TORSTAR

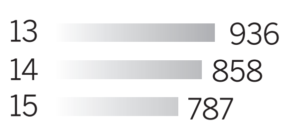
2015

ANNUAL REPORT

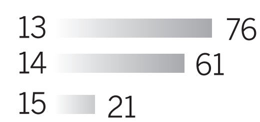
OPERATING RESULTS ($000)	**2015**	2014 (1)
Operating revenue	**$786,631**	$858,134
Adjusted EBITDA (2)	**51,412**	92,070
Operating earnings (2)	**21,235**	61,396
Operating loss	**(354,069)**	(44,185)
Net income (loss)	**(404,837)**	173,064
Cash from operating activities	**38,050**	63,358
Adjusted EBITDA – Percentage of revenue (2)	**6.5%**	10.7%
Cash from operating activities – percentage of average equity	**5.9%**	7.6%
PER CLASS A AND CLASS B SHARES		
Net income (loss)	**($5.02)**	$2.16
Dividends	**$0.5250**	$0.5250
Price range (high/low)	**$7.50/$2.55**	$8.47/$4.96
FINANCIAL POSITION ($000)		
Cash and cash equivalents and restricted cash	**$73,076**	$290,239
Equity	**$419,737**	$869,720

The Annual Meeting of shareholders will be held Wednesday, May 4, 2016 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.

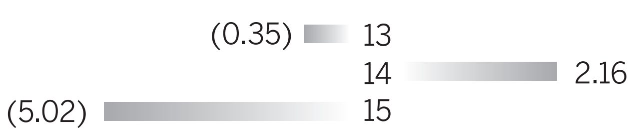
OPERATING REVENUE ($MILLIONS) (1)



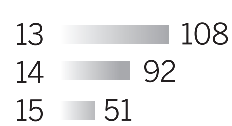
OPERATING EARNINGS ($MILLIONS) (1, 2)



NET INCOME (LOSS) PER SHARE



ADJUSTED EBITDA ($MILLIONS) (1, 2)



(1) These figures reflect the classification of Harlequin into discontinued operations.

(2) These are non-IFRS measures. These along with other Non-IFRS measures appear in the President's message. Refer to page 38 for a reconciliation of IFRS measures (excluding VerticalScope's adjusted EBITDA to operating profit (loss)), VerticalScope's Adjusted EBITDA has been calculated as total revenue, less salaries and benefits and operating costs, as presented on VerticalScope's consolidated statement of income, and excludes amortization, depreciation, and interest expense. It also excludes transaction related costs associated with Torstar's investment as well as certain tax credits. Adjusted EBITDA is not the actual cash provided by VerticalScope's operating activities and is not a recognized measure of financial performance under IFRS. Adjusted EBITDA does not have any standardized meaning under IFRS and accordingly may not be comparable to measures used by other companies, including how Torstar presents its own Adjusted EBITDA.

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 8 under the heading "Forward-Looking Statements".

MESSAGE FROM THE CHAIR

John Honderich
Chair, Board of Directors

2015 was a year of reinvestment and innovation for Torstar as the company charted a new course for sustainability over the years ahead.

The first significant development came with the purchase of a 56-per-cent interest in VerticalScope Holdings Inc., a digital media company that owns and operates more than 600 consumer enthusiast websites across North America. Torstar made the investment using a portion of the proceeds from its sale of Harlequin the year before to Harper Collins Publishers. With a proven record already of profitability and growth, VerticalScope is seen as an engine of growth for Torstar with the potential to expand even more.

The second major development was the introduction by the Toronto Star of Toronto Star Touch, an innovative and fully interactive news app designed for tablets that revolutionizes how readers get their news. Styled after the highly successful app already in use by Montreal's La Presse, Toronto Star Touch was rated one of the best apps of 2015 by Apple.

On the editorial side, both the Toronto Star and Metroland newspapers continued their traditions of high quality of editorial content, innovative story-telling and ground-breaking investigations. The Toronto Star maintained its lead as this country's most-read print newspaper.

During the year the company also took some major steps to reduce costs as the relentless pressure of the internet combined with falling newspaper advertising revenues continued to buffet the company. Among these were decisions announced in early 2016 to close the Vaughan Press Centre, shut down the print version of the Guelph Mercury and reduce staff levels across both newspaper groups. Torstar has benefited tremendously by the dedication and effort of its employees and we wish particularly to thank those who served and are no longer with us. Their efforts will not be forgotten.

The company has also been served tremendously by the senior executive team that has diligently and wisely directed the reinvestment and innovation strategy. Leading the team is President and Chief Executive Officer David Holland, very ably assisted by Chief Financial Officer and Executive Vice-President Lorenzo DeMarchi. Both, along with Senior Vice-President Strategy and Digital Ventures Chris Goodridge, were instrumental in the VerticalScope selection and eventual purchase. Also providing strategic and operation expertise in 2015 were Ian Oliver, President of Metroland Media Group and John Cruickshank, Publisher of the Toronto Star and President of Star Media Group, who has announced he will be stepping down in May, 2016. Ever since John took over as Publisher in 2009 he has led the Toronto Star to new editorial heights. At the same time, he has wisely and innovatively guided Star Media Group through one of the most tumultuous periods in its history. We owe him a great deal.

Finally, Torstar has the good fortune to have a totally engaged, strategic and responsive Board of Directors. The directors' combined knowledge and perspective were called upon repeatedly as we charted a new path. We were also pleased to announce the appointment of Daryl Aitken as a new director. With her marketing, advertising and digital experience, she brings unique skills to the Board.

TO OUR SHAREHOLDERS

David Holland
President and Chief Executive Officer

There has never been a time of such rapid change and evolution in the media industry as we are experiencing today. And in this fast-changing era, Torstar is in the midst of a meaningful transition, taking the steps necessary to position ourselves for a more digital future. We do not expect this transition to be easy, but we do believe it will ultimately be proved worthwhile.

Over the past 21 months, Torstar's asset base has been repositioned significantly. In August 2014, we closed the sale of Harlequin Enterprises Limited for $455 million. We came to a view that the value of Harlequin to a larger publisher exceeded the value of Harlequin within Torstar. We acted on our conviction. For the year following the sale, we assessed a number of options to employ the financial capacity created from this transaction. We were delighted on July 29, 2015 to announce our acquisition of a 56-per-cent interest in VerticalScope Holdings Inc., a digital media company that has expertise in programmatic advertising and owns and operates more than 600 consumer enthusiast online forums and premium content sites across North America. At $180 million, VerticalScope represents a very significant investment for Torstar. The company is vertically focused and its sites attract more than 80 million monthly unique visitors across desktop, mobile and tablet platforms. Through its network of user forums and premium content sites, the company offers advertisers across North America access to large audiences in popular verticals, including automotive, powersports, outdoors, home and health.

VerticalScope is a Canadian success story, with a proven track record of growth and profitability over the past five years and is well positioned to build on that record. We are very pleased to partner with Rob Laidlaw, the company's talented founder and CEO, as the company pursues its next stage of growth. The company should continue to benefit from the shifts occurring in advertising spending, including the growth in advertising in areas such as social media, programmatic and mobile. The company's commitment and expertise in the development of audience has been a critical element in the success it has enjoyed and its platform supports the daily interaction of millions of registered users. This investment fulfilled our objective of allocating significant capital to a high-growth opportunity. We are also pleased that the investment results in exposure to the U.S. economy, introducing geographic diversification to our earnings base.

Our commitment to transformation goes beyond the repositioning of our asset base and also extends throughout our operations.

At Star Media Group, evidence of this commitment was the launch of Toronto Star Touch in September 2015. Toronto Star Touch is an innovative tablet offering based on a product that has been successfully launched in the Quebec market by La Presse. Our vision is to create a compelling edition of the Toronto Star that reaches a broader audience and engages them in new ways. We are dramatically changing our storytelling approach and showcasing stories in a more interactive way than ever before, providing a deeper level of engagement and immersion as compared to a desktop experience. As part of Star Media Group's broader multi-platform strategy, this initiative is proving to be a tremendous catalyst for change within the organization as we develop our screen-based story-telling capability, furthering our commitment to serving our audiences and advertisers in innovative ways.

In our Metroland Media Group operation, we have a meaningful connection to the communities we serve through publishing and delivery of community newspapers to households throughout Ontario. We are gaining momentum in building deeper digital connections to audience and advertisers in these communities. We are committed to building across print and digital platforms and evolving into the community media and marketing solutions organization of the future.

OPERATING RESULTS

Affected by the continued pressures on print advertising, particularly national, and the start-up investment in Toronto Star Touch, segment adjusted EBITDA was $67 million, down $35 million compared to the prior year. In our first five months of ownership, we are very pleased with VerticalScope's performance. Its adjusted EBITDA grew by more than 20% versus prior year.

Torstar closed the year in a solid financial position. At December 31, 2015, Torstar had cash and cash equivalents, including restricted cash, of $73 million.

We continue to carefully manage our pension plans and our funding requirements are locked in through the fall of 2017. On a solvency basis, our deficit position improved slightly through 2015. We are taking a cautious approach to asset mix, with only 27% of the asset base in the equity market. An increase in rates to more normal levels would have a positive effect on the condition of the plans.

Our operations are comprised of Star Media Group, Metroland Media Group and Digital Ventures. With the acquisition of VerticalScope in the third quarter of 2015, we created a Digital Ventures segment which includes our 56-per-cent interest in VerticalScope, eyeReturn and our 50-per-cent interest in Workopolis.

Across our media operations, Star Media Group and Metroland Media Group, we are focused on strengthening and enhancing our multi-platform approach to news, information, advertising and marketing solutions in the Greater Toronto Area, in communities throughout Ontario and nationally in major cities from east to west in English Canada.

At Star Media Group, adjusted EBITDA of $18 million was down $27 million; revenue was down 11% to $344 million. Approximately half of the decline in EBITDA was attributable to the start-up investment in Toronto Star Touch. The remaining half was attributable to declining print advertising revenues. The revenue decline was mitigated in part by ongoing efforts to reduce costs. Toronto Star subscriber revenues continue to remain relatively stable.

The Toronto Star, our flagship publication, enjoyed successes on a number of fronts. In addition to launching Toronto Star Touch, the Toronto Star continued its tradition of editorial excellence in the print edition and maintained a lead of more than twice as many weekday readers as its closest paid daily competitor in the Greater Toronto Area. In addition, thestar.com had 2.9 million average monthly unique desktop visitors and an increasingly important growth in mobile and tablet audience.

The Toronto Star, with its strength in the Greater Toronto Area, is complemented geographically by Metro. The Metro print publication is second only to the Toronto Star in average weekday readership in the Greater Toronto Area. Metro also publishes daily print editions in Vancouver, Calgary, Edmonton, Winnipeg, Ottawa and Halifax. We are committed to building value in the Metro franchise.

Metroland Media Group is a leading community media company with a long tradition of offering great services to its customers and of striving to make a difference in communities it serves. Metroland Media publishes in print and digital in two daily papers and more than 100 community newspapers across Ontario and operates successful flyer distribution networks, magazines, consumer shows and numerous digital operations.

At Metroland Media Group, adjusted EBITDA in the year was $49 million, down $19 million from prior year; revenue was down 8% to $447 million. Print advertising revenues were down 10% in the year.

As in previous years, our newspapers and digital businesses were recognized for outstanding editorial, advertising and marketing efforts.

Both the Toronto Star and The Hamilton Spectator won two National Newspaper Awards, considered among the most prestigious media honours in the country. Toronto Star journalist Vinay Menon won in the Arts and Entertainment category and the team of Paul Hunter, Jim Rankin, Steve Russell and Jim Coyle were honoured in the Sports category. The Hamilton Spectator's Teri Pecoskie won in the Multimedia Feature category and Jon Wells won in the Investigative category.

In addition, Metroland community newspapers won 86 editorial awards presented in 2015 by the Local Media Association (LMA). This was the third straight year that Metroland has topped all newspaper companies in North America in this important award contest. Metroland also won the most awards in the LMA's Best in Digital Contest, with durhamregion.com earning first-place awards in the Best Community Website category and the Best Use of Social Media category.

The newly created Digital Ventures segment made a meaningful contribution in 2015. The results benefited from the part-year inclusion of VerticalScope in 2015. Segmented adjusted EBITDA was $11 million, up $7 million versus prior year. This increase over prior year is wholly attributable to VerticalScope as the inclusion of its results offset declining results in the other operations within the segment.

Torstar also has a number of minority investments in associated businesses, including an approximate 21-per-cent interest in Blue Ant Media Inc., an independent media company led by media veteran Michael MacMillan. We were pleased with Blue Ant's progress in 2015 and remain confident in the company as it focuses on global growth opportunities moving forward.

LOOKING FORWARD

We operate in turbulent economic times and within an industry that will continue to be affected by structural shifts. Within this evolving landscape, we are embracing the multi-platform media environment in which we operate. We are striving to adapt and are demonstrating our willingness to take bold but measured steps to enhance value over the long term.

We are focused on our strategic priorities:

- Achieving further digital evolution of our asset base through re-investment in and support of VerticalScope's growth;
- Continuing to build digital capabilities and grow digital revenue within our wholly-owned operations;
- Continuing to optimize print revenues and reduce costs, including outsourcing of Toronto Star printing and investing and delivering in those areas of highest value to our print customers;
- Continuing to exploit Metro's unique strengths to build value in the franchise;
- Successfully evolving Metroland Media Group into the community-focused print and digital media and marketing solutions organization of the future, with particular emphasis on growing the local revenue base across platforms.

OUR GREATEST STRENGTH – PEOPLE

We have many strengths across our operations, but no strength is greater or more critical than the talented, committed and passionate people at all levels of our company.

Guiding these employees is a very talented executive team including Ian Oliver at Metroland Media, Chris Goodridge at Digital Ventures, and in the Corporate office Lorenzo DeMarchi, our Executive Vice-President and Chief Financial Officer. We also benefit from the leadership of Rob Laidlaw, the founder and CEO at VerticalScope. In addition, we have benefited from the leadership over the past seven years of John Cruickshank, the Publisher of the Toronto Star and President of Star Media Group, who has announced he will be stepping down from his positions in May 2016. John's leadership and strategic thinking in all aspects of the business have had a significant positive impact on Torstar. Again and again he made the tough and innovative decisions necessary to move the Toronto Star forward in these challenging times.

I was also very fortunate to have the support and wise counsel of John Honderich, our Chair and all the members of the Board of Directors during the year.

Finally, I would like to recognize our 4,600 employees and their passion to succeed. Their determination to weather the current challenges and build Torstar for the future is a tremendous advantage.

TORSTAR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2015
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, 2015 (the "2015 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 2015 Consolidated Financial Statements has been prepared in accordance with IFRS, except for certain "Non-IFRS Measures" as described in Section 15 of this MD&A. Per share amounts are calculated using the weighted average number of shares outstanding for the applicable period. In addition, during 2015, we reclassified the manner in which certain items are categorized. The results for 2015 and 2014 have been restated on a comparative basis to reflect these changes.

This MD&A is dated March 1, 2016 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", "intend", "would", "could", "if", "may" and similar expressions. This MD&A includes, among others, forward-looking statements regarding estimates of anticipated cost savings in Section 1 of this MD&A, expectations described in connection with highlights from 2015 in Section 2 of this MD&A, estimates and expectations relating to contingent liabilities, impairment of assets and amortization expense in Section 3 of this MD&A, Torstar's expectations regarding expected savings including savings from restructuring initiatives in Sections 3, 4 and 5 of this MD&A, Torstar's outlook for 2016 including anticipated revenue trends and operating costs (including newsprint costs), expected costs related to Toronto Star Touch, amortization and depreciation and pension plan funding obligations and expenses in Section 5 of this MD&A, Torstar's expected capital expenditures and investment spending in Section 5 of this MD&A, anticipated future dividend payments in Sections 2 and 5 of this MD&A, expectations regarding cash flows and forecasted cash requirements in Section 6 of this MD&A, expectations regarding the costs, obligations, contributions, return on plan assets, discount rates, required funding 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 17 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 industries;
-the Company's ability to compete with digital media, 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 attract, grow and retain its digital audience and profitably develop its digital platforms;
-the Company's ability to attract and retain advertisers;
-the Company's ability to maintain adequate circulation/subscription levels;
-the Company's ability to attract and retain readers and traffic;
-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 and risks of security breaches;
-changes in employee future benefit obligations;

-the Company’s ability to execute appropriate strategic growth initiatives including acquisitions;
-unexpected costs or liabilities related to acquisitions and dispositions;
-investments in other businesses;
-labour disruptions;
-newsprint costs;
-reliance on printing operations;
-litigation;
-privacy, anti-spam, communications, e-commerce and environmental laws, health and safety regulations and other laws and regulations applicable generally to the Company’s businesses;
-foreign exchange fluctuations and foreign operations;
-availability of insurance;
-dependence on key personnel;
-intellectual property rights;
-credit risk;
-availability of capital and restrictions imposed by credit facilities;
-income tax and other taxes;
-results of impairment tests and uncertainties associated with critical accounting estimates
-holding company structure;
-dividend policy; and
-control of the Company by the Voting Trust.

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 competition; rates of return and discount rates relating to pension expense and pension plan obligations; expected future revenues; expected future liabilities; expected future cash flows and discount rates relating to valuation of goodwill and intangible assets; and successful development and launch of new products. 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

1. Overview

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). Torstar has three reportable operating segments: Metroland Media Group ("MMG"), Star Media Group ("SMG") and Digital Ventures. In connection with the acquisition of 56% of VerticalScope Holdings Inc. ("VerticalScope") during the third quarter of 2015, we have realigned our operating segments such that digital businesses outside of the historical newspaper operations are managed together as one operating segment.

Metroland Media Group publishes The Hamilton Spectator and the Waterloo Region Record daily newspapers and more than 100 weekly community newspapers and has a number of specialty publications, directories, consumer shows, distribution operations and digital properties (including homefinder.ca, save.ca, travelalerts.ca, wagjag.com ("WagJag") and the regional online sites, such as durhamregion.ca).

Star Media Group includes the daily Toronto Star newspaper, Toronto Star Touch and thestar.com. Star Media Group also includes Free Daily News Group Inc. ("Metro"), which publishes the English-language Metro free daily newspapers in several of Canada's largest cities, and through a joint venture arrangement, Star Media Group owns an interest in the Chinese-language Sing Tao Daily and its related publications in Toronto, Vancouver and Calgary. Star Media Group also includes wheels.ca, toronto.com and other specialty publications and magazines and distribution services and our interest in Olive Media. Olive Media ceased operations effective January 1, 2016.

Digital Ventures includes eyeReturn Marketing Inc. ("eyeReturn") and our joint venture interest in Workopolis as well as our 56% interest in VerticalScope, which as a result of certain terms in the applicable shareholders' agreement is classified as an associated business rather than a consolidated subsidiary or joint venture. VerticalScope is a Toronto-based vertically focused digital media company with expertise in programmatic advertising and which has more than 150 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, home and health.

We also have several other investments in Associated Businesses, which at December 31, 2015 included a 19% equity investment in Black Press Ltd. ("Black Press"), a 23% equity investment in Blue Ant Media Inc. ("Blue Ant"), a 33% equity investment in Canadian Press Enterprises Inc. ("Canadian Press") and a 15% equity investment in Shop.ca Network Inc. ("Shop.ca").

Blue Ant is a media company founded in 2011 that creates and distributes video content across a range of traditional and new media platforms in 'enthusiast categories' such as Outdoor Life, Nature and Science, Style and Do-It-Yourself ("DIY"), Music and Gaming.

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, Washington, California, Hawaii and Ohio.

Canadian Press operates The Canadian Press news agency.

Shop.ca is an online e-commerce marketplace aimed at Canadian shoppers.

Competitive Landscape and Strategic Initiatives

Over the last several years, the media landscape, and the newspaper industry in particular, has continued to experience significant changes. These changes include a structural shift in advertising spending from various traditional media, including newspapers, to digital media, significantly increased availability of advertising impressions on digital platforms, an increasing percentage of consumer time spent with new digital and mobile platforms and fragmentation of audiences across an increasing array of digital media options. Having completed the sale of Harlequin Enterprises Limited (collectively with its subsidiaries, "Harlequin") in 2014 and having made a significant investment in a high growth business opportunity in VerticalScope in 2015, we are continuing to transform the composition of Torstar. Within this evolving landscape, we are embracing the multi-platform environment in which we operate and we are striving to adapt and strengthen our position through the following strategic initiatives:

- Continuing to advance digitally across our businesses;
- Continuing to optimize print revenues and reduce costs, including anticipated cost savings associated with outsourcing printing of the Toronto Star initiated in early 2016, while investing and delivering in those areas of highest value to our print customers;
- Continuing to evolve the Metro publications across Canada;
- Successfully evolving Metroland Media Group into the community focused print and digital media and marketing solutions organization of the future by building on the foundation of tight connections with our local communities; and
- Achieve further digital evolution of our asset base through reinvestment in and support of VerticalScope.

2. Highlights

Highlights for 2015 compared to 2014

(in $000's, except per share amounts)	2015	2014	Favourable (Unfavourable)
Net income (loss) from continuing operations	($399,837)	($49,598)	($350,239)
Per Share	*($4.96)*	*($0.62)*	*($4.34)*
Net income (loss) from discontinued operations	(5,000)	222,662	(227,662)
Per Share	*($0.06)*	*$2.78*	*($2.84)*
Net income (loss) attributable to equity shareholders	(403,966)	172,685	(576,651)
Per Share (Basic)	*($5.02)*	*$2.16*	*($7.18)*
Adjusted Earnings (loss) Per Share[2]	*($0.10)*	*$0.58*	*($0.68)*
Operating profit (loss)[1,2]	(403,079)	(52,370)	(350,709)
Adjusted EBITDA[1,2]	66,823	101,672	(34,849)
Revenues[1,2]	843,640	904,618	(60,978)

[1] Includes proportionately consolidated share of joint ventures and VerticalScope's operations.
[2] These are Non-IFRS or additional IFRS measures, refer to Section 15 of this MD&A.

Highlights:

- On July 28, 2015 we purchased a 56% interest in VerticalScope, a vertically focused digital media company which operates across North America, for a net investment of approximately $180 million, including transaction costs. VerticalScope's revenue increased 20.9% from July 29, 2015 through December 31, 2015 as compared with the comparable period in 2014.

- During the period from July 29, 2015 through December 31, 2015 VerticalScope made acquisitions totalling U.S. $25.1 million of which U.S. $10.6 million was financed from VerticalScope's operating cash flow and U.S. $14.5 million was financed through an increase in VerticalScope's debt.

- On September 15, 2015 the Toronto Star launched Toronto Star Touch, its innovative new tablet app. The app is free to consumers and is available for iOS on the Apple App Store and for Android on the Google Play Store. While audience size has been lower than we initially anticipated, we are making steady progress in building readership. Daily audience engagement metrics are strong and advertiser response has been very positive.

- Subsequent to the end of 2015, we announced the transition of printing of the Toronto Star to Transcontinental Printing which is expected to commence in July 2016. Also in connection with this decision, we have commenced exploration of the sale of the existing printing facility and land in Vaughan.

- Ended 2015 with total cash and cash equivalents and restricted cash of $73.1 million. Subsequent to the end of the year, $22.8 million of restricted cash was released from the Harlequin escrow.

- Our net loss from continuing operations was $399.8 million ($4.96 per share) in 2015 and $49.6 million ($0.62 per share) in 2014. Our net loss in 2015 included $361.1 million of non-cash impairment charges and $77.5 million of non-cash amortization and depreciation.

- Our net loss attributable to equity shareholders was $404.0 million ($5.02 per share) in 2015 compared to net income attributable to equity shareholders of $172.7 million ($2.16 per share) in 2014. Our net income in 2014 included a $224.6 million pre-tax gain on the sale of Harlequin.

- Adjusted loss per share was $0.10 in 2015, down $0.68 from adjusted earnings per share of $0.58 in 2014. Adjusted loss per share included a $0.39 per share effect of amortization of intangible assets, primarily associated with the investment in VerticalScope.

- In 2015, our segmented operating loss was $403.1 million which included $361.1 million of non-cash impairment charges and $77.5 million of non-cash amortization and depreciation.

- Our segmented adjusted EBITDA was $66.8 million in 2015, down $34.9 million from $101.7 million in 2014.

- Segmented revenue was $843.6 million in 2015, down $61.0 million (6.7%) from $904.6 million in 2014.

- In 2015, we announced our intention to reduce the dividend to 26 cents per share annually effective the first quarter of 2016.

The following chart provides a continuity of earnings per share from the year ended December 31, 2014 to the year ended December 31, 2015:

	Earnings Per Share	Adjusted Earnings Per Share
Earnings (loss) per share from continuing operations attributable to equity shareholders in 2014	($0.62)	$0.58
Changes		
• Adjusted EBITDA*	(0.31)	(0.31)
• Amortization and Depreciation*	(0.39)	(0.39)
• Operating earnings*	(0.70)	(0.70)
• Restructuring and other charges**	(0.08)	
• Impairment of assets**	(3.30)	
• Operating profit(loss)	(4.08)	(0.70)
• Interest and financing costs	0.02	0.02
• Non-cash foreign exchange**	0.06	
• Other income (expense) **	(0.06)	
• Change in deferred taxes**	(0.28)	
Earnings (loss) per share from continuing operations attributable to equity shareholders in 2015	($4.96)	($0.10)
Earnings (loss) per share from discontinued operations attributable to equity shareholders in 2015	($0.06)	
Earnings (loss) per share attributable to equity shareholders in 2015	($5.02)	($0.10)

*Includes proportionately consolidated share of joint ventures and VerticalScope's operations. These are Non-IFRS or additional IFRS measures, refer to Section 15 of this MD&A.

** Items are excluded from definition of adjusted earnings (loss) per share. Refer to Section 15 for a reconciliation of earnings per share to adjusted earnings per share.

