,045)			(3,348)
Share-based payment transactions	712	(266)			446
Tax losses carried forward	3,732	3,666			7,398
Provisions	3,168	34		($100)	3,102
Goodwill	979	(349)			630
Other	(2,794)	(1,369)	(300)		(4,463)
Net deferred income tax assets	$118	$282	($300)	($100)	

The Company has tax losses available to be carried forward and has recognized a deferred income tax asset in respect of these losses to the extent that it is probable that they will be utilized before they expire.

At December 31, 2019, the Company had Canadian non-capital losses available for carry forward in continuing operations of approximately $112.5 million (2018 – $65.4 million) that will expire between 2029 and 2039 for which it has recognized a deferred income tax asset of $5.4 million (2018 – $7.4 million). The Company also had capital losses of $27.2 million (2018 – $26.2 million) that can be carried forward indefinitely and applied against future capital gains, for which no deferred income tax asset has been recognized.

As at December 31, 2019, the total non-capital losses, capital losses and deductible temporary differences for which no deferred income tax asset has been recognized was $296.7 million (2018 – $249.3 million).

Investments in subsidiaries, associates and joint ventures

As at December 31, 2019, the excess of the tax basis over the carrying value of investments in subsidiaries, associates and joint ventures for which a deferred income tax asset has not been recognized was $753.4 million (2018 – $683.8 million).

16. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The carrying values of the Company's financial instruments approximate their fair values unless otherwise noted.

	December 31, 2019	December 31, 2018
Financial assets:		
Loans and receivables, measured at amortized cost:		
Cash and cash equivalents	**$42,177**	$68,227
Restricted cash (current)	**8,225**	7,175
Trade accounts receivable (note 4)	**73,031**	77,873
Other receivables	**47,893**	27,270
Receivables	**120,924**	105,143
FVOCI		
Portfolio investments[1] (note 14)	**5,067**	9,211
Foreign currency forward contracts	**(16)**	(2,843)
Other financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	**(58,453)**	(61,814)
Provisions (current)	**(24,253)**	(13,247)
Provisions (non-current)	**(6,491)**	(5,343)

[1]These amounts are included in other assets in the consolidated statement of financial position.

As at December 31, 2019, other receivables include a $35.5 million receivable for Digital Media Tax Credits (December 31, 2018 – $23.1 million) and accounts payable and accrued liabilities include $4.2 million of professional fees related to these tax credits (December 31, 2018 – $2.7 million).

During 2019, the Company received a refund, net of professional fees, of $21.9 million related to a 2015 claim in the Dailies segment. The Company recorded a total recovery in salaries and benefits expense, net of professional fees, of $30.1 million as well as $2.7 million of interest income. The total recovery of $30.1 million includes a recovery of $3.5 million to adjust the amount accrued for the 2015 claim in the Dailies segment to the amount received and a recovery of $26.6 million related to three claims for the Communities segment. In November 2019, the Company received approval from the Canada Revenue Agency for one of these claims totalling $20.2 million, net of professional fees, and the refund was received subsequent to the end of the year. The remaining two claims will be subject to an audit by the Canada Revenue Agency and primarily relate to the recovery of previously recognized salaries and benefits expenses for the years ended December 31, 2010 and 2015.

Other receivables at December 31, 2019 also include $6.8 million of recovery in salaries and benefits expense for the estimated benefit related to a refundable labour tax credit.

In addition, other receivables at December 31, 2019 include a $2.6 million receivable from CAAT in respect of ongoing minimum funding payments that were required in 2019 while the Company waited for the regulatory consent to the merger of the eight registered defined benefit pension plans (the "Torstar Plans") into the CAAT Plan to be completed.

The fair value of financial assets and liabilities by level of hierarchy was as follows:

	As at December 31, 2019			As at December 31, 2018		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Measured at fair value:						
Portfolio investments			**$5,067**			$9,211
Derivative financial instruments:						
Foreign currency collar arrangements		**($16)**			($2,843)	

Changes in the fair value of Level 3 financial instruments were as follows:

	Year ended December 31	
	2019	2018
Balance, beginning of year	**$9,211**	$10,885
Additions (note 27)	**1,125**	1,125
Distributions received		(243)
Disposals (note 23)	**(5,085)**	(2,968)
Exchange differences and OCI	**(184)**	412
Balance, end of year	**$5,067**	$9,211

Interest and financing costs

	Year ended December 31	
	2019	2018
Interest earned on short-term investments	**$830**	$594
Interest – other	**2,933**	1,748
Interest income	**3,763**	2,342
Interest expense on leases	**(1,459)**	
Interest accretion costs	**(104)**	(130)
Net financing expense relating to employee benefit plans	**(3,585)**	(3,544)
Interest expense	**(5,148)**	(3,674)
Net interest	**($1,385)**	($1,332)

Interest paid during the year ended December 31, 2019 was $nil (2018 – $nil). Interest received during the year ended December 31, 2019 was $3.6 million (2018 – $1.9 million).

Other interest includes interest of $2.7 million related to the Digital Media Tax Credits (2018 – $1.5 million).

Risk management

The Company is exposed to various risks related to its financial assets and liabilities, which include liquidity risk, credit risk and market risk. These risk exposures are managed on an ongoing basis.

(i) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at a reasonable cost. The Company manages liquidity risk by maintaining sufficient balances in cash and cash equivalents. As at December 31, 2019, the Company had $42.2 million in cash and cash equivalents (December 31, 2018 – $68.2 million).