3. Annual Operating Results

A discussion of our operating results for 2015 and 2014

Unless otherwise noted, the following is a discussion of our 2015 operating results relative to 2014. In connection with our acquisition of 56% of VerticalScope during the third quarter of 2015, we have realigned our operating segments such that digital businesses outside the traditional newspaper operations are managed as part of the Digital Ventures segment and accordingly, we now have three reportable operating segments for segment reporting purposes: MMG, SMG and Digital Ventures. All comparative information has been restated to reflect this change. In addition, the paywall at thestar.com was eliminated effective April 1, 2015. Revenues associated with the paywall were not material and have been excluded from both the current and prior periods for comparison purposes in the discussions of digital and subscriber revenues below.

Overall Performance

As noted above, we have three reportable operating segments to which Corporate costs have not been allocated. Management of the segments are accountable for the revenues, adjusted EBITDA, operating earnings and operating profit of the segments including our proportionate share of joint venture operations as well as our 56% interest in VerticalScope. When reported in the consolidated statement of income, joint ventures and our 56% investment in VerticalScope (which, pursuant to certain terms in the shareholders agreement, is classified as an Associated Business rather than a consolidated subsidiary or joint venture), are accounted for using the equity method. The net income is included in “Income (loss) from joint ventures” and “Income (loss) from associated businesses”, as applicable. We own a significantly higher percentage of VerticalScope relative to our other Associated Businesses.

The following tables set out our segmented results which include our proportionate share of results from VerticalScope and our joint ventures for the years ended December 31, 2015 and December 31, 2014 and provide a reconciliation to the consolidated statement of income.

2015							
(in $000's)	MMG	SMG	Digital Ventures	Corporate	Total Segmented*	Adjustments & Eliminations[1]	Total Per Consolidated Statement of Income
Operating revenue	$447,064	$343,555	$53,021		$843,640	($57,009)	$786,631
Salaries and benefits	(208,431)	(127,092)	(18,867)	($9,044)	(363,434)	21,610	(341,824)
Other operating costs	(189,755)	(198,057)	(23,160)	(2,411)	(413,383)	19,988	(393,395)
Adjusted EBITDA**	48,878	18,406	10,994	(11,455)	66,823	(15,411)	51,412
Amortization & depreciation	(14,055)	(14,991)	(48,428)	(37)	(77,511)	47,334	(30,177)
Operating earnings (loss)**	34,823	3,415	(37,434)	(11,492)	(10,688)	31,923	21,235
Restructuring and other charges	(19,777)	(10,634)	(899)		(31,310)	1,087	(30,223)
Impairment of assets	(265,936)	(79,145)	(16,000)		(361,081)	16,000	(345,081)
Operating profit (loss)**	($250,890)	($86,364)	($54,333)	($11,492)	($403,079)	$49,010	($354,069)
Loss from continuing operations							($399,837)
Loss from discontinued operations							($5,000)
Net loss							($404,837)

2014							
(in $000's)	MMG	SMG	Digital Ventures	Corporate	Total Segmented*	Adjustments & Eliminations[1]	Total Per Consolidated Statement of Income
Operating revenue	$484,225	$384,873	$35,520		$904,618	($46,484)	$858,134
Salaries and benefits	(219,340)	(134,620)	(15,075)	($11,136)	(380,171)	18,627	(361,544)
Other operating costs	(196,866)	(204,457)	(16,692)	(4,760)	(422,775)	18,255	(404,520)
Adjusted EBITDA**	68,019	45,796	3,753	(15,896)	101,672	(9,602)	92,070
Amortization & depreciation	(14,644)	(15,337)	(3,363)	(57)	(33,401)	2,727	(30,674)
Operating earnings (loss)**	53,375	30,459	390	(15,953)	68,271	(6,875)	61,396
Restructuring and other charges	(6,937)	(15,709)	(60)		(22,706)	60	(22,646)
Impairment of assets	(329)	(82,606)	(15,000)		(97,935)	15,000	(82,935)
Operating profit (loss)**	$46,109	($67,856)	($14,670)	($15,953)	($52,370)	$8,185	($44,185)
Loss from continuing operations							($49,598)
Net income from discontinued operations							$222,662
Net income							$173,064

[1] Reflects eliminations of our proportionate share of joint ventures and our 56% interest in VerticalScope
*Includes our proportionately consolidated share of joint venture operations and VerticalScope
**These are non-IFRS or additional IFRS measures, refer to Section 15 of this MD&A

Revenue

Segmented revenue was down $61.0 million or 6.7%. This decline was largely the result of declines in print advertising revenues and flyer distribution revenues and a modest 2.5% decline in subscriber revenues. These declines were partially offset by a $15.1 million increase in revenue associated with the investment in VerticalScope on July 28, 2015. Revenue excluding our proportionate share of revenue from joint ventures and our 56% interest in VerticalScope ("operating revenue") was down $71.5 million or 8.3%.

Digital revenue across all segments increased 13.6% in 2015, largely resulting from the investment in VerticalScope on July 28, 2015 as well as from revenue growth at eyeReturn, thestar.com and in local digital advertising at Metroland Media Group. These increases were partially offset by lower revenues in 2015 at Workopolis, Olive Media, WagJag and Save.ca. Digital revenues were 14.9% of total segment revenues in 2015 compared to 12.2% in 2014.

The following charts provide a breakdown of total segmented operating revenue for 2015 and 2014:

Year ended December 31, 2015	MMG		SMG		Digital Ventures		Total	
	$	%	$	%	$	%	$	%
Print advertising	**$200.3**	**44.8%**	**$180.8**	**52.7%**			**$381.1**	**45.2%**
Digital advertising	**37.7**	**8.4%**	**35.2**	**10.2%**	**$53.0**	**100.0%**	**125.9**	**14.9%**
Distribution	**136.5**	**30.5%**	**10.1**	**2.9%**			**146.5**	**17.4%**
Subscriber	**28.4**	**6.4%**	**100.5**	**29.2%**			**128.9**	**15.3%**
Other	**44.2**	**9.9%**	**17.0**	**5.0%**			**61.2**	**7.2%**
Total	**$447.1**	**100.0%**	**$343.6**	**100.0%**	**$53.0**	**100.0%**	**$843.6**	**100.0%**

Year ended December 31, 2014	MMG		SMG		Digital Ventures		Total	
	$	%	$	%	$	%	$	%
Print advertising	$221.8	45.8%	$213.9	55.6%			$435.7	48.2%
Digital advertising	38.3	7.9%	36.7	9.5%	$35.5	100.0%	110.6	12.2%
Distribution	147.2	30.4%	10.3	2.7%			157.4	17.4%
Subscriber	29.5	6.1%	105.7	27.5%			135.2	14.9%
Other	47.5	9.8%	18.3	4.7%			65.8	7.3%
Total	$484.2	100.0%	$384.9	100.0%	$35.5	100.0%	$904.6	100.0%

Salaries and benefits

Our segmented salaries and benefits costs were down $16.8 million or 4.4% in 2015 reflecting the benefit of $21.5 million in savings from restructuring initiatives and a $7.1 million digital media tax credit (as this represents recoveries of previously incurred salary and benefits costs), partially offset by: (i) the inclusion of our proportionate share of salaries and benefit costs of VerticalScope after July 28, 2015; (ii) increased staffing costs associated with Toronto Star Touch; and (iii) general wage increases.

Other operating costs

Segmented other operating costs primarily consist of circulation/flyer distribution costs, newsprint costs and other production costs which represented 39.0%, 13.4% and 11.6% respectively of segmented other operating costs in 2015. Segmented other operating costs were down $9.4 million (2.2%) as a result of lower print volumes, the impact of lower newsprint price, lower corporate costs and other cost reductions and were partially offset by increased costs related to Toronto Star Touch as well as our proportionate share of VerticalScope's other operating costs after July 28, 2015.

Adjusted EBITDA

Our segmented adjusted EBITDA was $66.8 million in 2015, down $34.9 million from 2014 reflecting the above noted revenue declines and $14.0 million of net investment spending in Toronto Star Touch which were only partially offset by $21.5 million of savings from restructuring initiatives, the impact of our investment in VerticalScope, the benefit of $7.1 million in digital media tax credits, $4.4 million in lower Corporate costs and other cost reductions.

Amortization and depreciation

Total segmented amortization and depreciation increased $44.1 million in 2015, all of which was the result of amortization of intangible assets associated with our investment in VerticalScope. Please see the discussion of our investment in VerticalScope for further information.

Operating earnings (loss)

Segmented operating loss was $10.7 million in 2015, compared to segmented operating earnings of $68.3 million in 2014. The loss in 2015 included the impact of $44.1 million of additional amortization expense associated with our investment in VerticalScope.

Restructuring and other charges

Total segmented restructuring and other charges were $31.3 million in 2015 and largely related to ongoing efforts to reduce costs as well as a charge related to Metroland Media Group's decision to phase out product sales. The 2015 restructuring initiatives are expected to result in annualized net labour savings of approximately $30.0 million and a reduction of approximately 395 positions. Of the expected savings, $10.0 million was realized in 2015. Total segmented restructuring and other charges of $22.7 million were recorded in 2014.

Over the last few years we have undertaken several restructuring initiatives in order to reduce our ongoing operating costs. At December 31, 2015, our liability for payments in respect of these restructuring initiatives was $33.3 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)	**2013**	**2014**	**2015**	**Total**
Realized net savings in:				
2013	$13,800			$13,800
2014	21,000			21,000
2015	1,800	9,700	10,000	21,500
Expected net savings in:				
2016		2,600	19,900	22,500
2017		2,500	100	2,600
Annualized net savings	$36,600	$14,800	$30,000	$81,400

Impairment of assets

During 2015, we incurred non-cash charges related to asset impairment of our property, plant and equipment, intangible assets, goodwill and investments in joint ventures totalling $361.1 million. During 2014, we incurred charges related to asset impairment of property, plant and equipment, goodwill and investments in joint ventures totalling $97.9 million. These charges have no impact on cash flows.

During the third quarters of 2015 and 2014, we conducted impairment tests on the carrying value of intangible assets and goodwill. In carrying out this testing in 2015, we determined that the carrying amount of goodwill in the Metroland Media Group of Cash Generating Units ("CGUs") exceeded the value in use ("VIU") and we recorded an impairment charge of $135.0 million for goodwill and a charge of $0.4 million for intangible assets in the Metroland Media Group of CGUs. This impairment was the result of lower revenue projections reflecting current economic conditions coupled with lower forecasted longer term revenues resulting from continued shifts in spending by advertisers. We also recorded a $12.0 million impairment charge in respect of our joint venture investment in Workopolis during the third quarter of 2015 resulting from lower forecasted revenues attributable to continued increases in competition in the online recruitment and job search markets as well as prevailing economic conditions.

The change in the market capitalization of the Company in the fourth quarter of 2015 was, we believe, primarily the result of a significant change in the risk premiums expected by market participants resulting from uncertainties about the traditional newspaper industry. These uncertainties include continued volatility and longer term visibility in print advertising markets, rapidly changing digital advertising markets and evolving general economic uncertainty. As a result of this change, in connection with our impairment test on December 31, 2015, we determined that the carrying amount of goodwill in the Metroland Media Group of CGUs and the Star Media Group of CGUs exceeded their fair value less cost to sell ("FVLCS") and accordingly, we recorded impairment charges of $130.6 million in respect of goodwill in the Metroland Media Group of CGUs and $70.8 million in respect of goodwill and $8.0 million in respect of intangible assets in the Star Media Group of CGUs. In the fourth quarter of 2015 we also recorded a further impairment charge of $4.0 million related to our joint venture investment in Workopolis resulting from a further downward revision in longer term forecasted revenues reflecting the prevailing business environment. Please refer to the discussion of Critical Accounting Policies and Estimates in Section 9 of this MD&A for further discussion.

In carrying out our impairment testing during the third quarter of 2014, we determined that the carrying amount of goodwill in the Star Media Group of CGUs exceeded the value in use and we recorded an impairment charge of $82.0 million for goodwill in the Star Media Group of CGUs. This impairment was the result of lower forecasted revenues reflecting continued shifts in spending by advertisers. We also recorded a $15.0 million impairment charge in respect of our joint venture investment in Workopolis during the third quarter of 2014 reflecting the above noted factors.

Operating profit (loss)
In 2015, our segmented operating loss was $403.1 million compared to $52.4 million in 2014. Our 2015 segmented operating loss included $361.1 million of non-cash impairment charges and $77.5 million of non-cash amortization and depreciation.

Our operating loss excluding our proportionate share of operating profit (loss) from VerticalScope and our joint ventures (“operating profit (loss)”) increased $309.9 million in 2015 compared to 2014.

Interest and financing costs
Interest and financing costs decreased $2.3 million in 2015 reflecting a $4.9 million decrease in interest on debt and a $0.5 million increase in interest earned on cash and cash equivalents. This was partially offset by a $2.7 million increase in financing costs related to employee benefit plans.

Foreign exchange
Non-cash foreign exchange losses were $1.0 million in 2015 compared to losses of $7.7 million in 2014. The loss in 2015 included $1.7 million of foreign exchange losses associated with the ineffective portion (for accounting purposes) of the hedge of the net investment in VerticalScope, which is discussed further in Section 7 of this MD&A, partially offset by $0.7 million of foreign exchange gains associated with the Canadian dollar being weaker at the end of the year relative to the beginning of the year with our operations being in a net asset position in U.S. dollars for the year.

Upon the sale of Harlequin in 2014, we realized $5.8 million of accumulated foreign exchange losses related to extinguishing a hedge of our U.S. dollar denominated net investment hedge in Harlequin. A portion of the foreign exchange losses for 2014 also relate to the weakening of the Canadian dollar relative to the U.S. dollar prior to the closing of the sale of Harlequin and subsequent repayment of U.S. dollar denominated debt.

Income (loss) from joint ventures
Loss from joint ventures was $14.2 million in 2015 and $9.2 million in 2014. These losses primarily reflect non-cash impairment charges of $16.0 million recorded in 2015 and $15.0 million recorded in 2014 related to our joint venture investment in Workopolis, as discussed above. Excluding the impact of these charges, income from joint ventures was

$1.8 million in 2015 and $5.8 million in 2014 largely reflecting lower adjusted EBITDA and restructuring charges at Workopolis.

Income (loss) from associated businesses
Loss from associated businesses was $29.0 million in 2015 compared to income of $0.2 million in 2014. The 2015 loss included income of $3.0 million from Black Press offset by a loss of $3.0 million from Shop.ca, a loss of $1.9 million from Blue Ant and a loss of $27.0 million from VerticalScope. The 2015 loss from VerticalScope included $44.2 million of amortization and depreciation expense. The 2014 income from associated businesses included income of $4.0 million from Black Press and income of $0.4 million from Tuango Inc. ("Tuango") partially offset by losses of $3.5 million from Shop.ca and $0.7 million from Blue Ant.

Our share of Black Press' net income was $3.0 million in 2015 ($4.0 million in 2014), representing Black Press' results through November 30, 2015. Black Press has a February fiscal year end and therefore does not have coterminous quarter-ends with us.

Our share of Tuango's net income was $nil in 2015 and $0.4 million in 2014 as we sold our interest in Tuango on October 16, 2014 for proceeds of $7.6 million and recognized a gain of $4.5 million in other income (expense).

Our share of the Shop.ca net loss was $3.0 million in 2015 compared to $3.5 million in 2014.

We did not record any income or loss during 2015 or 2014 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 ($3.1 million as of December 31, 2015 and $4.0 million as of December 31, 2014) have been offset by net income, OCI or as additional investments are made. In 2015, our share of Canadian Press' net income would have been $0.5 million ($0.3 million loss in 2014).

Investment in VerticalScope
On July 28, 2015, we acquired a 56% interest in VerticalScope. The total purchase price including transaction costs was $202.1 million. On October 22, 2015, we received a $22.1 million distribution from VerticalScope, as anticipated at the time of the closing, reducing our original investment to approximately $180 million, including transaction costs. Pursuant to certain terms in the shareholders agreement, the investment is accounted for as an associated business using the equity method, rather than a subsidiary or joint venture. The results of VerticalScope are reported as part of our Digital Ventures Segment in our segmented reporting.

In connection with the investment in VerticalScope, and consistent with the general methodology VerticalScope uses when making its acquisitions, we allocated the difference between the fair value of the purchase price paid and the book value of the net assets of VerticalScope to customer relationships, technology, domain names, acquired content and goodwill. The amortization periods for these intangible assets generally range from 5-10 years, with the exception of acquired content which, consistent with VerticalScope's accounting policy, is amortized over one year. Given the relatively large value allocated to acquired content (U.S. $60.6 million) and the one year amortization period associated with it, we expect larger amortization charges related to these intangible assets to continue through the end of July 2016.

Our 56% share of VerticalScope's 2015 net loss included $44.2 million in respect of amortization and depreciation expense. This included amortization of fair value differences of intangible assets identified when we made our investment in VerticalScope as well as the amortization of fair value differences which VerticalScope has identified on acquisitions it has made subsequent to July 29, 2015.

During the period from July 29, 2015 through December 31, 2015 VerticalScope made acquisitions totalling U.S. $25.1 million of which U.S. $10.6 million was financed from VerticalScope's operating cash flow and U.S. $14.5 million was financed through an increase in VerticalScope's debt. VerticalScope's debt, net of cash on hand, was U.S. $78.9 million at December 31, 2015.

Other income (expense)
Other expense was $1.8 million in 2015 compared to other income of $3.8 million in 2014. Other expense in 2015 included a partial write-down totalling $2.3 million on one of our portfolio investments. This was partially offset by a $0.2 million gain on the sale of an associated business and $0.3 million of other income.

Other income (expense) for 2014 included a $4.5 million gain on the sale of Tuango, a $1.1 million gain on the early settlement agreement with Metro International S.A. for the remaining 10% of Metro, and a $0.7 million gain on the sale of an available-for-sale investment. These gains were partially offset by a $2.8 million charge related to the de-recognition of interest rate swaps which were previously designated as cash flow hedges and which were extinguished in 2014.

Income and other taxes

We recorded an income tax recovery of $2.3 million in 2015 reflecting the non-deductibility of non-cash impairment charges and losses from associated businesses for tax purposes.

We recorded an income tax recovery of $11.7 million in 2014. The effective tax rate in 2014 was 19.1% which includes the impact of impairment charges not deductible for tax purposes offset by the recognition of previously unrecognized loss carryforwards, certain tax and accounting base differences in connection with the sale of Harlequin and the donation of the Toronto Star's photo archive to the Toronto Public Library during 2014.

Net loss from continuing operations

Our net loss from continuing operations was $399.8 million ($4.96 per share) in 2015, compared to a loss of $49.6 million ($0.62 per share) in 2014. Our loss in 2015 included $361.1 million of non-cash impairment charges and $77.5 million of amortization and depreciation expense.

Income (loss) from discontinued operations

On August 1, 2014 we sold all of the shares of Harlequin to a division of HarperCollins Publishers L.L.C., a subsidiary of News Corp., for a purchase price of $455.0 million, subject to certain adjustments for working capital and other related items. Effective the second quarter of 2014, Harlequin was reclassified as Assets Held for Sale and Discontinued Operations. Upon the closing of the sale in the third quarter of 2014, the net assets of Harlequin were no longer included in Assets Held for Sale. In connection with the sale of Harlequin, we indemnified the Purchaser for costs and fees related to certain matters including certain tax and pre-existing litigation matters and recorded a contingent liability in respect of these matters based on the estimated exposure. The loss from discontinued operations of $5.0 million for 2015 includes adjustments made related to the appreciation of the U.S. dollar relative to the Canadian dollar in respect of these provisions as well as revised estimates of the amounts of these provisions in respect of taxes, insurance reserves and legal and other costs. Net income from discontinued operations was $222.7 million in 2014, reflecting Harlequin's net income as well as the gain on sale. Refer to Note 24 of our Consolidated Financial Statements for further information.

Net income (loss) attributable to equity shareholders

Our net loss attributable to equity shareholders was $404.0 million ($5.02 per share) in 2015 compared to net income attributable to equity shareholders of $172.7 million ($2.16 per share) in 2014. Net income attributable to equity shareholders in 2014 included a $224.6 million pre-tax gain on the sale of Harlequin.

Segment Operating Results – Metroland Media Group

Revenues

Metroland Media Group revenues were down $37.1 million or 7.7% in 2015. National advertising revenues, on a combined print and digital basis, were down 18.5% in 2015 while local advertising revenues, on a combined print and digital basis, were down a more moderate 5.9%. Local advertising trends improved in the second half of the year. Flyer distribution revenues were down 7.3% in the year, primarily as a result of closures of a few large retail customers. Excluding the impact of these closures, flyer distribution revenue was down modestly (2.3%) in 2015.

Metroland Media Group's total digital revenues were down 3.1% in 2015 primarily reflecting continued lower revenues at WagJag and Gold Book which were largely offset by strong growth in local digital advertising revenue.

Salaries and benefits costs

Metroland Media Group's salaries and benefits costs were down $10.9 million or 5.0% in 2015 as the impact of $11.1 million of cost savings from restructuring as well as lower commission costs were partially offset by general wage increases and increased pension costs.

Other operating costs

Metroland Media Group's other operating costs were down $7.1 million or 3.6% in 2015, as lower circulation and flyer distribution costs, lower newsprint consumption and price, and other cost reductions were partially offset by spending on investments in digital initiatives.

Adjusted EBITDA
Metroland Media Group adjusted EBITDA was down $19.1 million in 2015 primarily reflecting the above noted revenue declines which were only partially offset by the impact of cost reductions.

Operating profit (loss)
Metroland Media Group operating loss was $250.9 million in 2015, compared to operating profit of $46.1 million in 2014. Our loss in 2015 included $265.9 million of non-cash impairment charges and $19.8 million of restructuring and other charges.

Segment Operating Results – Star Media Group

Revenues
Star Media Group revenues were down $41.3 million or 10.7% in 2015 largely as a result of 14.9% decrease in print advertising revenues. While print advertising revenues continued to decline in 2015, the rate of decline improved over the rate of decline of 18.8% experienced in 2014. This was largely the result of a moderation in the rate of decline in national advertising as well as a moderation in the rate of decline in regional advertising at Metro. Metro's regional advertising revenue in markets outside of Toronto was up 8.9% in 2015. In addition, subscriber revenues at the Toronto Star remained relatively stable declining 2.2% in 2015. Star Media Group revenues in 2015 were also negatively affected by the closure of operations in three of Metro's smaller regions in the third quarter of 2014.

Star Media Group's digital revenues were down 3.8% in 2015, with a 13.1% increase in revenue at thestar.com offset entirely by lower revenues at Olive Media. Effective January 1, 2016, the Olive Media partnership ceased operations and the Toronto Star assumed responsibility for its digital advertising sales previously handled by Olive Media.

Salaries and benefits costs
Star Media Group's salaries and benefits costs were down $7.5 million or 5.6% in 2015 as the impact of $10.3 million in savings from restructuring initiatives and $7.1 million of digital media tax credits were largely offset by increased staffing costs associated with Toronto Star Touch, general wage increases and increased pension costs.

Other operating costs
Star Media Group's other operating costs were down $6.4 million or 3.1% in 2015 as lower circulation and distribution costs, lower newsprint consumption and price and other cost reductions were partially offset by the impact of costs associated with Toronto Star Touch.

Adjusted EBITDA
Star Media Group adjusted EBITDA was $18.4 million, down $27.4 million from 2014 as a result of the above noted revenue declines and a $14.0 million net investment spending in Toronto Star Touch, which were only partially offset by the impact of cost reductions and the benefit of $7.1 million of digital media tax credits.

Operating profit (loss)
Star Media Group operating loss was $86.4 million in 2015, which included $79.1 million of non-cash impairment charges. Star Media Group's operating loss reflected lower adjusted EBITDA partially offset by lower restructuring and non-cash impairment charges.

Segment Operating Results – Digital Ventures

Revenues
Digital Ventures revenues were up $17.5 million or 49.3%, in 2015, $15.1 million of which was the result of the inclusion of revenues resulting from the investment in VerticalScope on July 28, 2015. Within VerticalScope, their U.S. dollar denominated revenue from July 29, 2015 to December 31, 2015 grew 20.9% relative to the comparable period of 2014, resulting from a combination of acquisitions and organic revenue growth. This increase reflected strong revenue growth in direct sales and affiliate revenue relative to the comparable period in 2014. The increase in revenue in the Digital Ventures segment in 2015 also reflected revenue growth of 38.3% at eyeReturn and lower revenues at Workopolis relative to 2014.

During the period from July 29, 2015 through December 31, 2015 VerticalScope made acquisitions totalling U.S. $25.1 million of which U.S. $10.6 million was financed from VerticalScope's operating cash flow and U.S. $14.5 million was financed through an increase in debt.

Salaries and benefits costs
Digital Ventures' salaries and benefits costs were up $3.8 million or 25.2% in 2015 and included VerticalScope's salary and benefit costs from July 29, 2015 through December 31, 2015. Salaries and benefits costs at eyeReturn and Workopolis in 2015 were similar to last year and included $0.1 million of savings from restructuring initiatives at Workopolis. Within VerticalScope, their U.S. dollar denominated salary and benefits costs increased in the period from July 29, 2015 through December 31, 2015 relative to the comparable period in 2014 reflecting additional staffing required to support revenue growth and the absence of tax credits recorded in 2014.

Other operating costs
Digital Ventures' other operating costs were up $6.5 million or 38.9% in 2015 resulting from: (i) higher network fees at eyeReturn associated with increased revenues and a lower Canadian dollar relative to the U.S. dollar; and (ii) the inclusion of VerticalScope's other operating costs; partially offset by (iii) cost reduction initiatives at Workopolis. Within VerticalScope, their U.S. dollar denominated other operating costs increased in the period from July 29, 2015 through December 31, 2015 relative to the comparable period in 2014 reflecting growth in the underlying business experienced during this period.

Adjusted EBITDA
Digital Ventures' adjusted EBITDA was $11.0 million in 2015, up $7.2 million from 2014 largely as a result of the investment in VerticalScope on July 28, 2015. Excluding the impact of certain tax credits recorded in the fourth quarter of 2014, and transaction related costs related to the investment in VerticalScope by Torstar, VerticalScope's U.S. dollar denominated adjusted EBITDA from July 29, 2015 through December 31, 2015 increased 32.1% in 2015 relative to the comparable period in 2014.

Operating profit (loss)
Digital Ventures' operating loss was $54.3 million in 2015, compared to an operating loss of $14.7 million in 2014, resulting from a $7.2 million improvement in adjusted EBITDA which was entirely offset by $45.1 million of increased amortization and depreciation expense, (almost entirely related to the VerticalScope acquisition), a $1.0 million increase in non-cash impairment charges and $0.8 million of increased restructuring costs.

4. Fourth Quarter Operating Results

A discussion of our fourth quarter operating results

Unless otherwise noted, the following is a discussion of our fourth quarter 2015 operating results relative to the fourth quarter of 2014. In connection with the acquisition of 56% of VerticalScope during the third quarter of 2015, we have realigned our operating segments such that digital businesses outside the traditional newspaper operations are managed as part of the Digital Ventures segment and accordingly, we now have three reportable operating segments for segment reporting purposes: MMG, SMG and Digital Ventures. All comparative information has been restated to reflect this change. In addition, the paywall at thestar.com was eliminated effective April 1, 2015. Revenues associated with the paywall were not material and were excluded from both the current and prior periods for comparison purposes in the discussions of digital and subscriber revenues below.

Overall Performance
The following tables set out our segmented results which include our proportionate share of results from VerticalScope and our joint ventures for the three months ended December 31, 2015 and December 31, 2014 and provide a reconciliation to the consolidated statement of income.

Fourth Quarter 2015							
(in $000's)	MMG	SMG	Digital Ventures	Corporate	Total Segmented*	Adjustments & Eliminations[1]	Total Per Consolidated Statement of Income
Operating revenue	$120,399	$92,890	$19,740		$233,029	($19,280)	$213,749
Salaries and benefits	(52,777)	(33,691)	(6,230)	($1,641)	(94,339)	6,833	(87,506)
Other operating costs	(49,345)	(56,572)	(7,551)	(380)	(113,848)	5,789	(108,059)
Adjusted EBITDA**	18,277	2,627	5,959	(2,021)	24,842	(6,658)	18,184
Amortization & depreciation	(3,624)	(5,333)	(28,258)	(5)	(37,220)	27,911	(9,309)
Operating earnings (loss)**	14,653	(2,706)	(22,299)	(2,026)	(12,378)	21,253	8,875
Restructuring and other charges	(3,958)	(2,730)	(808)		(7,496)	841	(6,655)
Impairment of assets	(130,569)	(78,752)	(4,000)		(213,321)	4,000	(209,321)
Operating profit (loss)**	($119,874)	($84,188)	($27,107)	($2,026)	($233,195)	$26,094	($207,101)
Loss from continuing operations							($233,413)
Discontinued operations							($1,100)
Net loss							($234,513)

Fourth Quarter 2014							
(in $000's)	MMG	SMG	Digital Ventures	Corporate	Total Segmented*	Adjustments & Eliminations[1]	Total Per Consolidated Statement of Income
Operating revenue	$130,788	$104,116	$9,963		$244,867	($11,433)	$233,434
Salaries and benefits	(56,996)	(32,834)	(3,929)	($2,796)	(96,555)	4,756	(91,799)
Other operating costs	(51,828)	(50,894)	(5,504)	(1,451)	(109,677)	4,496	(105,181)
Adjusted EBITDA**	21,964	20,388	530	(4,247)	38,635	(2,181)	36,454
Amortization & depreciation	(3,516)	(3,337)	(885)	(12)	(7,750)	669	(7,081)
Operating earnings (loss)**	18,448	17,051	(355)	(4,259)	30,885	(1,512)	29,373
Restructuring and other charges	(551)	(10,319)	(8)		(10,878)	8	(10,870)
Impairment of assets	(63)				(63)		(63)
Operating profit (loss)**	$17,834	$6,732	($363)	($4,259)	$19,944	($1,504)	$18,440
Income from continuing operations							$20,887
Net income from discontinued operations							
Net income							$20,887

[1] Reflects eliminations of our proportionate share of joint ventures and our 56% interest in VerticalScope
*Includes our proportionately consolidated share of joint venture operations and VerticalScope
**These are non-IFRS or additional IFRS measures, refer to Section 15 of this MD&A.

Revenue

Segmented revenue was down $11.9 million or 4.9%. The fourth quarter decline primarily reflected lower print advertising revenues combined with more moderate declines in distribution revenues and a modest 2.6% decrease in subscriber revenue. These declines were partially offset by a $9.3 million increase in revenue associated with the investment in VerticalScope. Operating revenue (excluding our proportionate share of revenues from our joint ventures and our 56% interest in VerticalScope) was down $19.7 million or 8.4%.

Digital revenue across all segments increased 27.3% in the fourth quarter 2015, largely resulting from the investment in VerticalScope as well as from revenue growth at eyeReturn, thestar.com and in local digital advertising at Metroland Media Group. These increases were partially offset by lower revenues in 2015 at Workopolis, Save.ca, WagJag and Olive Media. Digital revenues were 17.5% of total segment revenues in the fourth quarter of 2015 compared to 13.1% in the fourth quarter of 2014.

Salaries and benefits

Our segmented salaries and benefits costs decreased $2.3 million or 2.4% in the fourth quarter of 2015 reflecting the benefit of $5.8 million in savings from restructuring initiatives, partially offset by: (i) the inclusion of our proportionate share of salaries and benefit costs of VerticalScope; (ii) increased staffing costs associated with Toronto Star Touch; and (iii) general wage increases.

Other operating costs
Segmented other operating costs primarily consist of circulation/flyer distribution costs, newsprint costs and other production costs which represented 38.4%, 13.4% and 12.1% respectively of segmented other operating costs in the fourth quarter of 2015. Segmented other operating costs were up $4.1 million or 3.7% as a result of lower print volumes, the impact of lower newsprint price, lower corporate costs and other cost reductions offset by increased costs related to Toronto Star Touch, as well as our proportionate share of VerticalScope's other operating costs.

Adjusted EBITDA
Our segmented adjusted EBITDA was $24.8 million in the fourth quarter of 2015, down $13.8 million from the fourth quarter of 2014 reflecting the above noted revenue declines and $9.6 million of net investment spending in Toronto Star Touch which were only partially offset by $5.8 million of savings from restructuring initiatives, the impact of our investment in VerticalScope, $2.2 million in lower Corporate costs and other cost reductions.

Amortization and depreciation
Total segmented amortization and depreciation increased $29.4 million in the fourth quarter of 2015 substantially all of which was the result of additional amortization associated with our investment in VerticalScope.

Operating earnings
Segmented operating loss was $12.4 million in the fourth quarter of 2015 down $43.3 million from operating earnings of $30.9 million in the fourth quarter of 2014. The fourth quarter of 2015 included the impact of $26.9 million of additional amortization associated with our investment in VerticalScope.

Restructuring and other charges
Total segmented restructuring and other charges were $7.5 million in the fourth quarter of 2015 and $10.9 million in the comparable period of 2014. Restructuring provisions in the fourth quarter of 2015 are expected to result in annualized net savings of $6.3 million and a reduction of approximately 90 positions. $0.7 million of the savings associated with these initiatives were realized in the fourth quarter of 2015.

Impairment of assets
During the fourth quarter of 2015, we incurred non-cash charges related to asset impairment of goodwill and investments in joint ventures totalling $213.3 million (2014 - $0.1 million). $201.4 million of these charges were in respect of goodwill ($130.6 million in the Metroland Media Group of CGUs and $70.8 million in respect of the Star Media Group of CGUs), $8.0 million was in respect of intangible assets in the Star Media Group of CGUs and $4.0 million in respect of our joint venture investment in Workopolis. These charges had no impact on cash flows and are discussed further in the discussion of annual operating results in Section 3 of this MD&A.

Operating profit (loss)
In the fourth quarter of 2015 our segmented operating loss was $233.2 million compared to operating profit of $19.9 million in the fourth quarter of 2014. Our loss in the fourth quarter included $213.3 million of in non-cash impairment charges and $37.2 million of amortization and depreciation expense.

Our operating loss, excluding our proportionate share of operating profit (loss) from our joint ventures and our investment in VerticalScope increased $225.5 million in the fourth quarter of 2015.

Income (loss) from joint ventures
Loss from joint ventures was $4.4 million in the fourth quarter of 2015 compared to income of $1.4 million in the fourth quarter of 2014. The loss in the fourth quarter of 2015 included a non-cash impairment charge of $4.0 million related to our joint venture investment in Workopolis, as discussed further in the discussion of annual operating results in Section 3 of this MD&A.

Income (loss) from associated businesses
Loss from associated businesses was $17.9 million in the fourth quarter of 2015 compared to income of $1.1 million in the fourth quarter of 2014. The 2015 fourth quarter included income of $0.9 million from Black Press offset by a loss of $1.3 million from Blue Ant, a loss of $0.7 million from Shop.ca, and a loss of $16.6 million from VerticalScope. The fourth quarter loss from VerticalScope included $26.9 million of amortization expense. The fourth quarter of 2014 included income of $2.1 million from Black Press and income of $0.2 million from Blue Ant, partially offset by a loss of $1.2 million from Shop.ca.

Investment in VerticalScope

During 2015, we acquired a 56% interest in VerticalScope. The total purchase price including transaction costs was $202.1 million. On October 22, 2015, we received a $22.1 million distribution from VerticalScope, as anticipated at the time of the closing, reducing our original investment to approximately $180 million, including transaction costs. In connection with the investment in VerticalScope, during the fourth quarter of 2015 we recorded $26.9 million of additional amortization and depreciation expense. Further details of our accounting for this investment is included in Section 3 of this MD&A and further details of the operating results for this investment during the fourth quarter of 2015 are outlined in our discussion of the operating results for the Digital Ventures segment below.

Other income (expense)

Other expense was $2.0 million in the fourth quarter of 2015 compared to other income of $5.3 million in the fourth quarter of 2014. Other expense in the fourth quarter of 2015 included a partial write-down totalling $2.3 million on one of our portfolio investments. This was partially offset by a $0.2 million gain on the sale of an asset and $0.1 million of other income. Other income in the fourth quarter of 2014 included a $4.5 million gain on the sale of Tuango and a $0.7 million gain on the sale of an available-for-sale investment.

Income and other taxes

We recorded a tax recovery of $0.6 million in the fourth quarter of 2015. This compares to an income tax provision of $6.3 million in the fourth quarter of 2014. The income tax recovery recorded in the fourth quarter of 2015 reflects the non-deductibility of non-cash impairment charges and losses from associated businesses for tax purposes.

Net loss from continuing operations

Our net loss from continuing operations was $233.4 million ($2.90 per share) in the fourth quarter of 2015. This compares to net income of $20.9 million ($0.26 per share) in the fourth quarter of 2014. The fourth quarter of 2015 included $213.3 million of non-cash impairment charges and $37.2 million of amortization and depreciation.

The following chart provides a continuity of earnings per share from the fourth quarter of 2014 to the fourth quarter of 2015:

	Earnings Per Share	Adjusted Earnings Per Share
Earnings per share from continuing operations attributable to equity shareholders in 2014	$0.26	$0.30
Changes		
Adjusted EBITDA*	(0.06)	(0.06)
Amortization and depreciation*	(0.32)	(0.32)
Operating earnings*	(0.38)	(0.38)
Restructuring and other charges**	0.04	
Impairment of assets**	(2.71)	
Operating profit (loss)	(3.05)	(0.38)
Interest and financing costs	(0.02)	(0.02)
Other income (expense)**	(0.07)	
Change in deferred taxes **	(0.02)	
Earnings (loss) per share from continuing operations attributable to equity shareholders in 2015	($2.90)	($0.10)
Earnings (loss) per share from discontinued operations attributable to equity shareholders in 2015	($0.01)	
Earnings (loss) per share attributable to equity shareholders in 2015	($2.91)	($0.10)

*Includes proportionately consolidated share of joint ventures and VerticalScope's operations. These are Non-IFRS or additional IFRS measures, refer to Section 15

** Items are excluded from definition of adjusted earnings per share. Refer to Section 15 for a reconciliation of earnings per share to adjusted earnings per share.

Income (loss) from discontinued operations

The loss from discontinued operations of $1.1 million in the fourth quarter of 2015 relates to adjustments made to provisions for indemnities associated with the sale of Harlequin in 2014. These adjustments reflect the appreciation of the U.S. dollar relative to the Canadian dollar, as well as revised estimates of the amounts of these provisions in respect of taxes, and legal and other costs.

Net income (loss) attributable to equity shareholders

Our net loss attributable to equity shareholders was $234.8 million ($2.91 per share) in the fourth quarter of 2015 compared to net income attributable to equity shareholders of $20.6 million ($0.26 per share) in the fourth quarter of 2014. The fourth quarter of 2015 included $213.3 million of non-cash impairment charges and $37.2 million of amortization and depreciation.

Segment Operating Results – Metroland Media Group

Revenues

Metroland Media Group revenues were down $10.4 million or 8.0% in the fourth quarter of 2015. National advertising revenues, on a combined print and digital basis, were down 28.1% in 2015 while local advertising revenues, on a combined print and digital basis, were down a more moderate 5.8%. Local advertising trends improved in the second half of the year. Flyer distribution revenues were down 4.5% in the quarter, primarily as a result of closures of a few large retail customers. Excluding the impact of these closures, flyer distribution revenue was flat relative to the prior year in the fourth quarter of 2015.

Metroland Media Group's total digital revenues were down 6.8% in the fourth quarter of 2015 primarily reflecting continued lower revenues at WagJag and Gold Book which were partially offset by strong growth in local digital advertising revenue.

Salaries and benefits costs

Metroland Media Group's salaries and benefits costs were down $4.2 million or 7.4% in the fourth quarter of 2015 as the impact of $4.1 million of cost savings from restructuring as well as lower commission costs were partially offset by general wage increases and increased pension costs.

Other operating costs

Metroland Media Group's other operating costs were down $2.5 million or 4.8% in the fourth quarter of 2015, as a result of lower circulation and flyer distribution costs, lower newsprint consumption and price, and other cost reductions.

Adjusted EBITDA

Metroland Media Group adjusted EBITDA was down $3.7 million in the fourth quarter of 2015 primarily reflecting the above noted revenue declines which were only partially offset by the impact of cost reductions.

Operating profit (loss)

Metroland Media Group operating loss was $119.9 million in the fourth quarter of 2015. This compares to operating profit of $17.8 million in the fourth quarter of 2014. The loss in 2015 included $130.6 million of non-cash charges for impairment of assets, $3.4 million of additional restructuring and other charges as well as $3.7 million of lower adjusted EBITDA.

Segment Operating Results – Star Media Group

Revenues

Star Media Group revenues were down $11.2 million or 10.8% in the fourth quarter of 2015 largely as a result of a 15.5% decrease in print advertising revenues resulting from weakness in national advertising revenues and a moderation in the rate of decline in regional print advertising at Metro. This was combined with growth at the thestar.com and the launch of Toronto Star Touch. Metro's regional advertising revenue in markets outside of Toronto was up 7.7% in the fourth quarter of 2015. In addition, subscriber revenues at the Toronto Star remained relatively stable, declining 1.7% in the fourth quarter of 2015.

Star Media Group's digital revenues were down 2.5% in the fourth quarter of 2015, with a 15.6% increase in revenue at thestar.com and revenue from Toronto Star Touch offset entirely by lower revenues at Olive Media. Effective January 1, 2016, the Olive Media partnership ceased operations and the Toronto Star assumed responsibility for its digital advertising sales previously handled by Olive Media.

Salaries and benefits costs

Star Media Group's salaries and benefits costs increased $0.9 million (2.7%) in the fourth quarter of 2015 as the impact of $1.6 million in savings from restructuring initiatives was entirely offset by increased staffing costs associated with Toronto Star Touch, general wage increases and increased pension costs.

Other operating costs
Star Media Group’s other operating costs were up $5.7 million or 11.2% in the fourth quarter of 2015 as lower circulation and distribution costs, lower newsprint consumption and price and other cost reductions were offset by the impact of costs associated with Toronto Star Touch.

Adjusted EBITDA
Star Media Group adjusted EBITDA was $2.6 million in the fourth quarter of 2015, down $17.8 million from the fourth quarter of 2014, as a result of the above noted revenue declines and a $9.6 million net investment spending in Toronto Star Touch, which were only partially offset by the impact of cost reductions.

Operating profit (loss)
Star Media Group operating loss was $84.2 million in the fourth quarter of 2015, compared to operating profit of $6.7 million in the fourth quarter of 2014. This change was the result of $78.8 million of increased non-cash impairment charges combined with $17.8 million of lower adjusted EBITDA.

Segment Operating Results – Digital Ventures

Revenues
Digital Ventures revenues increased $9.7 million (97.4%) in the fourth quarter of 2015, $9.3 million of which was the result of the inclusion of revenues resulting from the investment in VerticalScope. Within VerticalScope, their U.S. dollar denominated revenue in the fourth quarter grew 22.7% relative to the fourth quarter of 2014, resulting from a combination of acquisitions and organic revenue growth. This increase reflected strong revenue growth in direct sales and affiliate revenue as compared with the comparable period in 2014. The increase in revenue in the Digital Ventures segment in the fourth quarter of 2015 also reflected revenue growth of 27.7% at eyeReturn and lower revenues at Workopolis relative to the fourth quarter of 2014.

Salaries and benefits costs
Digital Ventures’ salaries and benefits costs were up $2.3 million or 58.5% in the fourth quarter of 2015 and included VerticalScope's salary and benefit costs. Salaries and benefits costs at eyeReturn and Workopolis were lower by $0.3 million or 7.6% in the fourth quarter of 2015 and included the benefit of $0.1 million of savings from restructuring initiatives at Workopolis. Within VerticalScope, their U.S. dollar denominated salary and benefits costs increased in the fourth quarter of 2015 relative to the fourth quarter of 2014 reflecting additional staffing required to support revenue growth and the absence of tax credits recorded in the fourth quarter of 2014.

Other operating costs
Digital Ventures' other operating costs were up $2.1 million or 38.2% in the fourth quarter of 2015 resulting from (i) the inclusion of VerticalScope's other operating costs and (ii) higher network fees at eyeReturn associated with increased revenues and a lower Canadian dollar relative to the U.S. dollar, partially offset by cost reduction initiatives at Workopolis. Within VerticalScope, their U.S. dollar denominated other operating costs increased in the fourth quarter of 2015 reflecting growth in the underlying business.

Adjusted EBITDA
Digital Ventures adjusted EBITDA was $6.0 million in the fourth quarter of 2015, up $5.5 million from $0.5 million in the fourth quarter of 2014 largely as a result of the investment in VerticalScope. Excluding the impact of certain tax credits recorded in the fourth quarter of 2014, and transaction related costs related to the investment in VerticalScope by Torstar, VerticalScope's U.S. dollar denominated fourth quarter adjusted EBITDA increased 22.4% in the fourth quarter of 2015 relative to the fourth quarter of 2014.

Operating profit (loss)
Digital Ventures' operating loss was $27.1 million in the fourth quarter of 2015, compared to an operating loss of $0.4 million in the fourth quarter of 2014 as a result of a $5.5 million improvement in adjusted EBITDA which was entirely offset by $27.4 million of increased amortization and depreciation expense, a $4.0 million increase in non-cash impairment charges and $0.8 million of increased restructuring costs.

5. Outlook

The outlook for our business in 2016

Metroland Media Group and Star Media Group are expected to continue to face challenges in 2016 as a result of continued shifts in spending by advertisers. While print advertising declines were more moderate at both the Metroland Media Group newspapers and Star Media Group newspapers in 2015, it is difficult to predict if this trend will continue in 2016 given the continued evolution of advertising markets and volatility in the economy. Flyer distribution revenues are expected to continue to be negatively affected by the 2015 closure of a few large retail customers through the end of the first quarter of 2016. Beyond the first quarter, flyer distribution revenue is expected to be relatively stable in the balance of 2016. Subscriber revenues declined moderately in 2015 and this trend is expected to continue in 2016. At Metroland Media Group and Star Media Group, digital revenue is expected to grow in 2016 as a result of revenues from Toronto Star Touch, growth at thestar.com as well as growth in local digital advertising at Metroland Media Group. Within the Digital Ventures segment, the trends in revenue growth from a combination of acquisitions and organic revenue growth at VerticalScope and organic revenue growth which eyeReturn experienced in 2015 have continued early into 2016 and are expected to continue through the balance of 2016.

Cost reduction remains an important area of focus for us in 2016. Savings related to restructuring initiatives undertaken through the end of 2015 are expected to be $22.5 million in 2016 ($10.8 million in Metroland Media Group, $10.2 million in the Star Media Group and $1.5 million in Digital Ventures), as well as an expected $4.0 million of cost savings ($10.0 million on an annual basis) associated with the transition of printing the Toronto Star to Transcontinental Printing which is currently expected to occur in July 2016. We expect that the combined severance provision and various other transition costs associated with this decision, which will be recorded as a restructuring charge in the first quarter of 2016, will be in the range of approximately $22 million. Also, in connection with this decision, we have commenced exploration of the sale of the existing printing facility and land in Vaughan. Expenses related to our registered defined benefit pension plans are currently expected to decrease by approximately $2.5 million in 2016. While newsprint pricing is currently expected to increase in 2016, we expect that any impact of price increases will be more than offset by lower consumption in the year.

The Toronto Star launched Toronto Star Touch in September 2015. The full year net investment spending for Toronto Star Touch was $14.0 million, on a pre-tax basis, including significant marketing costs associated with the launch. 2016 is expected to represent another significant year of investment in establishing Toronto Star Touch with an expected net investment spending of approximately $10 million in 2016. Excluding Toronto Star Touch, net investment spending associated with other growth initiatives in 2016 is currently expected to be very modest, similar to 2015 levels.

We anticipate our 56% share of VerticalScope's non-cash amortization charges, including those related to intangible assets identified at the time of our investment (refer to discussion of Investment in VerticalScope in Section 3 of this MD&A), to be approximately U.S. $20.0 million each quarter for each of the first and second quarters of 2016, U.S. $9.2 million in the third quarter of 2016 and U.S. $4.1 million in the fourth quarter of 2016. This excludes any additional amortization charges related to acquisitions which VerticalScope may make in 2016.

From a cash flow perspective, in 2016, we anticipate required funding of our registered defined benefit pension plans to remain at approximately $18 million, which is approximately $2.5 million in excess of the amount expected to be expensed in the statement of income. Capital expenditures for 2016 are currently anticipated to be in the order of $19 million including accommodating the outsourcing of the printing of the Toronto Star.

In 2015, we announced our intention to reduce the dividend, if, as and when declared, to 26 cents per share annually effective the first quarter of 2016.

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 the cash generated by our operations to fund working capital, 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, combined with existing cash and cash equivalents, will be adequate to cover forecasted cash requirements through the end of 2017. Beyond 2017, our cash requirements could increase significantly, including in respect of our defined benefit pension plans. Funding for these plans may change as a result of an increase in the minimum required funding and we may need to take additional measures to increase our liquidity and capital resources, including obtaining additional debt or equity financing.

In 2015, we generated $38.1 million of cash from operating activities and we used $213.5 million and $40.7 million of cash in investing activities and financing activities respectively.

In the fourth quarter of 2015, we generated $16.2 million of cash from operating activities, we generated $14.1 million of cash from investing activities and we used $10.3 million in financing activities.

At December 31, 2015 we had $37.9 million of restricted cash, comprised of $15.2 million held as collateral for outstanding standby letters of credit (substantially all of which is in respect of a standby letter of credit supporting an unfunded executive retirement plan liability) and $22.8 million which was held in escrow in respect of the sale of Harlequin. The $22.8 million escrow related to the sale of Harlequin was released on February 1, 2016.

Operating Activities

In 2015, we generated $38.1 million of cash from operating activities. Cash provided by operating activities included $20.4 million of contributions to our employee future benefit plans and a $12.0 million decrease in non-cash working capital. During 2014, we generated $54.7 million of cash from operating activities from continuing operations which included funding of $39.9 million of contributions to our employee future benefit plans, a $16.2 million increase in restricted cash and a $22.2 million decrease in non-cash working capital.

In the fourth quarter of 2015, we generated $16.2 million of cash from operating activities which included $5.9 million of contributions to our employee future benefit plans, a $2.5 million decrease in restricted cash and a $5.9 million decrease in non-cash working capital. During the fourth quarter of 2014 we generated cash of $29.7 million of cash from operating activities from continuing operations which included $11.6 million of contributions to our employee future benefit plans, a $2.1 million increase in non-cash working capital and a decrease of $5.8 million in restricted cash.

Investing Activities

During 2015, we used $213.5 million of cash in investing activities. This included a $180.0 million investment in VerticalScope (net of a $22.1 million distribution received in the fourth quarter of 2015, which was anticipated at the time of the initial investment), a $1.5 million investment in Nest Wealth Asset Management Inc., an associated business, $30.6 million for additions to property, plant and equipment and intangible assets (excluding Torstar’s proportionate share of additions related to our joint ventures and our 56% interest in VerticalScope) and $2.1 million for acquisitions and portfolio investments. Portfolio investments included an investment in CanadaStays.com. Additions to intangible assets included $10.7 million of additions related to Toronto Star Touch.

During 2014, we generated $391.8 million of cash from investing activities from continuing operations. This included $442.2 million in net proceeds received on the sale of Harlequin and $8.4 million of proceeds received on the sale of assets, partially offset by: (i) a $22.8 million increase in restricted cash (reflecting funds held in escrow); (ii) $20.9 million of additions to property, plant and equipment and intangible assets; (iii) $4.9 million for additional investments in associated businesses; and (iv) $10.8 million for acquisitions and investments.