The maturity profile of the Company's financial liabilities, based on contractual undiscounted payments, is as follows:

	2020	2021	2022	2023	2024	2025+	Total
Foreign currency collar arrangements	($16)						($16)
Accounts payable and accrued liabilities	(58,453)						(58,453)
Provisions	(24,253)	($4,306)	($680)	($582)	($479)	($715)	(31,015)
	($82,722)	($4,306)	($680)	($582)	($479)	($715)	($89,484)

(ii) _Credit risk_

In the normal course of business, the Company is exposed to credit risk from its accounts receivable from customers. The carrying amounts of accounts receivable are net of allowances for doubtful accounts. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The expected credit losses are estimated using reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating).

The Company is exposed to credit related losses in the event of non-performance by counterparties to derivative instruments. Given their high credit ratings, the Company does not anticipate any counterparties failing to meet their obligations. The Company has a policy, approved by the Board of Directors, of only contracting with major financial institutions as counterparties.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets.

The following table sets out the ageing of the trade receivables and the expected credit losses:

December 31, 2019	**Trade receivables**					
	Days past due					
	Current	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	**1%**	**2%**	**3%**	**9%**	**24%**	
Estimated total gross carrying amount	**$26,845**	**$23,085**	**$12,999**	**$5,931**	**$7,578**	**$76,438**
Expected credit loss	**(315)**	**(386)**	**(420)**	**(505)**	**(1,781)**	**(3,407)**

December 31, 2018	Trade receivables					
	Days past due					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	1%	1%	3%	23%	46%	
Estimated total gross carrying amount	$38,712	$24,111	$9,657	$4,268	$5,449	$82,197
Expected credit loss	(259)	(296)	(307)	(981)	(2,481)	(4,324)

The continuity of the allowance for expected credit loss is as follows:

	Year ended December 31	
	2019	2018
Expected credit loss, beginning of year	**($4,324)**	($4,616)
Utilized	**1,329**	1,637
Income statement movements	**(412)**	(1,345)
Expected credit loss, end of year	**($3,407)**	($4,324)

(iii) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

a. Foreign currency risk

The Company's primary exposure to foreign currency risk is through its investment in VerticalScope, which is denominated in the U.S. dollar. In order to offset the foreign exchange risk on its consolidated statement of financial position from its net investment in VerticalScope, the Company entered into collar arrangements totalling U.S. $137.0 million which were designated as a hedge of the original net investment in VerticalScope.

Any fluctuations in fair value arising from fluctuations in the rate of exchange of Cdn. dollar per U.S. dollar within the collar range are recognized in OCI to the extent of hedge effectiveness and accumulated in a separate component of equity within AOCI. Fair value changes from movement in the foreign exchange rate within the collar range reflect the cost of hedging as the options have no intrinsic value. When the rate of exchange is above or below the collar range, the changes in fair value are recorded in OCI to the extent of hedge effectiveness with the portion related to the cost of hedging accumulated in the separate component of equity.

As at December 31, 2018, the collar arrangements for U.S. $137.0 million established a rate of exchange with a range of Cdn. $1.19 to Cdn. $1.39 for U.S. $1.00. In June 2019, the Company rolled over the existing collar arrangement and simultaneously entered into a new U.S. $137.0 million zero cost collar arrangement with a range of Cdn. $1.21 to Cdn. $1.40 for U.S. $1.00 maturing in 2020. There was no gain or loss on the settlement of the collar arrangement in 2019. In 2018, the Company recorded a $0.2 million loss on the settlement of the collar arrangement, with the effective portion of $0.1 million recorded in OCI and $0.1 million recorded in foreign exchange in the consolidated statement of loss.

During the year ended December 31, 2019, the change in the fair value of the collar options was a gain of $2.8 million. The effective portion of the hedge was $1.4 million which related to the cost of hedging and has been recorded in OCI. The ineffective portion of $1.4 million has been included in foreign exchange in the consolidated statement of loss. During the year ended December 31, 2018, the change in the fair value of the collar options was a loss of $2.9 million. The effective portion of the hedge was $1.5 million which related to the cost of hedging and has been recorded in OCI. The ineffective portion of $1.4 million has been included in foreign exchange in the consolidated statement of loss.

The net fair value of the collar options outstanding at December 31, 2019 was $nil (December 31, 2018 – $2.8 million unfavourable).

b. Interest rate risk

The Company is currently exposed to interest rate risk on its cash equivalents. An assumed decrease of 1% in the Company's short-term investment rates during the year ended December 31, 2019 would have decreased net income by $0.4 million (2018 – $0.4 million), with an equal but opposite effect for an assumed increase of 1% in short-term investment rates.

17. CAPITAL MANAGEMENT

The Company's capital management objectives are to maintain financial flexibility in order to preserve its capacity to meet its financial commitments, to meet its potential obligations resulting from internal growth and acquisitions and to the extent possible, pay dividends.

The Company defines capital as total equity. At December 31, 2019, capital under management was $185.5 million (December 31, 2018 – $229.4 million). In the future we may need to take additional measures to increase the Company's liquidity and capital resources. Such additional measures may include the sale of investments or assets, obtaining additional debt or equity financing or reducing distributions to shareholders.

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, subject to capital market conditions, the Company may elect to adjust the amount of debt outstanding, adjust the amount of dividends paid to shareholders, return capital to its shareholders, repurchase its shares in the marketplace, issue new shares or sell assets.

The Company is currently meeting all its financial commitments. The Company is not subject to any external capital requirements.