During the fourth quarter of 2015 we generated $14.1 million of cash from investing activities. This included a $22.1 million distribution from VerticalScope, as anticipated at the time of the initial investment, partially offset by $6.6 million of additions to property, plant and equipment and intangible assets and $1.5 million of investments in associated businesses which represented the payment of costs associated with our investment in VerticalScope in the third quarter of 2015. During the fourth quarter of 2014 we used $0.8 million of cash in investing activities from continuing operations. This included $5.9 million for additions to property, plant and equipment and intangible assets and $3.5 million of additional investment in associated businesses (Blue Ant), partially offset by proceeds on sale of assets of $8.4 million, $7.6 million of which were proceeds received on the sale of Tuango.

Financing Activities

In 2015 we used cash of $40.7 million in financing activities which was primarily used for the payment of dividends. In 2014 net cash of $220.1 million was used in financing activities from continuing operations with $41.4 million used for the payment of dividends, and $179.7 million used for the net payment of debt.

We used cash of $10.3 million and $10.1 million for financing activities in the fourth quarters of 2015 and 2014 respectively which was primarily used in the payment of dividends.

Contractual Obligations and Other

As at December 31, 2015, 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	2016	2017 - 2018	2019 - 2020	2021+
Office leases	$54,864	$14,917	$23,650	$16,062	$235
Services	70,204	14,782	38,407	15,060	1,955
Total	$125,068	$29,699	$62,057	$31,122	$2,190
Receivable from office sub-leases	($10,478)	($2,925)	($5,060)	($2,493)	

In 2015, we received cash proceeds of $7.1 million in digital media tax credits, net of expenses, in respect of claims filed for the year ended December 31, 2010. While we have filed additional claims in respect of these credits, there is uncertainty with regard to timing and amounts (if any) that may ultimately be received under this program.

Outstanding Share and Share Option Information

As at February 26, 2016, we had 9,838,455 Class A voting shares and 70,708,213 Class B non-voting shares outstanding. As at December 31, 2015 we had 9,839,355 Class A voting shares and 70,707,063 Class B non-voting shares outstanding. More information on our share capital is provided in Note 20 of the Consolidated Financial Statements.

As at February 26, 2016, we had 6,848,162 (December 31, 2015 - 5,543,589) options to purchase Class B non-voting shares outstanding to executives. More information on Torstar's share option plan is provided in Note 21 of the 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 in July 2015, we entered into a hedge of the net investment using 90 day rolling forward foreign exchange contracts, which established a rate of exchange of Canadian dollar per U.S. dollar of $1.30 for U.S. $153.8 million as of the date of the investment. At December 31, 2015, we had forward foreign exchange contracts in place, which established a rate of exchange of Canadian dollar per U.S. dollar of $1.34 for U.S. $137.0 million. These forward foreign exchange contracts have been designated as a hedge of the net investment in VerticalScope. Gains or losses on the translation of the effective portion of these designated hedges are transferred (on a net of tax basis) to Other Comprehensive Income ("OCI") to offset any gains or losses on translation of the net investment. Losses totalling $1.7 million on the translation of the ineffective portion of these designated hedges (for accounting purposes) were included in net income in 2015.

In February 2016, we extinguished $68.0 million of U.S. rolling forward contracts we had in place in respect of the hedge of the net investment in VerticalScope and simultaneously entered into a $68.0 million zero cost collar arrangement with a range of Canadian $1.46 to Canadian $1.26 for U.S. $1.00.

During 2014, we realized a loss of $1.0 million in discontinued operations related to forward foreign exchange contracts to sell U.S. $20.0 million at an average rate of $1.05. Historically, these forward foreign exchange contracts were designated as revenue hedges for accounting purposes with any resulting gains or losses being recognized in Book Publishing revenues as realized. With the anticipated closing of the sale of Harlequin, which previously represented the Book Publishing Segment, Harlequin's results were reclassified as discontinued operations effective the second quarter of 2014 and in July, 2014, we terminated all outstanding forward foreign exchange contracts for a payment of $0.4 million.

8. Employee Benefit Obligations

A summary of our employee benefit obligations

We have several registered defined benefit pension plans which provide pension benefits to our employees, and an unregistered, unfunded defined benefit pension plan that provides pension benefits to eligible senior management executives of Torstar. In addition, we have capital accumulation (defined contribution) plans. 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 assets (obligations) as at December 31:

($000's)	2015	2014
Registered pension plans	($11,426)	($11,687)
Unregistered/unfunded pension plans	(21,238)	(16,783)
Post employment benefit plan	(47,875)	(47,602)
	($80,539)	($76,072)

At December 31, 2015, our net deficit related to our defined benefit pension plans was $11.4 million, a favourable movement of $5.3 million from a net deficit of $16.7 million at September 30, 2015 and a favourable movement of $0.3 million from a net deficit of $11.7 million at December 31, 2014.

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

($000's)	2015	2014
Registered pension plans	$17,452	$12,498
Unregistered/unfunded pension plans	537	632
Post employment benefits plan	364	300
	$18,353	$13,430

The cost and obligations of 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 2015 and 2014 were:

	2015	2014
To determine the net benefit obligation at the end of the year:		
Discount rate	3.1% to 3.9%	3.5% - 3.9%
Rate of future compensation increase	2.0% to 2.5%	2.25% - 2.75%
To determine benefit expense:		
Discount rate	3.5% to 3.9%	4.2% - 4.7%
Rate of future compensation increase	2.25% to 2.75%	2.5% - 3.0%
	2016	
To determine the pension benefit expense for the following year:		
Discount rate	3.1% to 3.9%	
Rate of future compensation increase	2.0% to 2.5%	

The discount rates 3.1% - 3.9% were the yields at December 31, 2015 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, 2015 of $116.6 million. A discount rate that was one percent lower would have increased the value of the net pension plan obligation at December 31, 2015 by $133.6 million.

Management has estimated the rate of future compensation increases to be between 2.0% and 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, 2015 would be approximately $5.1 million lower. If the estimated discount rate were one percent lower, the obligation at December 31, 2015 would be approximately $6.3 million higher. For health care costs, the estimated trend was for a 4.6% increase for the 2015 expense. For 2016, health care costs are estimated to increase by 4.8% with an incremental 0.2% increase in 2017. If the estimated increase in health care costs were one percent higher, the obligation at December 31, 2015 would be approximately $1.3 million higher. If the estimated increase in health care costs were one percent lower, the obligation at December 31, 2015 would be approximately $1.1 million lower.

Due to the extensive use of estimates in the benefit calculations, actuarial gains and losses arise over time as discount rates change, when actual return performance differs from the estimated returns and as other assumptions change. The most significant actuarial gains and losses arise from changes in the discount rate used to value the pension plan obligations as well as differences in the actual and estimated returns earned on pension plan assets. We recognize these actuarial gains and losses as realized, through OCI. Actuarial losses of $3.4 million were recognized through OCI in 2015 and actuarial losses from continuing operations of $83.6 million were recognized through OCI in 2014.

Ontario pension plan regulations require that the funded status of registered pension plans be determined no less frequently than every three years through an actuarial solvency report. Any incremental solvency deficits determined by such reports must normally be funded over a five-year period. As all of our pension plans are registered in Ontario, solvency valuations are a key determinant of ongoing defined benefit pension contribution requirements.

Actuarial reports for our most significant group of registered defined benefit pension plans (in terms of assets and obligations) were completed as of December 31, 2013 and form the basis on which required annual funding was set for 2015 through 2017. Based on these valuations, we expect the required annual funding for our registered defined benefit plans for 2016 and 2017 to be in the range of $18 million. Funding for our defined benefit pension plans was $18.0 million in 2015.

Based on the December 31, 2013 solvency report, we had an estimated solvency deficit of $45.3 million at December 31, 2013. This report also indicated that a 100 basis point change in the discount rate used to calculate solvency liabilities would result in a change in liabilities of approximately $119 million. Given the change in the discount rate, combined with asset returns from December 31, 2013 through to December 31, 2015, we estimate that the solvency deficit for these plans at December 31, 2015 was approximately $129 million.

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 2015 Consolidated Financial Statements are outlined in Note 2 of the 2015 Consolidated Financial Statements for the year ended December 31, 2015. Effective January 1, 2015, Torstar applied the amendments to IAS 19 *Employee Benefits* for the first time.

IAS 19 *Employee Benefits* - In November 2013, the IASB amended IAS 19 to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. Application of this amendment did not have an impact on our financial results.

Accounting Estimates and Judgements

The preparation of our 2015 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 goodwill impairment. 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:

Impairment of non-financial assets
At each reporting date, we are required to assess our investments, intangible assets, property, plant and equipment and goodwill 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. In addition, irrespective of whether there is any indication of impairment, we are required to test intangible assets with an indefinite useful life and goodwill for impairment at least annually. We complete our annual testing during the fourth quarter of each year.

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 or goodwill 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 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 (such as goodwill). If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

Historically we have used a VIU calculation as our measure of the recoverable amount of a CGU with a reconciliation to the market capitalization of Torstar. Given the change in the market capitalization of Torstar in the fourth quarter of 2015, which we believe was primarily the result of a significant change in the risk premiums expected by market participants related to longer term uncertainties about the industry, we determined that the FVLCS, was a more reliable and appropriate methodology in this case due to increased measurement uncertainties involved with the VIU approach. Further, we also completed a corresponding reconciliation to the market capitalization for purposes of the impairment test as at December 31, 2015.

We have computed the fair value less cost to sell of the Metroland Media Group of CGUs and the Star Media Group of CGUs using a forward EBITDA multiple that requires market participant assumptions about future cash flows and forward multiples. 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, forward 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. We have also made certain assumptions for the forward multiples, discount and terminal growth rates to reflect possible variations in the cash flows. However, the risk premiums expected by market participants, as reflected in forward multiples, related to uncertainties about the industry, specific reporting units or specific intangible assets may differ or change quickly, as it has in the fourth quarter of 2015, 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. Refer to Note 12 of our Consolidated Financial Statements for the year ended December 31, 2015 for further details about the methods and assumptions used in estimating the recoverable amount.

As at December 31, 2015 the carrying value of investments, intangible assets, property, plant & equipment and goodwill represented 34%, 10%, 17% and 1% 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, 2014 the carrying value of investments, intangible assets, property, plant and equipment and goodwill represented 8%, 5%, 11% and

30% respectively of total assets. These values, for the applicable segments, are outlined in the notes to the consolidated financial statements for the year ended December 31, 2015. Additionally, as a result of the market capitalization of the Company in the fourth quarter of 2015,which we believe was primarily due to a rapid and significant shift in the risk premiums expected by market participants which we believed are primarily related to longer term uncertainties about the traditional newspaper industry and rapid shifts in the print and digital advertising markets, we have recorded impairment charges (on a segmented basis), related to goodwill, intangible assets and investments totaling $361.1 million in 2015, $97.9 million in 2014 and $86.1 million in 2013. These charges impact net income but have no effect on cash flow. Refer to the discussion of "Impairment of assets" in the Annual Operating Results (Section 3) for further detail surrounding the impairment of asset charges recorded during 2015.

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 19 of the 2015 Consolidated Financial Statements.

Taxes

We are subject to income taxes in Canada and in certain foreign jurisdictions. Significant judgement is required in determining the provision for income taxes. In the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. Management uses judgement in interpreting tax laws and determining the appropriate rates and amounts in recording current and deferred taxes, giving consideration to timing and probability. Actual income taxes could significantly vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. To the extent that the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

Deferred 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 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 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. When assessing the probability of taxable profit being available, management primarily considers prior years' results, forecasted future results and non-recurring items. As such, the assessment of our ability to utilize tax losses carried forward is to a large extent judgement-based. If our future taxable results differ significantly from those expected, we would be required to increase or decrease the carrying value of the deferred tax assets with a potentially material impact in our consolidated statement of financial position and consolidated statement of comprehensive income. The carrying amount of deferred tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilize all or part of the deferred tax assets. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable profits to allow all or part of the asset to be recovered.

More information on our income taxes is provided in Note 14 of the 2015 Consolidated Financial Statements.

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 Shop.ca 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 2015 and 2014. 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 shareholder agreements, significant influence despite owning 56% of the voting rights.

Classification of assets and liabilities as held for sale and discontinued operations
Classification of assets or a disposal group as held for sale and discontinued operations requires judgement on whether the carrying amount will be recovered principally through a sale transaction, rather than through continuing use, and if the sale is highly probable. We classified our investment in Harlequin as Assets held for sale and Discontinued operations effective April 1, 2014 based on an agreement signed on May 1, 2014 in respect of the sale of Harlequin. Upon the closing of the sale on August 1, 2014, the net assets of Harlequin were no longer included as Assets held for sale.

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
In connection with the acquisition of 56% of VerticalScope during the third quarter of 2015, we have realigned our operating segments such that digital businesses outside the traditional newspaper operations are managed as part of the Digital Ventures segment and accordingly, we now have three reportable operating segments for segment reporting purposes. "Corporate" is the provision of corporate services and administrative support. Each of the Star Media Group, Metroland Media Group and Digital Ventures segments include CGUs which have been grouped together for purposes of reviewing performance and impairment testing. 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.

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 Consolidated Financial Statements. The following new standards or amendments to accounting standards, which will be effective subsequent to 2016, are expected to have a material impact on the interim or annual consolidated financial statements:

IFRS 15 *Revenue from Contracts with Customers*
In May 2014, the IASB issued IFRS 15 which specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. We do not anticipate early adoption

and we plan to adopt the standard on its effective date of January 1, 2018. We are in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued a finalized version of IFRS 9 which contains accounting requirements for financial instruments replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas: Classification and Measurement; Impairment; Hedge Accounting; and Derecognition. We do not anticipate early adoption and we plan to adopt the standard on its effective date of January 1, 2018. We are in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 16 *Leases*
In January 2016, the IASB issued IFRS 16 which supersedes IAS 17 *Leases* and related interpretations. The new standard provides a single lessee accounting model which eliminates the distinction between operating and finance leases, by requiring lessees to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. We do not anticipate early adoption and we plan to adopt the standard on its effective date of January 1, 2019. We are in the process of reviewing the standard to determine the impact on the consolidated financial statements.

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, 2015, 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, 2015, 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, 2015.

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, 2015, 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 2015, 2014 and 2013

(in $000's - except per share amounts)	2015	2014	2013
Revenue	$786,631	$858,134	$935,773
Segmented Revenue *	$843,640	$904,618	$984,047
Net loss from continuing operations	($399,837)	($49,598)	($58,046)
Per Class A voting and Class B non-voting share - Basic and Diluted	($4.96)	($0.62)	($0.73)
Net income (loss)	(404,837)	173,064	(27,413)
Net income (loss) attributable to equity shareholders	(403,966)	172,685	(27,984)
Per Class A voting and Class B non-voting share			
Basic	($5.02)	$2.16	($0.35)
Diluted	($5.02)	$2.15	($0.35)
Average number of shares outstanding during the year (in 000's)			
Basic	80,400	80,078	79,840
Diluted	80,400	80,254	79,840
Cash dividends per Class A voting and Class B non-voting share	$0.5250	$0.5250	$0.5250
Total assets	$696,416	$1,143,521	$1,348,712
Total long-term debt	$—	$—	$175,898

*Includes proportionately consolidated share of joint venture operations and VerticalScope This is a non-IFRS or additional IFRS measures, refer to Section 15 of this MD&A.

Revenue has declined each year reflecting a structural shift within the advertising industry from print media to digital media. Digital revenues increased 13.6% in 2015 and were flat in 2014. The increase in 2015 was primarily related to the investment in VerticalScope.

Over the three year period, significant labour cost savings have been realized in the newspaper operations from restructuring initiatives. 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.

In addition, 2014 included a $224.6 million pre-tax gain on the sale of Harlequin, while 2015 included additional charges of $5.0 million related to provisions for indemnities in respect of the sale of Harlequin.

Total assets have declined over the three year period reflecting total impairment charges of $361.1 million in 2015, $97.9 million in 2014 and $86.1 million in 2013. All amounts outstanding under previous debt facilities were repaid during 2014 using proceeds from the sale of Harlequin.

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, 2015	Sept 30, 2015	June 30, 2015	Mar 31, 2015	Dec 31, 2014	Sept 30, 2014	June 30, 2014	Mar 31, 2014
Revenue	$213,749	$185,386	$206,327	$181,169	$233,434	$199,925	$225,591	$199,184
Net Income (loss) from continuing operations	($233,413)	($164,834)	($1,131)	($459)	$20,887	($86,998)	$18,104	($1,591)
Per Class A voting and Class B non-voting share -								
Basic and Diluted	($2.90)	($2.04)	($0.01)	($0.01)	$0.26	($1.08)	$0.23	($0.02)
Net Income (loss) attributable to equity shareholders	($234,817)	($164,337)	($1,118)	($3,694)	$20,556	$125,343	$19,682	$7,104
Per Class A voting and Class B non-voting share								
Basic	($2.91)	($2.05)	($0.01)	($0.05)	$0.26	$1.57	$0.25	$0.09
Diluted	($2.91)	($2.05)	($0.01)	($0.05)	$0.26	$1.56	$0.25	$0.09

*These figures have been restated for the classification of Harlequin (Book Publishing Segment) as Held for Sale/Discontinued Operations. Refer to Note 24 of Torstar's 2015 Consolidated Financial Statements for further information.

The summary of quarterly results illustrates the cyclical nature of revenues and operating profit in Star Media Group and Metroland Media Group. The second and fourth quarters are generally the strongest with the first and third quarters being the softest.

Restructuring and other charges have also affected the level of net income for several quarters. Reported on a segmented basis, restructuring and other charges were $3.8 million, $15.9 million, $4.2 million and $7.5 million in the first, second, third and fourth quarters of 2015 and $3.6 million, $4.4 million, $3.9 million and $10.9 million in the first, second, third and fourth quarters of 2014, respectively. Additionally, losses on impairment of assets (reported on a segmented basis) of $147.8 million and $213.3 million were recorded in the third and fourth quarters of 2015, respectively and $0.3 million, $0.3 million, $97.3 million and $0.1 million in the first, second, third and fourth quarters of 2014, respectively.

In addition, the third quarter of 2014 included a $224.6 million pre-tax gain on the sale of Harlequin, while the first, third and fourth quarters of 2015 included additional pre-tax charges of $4.0 million, $0.5 million and $1.3 million related to provisions for indemnities in respect of the sale of Harlequin.

14. Restated 2015 First and Second Quarter Segmented Information

Restated 2015 first and second quarter information

In connection with the acquisition of 56% of VerticalScope during the third quarter of 2015, we realigned our operating segments such that digital businesses outside of the historical newspaper operations are managed as one operating segment. Previously reported segment information for the first and second quarters of 2015 has been restated as follows:

First Quarter 2015							
(in $000's)	MMG	SMG	Digital Ventures	Corporate	Total Segmented*	Adjustments & Eliminations[1]	Total Per Consolidated Statement of Income
Operating revenue	$100,882	$82,998	$8,426		$192,306	($11,137)	$181,169
Salaries and benefits	(50,883)	(27,624)	(3,914)	($2,962)	(85,383)	4,605	(80,778)
Other operating costs	(44,495)	(46,009)	(4,531)	(689)	(95,724)	4,328	(91,396)
Adjusted EBITDA**	5,504	9,365	(19)	(3,651)	11,199	(2,204)	8,995
Amortization & depreciation	(3,404)	(3,144)	(887)	(11)	(7,446)	672	(6,774)
Operating earnings (loss)**	2,100	6,221	(906)	(3,662)	3,753	(1,532)	2,221
Restructuring and other charges	(1,565)	(2,176)	(11)		(3,752)	11	(3,741)
Impairment of assets							
Operating profit (loss)**	$535	$4,045	($917)	($3,662)	$1	($1,521)	($1,520)
Loss from continuing operations							($459)
Loss from discontinued operations							($3,500)
Net loss							($3,959)

Second Quarter 2015							
(in $000's)	MMG	SMG	Digital Ventures	Corporate	Total Segmented*	Adjustments & Eliminations[1]	Total Per Consolidated Statement of Income
Operating revenue	$119,089	$88,124	$9,718		$216,931	($10,604)	$206,327
Salaries and benefits	(53,752)	(33,384)	(3,769)	($2,689)	(93,594)	4,447	(89,147)
Other operating costs	(49,335)	(47,257)	(5,212)	(698)	(102,502)	4,403	(98,099)
Adjusted EBITDA**	16,002	7,483	737	(3,387)	20,835	(1,754)	19,081
Amortization & depreciation	(3,453)	(3,095)	(966)	(10)	(7,524)	721	(6,803)
Operating earnings (loss)**	12,549	4,388	(229)	(3,397)	13,311	(1,033)	12,278
Restructuring and other charges	(13,782)	(1,997)	(80)		(15,859)	235	(15,624)
Impairment of assets							
Operating profit (loss)**	($1,233)	$2,391	($309)	($3,397)	($2,548)	($798)	($3,346)
Loss from continuing operations							($1,131)
Loss from discontinued operations							
Net loss							($1,131)

1 Reflects eliminations of our proportionate share of joint ventures and our 56% interest in VerticalScope
*Includes proportionately consolidated share of joint venture operations and VerticalScope
**These are non-IFRS or additional IFRS measures, refer to Section 15 of this MD&A

15. 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, an additional IFRS measure, as presented in the consolidated statement of income, management uses the following non-IFRS measures: segmented revenue, adjusted EBITDA (and where applicable segmented adjusted EBITDA), operating earnings (and where applicable segmented operating earnings) and adjusted earnings per share, as measures to assess the consolidated performance and the performance of the reporting units and business segments.

Segmented revenue

Segmented revenue is calculated in the same manner as operating revenue in the Consolidated Financial Statements, except that it is calculated using total segment results which includes our proportionately consolidated share of revenues from joint ventures and our 56% interest in VerticalScope. Management of each segment is accountable for the revenues, including the proportionately consolidated share of revenues from joint venture operations. We believe that segmented revenue is a useful measure for investors as it is a measure of the revenues for which management of each segment is accountable. The intent of segmented revenue 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.

Adjusted EBITDA/Segmented Adjusted EBITDA

Management believes that adjusted EBITDA is an important proxy for the amount of cash generated by our ongoing operations (or by a reporting unit or business segment) to generate liquidity to fund future capital needs and we use this metric for this purpose. 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 as operating revenue, less salaries and benefits and other operating costs, as presented on the consolidated statement of income, and exclude restructuring and other charges and impairment of assets. 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 and impairment of assets). Segmented adjusted EBITDA is calculated in the same manner described above, except that it is calculated using total segment results including proportionately consolidated results for joint ventures and our 56% interest in VerticalScope for which management is accountable.

Operating earnings/Segmented operating earnings

Operating earnings is used by management to represent the results of ongoing operations inclusive of amortization and depreciation. We use operating earnings as a measure of the amount of income generated by our ongoing operations (or by a reporting unit or business segment) after giving effect to amortization and depreciation. We believe this metric is also useful for investors for this purpose. We calculate operating earnings as operating revenue less salaries and benefits and other operating costs and amortization and depreciation. Operating earnings excludes restructuring and other charges and impairment of assets. 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. Our method of calculating operating earnings (including calculating operating earnings on an adjusted basis to exclude restructuring and other charges and impairment of assets) may differ from other companies and accordingly may not be comparable to measures used by other companies. The intent of operating earnings 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, is not a recognized measure of financial performance under IFRS, and accordingly may not be comparable to measures used by other companies. Segmented operating earnings is calculated in the same manner described above, except that it is calculated using total segment results including proportionately consolidated operating earnings for joint ventures and our 56% interest in VerticalScope for which management is accountable.

The following is a reconciliation of adjusted EBITDA and operating earnings (and segmented adjusted EBITDA/segmented operating earnings – as applicable) with operating profit (segmented operating profit – as applicable). Adjusted EBITDA, segmented adjusted EBITDA, operating earnings and segmented operating earnings are regularly reported to the chief operating decision maker and correspond to the definitions used in our historical discussions.

	Segmented		Per Consolidated Statement of Income	
	Fourth Quarter 2015	**Fourth Quarter 2014**	**Fourth Quarter 2015**	**Fourth Quarter 2014**
Operating profit (loss)	($233,195)	$19,944	($207,101)	$18,440
Add: Restructuring and other charges	7,496	10,878	6,655	10,870
Add: Impairment of assets	213,321	63	209,321	63
Operating earnings	($12,378)	$30,885	$8,875	$29,373
Add: Amortization and depreciation	37,220	7,750	9,309	7,081
Adjusted EBITDA	$24,842	$38,635	$18,184	$36,454

	Segmented		Per Consolidated Statement of Income	
	Twelve months ended December 31, 2015	Twelve months ended December 31, 2014	Twelve months ended December 31, 2015	Twelve months ended December 31, 2014
Operating profit (loss)	($403,079)	($52,370)	($354,069)	($44,185)
Add: Restructuring and other charges	31,310	22,706	30,223	22,646
Add: Impairment of assets	361,081	97,935	345,081	82,935
Operating earnings	($10,688)	$68,271	$21,235	$61,396
Add: Amortization and depreciation	77,511	33,401	30,177	30,674
Adjusted EBITDA	$66,823	$101,672	$51,412	$92,070

Adjusted earnings per share

Adjusted earnings 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 per share as earnings per share from continuing operations less the per share effect of restructuring and other charges, impairment of assets, 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 per share is to provide additional useful information to investors, analysts and readers of our financial statements. Our method of calculating adjusted earnings 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 per share to earnings per share.