18. PROVISIONS

	Restructuring	Other	Total
Balance at December 31, 2017	$23,637	$1,190	$24,827
Provisions made during the year	18,537		18,537
Reversals of provisions during the year	(1,012)		(1,012)
Discontinued operations		(275)	(275)
Provisions paid during the year	(23,305)	(298)	(23,603)
Interest accretion	116		116
Balance at December 31, 2018	**$17,973**	**$617**	**$18,590**
Provisions made during the year	**36,032**	**82**	**36,114**
Reversals of provisions during the year	**(591)**		**(591)**
Provisions paid during the year	**(23,388)**	**(85)**	**(23,473)**
Interest accretion	**104**		**104**
Balance at December 31, 2019	**$30,130**	**$614**	**$30,744**
Current	**$23,639**	**$614**	**$24,253**
Non-current	**$6,491**		**$6,491**
Balance at December 31, 2018			
Current	$12,630	$617	$13,247
Non-current	$5,343		$5,343
Balance at December 31, 2017			
Current	$16,923	$1,190	$18,113
Non-current	$6,714		$6,714

Restructuring

During the year ended December 31, 2019, the Company recorded restructuring charges of $35.4 million related to ongoing efforts to reduce costs. Restructuring charges of $10.2 million were recorded in the Communities Segment and $25.3 million in the Dailies Segment.

In 2018, the Company recorded restructuring charges of $17.5 million related to ongoing efforts to reduce costs. Restructuring charges of $9.6 million were recorded in the Communities Segment, $7.8 million in the Dailies Segment and $0.1 million at Corporate.

The non-current restructuring provisions are expected to be paid out through 2029.

Other

In connection with the sale of Harlequin, the Company indemnified the Purchaser for costs and fees related to certain matters including certain tax and pre-existing litigation matters. The Company assessed the fees that it may incur as well as the probability of occurrence of any losses in respect of these matters, estimated the exposure under these indemnities and recorded a contingent liability in respect of these matters. The Company reviews the estimates at each reporting period and any required adjustments are included in the determination of income from discontinued operations.

The Company is also involved in various legal actions, which arise in the ordinary course of business. While the final outcome of these matters cannot be predicted with certainty, any additional liability that may arise from such contingencies is not expected to have a material adverse effect on the financial position or results of operations of the Company.

In November 2017, the Company completed a transaction with Postmedia, in which it purchased and sold a number of daily and community newspapers. The *Competition Act* (Canada) allows for a one-year period following the completion of a merger transaction during which the Commissioner of Competition may bring an application to the Competition Tribunal challenging the transaction on the basis that it prevents or lessens competition substantially in any relevant market. The Commissioner did not bring such an application. The Competition Bureau has indicated that it is investigating the transaction under the conspiracy provisions of the *Competition Act*. The Company does not believe it has contravened the *Competition Act*.

19. OTHER LIABILITIES

	December 31, 2019	December 31, 2018
Employees' shares subscribed (note 22(b))	**$414**	$524
RSU Plan (note 22(c))	**334**	553
DSU Plan (note 22(d))	**1,035**	1,202
Other employment benefits	**1,201**	1,612
Other	**903**	1,279
	$3,887	$5,170

20. EMPLOYEE BENEFITS

Colleges of Applied Arts and Technology Pension Plan

On September 27, 2018, the Company received approval from the members of its eight registered defined benefit pension plans to proceed with the merger of the eight registered defined benefit pension plans (the “Torstar Plans”) into the Colleges of Applied Arts and Technology Pension Plan (the “CAAT Plan”) effective October 1, 2018, with Torstar and certain of its subsidiaries becoming participating employers under the CAAT Plan. The merger was subject to the consent of the Financial Services Regulatory Authority of Ontario ("FSRA").

Effective October 1, 2018, members of the Torstar Plans began accruing benefits under the new DBplus provisions of the CAAT Plan. In addition, effective January 1, 2019, most employees that participated in the Company's defined contribution plans also began participating in the CAAT Plan. Most employees hired after January 1, 2019 participate in the CAAT Plan.

The Company continues to maintain one defined contribution plan for a small number of employees. Employee contributions are matched by the Company according to plan formulae and the contributions are held and managed by third-party providers. The Company has no further payment obligations once the matching contributions have been paid. The total amount expensed for defined contribution plans for the year ended December 31, 2019 was $0.2 million (2018 – $2.1 million).

Pension expense and contributions to the CAAT Plan are based on a fixed percentage of employee earnings. For the year ended December 31, 2019, the Company expensed contributions made to the CAAT Plan totalling $7.1 million (2018 – $1.0 million).

On December 2, 2019, the Company completed the transfer of assets from the Torstar Plans into the CAAT Plan following receipt of consent from FSRA for the merger. The transfer of assets was the final stage of the merger process. The liabilities for all past benefits under the Torstar Plans have now been transferred to the CAAT Plan together with the assets of the Torstar Plans, and the CAAT Plan has assumed responsibility for all pension benefit under the Torstar Plans. The Company recorded a gain of $24.6 million for the transfer of the Torstar Plan assets and liabilities for past benefits to the CAAT Plan, which includes a curtailment gain of $12.6 million, a settlement gain of $9.4 million and a gain of $2.6 million related to a reimbursement from the CAAT Plan, including $1.9 million for excess minimum funding payments and other adjustments. During 2019, the Company was required to make ongoing minimum funding payments while we waited for the merger of the Torstar Plans into the CAAT Plan to be approved and completed.

Net defined benefit plan obligations

The Company maintains an unregistered, unfunded defined benefit pension plan that provides pension benefits to eligible senior management executives. The obligations for unfunded plans are paid when the obligation falls due.

Other post employment benefits plans provide for various health and life insurance benefits to employees in the newspaper operations hired prior to August 23, 2000. The annual costs are calculated by independent actuaries and are based on historical and projected usage patterns and costs.

Up until December 2, 2019, the Company maintained a number of defined benefit plans which provide pension benefits to its employees in the Province of Ontario. The Ontario registered pension plans were regulated by FSRA. Pension benefits were calculated based on a combination of years of service and compensation levels. The contributions for the most significant plans were based on career average earnings with a base year upgrade. Pensionable earnings for years of service prior to the base year were calculated using the base year earnings. The current base year is 2005. None of the plans include mandatory indexing provisions. The assets of the funded plans were held by third-party trustees. Funding for the plans was comprised of employer and employee contributions. The determination of the minimum level of Company contributions is calculated using actuarial valuations that are prepared by independent actuaries based on the provisions in each plan and legislative regulations.

Governance of the above plans is the Company’s responsibility. Prior to the transfer to the CAAT Plan, the Pension Committee of the Company’s Board of Directors provided oversight of the Company's registered pension plans and the defined contribution plans in Canada.

Changes to the net defined benefit obligation were as follows:

	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded [1]		
At December 31, 2017	$47,548	$8,947	$48,221	$104,716
Expense recognized in the consolidated statement of income or loss:				
Salaries and benefits	9,023	375	221	9,619
Interest and financing costs	1,706	236	1,602	3,544
	10,729	611	1,823	13,163
Amounts recognized in OCI	(9,009)	(557)	(2,721)	(12,287)
Contributions to plans	(6,648)	(1,693)	(2,682)	(11,023)
At December 31, 2018	**42,620**	**7,308**	**44,641**	**94,569**
Expense recognized in the consolidated statement of income or loss:				
Salaries and benefits	**977**	**187**	**212**	**1,376**
Interest and financing costs	**1,618**	**276**	**1,691**	**3,585**
	2,595	**463**	**1,903**	**4,961**
Amounts recognized in OCI	**(21,277)**	**454**	**1,916**	**(18,907)**
Contributions to plans	**(1,922)**	**(82)**	**(2,664)**	**(4,668)**
Settlement gain	**(9,446)**			**(9,446)**
Curtailment gain	**(12,570)**			**(12,570)**
At December 31, 2019		**$8,143**	**$45,796**	**$53,939**

[1] As at December 31, 2019, the unfunded pension plan includes an executive retirement plan liability of $8.1 million (December 31, 2018 – $7.3 million) which is supported by an outstanding letter of credit of $7.5 million as at December 31, 2019 (December 31, 2018 – $5.8 million).

A summary of the components of the net defined benefit obligation as at December 31, 2019 and 2018 is as follows:

2019	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Defined benefit obligations		**$8,143**	**$45,796**	**$53,939**
Net defined benefit obligation		**$8,143**	**$45,796**	**$53,939**
Recorded in:				
Liabilities		**$8,143**	**$45,796**	**$53,939**

2018	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Defined benefit obligations	$848,348	$7,308	$44,641	$900,297
Fair value of plan assets	(805,728)			(805,728)
Net defined benefit obligation	$42,620	$7,308	$44,641	$94,569
Recorded in:				
Liabilities	$42,620	$7,308	$44,641	$94,569

The following charts provide a summary of changes in the defined benefit obligation and the fair value of plan assets during 2019 and 2018

2019	Pension Plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Accrued benefit obligations:				
Balance, beginning of year	**$848,348**	**$7,308**	**$44,641**	**$900,297**
Current service cost		**187**	**212**	**399**
Interest cost	**31,580**	**276**	**1,691**	**33,547**
Benefits paid	**(46,453)**	**(82)**	**(2,664)**	**(49,199)**
Remeasurement losses	**78,410**	**454**	**1,916**	**80,780**
Settlement gain	**(9,446)**			**(9,446)**
Curtailment gain	**(12,570)**			**(12,570)**
Other	**401**			**401**
Transfer to CAAT	**(890,270)**			**(890,270)**
Balance, end of year		**$8,143**	**$45,796**	**$53,939**
Plans' assets:				
Fair value, beginning of year	**$805,728**			**$805,728**
Interest income included in net interest expense	**29,962**			**29,962**
Remeasurement gains	**99,687**			**99,687**
Benefits paid	**(46,453)**	**($82)**	**($2,664)**	**(49,199)**
Employer contributions	**1,922**	**82**	**2,664**	**4,668**
Administration costs	**(977)**			**(977)**
Other	**401**			**401**
Transfer to CAAT	**(890,270)**			**(890,270)**
Fair value, end of year				
Funded status – deficit		**$8,143**	**$45,796**	**$53,939**

2018	Pension Plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Accrued benefit obligations:				
Balance, beginning of year	$938,427	$8,947	$48,221	$995,595
Current service cost	7,028	375	221	7,624
Interest cost	30,873	236	1,602	32,711
Benefits paid	(77,566)	(1,693)	(2,682)	(81,941)
Remeasurement gains	(51,885)	(557)	(2,721)	(55,163)
Participant contributions	1,471			1,471
Balance, end of year	$848,348	$7,308	$44,641	$900,297
Plans' assets:				
Fair value, beginning of year	$890,879			$890,879
Interest income included in net interest expense	29,167			29,167
Remeasurement losses	(42,876)			(42,876)
Benefits paid	(77,566)	($1,693)	($2,682)	(81,941)
Employer contributions	6,648	1,693	2,682	11,023
Participant contributions	1,471			1,471
Administration costs	(1,995)			(1,995)
Fair value, end of year	$805,728			$805,728
Funded status – deficit	$42,620	$7,308	$44,641	$94,569