	Fourth Quarter		Twelve months ended December 31	
	2015	2014	2015	2014
Adjusted earnings (loss) per share	($0.10)	$0.30	($0.10)	$0.58
• Restructuring and other charges	(0.08)	(0.10)	(0.29)	(0.20)
• Impairment of assets	(2.67)	0.00	(4.53)	(1.21)
• Non-cash foreign exchange	(0.02)	0.00	(0.02)	(0.07)
• Other income (expense)	(0.03)	0.06	(0.02)	0.04
• Change in deferred taxes	0.00	0.00	0.00	0.24
Earnings (loss) per share from continuing operations	($2.90)	$0.26	($4.96)	($0.62)

Operating profit/Segmented operating profit

Operating profit is an additional IFRS measure. Management uses operating profit to measure the results of operations inclusive of impairments and restructuring and other charges. Operating profit appears in our consolidated statement of income. We believe that operating profit 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 may differ from other companies and accordingly may not be comparable to measures used by other companies. Segmented operating profit is calculated in the same manner described above, except that it is calculated using total segment results including proportionately consolidated results for joint ventures and our 56% interest in VerticalScope for which management is accountable.

16. 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 ensure alignment of exposures with business strategies, objectives, values and risk tolerances.

Section 17 summarizes the principal risks and uncertainties that could affect our future business results.

Torstar's Risk and Control Assessment Process
In 2015, we used a multi-level enterprise risk and control assessment process that incorporated the insight of employees throughout the organization.

At a high level, throughout 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 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.

17. 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 and, to a lesser extent, the distribution of inserts and flyers and the generation of circulation/subscription revenue. Advertising revenue includes in-paper advertising, digital advertising and specialty publications.

Competition and Digital Shift
There has been a continuing structural shift within the advertising industry from print to digital advertising and, as a result, digital media generates significant competition for advertising. This shift has and will continue to negatively impact print advertising revenue and appears to be permanent. Competition also comes from a variety of other sources such as free and paid local, regional and national newspapers, radio, broadcast and cable television, magazines, outdoor, direct marketing, flyers, directories, and other communications and advertising media.

Digital competition is not limited to platforms that provide news and news aggregation. Competitors include but are not limited to providers of search engine marketing, display advertising, digital classifieds, digital directories, social media, mobile advertising and video advertising. In addition, online advertising networks, exchanges, real-time bidding and programmatic buying channels that allow advertisers to target audiences are also playing a more significant role in the advertising industry. Our platforms and sites, including those of VerticalScope, face competition for users, readers and advertisers. Our existing and potential future digital competitors range from start-up operations with low cost structures to global players that may have access to greater operational, financial and other resources than us. The extent and nature of competition has intensified over the past several years as a result of the rapid and continued development of digital media alternatives, and this has resulted in the fragmentation of audiences. We expect intense competition to continue. Advertisers also have increased access to data and greater ability to reach customers directly with new digital technologies, which may contribute to reduced spending on external advertising. We may not be able to successfully adapt to these rapid changes and increasing number of digital media options, to respond as quickly 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.

In response to this shift to digital media, we have been investing significant time and resources in our digital platforms to evolve our existing products and develop new products, including mobile platforms, video and other evolving content delivery platforms. There is a risk that we will be unable to successfully attract or retain users and advertisers with our existing or new digital platforms. Revenue generated by our advertising offerings will depend, to a large extent, on their perceived effectiveness and the continued growth in digital advertising. Thus far, digital advertising revenues have not offset a significant portion of lost print advertising revenue and we may not be successful in replacing print revenue declines in the future. In addition, some of our digital platforms are in an early stage of development or implementation and may not achieve profitability. We also use third party platforms to distribute some of our content and advertising. These third parties may discontinue or modify their platforms which could restrict access to our content, result in the loss of a direct relationship with consumers, and impact our ability to generate revenue through these platforms.

In addition, our success on mobile platforms depends upon the ability to provide advertising 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 with whom we do not have any formal relationships. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. Network carriers may also impact the ability to access specified content on mobile devices. If our solutions were unable to work on these devices, our ability to generate revenue could be significantly harmed.

Finally, the use of technology to restrict or block the targeting or display of advertising by device manufacturers, network carriers or consumers could increase, and this may have an adverse impact on our ability to provide advertising inventory and attract advertisers to our platforms.

There has been and continues to be consolidation in Canadian media. In addition, the shift to digital media has resulted in additional competition from new local and global competitors. Competitors are increasingly larger, may have interests in multiple forms of media and may be more successful in attracting advertising revenue.

Content, Audience and Readership

Advertisers often base their decisions about where to advertise on readership and circulation data. Print readership levels, in addition to generating circulation/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, and particularly younger audiences are devoting less time to reading print newspapers than they once did and as a result print newspaper readership is aging. If these or other trends continue to result in declining print circulation, circulation revenues and the ability to maintain advertising rates may be adversely affected. While digital readership appears to be an important factor in the ability of a newspaper to generate digital advertising revenue, it may have a negative impact on print circulation/subscription volumes and revenues and also on readership.

Our reputation for quality journalism and content is an important factor in maintaining readership levels. 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 content and the newsworthiness of current events, among other intangible factors, may also contribute to the fluctuation in readership levels, and accordingly, limit our ability to generate advertising and circulation/subscription revenue.

Digital readership and traffic levels are a key driver of how digital advertisers base their decisions about where to advertise digitally. In order to be successful, we need to generate traffic on our digital platforms that is valuable to advertisers. With the increase in alternative digital content providers and digital 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, including 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 revenues. In addition, certain new and evolving content delivery platforms may present more limited opportunities for advertising.

The reputation of our digital platforms is an important factor in growing and maintaining traffic and generating advertising revenue. Advertisers' 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 revenue. Public preferences and tastes, general economic conditions, the availability of alternative sources of and platforms for content and forum discussions may also contribute to the fluctuation in traffic levels, and accordingly, limit our ability to generate advertising revenue. To some degree, our traffic levels are dependent on internet search engines and our ability to influence search engine rankings as we depend in part on various internet search engines to direct traffic to our platforms and properties. Our ability to influence search engine rankings of platforms and properties through search engine optimization efforts is limited. Changes by internet search engines in their algorithms could cause us to receive less user traffic.

Economic Conditions and Customer Prospects

Advertising revenue in our newspapers and digital platforms is dependent on the prospects of our advertising 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 in the regions in which we operate specifically, have had and may continue to have a negative impact on the advertising industry 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, including car manufacturers and dealers, home builders, financial services, telecommunications, travel, department and grocery stores and other retailers and a downturn that impacts any of these industries could also have an adverse impact on Torstar's 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 Metroland Media Group and Star Media Group 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 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, 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. The Toronto Star's reputation for high-quality journalism and content makes this brand a key asset and its continued success depends in part on our ongoing ability to preserve and leverage the value of this brand. Our ability to preserve and leverage the value of Metroland Media Group's brands, VerticalScope's brands and other brands is also important to our success. 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, could have an adverse impact on our business, operations or financial condition.

Dependence on Third-Party Suppliers and Service Providers

We rely on third-party suppliers and service providers for certain key services including distribution, call center services, certain information technology functions and digital publishing platforms, including cloud computing and storage and certain page production, printing, advertising production and sales, content delivery and content supply requirements. We have announced our plan to transition printing of the Toronto Star to Transcontinental during 2016. 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, the suppliers or service providers being unable or unwilling to provide services as anticipated 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.

Reliance on Technology and Information Systems and Risk of Security Breaches

We place considerable reliance upon technology and information systems, including those of third party service providers, throughout our operations, including for digital platforms, content delivery, payment processing, email, back-office support, software provision and other functions. Our businesses also collect, use and store sensitive data, including intellectual property, employee information, business information and personal information (including internal information and information from customers, users of our digital platforms or services, suppliers and business partners). The continuing, uninterrupted and secure performance of our systems is critical to our businesses. Despite our security measures and those of our third-party service providers, our systems and those of our service providers may be vulnerable to interruption, damage or failure from loss of power, hacking or other unauthorized access, viruses, worms or other destructive or disruptive software, process breakdowns, human error, denial of service attacks, advanced persistent threats, malicious social engineering or other similar events. This could compromise our systems and the information we store could be accessed, publicly disclosed, lost or stolen.

Businesses in general have recently seen a rise in cyberattacks (including by state-sponsored and criminal organizations and other individuals and groups) and as a result risks associated with these kinds of attacks continue to increase. 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 the systems of its service providers 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 disclosure of personal or confidential information, which could harm our reputation, require us to expend resources to remedy such a breach or defend against further attacks, subject us to liability under privacy or other applicable laws or divert management's attention and resources. 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 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.

Employee Future Benefits

Relative to our size, and when compared to other companies, we have large pension liabilities, funding requirements and costs. The funded status of our defined benefit pension plans and our contribution obligations may be impacted by many factors, including changes to pension laws, regulations and interpretations thereof, changes to benefits provided to plan participants, changes to actuarial assumptions and methods, changes in participant demographics, mortality, plan experience, changes to the discount rate used to determine our contribution obligations and the rate of return on plan assets. Changes to any of the foregoing factors could produce further underfunding in our defined benefit pension plans as well as increases to the net pension cost in subsequent financial years that could require increased funding contributions to those plans, which could have an adverse effect on our cash flows, liquidity and financial condition.

The most significant group of our registered defined benefit pension plans (in terms of assets and obligations) completed the preparation of actuarial reports as of December 31, 2013. While the required funding resulting from these reports should not change until 2018, there is no guarantee that the funding requirements beyond 2017 will not increase.

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. 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, and the discount rate used to assess plan obligations.

Ontario has recently introduced the Ontario Retirement Pension Plan ("ORPP") which is currently expected to come into effect in 2018. If implemented in its current form, this plan may result in increased employee future benefit costs and funding.

Strategic Initiatives, Acquisitions and Dispositions
Our growth, including growth of our investment in VerticalScope, is dependent on the ability to identify, develop and execute appropriate strategic initiatives, which may involve organic growth, growth through acquisition or investment. Acquisitions and investments involve numerous 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 opportunities will be available to us or that they will be available at an appropriate price. 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 the risks associated with acquisitions, investments or expansions. Strategic initiatives may not successfully generate revenues or improve operating profit and, 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 strategic initiative, acquisition or expansion will be successful.

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 and 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, 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.

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. A change in the outlook of these businesses could require us to record our share of any asset or goodwill impairment recorded by these businesses and could require us to take a charge to earnings in order to reduce its carrying value.

Labour Disruptions
We have a number of collective agreements at our newspaper operations that have historically tied annual wage increases to the cost of living. 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 700 staff covered by four collective agreements. The largest agreement covers approximately 425 employees at One Yonge Street, Toronto. This collective agreement will expire at the end of December 2016. There are three agreements covering approximately 275 employees at the Toronto Star's Vaughan Press Centre. The printing of the Toronto Star is expected to be transitioned to Transcontinental from the Vaughan Press Centre during 2016.

Sing Tao has two collective agreements covering approximately 125 employees that expired in December 2015 and contract negotiations are ongoing. Metro's Toronto operations have a collective agreement covering approximately 65 employees that will expire in early March of 2016.

Metroland Media Group has a total of 20 collective agreements covering approximately 625 employees. There are ten collective agreements covering approximately 225 employees within the community newspapers. Two agreements covering approximately 25 employees expired in August 2015 and negotiations are expected to commence shortly. Three agreements covering approximately 40 employees will expire in November 2016 and two agreements covering approximately 115 employees will expire in December 2016 and three agreements covering approximately 45 employees will expire in December 2017.

At the Metroland Media Group daily newspapers, there are ten agreements covering approximately 400 employees. Two agreements covering approximately 80 employees at the Hamilton Spectator will expire in May 2016 and one agreement covering approximately 5 employees at the Guelph Mercury which ceased printing in January 2016. Four agreements covering approximately 100 employees at the Waterloo Region Record and one agreement covering approximately 65 employees at the Hamilton Spectator will expire in December 2017. Two agreements covering approximately 150 employees at the Hamilton Spectator expired at the end of December 2015 and negotiations are expected to commence shortly.

Newsprint Costs
Newsprint is the single largest raw material expense for our newspaper operations and represents approximately 13% of total operating costs for 2015. Newsprint is priced as a commodity with the price varying widely from time to time.

We could face a risk in supply of 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. Volatility in the price of newsprint may also be caused by other factors influencing supplier profitability including increased raw material and energy costs. We primarily source newsprint from three main suppliers. For 2016, we have fixed the cost of newsprint with our largest supplier and have negotiated a pricing band with our second largest supplier. Newsprint prices are currently expected to be somewhat higher than what we experienced in 2015. 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.

Reliance on Printing Operations
Our newspaper operations place considerable reliance on the functioning of our printing operations for the printing of our various publications, with particular emphasis placed on the Toronto Star's Vaughan Press Centre, which primarily supports the Toronto Star's printing needs. We have recently announced that we intend to transition printing of the Toronto Star in 2016 from this facility to Transcontinental and ultimate closure of this printing facility. In the event that any of our print facilities or third party contracted print facilities experience a shutdown or disruption, including those related to the transition of the printing of the Toronto Star, 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, such a shutdown or disruption could result in being unable to print or distribute some publications, and consequently could have an adverse effect.

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, unfair competition or other legal claims. We may also be exposed to potential liability in connection with the sale and promotion of products through the product business that has been operated by Metroland Media Group (including claims from purchasers, distributors, regulators and law enforcement) which could include claims for personal injury, wrongful death, damage to personal property, claims relating to misrepresentation of product features and benefits or violation of applicable laws. Although we maintain insurance for many of these types of claims, there can be no assurance that insurance will be available 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. In addition, we could incur significant costs in investigating and defending such claims, even if ultimately found not to be liable.

Government Regulations

General
Our businesses are subject to a variety of laws and regulations, including laws applicable generally to business and environmental, privacy, anti-spam, communications and e-commerce laws. We may also be notified from time to time of additional laws and regulations which governmental organizations or others may claim should be applicable to certain of our businesses. If we are required to alter our business practices as a result of any laws and regulations, revenue could decrease, costs could increase and/or certain of our businesses could otherwise be harmed. In addition, the costs and expenses associated with defending any actions related to such additional laws and regulations, the diversion of management's attention and resources and any payments of related penalties, judgements or settlements could adversely impact certain of our businesses.

E-Commerce, Privacy and Confidential Information
Laws relating to privacy, anti-spam, communications, data protection, e-commerce, direct marketing and digital advertising and use of public records have become more prevalent in recent years. Legislation and regulations, including changes to

the manner in which such legislation and regulations are interpreted and enforced by regulators and courts in Canada and other jurisdictions, may impose limits on the collection and use of certain kinds of information, including without limitation online and mobile analytics, profiling data, geo-location data and data collected in the course of online behavioural advertising, and the distribution of certain communications. In addition, the costs of compliance and/or non-compliance with industry or legislative initiatives to address 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 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 information technology and analytics technology and services. The potential 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 and Risk of Security Breaches”.

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 or that additional expenditures will not be required to meet current or future legislation. 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.

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 contracts to sell U.S. dollars. As a result, our cash flows and operating results are affected by changes in the value of the Canadian dollar relative to the U.S. dollar (See additional information on foreign exchange risks in the Financial Instruments section of this MD&A and in Note 15 to our consolidated financial statements). In addition, predominantly all of VerticalScope’s revenues (approximately 2% of Torstar’s 2015 segmented operating 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 year, 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.

Dependence on 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 intense competition for qualified managers and skilled employees and our failure to recruit, train and retain such employees could have an adverse effect on our business, financial condition or operating results.

Intellectual Property Rights
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. On occasion, 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 may be defamatory or infringing. 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 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 2015 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 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.

Income Tax and Other Taxes
We collect, pay and accrue income and other taxes. We have also recorded significant amounts of deferred income tax liabilities and current income tax expense, 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.

We have also recorded the benefit of income and other tax positions based on estimates, using accounting principles that recognize the benefit of income tax positions 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 of income tax benefits, as well as the timing of realization of such amounts, can materially affect the determination of net income or cash flows.

While we believe that we have paid and 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, 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.

Impairment

Economic, market, legal, regulatory, competitive, customer, contractual and other factors may affect the value of our long-lived assets, intangible assets, investments and goodwill. 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.

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.

Dividends

Decisions on the declaration and payment of dividends are made on a quarterly basis by our Board of Directors based on our overall financial performance and cash flow outlook. There is no guarantee that dividends will be declared or that we will continue to make dividend payments at the current level.

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 any matters submitted to a vote of shareholders of Torstar.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements - Contents

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.

David P. Holland
President and Chief Executive Officer
March 1, 2016

Lorenzo DeMarchi
Executive Vice-President and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Torstar Corporation

We have audited the accompanying consolidated financial statements of Torstar Corporation, which comprise the consolidated statement of financial position as at December 31, 2015 and 2014, and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Torstar Corporation as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 1, 2016

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

	As at December 31, 2015	*As at December 31, 2014*
Assets		
Current:		
Cash and cash equivalents	**$35,141**	$251,339
Restricted cash (note 5)	**37,935**	16,150
Receivables (note 15)	**144,997**	162,843
Inventories (note 6)	**6,231**	9,309
Prepaid expenses	**5,944**	6,645
Prepaid and recoverable income taxes	**5,780**	2,044
Total current assets	**236,028**	448,330
Restricted cash (note 5)		22,750
Investments in joint ventures (note 7)	**32,861**	54,531
Investments in associated businesses (note 8)	**202,203**	39,960
Property, plant and equipment (note 9)	**117,793**	125,057
Intangible assets (note 10)	**67,821**	61,610
Goodwill (note 11)	**8,133**	344,417
Other assets (note 13)	**9,422**	9,497
Employee benefits (note 19)	**6,922**	9,243
Deferred income tax assets (note 14)	**15,233**	28,126
Total assets	**$696,416**	$1,143,521
Liabilities and Equity		
Current:		
Accounts payable and accrued liabilities	**$122,296**	$115,717
Derivative financial instruments (note 15)	**6,543**	
Provisions (note 17)	**29,021**	22,583
Income tax payable	**5,943**	11,708
Total current liabilities	**163,803**	150,008
Provisions (note 17)	**13,228**	16,774
Other liabilities (note 18)	**9,872**	9,996
Employee benefits (note 19)	**87,461**	85,315
Deferred income tax liabilities (note 14)	**2,315**	11,708
Equity:		
Share capital (note 20)	**402,500**	400,577
Contributed surplus	**19,858**	18,708
Retained earnings (accumulated deficit)	**(7,560)**	447,725
Accumulated other comprehensive income (note 22)	**3,121**	21
Total equity attributable to equity shareholders	**417,919**	867,031
Minority interests	**1,818**	2,689
Total equity	**419,737**	869,720
Total liabilities and equity	**$696,416**	$1,143,521

(see accompanying notes)

ON BEHALF OF THE BOARD

John Honderich
Director

Paul Weiss
Director

Torstar Corporation
Consolidated Statement of Income (Loss)
(Thousands of Canadian Dollars except per share amounts)

	Year ended December 31	
	2015	2014
Operating revenue	**$786,631**	$858,134
Salaries and benefits	**(341,824)**	(361,544)
Other operating costs	**(393,395)**	(404,520)
Amortization and depreciation (notes 9 and 10)	**(30,177)**	(30,674)
Restructuring and other charges (note 17)	**(30,223)**	(22,646)
Impairment of assets (note 12)	**(345,081)**	(82,935)
Operating loss	**(354,069)**	(44,185)
Interest and financing costs (note 15)	**(2,046)**	(4,253)
Foreign exchange	**(1,022)**	(7,656)
Loss from joint ventures (note 7)	**(14,170)**	(9,152)
Income (loss) from associated businesses (note 8)	**(28,993)**	194
Other income (expense) (note 23)	**(1,837)**	3,754
	(402,137)	(61,298)
Income and other taxes recovery (note 14)	**2,300**	11,700
Net loss from continuing operations	**(399,837)**	(49,598)
Income (loss) from discontinued operations (note 24)	**(5,000)**	222,662
Net income (loss)	**($404,837)**	$173,064
Attributable to:		
Equity shareholders	**($403,966)**	$172,685
Minority interests	**($871)**	$379
Net income (loss) attributable to equity shareholders per Class A (voting) and Class B (non-voting) share (note 20(c)):		
Basic:		
From continuing operations	**($4.96)**	($0.62)
From discontinued operations	**($0.06)**	$2.78
	($5.02)	$2.16
Diluted:		
From continuing operations	**($4.96)**	($0.62)
From discontinued operations	**($0.06)**	$2.77
	($5.02)	$2.15

(see accompanying notes)

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

	Year ended December 31	
	2015	2014
Net income (loss)	**($404,837)**	$173,064
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)	**(19)**	(14)
Unrealized foreign currency translation adjustment for associated businesses (no income tax effect) (note 8)	**10,780**	125
Net movement on available-for-sale financial assets (no income tax effect)	**346**	
Loss on cash flow hedges transferred to net income		4,125
Income tax effect		(1,096)
Unrealized loss on hedge of net investment	**(9,307)**	
Income tax effect	**1,300**	
Realized loss on hedge of net investment		5,520
	3,100	8,660
Other comprehensive income (loss) ("OCI") that will not be reclassified subsequently to net income (loss):		
Actuarial gain (loss) on employee benefits (note 19)	**(3,417)**	(83,596)
Income tax effect	**900**	21,400
Reduction in carrying amount of deferred income tax assets (note 14)	**(6,000)**	
Actuarial gain (loss) on employee benefits for associated businesses (no income tax effect) (note 8)	**(588)**	(365)
	(9,105)	(62,561)
Other comprehensive loss from continuing operations, net of tax	**($6,005)**	($53,901)
Other comprehensive loss from discontinued operations		($9,133)
Income tax effect		2,158
Other comprehensive loss from discontinued operations, net of tax (note 24)		(6,975)
Total other comprehensive loss, net of tax	**($6,005)**	($60,876)
Comprehensive income (loss), net of tax	**($410,842)**	$112,188
Attributable to:		
Equity shareholders	**($409,971)**	$111,809
Minority interests	**($871)**	$379

(see accompanying notes)

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

	Share capital	Contributed surplus	Retained earnings (accumulated deficit)	Accumulated other comprehensive income ("AOCI")	Total attributable to equity shareholders	Minority interests	Total equity
At December 31, 2013	$398,605	$17,383	$385,589	($7,603)	$793,974	$2,810	$796,784
Net income for the year			172,685		172,685	379	173,064
Other comprehensive income (loss)			(68,500)	7,624	(60,876)		(60,876)
Total comprehensive income			104,185	7,624	111,809	379	112,188
Dividends (note 20)	649		(42,049)		(41,400)		(41,400)
Exercise of share options (note 20)	721	(109)			612		612
Issue of share capital – other (note 20)	602				602		602
Share-based compensation expense		1,434			1,434		1,434
Distribution						(500)	(500)
At December 31, 2014	**$400,577**	**$18,708**	**$447,725**	**$21**	**$867,031**	**$2,689**	**$869,720**
Net loss for the year			**(403,966)**		**(403,966)**	**(871)**	**(404,837)**
Other comprehensive income (loss)			**(9,105)**	**3,100**	**(6,005)**		**(6,005)**
Total comprehensive income (loss)			**(413,071)**	**3,100**	**(409,971)**	**(871)**	**(410,842)**
Dividends (note 20)	**682**		**(42,214)**		**(41,532)**		**(41,532)**
Exercise of share options (note 20)	**473**	**(79)**			**394**		**394**
Issue of share capital – other (note 20)	**768**				**768**		**768**
Share-based compensation expense		**1,229**			**1,229**		**1,229**
At December 31, 2015	**$402,500**	**$19,858**	**($7,560)**	**$3,121**	**$417,919**	**$1,818**	**$419,737**

(see accompanying notes)

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

	Year ended December 31	
	2015	2014
Cash was provided by (used in)		
Operating activities	**$38,050**	$63,358
Investing activities	**(213,513)**	390,233
Financing activities	**(40,735)**	(220,065)
Increase (decrease) in cash	**(216,198)**	233,526
Effect of exchange rate changes from discontinued operations		403
Cash, beginning of year	**251,339**	17,410
Cash, end of year	**$35,141**	$251,339
Operating activities:		
Net loss from continuing operations	**($399,837)**	($49,598)
Amortization and depreciation (notes 9 and 10)	**30,177**	30,674
Deferred income taxes (note 14)		(12,400)
Loss from joint ventures (note 7)	**14,170**	9,152
Distributions from joint ventures (note 7)	**7,500**	9,250
Loss (income) from associated businesses (note 8)	**28,993**	(194)
Dividend from associated businesses (note 8)	**193**	1,222
Impairment of assets (note 12)	**345,081**	82,935
Non-cash employee benefit expense (note 19)	**21,459**	13,840
Employee benefits funding (note 19)	**(20,409)**	(39,853)
Other (note 25)	**(2,249)**	3,602
	25,078	48,630
Decrease (increase) in restricted cash (notes 5 and 24)	**965**	(16,150)
Decrease in non-cash working capital	**12,007**	22,243
Cash provided by operating activities of continuing operations	**38,050**	54,723
Cash provided by operating activities of discontinued operations		8,635
Cash provided by operating activities	**$38,050**	$63,358
Investing activities:		
Additions to property, plant and equipment and intangible assets (notes 9 and 10)	**($30,602)**	($20,947)
Investment in associated businesses (note 8)	**(203,587)**	(4,906)
Return of capital from associated business (note 8)	**22,094**	
Acquisitions and portfolio investments (note 26)	**(2,106)**	(10,759)
Net proceeds from the sale of Harlequin (note 24)		442,207
Restricted cash (notes 5 and 24)		(22,750)
Proceeds from sale of assets	**411**	8,375
Other	**277**	622
Cash provided by (used) in investing activities of continuing operations	**(213,513)**	391,842
Cash used in investing activities of discontinued operations		(1,609)
Cash provided by (used in) investing activities	**($213,513)**	$390,233
Financing activities:		
Repayment of bankers' acceptances		($190,923)
Issuance of bankers' acceptances		11,199
Dividends paid	**($41,532)**	(41,400)
Exercise of share options	**394**	612
Other	**403**	447
Cash used in financing activities	**($40,735)**	($220,065)
Cash represented by:		
Cash	**$35,141**	$33,063
Cash equivalents – short-term deposits		218,276
Net cash, end of period	**$35,141**	$251,339

(see accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2015 and 2014

(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, 2015. These consolidated financial statements have been authorized for issue in accordance with a resolution from the Board of Directors on March 1, 2016.