Net benefit expense for defined benefit plans recognized in the 2019 and 2018 consolidated statement of loss is as follows:

2019	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Current service cost		**$597**	**$212**	**$809**
Net interest expense	**1,618**	**276**	**1,691**	**3,585**
Curtailment		**(410)**		**(410)**
Administration costs	**977**			**977**
Net benefit expense	**$2,595**	**$463**	**$1,903**	**$4,961**

2018	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Current service cost	$7,028	$375	$221	$7,624
Net interest expense	1,706	236	1,602	3,544
Administration costs	1,995			1,995
Net benefit expense	$10,729	$611	$1,823	$13,163

Amounts recognized in the 2019 and 2018 consolidated statements of comprehensive income or loss (before tax):

2019	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Remeasurement gains (losses):				
Actuarial gain (loss) from:				
Financial assumptions	**($84,024)**	**($460)**	**($3,844)**	**($88,328)**
Experience adjustment	**5,614**	**6**	**1,928**	**7,548**
Total actuarial gains	**(78,410)**	**(454)**	**(1,916)**	**(80,780)**
Return on plan assets excluding amounts included in net interest expense	**99,687**			**99,687**
Amounts recognized in OCI	**$21,277**	**($454)**	**($1,916)**	**$18,907**

2018	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Remeasurement gains (losses):				
Actuarial gain (loss) from:				
Financial assumptions	$54,759	$239	$2,474	$57,472
Demographic assumptions		264		264
Experience adjustment	(2,874)	54	247	(2,573)
Total actuarial losses	51,885	557	2,721	55,163
Return on plan assets excluding amounts included in net interest expense	(42,876)			(42,876)
Amounts recognized in OCI	$9,009	$557	$2,721	$12,287

The significant assumptions used by the Company in 2019 and 2018 are noted below. Assumptions regarding future mortality are based on actuarial advice in accordance with published mortality statistics and experience. For the Canadian plans in 2019 and 2018, the Company used the 2014 Private Sector Canadian Pensioners' Mortality Table projected generationally using scale B with a multiplier applied at December 31, 2019 and 2018 (for the larger plans, the multiplier ranged from 94% to 103%).

	Pension plans [1]		Other post employment benefit plans	
	2019	2018	**2019**	2018
To determine benefit obligation at end of year:				
Discount rate	**2.7%**	3.5% to 3.9%	**3.1%**	3.9%
Rate of future compensation increase	**2.5%**	2.5%		
To determine benefit expense:				
Discount rate	**3.5%**	3.1% to 3.4%	**3.1%**	3.4%
Rate of future compensation increase	**2.5%**	2.5%		
Health care cost trend rates at end of year:				
Initial rate			**5.0%**	5.0%
Ultimate rate			**5.0%**	5.0%
Year ultimate rate reached			**2019**	2019
Longevity for pensioners currently at age 65:				
Male	**22.6 years**	21.9 years		
Female	**24.8 years**	24.3 years		

The effect of a one percent increase or decrease in significant financial assumptions used for the Company's pension and other post employment benefit plans would result in an increase (decrease) in the accrued benefit obligation:

	December 31, 2019		December 31, 2018	
	1% increase	**1% decrease**	1% increase	1% decrease
Pension plans: [1]				
Discount rate	**($571)**	**$609**	($98,992)	$112,232
Rate of compensation increase	**12**	**(11)**	8,120	(7,981)
Other post employment benefit plans:				
Discount rate	**(4,719)**	**5,738**	(4,565)	5,550
Per capita cost of health care	**1,009**	**(889)**	1,410	(1,224)

[1] Pension plans for 2019 include the unfunded defined benefit pension plan, Pension plans for 2018 include both funded and unfunded defined benefit pension plans.

Pension plan assets for the Canadian plans, measured as at December 31, 2019 and 2018 are as follows:

	2019	2018
Investments quoted in active markets:		
Cash and cash equivalents		$1,587
Equity investments		
Canada		33,972
Pooled funds		
Canadian Equity		2,796
US Equity		85,701
International Equity		291,884
North American Equity		
Fixed Income - Canadian Bond		389,788
Fixed Income - Canadian Corporations		
		$805,728

21. SHARE CAPITAL

(a) Rights attaching to the Company's share capital:

(i) Class A (voting) and Class B (non-voting) shares, no par value

Class A and Class B shareholders may elect to receive dividends in cash or stock dividends in the form of Class B shares. Class A shares are convertible at any time at the option of the holder into Class B shares.

(ii) Voting provisions

Class B shares are non-voting unless the Company has failed to pay the full quarterly preferential dividend (7.5 cents per annum) on the Class B non-voting shares in each of eight consecutive quarters.

(iii) Restrictions on transfer

Registration of the transfer of any of the Company's shares may be refused if such transfer could jeopardize either the ability of the Company to engage in broadcasting or its status as a Canadian newspaper or periodical publisher.

(b) Summary of changes in the Company's share capital:

	Year ended December 31			
	2019		2018	
	Shares	**Amount**	Shares	Amount
Class A shares (voting)				
Balance, beginning of period	**9,808,215**	**$2,656**	9,817,215	$2,668
Converted to Class B	**(720)**		(9,000)	(12)
Balance, end of period	**9,807,495**	**$2,656**	9,808,215	$2,656
Class B shares (non-voting)				
Balance, beginning of period	**71,304,053**	**$400,781**	71,037,138	$400,372
Converted from Class A	**720**		9,000	12
Dividend reinvestment plan	**84,314**	**76**	123,373	155
Issued under ESPP	**139,393**	**117**	134,292	242
Other	**425**		250	
Balance, end of period	**71,528,905**	**$400,974**	71,304,053	$400,781
Total Class A and Class B shares	**81,336,400**	**$403,630**	81,112,268	$403,437

An unlimited number of Class B shares is authorized. While the number of Class A shares is unlimited, the issuance of further Class A shares may, under certain circumstances, require unanimous board approval.

(c) Earnings (loss) per share

Basic earnings (loss) per share amounts have been determined by dividing net income or loss attributable to equity shareholders by the weighted average number of Class A and Class B shares outstanding during the period.

The treasury stock method is used for the calculation of the dilutive effect of share options and other dilutive securities. In calculating diluted per share amounts under the treasury stock method, the numerator remains unchanged from the basic per share calculation as the assumed exercise of the Company's share options and the ESPP does not result in an adjustment to income or loss.

The reconciliation of the denominator in calculating diluted per share amounts is as follows:

	Year ended December 31	
(thousands of shares)	**2019**	2018
Weighted average number of shares outstanding, basic and diluted	**81,259**	80,990

Outstanding share options totalling 10,233,113 (December 31, 2018 – 8,661,064), which are not in the money, have been excluded from the above calculation of dilutive securities.

(d) Dividends

The following dividends were declared and distributed by the Company per Class A (voting) share and Class B (non-voting) share, and in total:

	Year ended December 31	
	2019	2018
First quarter ended March 31: 2.5 cents (2018 – 2.5 cents)	**$2,028**	$2,021
Second quarter ended June 30: 2.5 cents (2018 – 2.5 cents)	**2,032**	2,026
Third quarter ended September 30: 2.5 cents (2018 – 2.5 cents)	**2,031**	2,026
Fourth quarter ended December 31: nil (2018 – 2.5 cents)		2,026
Total dividends	**$6,091**	$8,099

22. SHARE-BASED COMPENSATION PLANS

(a) Share option plan

The maximum number of shares that may be issued under the share option plan is 18,000,000 and the number of shares reserved for issuance to insiders (together with shares issuable to insiders under all other share compensation arrangements) cannot exceed 10% of the outstanding Class A and Class B shares. The term of the options shall not exceed 10 years from the date the option is granted. Up to 25% of an option grant may be exercised 12 months after the date granted, and a further 25% after each subsequent anniversary. As of December 31, 2019, options to purchase 16,245,465 shares have been granted, including both outstanding and exercised, net of options cancelled (December 31, 2018 – 14,673,416).

A summary of changes in the share option plan is as follows:

	2019		2018	
	Share options	**Weighted average exercise price**	Share options	Weighted average exercise price
Units outstanding, beginning of year	**8,661,064**	**$4.11**	7,028,109	$5.12
Granted	**2,026,469**	**$0.95**	2,300,844	$1.72
Forfeited or expired	**(454,420)**	**$7.28**	(667,889)	$6.50
Units outstanding, end of year	**10,233,113**	**$3.34**	8,661,064	$4.11

As at December 31, 2019, outstanding share options were as follows:

Range of exercise price	**Share options outstanding**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Share options exercisable**	**Weighted average exercise price**
$0.95 – $5.85	7,737,207	7.54	$2.00	3,083,848	$2.91
$6.33 – $7.81	1,941,798	3.33	$6.80	1,941,798	$6.80
$8.28 – $12.21	554,108	1.58	$9.92	554,108	$9.92
$1.59 – $12.21	10,233,113	6.42	$3.34	5,579,754	$4.96

The fair value of the share options on the date of grant and the key assumptions used are as follows:

	2019	2018
Fair value	**$0.10 – $0.13**	$0.34 – $0.38
Risk-free interest rate	**1.64% – 1.68%**	1.72% – 1.97%
Expected dividend yield	**10.5%**	5.8%
Expected share price volatility	**38.3% – 41.7%**	36.0% – 39.1%
Expected weighted average time until exercise (years)	**6**	6

(b) ESPP

As at December 31, outstanding employee subscriptions were as follows:

	2019		2018	
Maturing in	**2020**	**2021**	2019	2020
Subscription price at entry date	**$1.62**	**$0.80**	$1.55	$1.62
Number of shares	**122,595**	**268,655**	163,207	167,267

The fair value of the subscriptions on the subscription date and the key assumptions used are as follows:

	2019	2018
Fair value	**$0.11**	$0.11
Risk-free interest rate	**1.6%**	2.1%
Expected dividend yield	**12.5%**	6.2%
Expected share price volatility	**44.9%**	31.3%
Expected time until exercise (years)	**2**	2

(c) RSU plan

A summary of changes in the RSU plan is as follows:

	2019	2018
Units outstanding, beginning of year	**1,900,453**	1,417,569
Vested and paid	**(417,040)**	(270,454)
Granted	**931,358**	722,284
Forfeited		(122,404)
Dividend equivalents	**211,011**	153,458
Units outstanding, end of year	**2,625,782**	1,900,453

As at December 31, 2019, 1,575,831 units have been accrued at a value of $0.7 million of which 798,782 units have been accrued in accounts payable and accrued liabilities at a value of $0.4 million while 777,049 units have been accrued in other liabilities at a value of $0.3 million (December 31, 2018 – 1,117,692 units were accrued at a value of $0.9 million of which 417,040 units were accrued in accounts payable and accrued liabilities at a value of $0.3 million and 700,652 units were accrued in other liabilities at a value of $0.6 million).