In connection with the acquisition of a 56% interest in VerticalScope Holdings Inc. ("VerticalScope") during the year ended December 31, 2015, the Company has realigned its operating segments such that digital businesses outside the traditional newspaper operations are managed as one operating segment. The comparative information contained herein has also been restated to reflect this change. Additional disclosures are provided in Note 3.

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 deconsolidated on the date when control ceases.

Profit or loss and each component of other comprehensive income (“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) 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. 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 from discontinued operations in the consolidated statement of income.

(e) 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 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 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.

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.

(f) 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, except for qualifying cash flow and net investment hedges for which these exchange differences are deferred in accumulated other comprehensive income ("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.

(g) Financial instruments

Financial assets and liabilities

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

- Financial instruments at fair value through profit or loss
- Loans and receivables
- Financial assets classified as available-for-sale ("AFS")
- Other financial liabilities

The Company has not classified any financial instruments as held-to-maturity. 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 fair value through profit or loss

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

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

Loans and receivables

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. 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.

Financial assets classified as AFS

Financial assets that are not classified as at fair value through profit or loss or as loans and receivables are classified as AFS. A financial asset classified as AFS is initially recognized at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets classified as AFS are carried at fair value with the changes in fair value reported as unrealized gains or losses on AFS assets within OCI, unless the asset is subject to a fair value hedge, in which case changes in fair value resulting from the risk being hedged are recorded in the consolidated statement of income.

Financial assets classified as AFS are assessed for impairment at each reporting date and the Company recognizes any impairment in the consolidated statement of income.

Other financial liabilities

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.

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. Any unrealized gains and losses recorded in AOCI are transferred to the consolidated statement of income on disposal of an AFS asset.

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

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, interest rates 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.

Foreign exchange contracts to sell U.S. dollars have been designated as hedges against the foreign currency exposure on the net investment in VerticalScope. Gains and losses on these instruments, to the extent of hedge effectiveness, are transferred to OCI to offset the gains and losses on translation of the net investment. The portion of the hedge that is deemed ineffective is recorded in the consolidated statement of income.

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. These instruments are settled quarterly and 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 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. 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.

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 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.

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 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.

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 vary in a way similar to a stand-alone 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.

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.

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 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 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.

(h) 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.

(i) 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 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	
▪ 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 when the asset is derecognized.

(j) 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 – 10 years

- Customer relationships and other 2 – 10 years

Intangible assets with indefinite useful lives are not amortized. These include newspaper mastheads and trade and certain domain names. The assessment of indefinite life is reviewed at each reporting date to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 when the asset is derecognized.

(k) Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they are incurred.

(l) 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.

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 IAS 39, Financial Instruments: Recognition and Measurement, either in the consolidated statement of income 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. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(m) Impairment of non-financial assets

Property, plant and equipment, intangible assets and goodwill are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Additionally, intangible assets with an indefinite useful life and goodwill are subject to an annual impairment test. 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, intangible assets or goodwill 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. In its assessment of the recoverable amounts of the group of CGUs at December 31, 2015, the Company considered both the VIU and FVLCS approaches and concluded that due to increased measurement uncertainties involved with the VIU approach, FVLCS was a more reliable and appropriate methodology as at December 31, 2015 and accordingly, the Company calculated the recoverable amount using a forward multiple of forecasted adjusted forward EBITDA.

Goodwill acquired through a business combination is allocated to each CGU or group of CGUs that is expected to benefit from the related business combination. For internal management purposes, goodwill is monitored at the operating segment level which represents a group of CGUs. Goodwill is not amortized.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

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, restructuring and other charges, and impairment of assets ("Adjusted EBITDA"), 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.

- Adjusted EBITDA growth rates and future levels of capital expenditures 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.

The FVLCS calculation uses projections for a one year period and a forward multiple. The key assumptions in the fair value less cost to sell calculation are:

- Earnings before interest, taxes, depreciation and amortization, restructuring and other charges, and impairment of assets ("Adjusted EBITDA"). The projections are based on the most recent financial budgets approved by the Company's Board of Directors.

- Forward multiples which are based on public market data including information from analysts covering the Company as well as competitor data.

(n) Revenue recognition

The Company has a number of different revenue streams. 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 circulation/subscribers is largely generated by home delivery subscriptions, single copy sales at newsstands and vending machines, and the provision of digital format subscriptions. 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.

Print advertising and 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 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.

Circulation/subscription revenue

In respect of revenue from circulation/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 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. In the case of product sales, revenue is recognized per the terms of delivery.

(o) Employee benefits

The Company maintains 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 is 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.

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

- Current service costs, past service costs, special termination benefits, curtailment gains or losses and administration costs are recognized in the consolidated statement of income 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 capital accumulation plans 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.

(p) 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 are 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. With effect from the 2015 fiscal year, subsequent 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.

(q) Taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in the consolidated statement of income, unless it relates to items recognized outside the consolidated statement of income. Tax expense relating to items recognized outside of the consolidated statement of income 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.

(r) 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.

(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 goodwill impairment. 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 19.

Impairment of non-financial assets

The Company tests goodwill and indefinite life intangible assets for impairment annually, or more frequently 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 fair value less costs to sell ("FVLCS") and its VIU. The FVLCS to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices 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(m).

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 forward multiples, discount and terminal growth rates to reflect possible variations in the cash flows however, the risk premiums expected by market participants, as reflected in forward multiples, 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 as they have in the three months ended December 31, 2015. 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, 2015, the carrying value of investments, intangible assets, property plant and equipment and goodwill represented 34%, 10%, 17% and 1% respectively of total assets and each reporting segment had investments and intangible assets with carrying values subject to these estimates. As at December 31, 2014, the carrying value of investments, intangible assets, property, plant and equipment and goodwill represented 8%, 5%, 11% and 30% respectively of total assets. Additionally, as a result of rapid and significant shifts in the print and digital advertising markets, expected future revenues and cash flows have changed significantly. The Company has recorded impairment charges, related to goodwill, intangible assets and investments totaling $361.1 million in the twelve months ended December 31, 2015 ($97.9 million in the twelve months ended December 31, 2014). These charges impact net income but have no effect on cash flows.

More details are provided in Note 12.

Taxes

The Company is subject to income taxes in Canada, and the discontinued operations were also subject to income taxes in foreign jurisdictions. Significant judgement is required in determining the world-wide provision for income taxes. In the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. Management uses judgement in interpreting tax laws and determining the appropriate rates and amounts in recording current and deferred income taxes, giving consideration to timing and probability. Actual income taxes could significantly vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. To the extent that the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

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. When assessing the probability of taxable profit being available, management primarily considers prior years' results, forecasted future results and non-recurring items. As such, the assessment of the Company's ability to utilize tax losses carried forward is to a large extent judgement-based. If the future taxable results of the Company differ significantly from those expected, the Company would be required to increase or decrease the carrying value of the deferred income tax assets with a potentially material impact on the Company's consolidated statement of financial position and consolidated statement of comprehensive income. The carrying amount of deferred income tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilize all or part of the deferred income tax assets. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable profits to allow all or part of the asset to be recovered.

Further details on taxes are disclosed in Note 14.

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 shareholder 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' agreements. The Company has classified its investments in Black Press Ltd. and Shop.ca Network Inc. as associated businesses based on management's judgement that the Company has significant influence, based on rights to board representation and other provisions in the respective shareholders' agreements.

Classification of assets and liabilities as held for sale and discontinued operations

Classification of assets or a disposal group as held for sale and discontinued operations requires judgement on whether the carrying amount will be recovered principally through a sale transaction rather than through continuing use and if the sale is highly probable.

The Company classified its investment in Harlequin Enterprises Limited ("Harlequin") as Assets held for sale and Discontinued operations effective April 1, 2014 based on an agreement signed on May 1, 2014 in respect of the sale of Harlequin. Upon the closing of the sale on August 1, 2014, the net assets of Harlequin were derecognized from Assets held for sale.

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.

Determination of operating segments, reportable segments and CGUs

The Company has three reportable operating segments: Metroland Media Group ("MMG"), Star Media Group ("SMG") and Digital Ventures. "Corporate" is the provision of corporate services and administrative support. In connection with the acquisition of a 56% interest in VerticalScope in July 2015, the Company realigned its operating segments such that digital businesses outside the traditional newspaper operations are managed as one operating segment – Digital Ventures, which meets the quantitative threshold criteria and accordingly has become 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.

(t) Changes in accounting policies

Policies adopted in 2015:

The Company adopted new standards and interpretations effective January 1, 2015. The nature and the impact of each new standard/amendment which affect the Company are described below:

IAS 19 Employee Benefits
The amendments to IAS 19 clarified the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendments did not have any impact on financial results.

Several other new standards and amendments apply for the first time in 2015. However, they do not impact the interim or annual consolidated financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Future changes in accounting standards:

There are several new standards and amendments to accounting standards which will be effective for the Company subsequent to 2016, however, only the following new standards are expected to have a material impact on the interim or annual consolidated financial statements of the Company:

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 which specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Company does not anticipate early adoption and plans to adopt the standard on its effective date of January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued a finalized version of IFRS 9 which contains accounting requirements for financial instruments replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas: Classification and Measurement; Impairment; Hedge Accounting; and Derecognition. The Company does not anticipate early adoption and plans to adopt the standard on its effective date of January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 which supersedes IAS 17 *Leases* and related interpretations. The new standard provides a single lessee accounting model which eliminates the distinction between operating and finance leases, by requiring lesses to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The Company does not anticipate early adoption and plans to adopt the standard on its effective date of January 1, 2019. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

3. SEGMENTED INFORMATION

In connection with the acquisition of a 56% interest in VerticalScope during the year ended December 31, 2015, the Company has realigned its operating segments such that digital businesses outside the traditional newspaper operations are managed as one operating segment which meets the quantitative threshold criteria and accordingly has become a separate reportable segment. All previously reported segment information has been restated for prior periods on a comparative basis.

The Company has identified three reportable segments: MMG, SMG and Digital Ventures to which Corporate costs have not been allocated. Management of each segment is accountable for the revenues and segment operating profit or loss which 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.

Segment profit or loss has been defined as segmented operating profit or loss which corresponds to operating profit or loss as presented in the consolidated statement of income but includes the proportionately consolidated share of joint venture operations as well as the Company's 56% interest in VerticalScope. All other income and expense items are managed on a Company basis and are not provided to the CODM at the operating segment level. Also, assets and liabilities are not provided to the CODM at the operating segment level. These items are therefore not allocated to the operating segments.

MMG publishes The Hamilton Spectator and the Waterloo Region Record daily newspapers and more than 100 weekly community newspapers and has a number of specialty publications, directories, consumer shows, distribution operations and digital properties (including homefinder.ca, save.ca, travelalerts.ca, wagjag.com ("WagJag") and the regional online sites, such as durhamregion.ca).

SMG includes the daily Toronto Star newspaper, Toronto Star Touch and thestar.com, as well as Free Daily News Group Inc. ("Metro"), which publishes the English-language Metro free daily commuter papers in several of Canada's largest cities and, through a joint venture arrangement, SMG owns an interest in the Chinese-language Sing Tao Daily and its related publications in Toronto, Vancouver and Calgary. SMG also includes wheels.ca, toronto.com, other specialty publications and magazines and distribution services and the the Company's interest in Olive Media. Olive Media ceased operations effective January 1, 2016.

Digital Ventures includes eyeReturn Marketing Inc., the Company's 50% interest in workopolis.com ("Workopolis") and the Company's 56% interest in VerticalScope.

Year ended December 31, 2015	**MMG**	**SMG**	**Digital Ventures**	**Corporate**	**Total**	**Adjustments and Eliminations [1]**	**Per Consolidated Statement of Income**
Operating revenue	**$447,064**	**$343,555**	**$53,021**		**$843,640**	**($57,009)**	**$786,631**
Salaries and benefits	**(208,431)**	**(127,092)**	**(18,867)**	**($9,044)**	**(363,434)**	**21,610**	**(341,824)**
Other operating costs	**(189,755)**	**(198,057)**	**(23,160)**	**(2,411)**	**(413,383)**	**19,988**	**(393,395)**
Amortization and depreciation	**(14,055)**	**(14,991)**	**(48,428)**	**(37)**	**(77,511)**	**47,334**	**(30,177)**
Restructuring and other charges	**(19,777)**	**(10,634)**	**(899)**		**(31,310)**	**1,087**	**(30,223)**
Impairment of assets	**(265,936)**	**(79,145)**	**(16,000)**		**(361,081)**	**16,000**	**(345,081)**
Reportable segment operating loss	**($250,890)**	**($86,364)**	**($54,333)**	**($11,492)**	**($403,079)**	**$49,010**	**($354,069)**
Interest and financing costs							**(2,046)**
Foreign exchange							**(1,022)**
Loss from joint ventures							**(14,170)**
Loss from associated businesses							**(28,993)**
Other expense							**(1,837)**
Loss before taxes from continuing operations							**($402,137)**

Year ended December 31, 2014	MMG	SMG	Digital Ventures	Corporate	Total	Adjustments and Eliminations[1]	Per Consolidated Statement of Income
Operating revenue	$484,225	$384,873	$35,520		$904,618	($46,484)	$858,134
Salaries and benefits	(219,340)	(134,620)	(15,075)	($11,136)	(380,171)	18,627	(361,544)
Other operating costs	(196,866)	(204,457)	(16,692)	(4,760)	(422,775)	18,255	(404,520)
Amortization and depreciation	(14,644)	(15,337)	(3,363)	(57)	(33,401)	2,727	(30,674)
Restructuring and other charges	(6,937)	(15,709)	(60)		(22,706)	60	(22,646)
Impairment of assets	(329)	(82,606)	(15,000)		(97,935)	15,000	(82,935)
Reportable segment operating profit (loss)	$46,109	($67,856)	($14,670)	($15,953)	($52,370)	$8,185	($44,185)
Interest and financing costs							(4,253)
Foreign exchange							(7,656)
Loss from joint ventures							(9,152)
Income from associated businesses							194
Other income							3,754
Loss before taxes from continuing operations							($61,298)

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

The following charts provide a breakdown of total segmented operating revenue for the years ended December 31, 2015 and December 31, 2014.

Year ended December 31, 2015	MMG		SMG		Digital Ventures		Total	
	$	%	**$**	%	**$**	%	**$**	%
Print advertising	**$200,294**	**44.8%**	**$180,789**	**52.7%**			**$381,083**	**45.2%**
Digital advertising	**37,702**	**8.4%**	**35,208**	**10.2%**	**$53,021**	**100.0%**	**125,931**	**14.9%**
Distribution	**136,465**	**30.5%**	**10,064**	**2.9%**			**146,529**	**17.4%**
Subscriber	**28,420**	**6.4%**	**100,479**	**29.2%**			**128,899**	**15.3%**
Other	**44,183**	**9.9%**	**17,015**	**5.0%**			**61,198**	**7.2%**
Total	**$447,064**	**100.0%**	**$343,555**	**100.0%**	**$53,021**	**100.0%**	**$843,640**	**100.0%**

Year ended December 31, 2014	MMG		SMG		Digital Ventures		Total	
	$	%	$	%	$	%	$	%
Print advertising	$221,756	45.8%	$213,894	55.6%			$435,650	48.2%
Digital advertising	38,317	7.9%	36,722	9.5%	$35,520	100.0%	110,559	12.2%
Distribution	147,150	30.4%	10,256	2.7%			157,406	17.4%
Subscriber	29,502	6.1%	105,710	27.5%			135,212	14.9%
Other	47,500	9.8%	18,291	4.7%			65,791	7.3%
Total	$484,225	100.0%	$384,873	100.0%	$35,520	100.0%	$904,618	100.0%

Geographical information

The Company operates in the following main geographical areas:

	Revenue[1]		Non-current assets[2]	
	Year ended December 31		As at December 31	
	2015	2014	**2015**	2014
Canada	**$781,036**	$852,203	**$193,747**	$531,084
United States	**4,132**	4,265		
Other	**1,463**	1,666		
Total	**$786,631**	$858,134	**$193,747**	$531,084

[1] Revenue is allocated based on the country in which the order is received.
[2] Non-current assets include property, plant and equipment; intangible assets and goodwill.

4. INVESTMENTS IN SUBSIDIARIES

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

On March 28, 2014, the Company increased its interest in Metro to 100% by acquiring the remaining 10% interest previously owned by Metro International S.A. ("MISA"), as disclosed in Note 26.

The Company also has a 75% interest in the Olive Media partnership. The 25% interest that the Company does not own is reflected in Minority interests. Effective January 1, 2016, Olive Media ceased operations and the Toronto Star assumed responsibility for its digital advertising sales previously handled by Olive Media.

Prior to August 1, 2014, the Company also had a 100% voting and equity securities interest in Harlequin which was sold as detailed in Note 24.

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

5. RESTRICTED CASH

At December 31, 2015, the Company had restricted cash totalling $37.9 million (December 31, 2014 – $38.9 million) comprised of $15.2 million (December 31, 2014 – $16.1 million) held as collateral for outstanding standby letters of credit and $22.8 million (December 31, 2014 – $22.8 million) related to the sale of Harlequin in August 2014, which was held in an escrow account until the end of the escrow term on February 1, 2016 when the funds were released to the Company (Notes 24 and 29).

The outstanding letters of credit include $15.1 million (December 31, 2014 – $15.6 million) in respect of an unfunded executive retirement plan liability (Note 19).

6. INVENTORIES

	December 31, 2015	December 31, 2014
Finished goods	**$1,178**	$4,048
Work in progress	**129**	105
Raw materials	**4,924**	5,156
	$6,231	$9,309

The Company expensed inventory costs of $50.4 million for the year ended December 31, 2015 (2014 – $56.7 million).

7. INVESTMENTS IN JOINT VENTURES

The Company's joint ventures include investments in Workopolis (50%) and Sing Tao Daily (approximately 50%). Effective April 1, 2014, pursuant to the Company entering into an agreement for the sale of Harlequin, the amounts related to the Book Publishing Segment joint venture operations were reclassified to Assets held for sale. The sale transaction closed on August 1, 2014.

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

	Year ended December 31	
	2015	2014
Balance, beginning of year	**$54,531**	$80,901
Reclassified to Assets held for sale		(7,968)
	54,531	72,933
Loss from joint ventures	**(14,170)**	(9,152)
Distributions from joint ventures	**(7,500)**	(9,250)
Balance, end of year	**$32,861**	$54,531

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, 2015	As at December 31, 2014
Cash and cash equivalents	**$5,308**	$8,331
Other current assets	**7,244**	8,153
Total current assets	**12,552**	16,484
Total non-current assets	**30,442**	48,613
Total assets	**$42,994**	$65,097
Current liabilities	**$8,923**	$9,333
Other non-current liabilities	**1,210**	1,233
Total equity	**32,861**	54,531
Total liabilities and equity	**$42,994**	$65,097

(ii) Statements of Income and Comprehensive Income

	Year ended December 31	
	2015	2014
Operating revenue	**$42,020**	$46,740
Salaries and benefits	**(17,670)**	(18,627)
Other operating costs	**(17,522)**	(18,511)
Amortization and depreciation	**(3,016)**	(2,727)
Restructuring and other charges	**(1,087)**	(60)
Impairment of assets (note 12)	**(16,000)**	(15,000)
Operating loss	**(13,275)**	(8,185)
Interest and financing costs	**(24)**	2
Foreign exchange	**(66)**	24
Other income		207
	(13,365)	(7,952)
Income and other taxes	**(805)**	(1,200)
Net loss and Comprehensive loss from continuing operations	**($14,170)**	($9,152)

8. INVESTMENTS IN ASSOCIATED BUSINESSES

As of December 31, 2015, the Company's investments in associated businesses include a 19.4% equity interest in Black Press Ltd. ("Black Press"); a 23.1% equity investment in Blue Ant Media Inc. ("Blue Ant"); a 33.3% equity interest in Canadian Press Enterprises Inc. ("Canadian Press"); a 14.7% equity investment in Shop.ca Network Inc. ("Shop.ca") and a 56.4% equity investment in VerticalScope. The Company also had a 38.2% equity investment in Tuango Inc. ("Tuango") until October 16, 2014.

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

	Year ended December 31	
	2015	2014
Balance, beginning of year	**$39,960**	$40,215
Dividends received	**(193)**	(1,222)
Investments during the year	**203,587**	4,489
Sale of investment	**(256)**	(3,476)
Return of capital	**(22,094)**	
Income (loss) of associated businesses	**(28,993)**	194
OCI – Actuarial gain (loss) on employee benefits	**(588)**	(365)
OCI – Foreign currency translation adjustment	**10,780**	125
Balance, end of year	**$202,203**	$39,960

The table below provides income and losses from associated businesses:

	Net Income		OCI	
	2015	2014	**2015**	2014
VerticalScope	**($26,950)**		**$9,985**	
Black Press	**3,000**	$3,958	**207**	($240)
Blue Ant	**(1,859)**	(746)		
Tuango		404		
Shop.ca	**(3,025)**	(3,448)		
Other	**(159)**	26		
Total	**($28,993)**	$194	**$10,192**	($240)

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, Washington, California, Hawaii and Ohio. For the year ended December 31, 2015, the Company's share of Black Press' net income was $3.0 million and other comprehensive income of $0.2 million (2014 – net income of $4.0 million and other comprehensive loss of $0.2 million).

Blue Ant

Blue Ant is media company founded in 2011 that creates and distributes video content across a range of traditional and new media platforms in 'enthusiast categories' such as Outdoor Life, Nature and Science, Style and Do-It-Yourself ("DIY"), Music and Gaming. Subsequent to December 31, 2015, the Company invested an additional $0.5 million in Blue Ant and during 2014, the Company invested an additional $3.5 million in Blue Ant. The Company's equity interest at December 31, 2015 was 23.1% (December 31, 2014 – 23.1%). The Company's share of Blue Ant's net loss in 2015 was $1.9 million (2014 – $0.7 million).

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 ($3.1 million as of December 31, 2015) have been offset by net income, other comprehensive income or additional investments are made. For the year ended December 31, 2015, the Company would have reported income of $0.5 million and other comprehensive income of $0.4 million from Canadian Press (2014 – loss of $0.3 million and other comprehensive loss of $3.7 million).

Shop.ca

Shop.ca is an online e-commerce marketplace aimed at Canadian shoppers. As at December 31, 2015, the Company's equity interest in Shop.ca was 14.7% (December 31, 2014 – 16.1%). For the year ended December 31, 2015, the Company's share of Shop.ca's net loss was $3.0 million (2014 – $3.5 million).

Tuango

Tuango is a Quebec-based daily deal business. On October 16, 2014, the Company sold its 38.2% interest for proceeds of $7.6 million and recorded a gain of $4.5 million as indicated in Note 23. For the year ended December 31, 2014, the Company's share of Tuango's net income was $0.4 million.

Other

The Company has investments in other associated businesses for which a loss of $0.2 million was recorded for the year ended December 31, 2015 (2014 – income of less than $0.1 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.

On July 28, 2015, the Company acquired a 56.4% interest in VerticalScope. The total purchase price including transaction costs was $202 million. Pursuant to certain terms in the shareholders agreement, the investment is accounted for as an associated business using the equity method. On October 22, 2015, the company received a return of capital of $22.1 million.

The following is summarized supplemental financial information for 100% of VerticalScope as at December 31, 2015, including the Company's fair value adjustments on acquisition of the investment:

(i) Statement of Financial Position

	As at December 31, 2015
Cash and cash equivalents	$10,716
Other current assets	15,109
Total current assets	25,825
Total non-current assets	445,129
Total assets	$470,954
Current portion long-term debt	$6,193
Other current liabilities	6,892
Total current liabilities	13,085
Long-term debt	113,676
Other non-current liabilities	56,786
Total equity	287,407
Total liabilities and equity	$470,954

(ii) Statement of Income and Comprehensive Income

	Period from July 29, 2015 to December 31, 2015
Operating revenue	$26,896
Net loss	($47,757)
Other comprehensive income	17,694
Total comprehensive loss	($30,063)

Torstar's comprehensive loss attributable to its interest in VerticalScope was $17.0 million for the period from July 29, 2015 through December 31, 2015.

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and leasehold improvements	Machinery and equipment	Total
Cost				
Balance at December 31, 2013	$5,519	$142,264	$201,304	$349,087
Reclassified to Assets held for sale	(2,706)	(17,381)	(32,711)	(52,798)
	2,813	124,883	168,593	296,289
Additions		2,712	5,353	8,065
Disposals	(115)	(2,864)	(16,668)	(19,647)
Balance at December 31, 2014	**2,698**	**124,731**	**157,278**	**284,707**
Additions		**1,563**	**8,695**	**10,258**
Disposals		**(1,424)**	**(12,507)**	**(13,931)**
Foreign exchange			**5**	**5**
Balance at December 31, 2015	**$2,698**	**$124,870**	**$153,471**	**$281,039**
Depreciation and impairment				
Balance at December 31, 2013		$64,528	$133,894	$198,422
Reclassified to Assets held for sale		(13,284)	(24,959)	(38,243)
		51,244	108,935	160,179
Additions		6,348	11,541	17,889
Impairments (note 12)		237	523	760
Disposals		(2,750)	(16,428)	(19,178)
Balance at December 31, 2014		**55,079**	**104,571**	**159,650**
Additions		**6,331**	**10,762**	**17,093**
Impairments (note 12)		**297**	**93**	**390**
Disposals		**(1,420)**	**(12,469)**	**(13,889)**
Foreign exchange			**2**	**2**
Balance at December 31, 2015		**$60,287**	**$102,959**	**$163,246**
Net book value				
At December 31, 2013	$5,519	$77,736	$67,410	$150,665
At December 31, 2014	$2,698	$69,652	$52,707	$125,057
At December 31, 2015 [1]	**$2,698**	**$64,583**	**$50,512**	**$117,793**

[1] This amount includes $4.2 million asset held for sale, which was sold in February 2016 (Note 29).