The Company has entered into a derivative instrument in order to lock in the expense for 610,000 RSUs. Changes in the fair value of this instrument are recorded as compensation expense and offset the impact of changes in the value of the RSUs that have been accrued. As the RSUs are accrued over the three-year period until the RSUs vest, there will not be an exact offset each period.

In January 2020, 467,342 RSUs vested and were paid.

(d) DSU plan

A summary of changes in the DSU plan is as follows:

	2019	2018
Units outstanding, beginning of year	**1,525,139**	1,158,981
Granted	**581,543**	263,158
Directors' mandatory retainer		8,336
Directors' voluntary election	**153,776**	53,575
Dividends	**146,707**	109,252
Redemption		(68,163)
Units outstanding, end of year	**2,407,165**	1,525,139

As at December 31, 2019, the 2,407,165 units outstanding were valued at $1.0 million (December 31, 2018 – 1,525,139 units valued at $1.2 million).

The Company has entered into a derivative instrument in order to offset its exposure to 490,000 units. Changes in the fair value of this instrument are recorded as compensation expense and offset the impact of changes in the value of the outstanding DSUs.

(e) In 2019, the Company has recognized share-based compensation expense totalling $0.1 million (2018 – $0.2 million).

23. OTHER COMPONENTS OF EQUITY

The following is a continuity for the other components of equity:

	Foreign CTA [1]	**Available-for-sale securities** [2]	**Net investment hedge** [3]	**Net investment hedge (cost of hedging)** [4]	**Accumulated other comprehensive income (loss) ("AOCI")**	**Fair value reserve of financial assets at FVOCI** [5]	**Other components of equity**
As at January 1, 2018 (note 2)	(2,101)		(3,030)	57	(5,074)	924	(4,150)
OCI	8,013			(1,618)	6,395	2,806	9,201
Transfer of fair value of financial assets upon disposal						(2,394)	(2,394)
As at December 31, 2018	**5,912**		**(3,030)**	**(1,561)**	**1,321**	**1,336**	**2,657**
OCI	**(4,642)**			**1,434**	**(3,208)**	**(184)**	**(3,392)**
Transfer of fair value of financial assets upon disposal						**1,937**	**1,937**
As at December 31, 2019	**$1,270**		**($3,030)**	**($127)**	**($1,887)**	**$3,089**	**$1,202**

[1]Net of deferred income tax asset/liability of $nil (2018 – $nil).
[2]Net of deferred income tax asset/liability of $nil (2018 – $nil).
[3]Net of current income tax recovery of $500 (2018 – $500).
[4]Net of deferred income tax asset/liability of $nil (2018 – $nil).
[5]Net of deferred income tax asset of $nil (2018 – $nil).

During the year ended December 31, 2019, the Company sold its portfolio investments in Kensington Ventures Fund, L.P. and 1760335 Ontario Inc. (Canadastays.com) for total cash proceeds of $4.9 million and recorded a net gain of $0.1 million in OCI.

During the year ended December 31, 2018, the Company sold its portfolio investment in Kanetix Ltd. for cash proceeds of $5.7 million and recorded a gain before tax of $2.7 million ($2.4 million after tax) in OCI.

24. OTHER INCOME

	Year ended December 31	
	2019	2018
Gain on sale of assets	**$3,519**	$292
Gain on transfer of employee benefits (note 20)	**$24,590**	
Other	**509**	11
	$28,618	$303

2019

During the year ended December 31, 2019, the Company recorded a gain on sale of assets primarily related to the sale of two real estate properties for total cash proceeds of $5.7 million.

The Company recorded a gain of $24.6 million for the transfer of the Torstar Plan assets and liabilities for past benefits to the CAAT Plan, which include a curtailment gain of $12.6 million, a settlement gain of $9.4 million and a gain of $2.6 million related to a refund from the CAAT Plan for excess minimum funding payments, net of other adjustments.

2018

In August 2018, the Company sold a real estate property for net cash proceeds of $0.8 million and recorded a gain of $0.1 million.

In September 2018, the Company recorded a gain of $0.2 million from the release of escrow related to the sale of the former Vaughan printing facility and surrounding lands in 2016.

25. DISCONTINUED OPERATIONS

On August 1, 2014, the Company sold all of the shares of Harlequin (which previously represented the Company's Book Publishing Segment) to a division of HarperCollins Publishers L.L.C., a subsidiary of News Corp. (the "Purchaser"). In connection with the sale, the Company indemnified the Purchaser for costs and fees related to certain matters including certain tax and pre-existing litigation matters for which the Company estimated the exposure under these indemnities and recorded a contingent liability in respect of these matters. During the year ended December 31, 2018, the Company reviewed its estimates and recorded a reduction in its provisions by $0.3 million. The Company also recorded an income tax recovery of $6.2 million, primarily related to an adjustment to the income tax expense related to the sale of Harlequin recorded in 2014.

(i) Statement of Loss

	Year ended December 31	
	2019	2018
Gain on sale of Harlequin (note 18)		$275
Income before taxes from discontinued operations		275
Income and other taxes		6,200
Net income from discontinued operations		$6,475
Attributable to:		
Equity shareholders		$6,475
Net income from discontinued operations attributable to equity shareholders per Class A (voting) and Class B (non-voting) share (note 21(c)):		
Basic and Diluted		$0.08

(ii) Statement of Comprehensive Loss

	Year ended December 31	
	2019	2018
Net income from discontinued operations		$6,475
Comprehensive income from discontinued operations, net of tax		$6,475
Attributable to:		
Equity shareholders		$6,475

26. OTHER NON-CASH ITEMS PROVIDED BY (USED IN) OPERATING ACTIVITIES

	Year ended December 31	
	2019	2018
Share-based compensation plans	**$21**	($474)
Foreign exchange	**(1,073)**	1,414
Non-current restructuring provisions	**1,148**	(1,371)
Interest accretion including lease interest	**1,563**	130
Other	**346**	94
	$2,005	($207)

27. ACQUISITIONS, DIVESTITURES AND PORTFOLIO INVESTMENTS

2019

During the year ended December 31, 2019, the Company made additional investments of $1.1 million in its portfolio investments in Corporate.

During the year ended December 31, 2019, the Company sold its portfolio investments in Kensington Ventures Fund, L.P. and 1760335 Ontario Inc. (Canadastays.com) for total cash proceeds of $4.9 million and recorded a net gain of $0.1 million in OCI.

2018

On October 1, 2018, the Company completed an asset acquisition from iPolitics Inc. for a total purchase price of approximately $1.4 million in its Dailies segment, including a $0.3 million holdback. The assets acquired included $0.2 million of property, plant and equipment and $0.3 million of net working capital and $0.9 million of finite-life intangible assets. The acquisition contributed approximately $0.6 million of revenue and $0.1 million of operating profit in the Dailies segment. If the acquisition had occurred on January 1, 2018, the Company's consolidated revenues and operating loss would have been $2.2 million and $0.5 million higher.

During the year ended December 31, 2018, the Company made additional investments of $1.1 million in its portfolio investments in Corporate.

During the year ended December 31, 2018, the Company sold its portfolio investment in Kanetix Ltd. for cash proceeds of $5.7 million and recorded a gain before tax of $2.7 million ($2.4 million after tax) in OCI.

28. COMMITMENTS AND CONTINGENCIES

The Company has the following significant contractual obligations:

Nature of the obligation	Total	2020	2021 – 2022	2023 – 2024
Services	43,779	15,578	18,089	10,112
Total	$43,779	$15,578	$18,089	$10,112

29. RELATED PARTY TRANSACTIONS

The aggregate amounts of remuneration for the Company’s key management (including directors), recognized in the consolidated statement of income or loss and OCI, are set out below:

	Year ended December 31	
	2019	2018
Salaries and benefits	**$6,716**	$8,140
Post-employment benefits	**214**	570
Share based payments	**486**	627
Total	**$7,416**	$9,337

The following summarizes the total value of sales to, purchases from and amounts owed to and by the Company’s joint ventures and associates.

	Sales to	Purchases from	Amounts owed by	Amounts owed to
Joint ventures				
2019	**$69**		**$15**	
2018	102	30	198	
Associates				
2019	**42**	**8,875**	**17**	**675**
2018	45	7,150	33	300

Sales to and purchases of goods and services from related parties are in the normal course of operations. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

30. SUBSEQUENT AND OTHER EVENTS

In January 2020, the Company received a refund, net of professional fees, of $20.2 million for Digital Media Tax Credits recorded in other receivables as at December 31, 2019 (note 16).

In February 2020, the Company announced an agreement to sell the land and building used by the Hamilton Spectator, for a purchase price of $25.5 million. The agreement is subject to customary closing conditions and adjustments and the Company anticipates that the sale will be completed in the first quarter of 2020.

NOTES

NOTES

BOARD OF DIRECTORS

John A. Honderich

Chair, Torstar Corporation
Former Publisher, Toronto Star

Director since 2004

Campbell R. Harvey

Professor of Finance
Duke University

Director since 1992

Martin E. Thall

President and Chief Executive Officer
Thall Group of Companies

Director since 2002

Elaine B. Berger

Corporate Director

Director since 2006

Daniel A. Jauernig

President and Chief Investment Officer,
NCM Capital Inc.

Director since 2009

Alnasir Samji
Managing Principal
Alderidge Consulting

Director since 2009

BOARD OF DIRECTORS

Paul R. Weiss

Corporate Director

Director since 2009

Linda Hughes

Chancellor Emerita, University of Alberta
Former Publisher, Edmonton Journal

Director since 2010

Dorothy Strachan

Partner
Strachan-Tomlinson Inc.

Director since 2013

Daryl Aitken

Owner
Fabric Spark

Director since 2015

John Boynton

President and Chief Executive Officer
Torstar Corporation

Director since 2017

NOTES

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OFFICERS OF TORSTAR

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Chair

JOHN BOYNTON
President and Chief Executive Officer

LORENZO DEMARCHI
Executive Vice-President and Chief Financial Officer

IAN OLIVER
Executive Vice-President and President, Community Brands and Operations

NEIL OLIVER
Executive Vice-President and President, Daily News Brands

MARIE E. BEYETTE
Senior Vice-President, General Counsel and Corporate Secretary

JENNIFER BARBER
Senior Vice-President Finance, Torstar and CFO Community & Daily News Brands

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Torstar Class B non-voting shares are traded on the Toronto Stock Exchange under the symbol TS.B

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