10. INTANGIBLE ASSETS

	Indefinite life	Finite life			Total
		Software	Other	Total	
Cost					
Balance at December 31, 2013	$27,059	$89,009	$38,958	$127,967	$155,026
Reclassified to Assets held for sale	(6,333)	(22,562)	(1,325)	(23,887)	(30,220)
	20,726	66,447	37,633	104,080	124,806
Additions - internally developed		4,381		4,381	4,381
Additions - purchased	3,105	5,370	26	5,396	8,501
Reclassifications	14,583		(20,000)	(20,000)	(5,417)
Disposals		(2,420)		(2,420)	(2,420)
Balance at December 31, 2014	**38,414**	**73,778**	**17,659**	**91,437**	**129,851**
Additions - internally developed [1]		**4,834**		**4,834**	**4,834**
Additions - purchased [2]		**22,845**		**22,845**	**22,845**
Disposals		**(6,643)**	**(3,555)**	**(10,198)**	**(10,198)**
Balance at December 31, 2015	**$38,414**	**$94,814**	**$14,104**	**$108,918**	**$147,332**
Amortization and Impairment					
Balance at December 31, 2013	$10,909	$52,278	$17,897	$70,175	$81,084
Reclassified to Assets held for sale		(17,031)	(1,013)	(18,044)	(18,044)
	10,909	35,247	16,884	52,131	63,040
Amortization		10,556	2,229	12,785	12,785
Impairments (note 12)		175		175	175
Reclassifications			(5,417)	(5,417)	(5,417)
Disposals		(2,342)		(2,342)	(2,342)
Balance at December 31, 2014	**10,909**	**43,636**	**13,696**	**57,332**	**68,241**
Amortization		**12,230**	**854**	**13,084**	**13,084**
Impairments (note 12)	**8,367**				**8,367**
Disposals		**(6,626)**	**(3,555)**	**(10,181)**	**(10,181)**
Balance at December 31, 2015	**$19,276**	**$49,240**	**$10,995**	**$60,235**	**$79,511**
Net book value					
At December 31, 2013	$16,150	$36,731	$21,061	$57,792	$73,942
At December 31, 2014	$27,505	$30,142	$3,963	$34,105	$61,610
At December 31, 2015	**$19,138**	**$45,574**	**$3,109**	**$48,683**	**$67,821**

[1] This amount includes $2.8 million for software in development for which amortization has not commenced.
[2] Additions include amounts not yet paid at December 31, 2015 of $3.9 million in Accounts payable and accrued liabilities and $3.4 million in Other liabilities.

11. GOODWILL

The following is a continuity of the Goodwill balance:

	2015	2014
Balance, beginning of year	**$344,417**	$533,982
Reclassified to Assets held for sale		(107,565)
	344,417	426,417
Acquisitions (note 26)	**40**	
Impairment (note 12)	**(336,324)**	(82,000)
Balance, end of year	**$8,133**	$344,417

Goodwill acquired in a business combination is allocated to a CGU or groups of CGUs which are expected to benefit from the synergies of the combination. For internal management purposes, certain CGUs have been grouped together as goodwill is monitored at the operating segment level.

Goodwill has been allocated to the following groups of cash generating units ("CGU"):

	December 31, 2015	December 31, 2014
Metroland Media Group		$265,529
Star Media Group		70,755
Digital Ventures	**$8,133**	8,133
Total	**$8,133**	$344,417

12. IMPAIRMENT OF ASSETS

The Company recorded the following impairment on its assets:

	Year ended December 31	
	2015	2014
Property, plant and equipment (note 9)	**$390**	$760
Intangible assets (note 10)	**8,367**	175
Goodwill (note 11)	**336,324**	82,000
	345,081	82,935
Investments in joint ventures (note 7)	**16,000**	15,000
	$361,081	$97,935

Impairment Testing

During the three months ended September 30, 2015 and at October 1, 2015, the Company's annual impairment test date, the Company conducted impairment tests on the carrying value of property, plant and equipment, intangible assets with a finite useful life, intangible assets with an indefinite useful life and goodwill. In carrying out this testing, it was determined that the carrying amount of the Metroland Media Group of CGUs exceeded the recoverable amount of $251.2 million, which was calculated using the VIU approach and the Company recorded an impairment charge of $135.0 million for goodwill in the Metroland Media Group of CGUs. This impairment was the result of lower revenue projections reflecting current economic conditions coupled with lower forecasted longer term revenues reflecting an acceleration in the shift in spending by advertisers from print advertising to digital advertising.

The Company also recorded a $12.0 million impairment charge in respect of its joint venture investment in Workopolis during the third quarter of 2015 resulting from lower forecasted revenues attributable to continued increases in competition in the online recruitment and job search markets as well as prevailing economic conditions.

As a result of the significant change in the market capitalization of the Company during the three months ended December 31, 2015, which was an indicator of impairment, the Company performed an additional impairment test as at December 31, 2015. In doing so it was determined that the carrying amount of the Metroland Media Group of CGUs and Star Media Group of CGUs exceeded their recoverable amounts. As a result the Company recorded a charge of $130.6 million in respect of goodwill in the Metroland Media Group of CGUs, $70.8 million in respect of goodwill and $8.0 million in respect of intangible assets in the Star Media Group of CGUs. In its assessment of the recoverable amounts of the group of CGUs, the Company considered both the VIU and FVLCS approaches and concluded that due to increased measurement uncertainties involved with the VIU approach, FVLCS was a more reliable and appropriate methodology as at December 31, 2015 and accordingly, the Company calculated the recoverable amount using a forward multiple of forecasted adjusted forward EBITDA. As the fair value, (as determined using Level 3 of the fair value of the hierarchy – please refer to Note 2 (g) for further discussion) of the Metroland Media Group of CGUs and Star Media Group of CGUs at December 31, 2015 were equal to their carrying value after recording the above noted impairments, any change in the forward multiple or forecasted adjusted forward EBITDA would impact the recoverable amount. A 5% decrease in the forward multiple and a 5% decrease in forecasted adjusted EBITDA would decrease the recoverable amount by approximately $11.1 million and $8.8 million respectively.

In carrying out this testing in the three months ended December 31, 2015, the Company also recorded a further impairment charge of $4.0 million related to its joint venture investment in Workopolis resulting from a further downward revision in longer term forecasted revenues reflecting the prevailing business environment.

During the three months ended September 30, 2014, the Company conducted impairment tests on the carrying value of property, plant and equipment, intangible assets with a finite useful life, intangible assets with an indefinite useful life and goodwill. In carrying out this testing, it was determined that the carrying amount of the Star Media Group of CGUs exceeded the value in use and the Company recorded an impairment charge of $82.0 million for goodwill in the Star Media Group of CGUs. This impairment was the result of lower forecasted revenues reflecting continued shifts in spending by advertisers. The Company also recorded a $15.0 million impairment charge in respect of its joint venture investment in Workopolis during the third quarter of 2014. This resulted from lower forecasted revenues attributable to an increase in competition in the online recruitment and job search markets.

The Company performed its annual impairment test in the three months ended December 31, 2014. No further impairments were identified as a result of this test. In its assessment of the recoverable amounts of the Star Media Group of CGUs, the Company performed a sensitivity analysis of the discount rates. A 0.5% increase in the discount rate and a 0.5% decrease in the perpetual growth rate would have an impact of approximately $5.9 million and $3.7 million respectively.

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.

The after-tax discount and perpetual growth rates used by the Company for the purpose of its annual impairment testing for each of the groups of CGUs in the following periods were:

	2015		2014	
	Discount	**Growth**	Discount	Growth
Metroland Media Group	**11.7%**	**0.0%**	12.1%	0.0%
Star Media Group	**12.0% – 14.8%**	**0.0% – 0.9%**	12.5% – 12.9%	0.0% – 1.5%
Digital Ventures	**13.2%**	**3.0%**	13.9%	3.0%

The discount rates for the Star Media Group include a range reflective of both the traditional newspaper operations and the Toronto Star Touch. These after-tax rates correspond to pre-tax rates in an estimated range of 14% – 19% for 2015 and 16 – 18% for 2014. The forward multiples used for performing the December 31, 2015 impairment test were based on market data of recent transactions as well as analyst reports covering the Company.

13. OTHER ASSETS

	December 31, 2015	December 31, 2014
Portfolio investments	**$7,439**	$7,372
ESPP receivable	**115**	266
Other	**1,868**	1,859
	$9,422	$9,497

14. INCOME TAXES

Income tax expense is made up of the following:

	Year ended December 31	
	2015	2014
Current income tax expense (recovery):		
Current year	**($2,200)**	$800
Adjustment for prior years	**(100)**	(100)
	(2,300)	700
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences	**(28,000)**	1,900
Recognition of previously unrecognized tax losses	**(400)**	(14,700)
Reduction in carrying amount of deferred income tax assets	**28,200**	
Adjustment for prior years	**200**	400
		(12,400)
Income tax recovery in the consolidated statement of income	**(2,300)**	(11,700)
Current income tax recovery in OCI	**(600)**	
Deferred income tax expense (recovery) in OCI	**(1,600)**	(20,304)
Reduction in carrying amount of deferred income tax assets in OCI	**6,000**	
Income tax expense (recovery) in OCI	**3,800**	(20,304)
Total income tax expense (recovery)	**$1,500**	($32,004)

Income taxes of $7.1 million were paid and refunds of $0.4 million were received during the year from continuing operations (2014 – $5.7 million paid and refunds of $2.8 million received).

Reconciliation of effective tax rate

The combined Canadian federal and provincial statutory rate was 26.5% in 2015 (2014 – 26.5%).

	Year ended December 31	
	2015	2014
Loss before taxes from continuing operations	**($402,137)**	($61,298)
Provision for income taxes based on Canadian statutory rate of 26.5% (2014 – 26.5%)	**($106,600)**	($16,200)
Increase (decrease) in taxes resulting from:		
Loss of joint ventures and associated businesses not recognized	**10,300**	2,600
Non-deductible impairment charges	**62,100**	21,700
Reduction in carrying amount of deferred income tax assets	**28,200**	
Prior years' losses not previously recognized	**(400)**	(6,800)
Excess tax basis over carrying value of investments		(7,900)
Losses not recognized	**300**	700
Non-taxable portion of capital losses	**800**	900
Non-deductible expenses and other permanent differences	**1,900**	(200)
Donation of Canadian cultural property		(6,000)
Effect of lower provincial tax rates	**1,100**	(500)
Income tax recovery in the consolidated statement of income	**($2,300)**	($11,700)
Effective income tax rate	**0.6%**	19.1%

2015

The Company recognized losses on impairment of assets of $345.1 million (2014 – $82.9 million), a significant portion of which is not deductible for tax purposes. At December 31, 2015, the Company assessed the carrying amount of the deferred income tax assets to determine if sufficient taxable profit will be available against which they can be utilized. As a result of this assessment, the Company has reduced the carrying amount of the deferred income tax assets by $34.2 million, of which $6.0 million was recorded in OCI.

Excluding the impact of non-deductible impairment charges, losses of joint ventures and associated businesses not recognized and reduction in carrying amount of deferred income tax assets, the Company’s effective tax rate in 2015 would have been 7.8%.

2014

The Company recognized a $6.8 million deferred income tax recovery for capital losses carried forward from prior years that can be used to reduce the gain realized on the sale of Harlequin, which was reported in the Gain on sale and income from discontinued operations. The Company also recognized a $7.9 million deferred income tax asset for the difference between the tax basis and carrying value of investments that it expects to realize in the future and carry back to offset the capital gain on the sale of Harlequin.

In June 2014, the Company made a gift of the complete Toronto Star photo archive containing more than one million vintage photographs from approximately 1900 to 2000 to the Toronto Public Library. An application has been made to the Canadian Cultural Property Export Review Board to treat this gift as a donation of Canadian cultural property and to determine its value. The Company reported an estimated income tax recovery of $6.0 million in respect of this donation. As at December 31, 2015, the final value of the donation has yet to be determined and the estimated tax recovery has not been adjusted pending confirmation of the value.

Excluding the impact of the impairment losses and the recognition of tax recoveries from prior years’ net capital loss carry forwards, the excess of the tax basis over the carrying value of investments, and the donation of Canadian cultural property, the Company’s effective tax rate in 2014 would have been 43.0%.

The Company also recognized income tax expense of $22.6 million in reporting the net income from discontinued operations, including $17.0 million from the sale of Harlequin.

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, 2015 and December 31, 2014 are as follows:

	December 31, 2014	Recognized in net income from continuing operations	Recognized in OCI from continuing operations	Recognized in net income from discontinued operations	December 31, 2015
Provisions for returns and doubtful accounts	**$1,520**	**($396)**			**$1,124**
Property, plant & equipment	**(7,163)**	**2,524**			**(4,639)**
Intangible assets	**(7,409)**	**1,150**			**(6,259)**
Financial instruments		**200**	**$700**		**900**
Provision for employee benefit obligations	**19,950**	**(16,611)**	**(5,100)**		**(1,761)**
Share-based payment transactions	**1,769**	**(1,103)**			**666**
Tax losses carried forward	**6,770**	**(3,994)**			**2,776**
Provisions	**7,657**	**222**		**$900**	**8,779**
Goodwill	**(16,266)**	**17,364**			**1,098**
Excess tax basis over carrying value of investments	**7,845**	**(69)**			**7,776**
Other	**1,745**	**713**			**2,458**
Net deferred income tax assets	**$16,418**	**$—**	**($4,400)**	**$900**	**$12,918**
As reported in the consolidated statement of financial position					
Deferred income tax assets	**$28,126**				**$15,233**
Deferred income tax liabilities	**(11,708)**				**(2,315)**
Net deferred income tax assets	**$16,418**				**$12,918**

	December 31, 2013	Recognized in net income from continuing operations	Recognized in OCI from continuing operations	Reclassified to Assets held for sale	December 31, 2014
Provisions for returns and doubtful accounts	$10,166	($498)		($8,148)	$1,520
Property, plant & equipment	(7,974)	1,117		(306)	(7,163)
Intangible assets	(10,796)	404		2,983	(7,409)
Financial instruments	1,370		($1,096)	(274)	
Provision for employee benefit obligations	11,159	(6,352)	21,400	(6,257)	19,950
Share-based payment transactions	1,269	546		(46)	1,769
Tax losses carried forward	30,469	7,095		(30,794)	6,770
Provisions	7,214	443			7,657
Goodwill	(15,447)	(819)			(16,266)
Excess tax basis over carrying value of investments		7,845			7,845
Other	(492)	2,619		(382)	1,745
Net deferred income tax assets	$26,938	$12,400	$20,304	($43,224)	$16,418
As reported in the consolidated statement of financial position					
Deferred income tax assets	$51,369				$28,126
Deferred income tax liabilities	(24,431)				(11,708)
Net deferred income tax assets	$26,938				$16,418

Tax losses carried forward

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, 2015, the Company had Canadian non-capital losses available for carry forward in continuing operations of approximately $10.5 million (2014 – $25.9 million) that will expire between 2028 and 2035 for which it is has recognized a deferred income tax asset of $2.8 million (2014 – $6.8 million). In 2014, the Company also recognized a benefit of $6.8 million for capital losses carried forward of $51.4 million that were used to reduce the capital gain recognized on the sale of Harlequin. This capital loss arose from the sale of the Company's 20% interest in CTV Inc. in 2011. Prior to 2014, no deferred tax asset had been recognized in respect of the capital losses carried forward.

Investments in subsidiaries, associates and joint ventures

As at December 31, 2015, 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 $516.3 million (2014 – $44.7 million).

15. 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, 2015	December 31, 2014
Financial assets:		
Loans and receivables, measured at amortized cost:		
Cash and cash equivalents	**$35,141**	$251,339
Restricted cash (current)	**37,935**	16,150
Restricted cash (non-current)		22,750
Trade accounts receivable	**140,930**	153,048
Other receivables	**4,067**	9,795
Receivables	**144,997**	162,843
Available-for-sale, measured at fair value:		
Portfolio investments[1]	**7,439**	7,372
Derivatives designated as effective hedges, measured at fair value:		
Foreign currency forward contracts	**(6,543)**	
Other financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	**(122,296)**	(115,717)
Provisions (current)	**(29,021)**	(22,583)
Provisions (non-current)	**(13,228)**	(16,774)

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

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

	At December 31, 2015			At December 31, 2014		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Measured at fair value:						
Portfolio investments			**$7,439**			$7,372
Derivative financial instruments:						
- Foreign currency forward contracts		**($6,543)**				

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

	Year ended December 31	
	2015	2014
Balance, beginning of year	**$7,372**	$6,568
Additions (note 26)	**2,021**	680
Disposals		(11)
Net losses included in net income (note 23)	**(2,300)**	
Exchange differences and OCI	**346**	135
Balance, end of year	**$7,439**	$7,372

Interest and financing costs

	Year ended December 31	
	2015	2014
Interest earned on short-term investments	**$1,925**	$1,394
Interest on long-term debt		(4,908)
Interest accretion costs	**(802)**	(310)
Interest – other	**(63)**	(19)
Net financial expense related to employee benefit plans	**(3,106)**	(410)
	($2,046)	($4,253)

Interest paid during the year ended December 31, 2015 was $0.1 million (2014 – $5.0 million). Interest received during the year ended December 31, 2015 was $1.9 million (2014 – $1.4 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, 2015, the Company had $35.1 million in cash and cash equivalents (December 31, 2014 – $251.3 million).

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

	2016	2017	2018	2019	2020	2021+	Total
Foreign currency forward contracts	$6,543						$6,543
Accounts payable and accrued liabilities[1]	118,379						118,379
Licenses	3,917	$2,208	$1,375				7,500
Provisions	29,021	7,078	2,669	$901	$794	$2,574	43,037
	$157,860	$9,286	$4,044	$901	$794	$2,574	$175,459

[1] This amount excludes the $3.9 million of Licenses payable in 2016.

(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. Allowances for doubtful accounts are estimated based on past experience, specific risks associated with the customer and other relevant information.

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.

The maximum exposure to credit risk is the carrying value of the financial assets.

The following table sets out the ageing of the trade receivables:

	December 31, 2015	December 31, 2014
Gross accounts receivable:		
Current	**$63,101**	$70,016
Up to three months past due date	**72,811**	77,183
Three to twelve months past due date	**10,105**	11,757
Impaired	**207**	278
	146,224	159,234
Allowances for doubtful accounts	**(5,294)**	(6,186)
	$140,930	$153,048

The continuity of the allowance for doubtful accounts is as follows:

	Year ended December 31	
	2015	2014
Balance, beginning of year	**($6,186)**	($7,585)
Reclassified to Assets held for sale		167
	(6,186)	(7,418)
Utilized	**2,685**	5,946
Income statement movements	**(1,793)**	(4,714)
Balance, end of year	**($5,294)**	($6,186)

(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 exchange risk on its consolidated statement of financial position from its net investment in VerticalScope, the Company entered into rolling forward foreign exchange contracts which established a rate of of exchange of Cdn. dollar per U.S. dollar of $1.30 for $153.8 million as of the date of the investment. The forward foreign exchange contracts have been designated as a hedge of the net investment in VerticalScope. Gains or losses on the translation of the effective portion of the designated hedge amount are transferred to OCI to offset any gains or losses on translation of the net investment. The hedge was highly effective during the period ended December 31, 2015. The losses on the translation of the ineffective portion of the hedges were $1.7 million and have been included in net income in 2015.

As at December 31, 2015, the forward contracts outstanding establish a rate of exchange of Cdn. dollar per U.S. dollar of $1.34 for U.S. $137.0 million in 2016. The net fair value of the forward contracts outstanding at December 31, 2015 was $6.5 million unfavourable. Forward foreign exchange contracts settled in 2015 were $4.4 million unfavourable. Any changes to the U.S. dollar/Cdn. dollar exchange rate during the year ended December 31, 2015 would have been offset by the gains or losses on translation of the net investment to the extent of hedge effectiveness.

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, 2015 would have decreased net income by $1.0 million (2014 – $0.8 million), with an equal but opposite effect for an assumed increase of 1% in short-term investment rates.

16. 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 pay dividends.

The Company defines capital as total equity. At December 31, 2015, capital under management was $419.7 million (December 31, 2014 – $869.7 million). There have been no changes to the Company's approach to capital management during the year.

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 or issue new shares.

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

17. PROVISIONS

	Restructuring	Other	Total
Balance at December 31, 2013	$36,650	$607	$37,257
Reclassified to Liabilities associated with assets held for sale	(974)	(150)	(1,124)
	35,676	457	36,133
Provisions made during the year	24,087	8,790	32,877
Reversals of provisions during the year	(1,487)	(40)	(1,527)
Adjustment to contingent consideration		(274)	(274)
Provisions paid during the year	(27,735)	(394)	(28,129)
Interest accretion	277		277
Balance at December 31, 2014	**$30,818**	**$8,539**	**$39,357**
Provisions made during the year	**28,328**	**137**	**28,465**
Reversals of provisions during the year	**(1,054)**	**(137)**	**(1,191)**
Discontinued operations		**5,800**	**5,800**
Adjustment to contingent consideration		**(5)**	**(5)**
Provisions paid during the year	**(25,504)**	**(5,371)**	**(30,875)**
Interest accretion	**698**		**698**
Balance at December 31, 2015	**$33,286**	**$8,963**	**$42,249**
Current	**$20,058**	**$8,963**	**$29,021**
Non-current	**$13,228**		**$13,228**
Balance at December 31, 2014			
Current	$14,051	$8,532	$22,583
Non-current	$16,767	$7	$16,774
Balance at December 31, 2013			
Current	$20,535	$471	$21,006
Non-current	$16,115	$136	$16,251

Restructuring

During the year ended December 31, 2015, the Company recorded restructuring and other charges of $30.2 million, which included restructuring provisions of $30.2 million and other charges of less than $0.1 million. Restructuring provisions of $19.7 million were recorded in the MMG Segment and $10.5 million in the SMG Segment. The restructuring provisions included $27.3 million related to ongoing efforts to reduce costs as well as additional provisions of $2.6 million in respect of inventory related to MMG's decision to phase out product sales and $0.3 million write-off of receivables.

In 2014, the Company recorded restructuring and other charges of $22.6 million, which included restructuring provisions of $22.6 million and other charges of approximately $0.1 million. Restructuring provisions of $6.9 million were recorded in the MMG Segment and $15.7 million in the SMG Segment primarily for staff reductions. Other charges of approximately $0.1 million were recorded in respect of litigation expenses in the MMG Segment.

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. During the year ended December 31, 2014, the Company had 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. During the year ended December 31, 2015, the Company adjusted its estimates of these contingent liabilities to reflect the appreciation of the U.S. dollar relative to the Canadian dollar as well as revised estimates of the amounts of these contingent liabilities in respect of insurance, taxes, legal and other costs. The expense associated with these adjustments has been included in the determination of Income (loss) from discontinued operations.

Other provisions also include provisions for contingent consideration, which is an estimate of the fair value of contingent consideration for acquisitions, which are primarily based on revenue and earnings levels estimated to be realized by the acquired businesses for specified periods following the acquisition.

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.

18. OTHER LIABILITIES

	December 31, 2015	December 31, 2014
Employees' shares subscribed (note 21(b))	**$1,294**	$1,860
RSU Plan (note 22(c))	**778**	1,867
DSU Plan (note 22(e))	**1,828**	3,617
Other employment benefits	**1,504**	1,626
Licenses (note 10)	**3,419**	
Other	**1,049**	1,026
	$9,872	$9,996

19. EMPLOYEE BENEFITS

The Company maintains a number of defined benefit plans which provide pension benefits to its employees in the Province of Ontario. The Ontario registered pension plans are regulated by the Financial Services Commission of Ontario. Pension benefits are calculated based on a combination of years of service and compensation levels. The contributions for the most significant plans are based on career average earnings with a base year upgrade. Pensionable earnings for years of service prior to the base year are calculated using the base year earnings. The current base year for Canadian plans is 2005. None of the plans include mandatory indexing provisions. The assets of the funded plans are held by third party trustees. Funding for the plans is 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. The obligations for unfunded plans are paid when the obligation falls due. All defined benefit pension plans are closed to new members.

The Company also maintains capital accumulation plans in Canada. 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.

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.

Governance of the above plans is the Company's responsibility. The Pension Committee of the Company's Board of Directors provides oversight of the registered pension plans and capital accumulation plans in Canada.

Information concerning the Company's post employment benefit plans is as follows:

Net defined benefit plan obligations

Changes to the net defined benefit obligation (asset) were as follows:

	Pension plans			Other post employment benefit plans	Total
	Funded		Unfunded[1]		
	Canada	United States			
At December 31, 2013	($37,308)	$6,343	$26,283	$42,791	$38,109
Reclassified to Liabilities associated with assets held for sale	(1,449)	(6,343)	(12,439)		(20,231)
	(38,757)		13,844	42,791	17,878
Liability transferred from discontinued operations			611		611
Expense recognized in the consolidated statement of income:					
Salaries and benefits	12,498		632	300	13,430
Interest and financing costs	(2,156)		601	1,965	410
	10,342		1,233	2,265	13,840
Amounts recognized in OCI	77,534		1,129	4,933	83,596
Contributions to plan	(37,432)		(34)	(2,387)	(39,853)
At December 31, 2014	**11,687**		**16,783**	**47,602**	**76,072**
Expense recognized in the consolidated statement of income:					
Salaries and benefits	**17,452**		**537**	**364**	**18,353**
Interest and financing costs	**683**		**604**	**1,819**	**3,106**
	18,135		**1,141**	**2,183**	**21,459**
Amounts recognized in OCI	**(445)**		**3,393**	**469**	**3,417**
Contributions to plans	**(17,951)**		**(79)**	**(2,379)**	**(20,409)**
At December 31, 2015	**$11,426**		**$21,238**	**$47,875**	**$80,539**

[1] As at December 31, 2015, the unfunded pension plan includes an executive retirement plan liability of $21.2 million (December 31, 2014 – $16.8 million) which is supported by an outstanding letter of credit of $15.1 million as at December 31, 2015 (December 31, 2014 – $15.6 million).

A summary of the components of the net defined benefit obligation as at December 31, 2015 and 2014 is as follows:

2015	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Defined benefit obligations	**$920,659**	**$21,238**	**$47,875**	**$989,772**
Fair value of plan assets	**(909,233)**			**(909,233)**
Net defined benefit obligation	**$11,426**	**$21,238**	**$47,875**	**$80,539**
Recorded in:				
Assets	**$6,922**			**$6,922**
Liabilities	**$18,348**	**$21,238**	**$47,875**	**$87,461**

2014	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Defined benefit obligations	$930,398	$16,783	$47,602	$994,783
Fair value of plan assets	(918,711)			(918,711)
Net defined benefit obligation	$11,687	$16,783	$47,602	$76,072
Recorded in:				
Assets	$9,243			$9,243
Liabilities	$20,930	$16,783	$47,602	$85,315

The following charts provide a summary of changes in the defined benefit obligation and the fair value of plan assets during 2015 and 2014:

2015	Pension Plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Accrued benefit obligations:				
Balance, beginning of year	**$930,398**	**$16,783**	**$47,602**	**$994,783**
Current service cost	**14,805**	**537**	**364**	**15,706**
Interest cost	**35,840**	**604**	**1,819**	**38,263**
Benefits paid	**(63,024)**	**(79)**	**(2,379)**	**(65,482)**
Remeasurement losses	**(2,082)**	**3,393**	**469**	**1,780**
Participant contributions	**3,542**			**3,542**
Past service cost	**1,180**			**1,180**
Balance, end of year	**$920,659**	**$21,238**	**$47,875**	**$989,772**
Plans' assets:				
Fair value, beginning of year	**$918,711**			**$918,711**
Interest income included in net interest expense	**35,157**			**35,157**
Remeasurement gains	**(1,637)**			**(1,637)**
Benefits paid	**(63,024)**	**(79)**	**(2,379)**	**(65,482)**
Employer contributions	**17,951**	**79**	**2,379**	**20,409**
Participant contributions	**3,542**			**3,542**
Administration costs	**(1,467)**			**(1,467)**
Fair value, end of year	**$909,233**			**$909,233**
Funded status – deficit	**$11,426**	**$21,238**	**$47,875**	**$80,539**

2014	Pension plans			Other post employment benefit plans	Total
	Funded		Unfunded		
	Canada	United States			
Accrued benefit obligations:					
Balance, beginning of year	$859,832	$27,509	$26,283	$42,791	$956,415
Reclassified to Liabilities associated with assets held for sale	(48,902)	(27,509)	(12,439)		(88,850)
	810,930		13,844	42,791	867,565
Liability transferred from discontinued operations			611		611
Current service cost	11,773		475	300	12,548
Interest cost	37,625		601	1,965	40,191
Benefits paid	(56,385)		(34)	(2,387)	(58,806)
Remeasurement losses	122,483		1,129	4,933	128,545
Participant contributions	3,920				3,920
Past service cost	52		157		209
Balance, end of year	$930,398		$16,783	$47,602	$994,783
Plans' assets:					
Fair value, beginning of year	$900,436	$21,166			$921,602
Reclassified to Liabilities associated with assets held for sale	(47,453)	(21,166)			(68,619)
	852,983				852,983
Interest income included in net interest expense	39,781				39,781
Remeasurement gains	41,653				41,653
Benefits paid	(56,385)		(34)	(2,387)	(58,806)
Employer contributions	37,432		34	2,387	39,853
Participant contributions	3,920				3,920
Administration costs	(673)				(673)
Fair value, end of year	$918,711				$918,711
Funded status – deficit	$11,687		$16,783	$47,602	$76,072

Net benefit expense for defined benefit plans recognized in the 2015 and 2014 consolidated statement of income is as follows:

2015	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Current service cost	**$14,805**	**$537**	**$364**	**$15,706**
Net interest expense (income)	**683**	**604**	**1,819**	**3,106**
Past service cost	**1,180**			**1,180**
Administration costs	**1,467**			**1,467**
Net benefit expense	**$18,135**	**$1,141**	**$2,183**	**$21,459**

2014	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Current service cost	$11,773	$475	$300	$12,548
Net interest expense (income)	(2,156)	601	1,965	410
Past service cost	52	157		209
Administration costs	673			673
Net benefit expense	$10,342	$1,233	$2,265	$13,840

Amounts recognized in the 2015 and 2014 consolidated statement of comprehensive income (before tax):

2015	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Remeasurement gains (losses):				
Actuarial gain (loss) from:				
Financial assumptions	**$2,560**	**($1,401)**	**($211)**	**$948**
Demographic assumptions		**(1,842)**		**(1,842)**
Experience adjustment	**(478)**	**(150)**	**(258)**	**(886)**
Total actuarial losses	**2,082**	**(3,393)**	**(469)**	**(1,780)**
Return on plan assets excluding amounts included in net interest expense	**(1,637)**			**(1,637)**
Amounts recognized in OCI	**$445**	**($3,393)**	**($469)**	**($3,417)**

2014	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Remeasurement gains (losses):				
Actuarial gain (loss) from:				
Financial assumptions	($90,241)	($1,385)	($4,715)	($96,341)
Demographic assumptions	(27,432)		(426)	(27,858)
Experience adjustment	(4,810)	256	208	(4,346)
Total actuarial losses	(122,483)	(1,129)	(4,933)	(128,545)
Return on plan assets excluding amounts included in net interest expense	41,653			41,653
Total remeasurement losses	(80,830)	(1,129)	(4,933)	(86,892)
Change in minimum funding liability	3,296			3,296
Amounts recognized in OCI	($77,534)	($1,129)	($4,933)	($83,596)

The significant assumptions used by the Company in 2015 and 2014 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 2015 and 2014, the Company used the 2014 Private Sector Canadian Pensioners' Mortality Table projected generationally using scale B with a multiplier applied at December 31, 2015 and December 31, 2014 (for the larger plans, the multiplier ranged from 94% to 103%).

	Pension plans		Other post employment benefit plans	
	2015	2014	**2015**	2014
To determine benefit obligation at end of year:				
Discount rate	**3.1% to 3.9%**	3.5% to 3.9%	**3.9%**	3.9%
Rate of future compensation increase	**2.0% to 2.5%**	2.25% to 2.75%		
To determine benefit expense:				
Discount rate	**3.5% to 3.9%**	4.2% to 4.7%	**3.9%**	4.7%
Rate of future compensation increase	**2.25% to 2.75%**	2.5% to 3.0%		
Health care cost trend rates at end of year:				
Initial rate			**4.6%**	4.4%
Ultimate rate			**5.0%**	5.0%
Year ultimate rate reached			**2017**	2017
Longevity for pensioners currently at age 65:				
Male	**21.7 years**	21.7 years		
Female	**24.2 years**	24.2 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, 2015		December 31, 2014	
	1% increase	**1% decrease**	1% increase	1% decrease
Pension plans:				
Discount rate	**($116,645)**	**$133,583**	($117,577)	$134,666
Rate of compensation increase	**8,642**	**(8,494)**	8,671	(8,520)
Other post employment benefit plans:				
Discount rate	**(5,121)**	**6,266**	(5,530)	6,852
Per capita cost of health care	**1,264**	**(1,102)**	1,418	(1,225)

For the significant pension plans, the impact of a change in longevity rates if members were one year younger than their actual age would increase the net benefit obligation by 2.2% (December 31, 2014 – 2.2%).

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant, which in practice is unlikely to occur as changes in some of the assumptions may be correlated. The calculation of the sensitivities uses the same methods that were applied when calculating the net accrued benefit obligation in the statement of financial position.

Pension plan assets for the Canadian plans, measured as at December 31, 2015 and 2014 are as follows:

	2015	2014
Investments quoted in active markets:		
Cash and cash equivalents	**$144,532**	$31,761
Equity investments		
Canada	**90,726**	127,446
United States	**66,602**	131,684
Outside North America	**83,497**	79,080
Unquoted investments:		
Fixed income		
Government of Canada	**56,989**	84,442
Provinces of Canada	**331,900**	309,634
Canadian Corporations	**41,486**	64,278
Pooled funds		
Equity – North America	**2,726**	4,033
Fixed Income – Canadian Corporations	**90,775**	86,353
	$909,233	$918,711

Through its defined benefit plans, the Company is exposed to a number of risks the most significant of which include changes in long-term discount rates used to calculate plan liabilities, the rate of return on plan assets, and changes in demographics, mortality and plan experience. These factors impact the potential for inadequate plan funding, unfunded obligations and increases in contributions.

The Company periodically reviews its targeted investment portfolio mix. At December 31, 2015, the target allocation mix was 36% equity securities and 64% fixed income securities for the Canadian plans (December 31, 2014 – 37% equity securities and 63% fixed income securities) .

The Company's 2015 actual funding for its Canadian registered pension plans was approximately $18 million (2014 – $37 million). The Company has prepared actuarial reports as of December 31, 2013 for its significant plans. Estimated funding in 2016 will be approximately $18 million. The next required actuarial reports will be as of December 31, 2016.

The weighted average duration of the defined benefit obligation is 12.9 years (2014 – 13.5 years). As at December 31, 2015, the expected maturity profile of the undiscounted pension plan and other post employment benefits is $49 million in the next year, $471 million in 2 to 10 years and $1,148 million in over 10 years (December 31, 2014 – $48 million in the next year, $460 million in 2 to 10 years and $1,200 million in over 10 years for continuing operations).

Capital accumulation plans

The total amount expensed for capital accumulation plans in 2015 was $1.9 million (2014 – $2.2 million).

20. 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			
	2015		2014	
	Shares	**Amount**	Shares	Amount
Class A shares (voting)				
Balance, beginning of period	**9,851,964**	**$2,676**	9,853,814	$2,677
Converted to Class B	**(12,609)**	**(3)**	(1,850)	(1)
Balance, end of period	**9,839,355**	**$2,673**	9,851,964	$2,676
Class B shares (non-voting)				
Balance, beginning of period	**70,355,301**	**$397,901**	70,064,699	$395,928
Converted from Class A	**12,609**	**3**	1,850	1
Dividend reinvestment plan	**151,466**	**682**	97,859	649
Issued under ESPP	**119,650**	**763**	91,230	589
Share option plan	**67,187**	**473**	97,938	721
Other	**850**	**5**	1,725	13
Balance, end of period	**70,707,063**	**$399,827**	70,355,301	$397,901
Total Class A and Class B shares	**80,546,418**	**$402,500**	80,207,265	$400,577

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 per share

Basic earnings per share amounts have been determined by dividing net income 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.

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

(thousands of shares)	Year ended December 31	
	2015	2014
Weighted average number of shares outstanding, basic	**80,400**	80,078
Effect of dilutive securities - share options		169
- ESPP		7
Weighted average number of shares outstanding, diluted	**80,400**	80,254

Outstanding share options totalling 5,543,589 (December 31, 2014 – 3,044,705), which are anti-dilutive, 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	
	2015	2014
First quarter ended March 31: 13.125 cents (2014 – 13.125 cents)	**$10,536**	$10,489
Second quarter ended June 30: 13.125 cents (2014 – 13.125 cents)	**10,555**	10,516
Third quarter ended September 30: 13.125 cents (2014 – 13.125 cents)	**10,558**	10,521
Fourth quarter ended December 31: 13.125 cents (2014 – 13.125 cents)	**10,565**	10,523
Total dividends	**$42,214**	$42,049

21. SHARE-BASED COMPENSATION PLANS

(a) Share option plan

The maximum number of shares that may be issued under the share option plan is 15,000,000 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 ten years from the date the option is granted. Up to 25% of an option grant may be exercised twelve months after the date granted, and a further 25% after each subsequent anniversary. As of December 31, 2015, options to purchase 11,555,941 shares have been granted, net of options cancelled (December 31, 2014 – 10,697,283).

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

	2015		2014	
	Share options	**Weighted average exercise price**	Share options	Weighted average exercise price
Units outstanding, beginning of year	**4,752,118**	**$9.89**	4,267,450	$12.18
Granted	**1,406,876**	**$6.52**	1,066,416	$5.85
Exercised	**(67,187)**	**($5.87)**	(97,938)	($6.25)
Forfeited or expired	**(548,218)**	**($13.72)**	(483,810)	($21.88)
Units outstanding, end of year	**5,543,589**	**$8.66**	4,752,118	$9.89

The weighted average share price when the options were exercised during 2015 was $7.07 (2014 – $7.53).

As at December 31, 2015, outstanding share options were as follows:

Range of exercise price	Share options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Share options exerciseable	Weighted average exercise price
$5.75 – $8.37	4,554,178	6.90 years	$6.88	2,143,116	$7.22
$12.21 – $22.14	989,411	2.70 years	$16.82	989,411	$16.82
$5.75 – $22.14	5,543,589	6.15 years	$8.66	3,132,527	$10.25

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

	2015	2014
Fair Value	**$0.81 – $0.93**	$1.14 – $1.23
Risk-free interest rate	**1.3% – 1.5%**	1.9% – 2.2%
Expected dividend yield	**8.1%**	9.0%
Expected share price volatility	**36.1% – 44.1%**	38.8% – 41.2%
Expected weighted average time until exercise (years)	**6**	6

In January 2016, 1,389,039 share options were granted at an exercise price of $2.78 per share.

(b) ESPP

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

	2015		2014	
Maturing in	**2016**	**2017**	2015	2016
Subscription price at entry date	**$7.65**	**$6.28**	$6.38	$7.65
Number of shares	**91,581**	**94,515**	155,063	113,805

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

	2015	2014
Fair Value	**$0.62**	$0.71
Risk-free interest rate	**0.6%**	1.0%
Expected dividend yield	**8.4%**	8.2%
Expected share price volatility	**34.9%**	31.0%
Expected time until exercise (years)	**2**	2

(c) RSU plan

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

	2015	2014
Units outstanding, beginning of year	**827,936**	634,983
Vested and paid	**(191,181)**	(146,805)
Granted	**256,858**	366,994
Forfeited	**(52,389)**	(27,236)
Dividend equivalents	**30,936**	
Units outstanding, end of year	**872,160**	827,936

In 2014, the Company amended the RSU plan to accrue dividend equivalents on all grants beginning with the 2015 fiscal year, payable in additional units in an amount equal to dividends paid on Class B non-voting shares of the Company. The dividend equivalents are expensed over the vesting period of the grant.

As at December 31, 2015, 574,918 units have been accrued at a value of $1.6 million of which 294,936 units have been accrued in Accounts payable and accrued liabilities at a value of $0.8 million while 279,982 units have been accrued in Other liabilities at a value of $0.8 million (December 31, 2014 – 477,470 units were accrued at a value of $3.1 million of which 191,181 units were accrued in Accounts payable and accrued liabilities at a value of $1.2 million and 286,289 units were accrued in Other liabilities at a value of $1.9 million).

The Company has entered into a derivative instrument in order to lock in the expense for 345,300 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 2016, 446,762 RSUs have been granted and 294,936 RSUs have vested and were paid.

(d) In 2015, the Company has recognized share-based compensation expense totalling $1.7 million (2014 – $2.2 million).

(e) DSU plan

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

	2015	2014
Units outstanding, beginning of year	**554,876**	490,130
Granted	**57,260**	67,308
Directors’ mandatory retainer	**7,202**	2,902
Directors’ voluntary election	**13,290**	8,482
Dividends	**69,836**	38,035
Redemption	**(44,981)**	(51,981)
Units outstanding, end of year	**657,483**	554,876

As at December 31, 2015, the 657,483 units outstanding were valued at $1.8 million (December 31, 2014 – 554,876 units valued at $3.6 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.

22. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following is a continuity for the components of Accumulated other comprehensive income:

	Foreign CTA [1]	Cash flow hedges	Available-for-sale securities [1]	Net investment hedge [2]	Total
As at December 31, 2013	$1,583	($3,666)		($5,520)	($7,603)
Associated with Assets held for sale	(1,673)	637			(1,036)
	(90)	(3,029)		(5,520)	(8,639)
OCI	111	3,029		5,520	8,660
As at December 31, 2014	**21**				**21**
OCI	**10,761**		**$346**	**(8,007)**	**3,100**
As at December 31, 2015	**$10,782**		**$346**	**($8,007)**	**$3,121**

[1]Net of deferred income tax asset/liability of $nil (2014 – $nil).
[2]Net of deferred income tax asset of $700 and current income tax recovery of $600 (2014 – $nil).

23. OTHER INCOME (EXPENSE)

	Year ended December 31	
	2015	2014
Investment write-down and loss	**($2,300)**	
Gain on sale of associated business	**155**	$4,463
Gain on sale of available-for-sale investment		736
Gain on settlement of Metro call option liability		1,051
Loss on cancellation of interest rate swaps		(2,781)
Adjustment to contingent consideration	**5**	274
Other	**303**	11
	($1,837)	$3,754

_2015_

The Company recorded a write-down of $2.3 million in respect of one of its portfolio investments.

_2014_

The Company sold its remaining interest in Tuango for proceeds of $7.6 million and recorded a gain of $4.5 million.

In addition, the Company sold an available-for-sale equity investment for proceeds of $0.7 million and recorded a gain of $0.7 million.

The Company recorded a gain of $1.1 million on the early settlement of the put and call arrangements in connection with the remaining 10% interest in Metro.

A loss of $2.8 million was recorded on the extinguishment of the interest rate swaps which had been derecognized in connection with the then expected sale of Harlequin.

24. 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") for a purchase price of $455 million subject to certain adjustments for working capital and other related items. The Company received net proceeds of $442.2 million resulting in a pre-tax gain of $224.6 million for the year ended December 31, 2014. The proceeds included restricted cash of $22.8 million (Note 5) which will be held in an escrow account for a period of eighteen months from the date of sale to indemnify the Purchaser for any claims arising in accordance with the conditions specified in the share purchase agreement.

Upon the sale, the net assets of Harlequin were derecognized from Assets held for sale. Certain intercompany eliminations have been reversed in the amounts presented in order to accurately represent the continuing and discontinued operations. The detailed results of discontinued operations are presented below:

(i) Statement of Income

	Year ended December 31	
	2015	2014
Operating revenue		$213,198
Salaries and benefits		(58,403)
Other operating costs		(134,796)
Amortization and depreciation		(1,043)
Restructuring and other charges		(5)
Operating profit		18,951
Interest and financing costs		(457)
Foreign exchange		4,090
Income from joint ventures		639
Other expense		(2,629)
		20,594
Gain (loss) on sale of Harlequin (note 17)	**($5,800)**	224,618
Income before taxes from discontinued operations	**(5,800)**	245,212
Income and other taxes	**800**	(22,550)
Net income (loss) from discontinued operations	**($5,000)**	$222,662
Attributable to:		
Equity shareholders	**($5,000)**	$222,662
Net income (loss) from discontinued operations attributable to equity shareholders per Class A (voting) and Class B (non-voting) share (note 20(c)):		
Basic	**($0.06)**	$2.78
Diluted	**($0.06)**	$2.77

(ii) Statement of Comprehensive Income

	Year ended December 31	
	2015	2014
Net income (loss) from discontinued operations	**($5,000)**	$222,662
Other comprehensive income (loss) that are or may be reclassified subsequently to net income (loss):		
Realized foreign currency translation adjustment for joint ventures (no income tax effect)		461
Realized foreign currency translation adjustment for joint ventures (no income tax effect)		(2,134)
Loss on cash flow hedges transferred to net income		911
Income tax effect		(274)
		(1,036)
Other comprehensive income (loss) that will not be reclassified to net income (loss) in subsequent periods:		
Actuarial loss on employee benefits		(8,371)
Income tax effect		2,432
		(5,939)
Other comprehensive loss from discontinued operations, net of tax		($6,975)
Comprehensive income (loss) from discontinued operations, net of tax	**($5,000)**	$215,687
Attributable to:		
Equity shareholders	**($5,000)**	$215,687

(iii) Statement of Cash Flows

	Year ended December 31	
	2015	2014
Cash was provided by (used in)		
Operating activities		$8,635
Investing activities		(1,609)
Financing activities		21,311
Increase in cash		28,337
Effect of exchange rate changes		403
Cash, beginning of period		(9,132)
Cash paid on closing		(19,608)
Cash, end of period		

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

	Year ended December 31	
	2015	2014
Share-based compensation plans	**($1,645)**	$2,674
Foreign exchange	**1,022**	7,656
Restructuring provisions	**(4,237)**	641
Investment write-down and loss	**2,300**	
Gain on sale of investments	**(155)**	(5,199)
Gain on Metro call option liability		(1,051)
Interest accretion	**802**	310
Other	**(336)**	(1,429)
	($2,249)	$3,602

26. ACQUISITIONS AND PORTFOLIO INVESTMENTS

2015 Acquisitions

During the year ended December 31, 2015, the Company completed an acquisition in its MMG Segment for less than $0.1 million. The Company also made portfolio investments for cash of $2.0 million.

In addition, the Company made payments of less than $0.1 million for contingent consideration in respect of prior year acquisitions (Carroll Publishing in the MMG Segment and Inside Queen's Park in the SMG Segment).

Total cash used for acquisition and portfolio investments was $2.1 million.

The acquisition made was in respect of London Baby Expo (a consumer show for baby products) on March 1, 2015. This acquisition contributed approximately $0.1 million of revenue and less than $0.1 million of operating profit in the MMG Segment in 2015. If the acquisition had occurred on January 1, 2015, the Company's consolidated revenues and operating loss would have remained unchanged at $786.6 million and $354.1 million respectively.

The portfolio investments have been classified as AFS financial assets and included $1.8 million for an 8.1% interest in CanadaStays.com and approximately $0.2 million for a 0.5% interest in Kensington Venture Fund.

The fair value of assets acquired and liabilities assumed from the acquisition and investments completed are as follows:

Year ended December 31, 2015	MMG Segment	SMG Segment	Corporate	Total
Assets				
Goodwill	$40			$40
Working Capital	(4)			(4)
Total purchase price and cash consideration paid	36			36
Contingent consideration on prior acquisitions	27	$22		49
	63	22		85
Portfolio investments			$2,021	2,021
Total cash used in acquisitions and portfolio investments	$63	$22	$2,021	$2,106

2014 Acquisitions

During the year ended December 31, 2014, the Company made deferred purchase payments of $10.1 million related to the SMG Segment in respect of its prior acquisition of Metro. The Company also made portfolio investments for cash of $0.7 million including an additional investment of $0.6 million in TeamSnap, Inc. maintaining the Company's interest at 7.2%.

Total cash used for acquisition and portfolio investments in 2014 was $10.8 million.

The fair value of assets acquired and liabilities assumed from the acquisition and investments completed are as follows:

Year ended December 31, 2014	SMG Segment
Deferred payments on prior acquisitions	$10,065
Contingent consideration on prior acquisitions	14
	10,079
Portfolio investments	680
Total cash used in acquisitions and portfolio investments	$10,759

27. COMMITMENTS AND CONTINGENCIES

The Company has guaranteed sub-lease payments to a third party of approximately U.S. $1 million per year, ending December 31, 2018. The sub-lease is collateralized by a U.S. $0.7 million irrevocable letter of credit provided on behalf of the sub-lessee.

Along with the other shareholders of Kanetix Ltd. ("Kanetix"), the Company has pledged its shares in Kanetix in support of the Kanetix credit facility.

In addition, the Company has the following significant contractual obligations:

Nature of the Obligation	**Total**	**2016**	**2017 - 2018**	**2019 - 2020**	**2021+**
Office leases	$54,864	$14,917	$23,650	$16,062	$235
Services	70,204	14,782	38,407	15,060	1,955
Total	$125,068	$29,699	$62,057	$31,122	$2,190
Receivable from office sub-leases	($10,478)	($2,925)	($5,060)	($2,493)	

28. RELATED PARTY TRANSACTIONS

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

	Year ended December 31	
	2015	2014
Salaries and benefits	**$5,476**	$7,160
Post-employment benefits	**3,480**	3,122
Share based payments	**(765)**	1,915
Other long-term benefits		(112)
Total	**$8,191**	$12,085

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				
2015	**$319**	**$13**	**$216**	
2014	510	237	102	$8
Associates				
2015		**8,680**	**52**	**1,347**
2014	219	8,731	224	1,105

Sales to and purchases of goods and services from related parties were made at market prices. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

29. SUBSEQUENT AND OTHER EVENTS

On February 1, 2016, the Company received the entire $22.8 million portion of the proceeds from the sale of Harlequin which had been held in an escrow account for eighteen months.

On February 4, 2016, the Company closed the sale of a property in Mississauga and received net proceeds of $5.5 million. The Company will recognize a gain of approximately $1.3 million during the three months ending March 31, 2016.

In February 2016, the Company extinguished $68.0 million of U.S. rolling forward contracts it had in place in respect of the hedge of the net investment in VerticalScope and simultaneously entered into a $68.0 million zero cost collar arrangement with a range of Canadian $1.46 to Canadian $1.26 for U.S. $1.00.

Through March 2, 2016, a series of restructuring initiatives have been undertaken in the Star Media Group and Metroland Media Group segments. These initiatives include the intended outsourcing of certain functions, including the outsourcing of printing of the Toronto Star to Transcontinental Printing. The combined severance provision and various other transition costs associated with the decision to outsource printing of the Toronto Star, which will be recorded as a restructuring charge in 2016 are expected to be approximately $22 million.

TORSTAR

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

Chief Operating Officer
Element Financial Corporation

Director since 2009

Alnasir Samji

Managing Principal, Alderidge Consulting

Director since 2009

BOARD OF DIRECTORS

David P. Holland

President and Chief Executive Officer
Torstar Corporation

Director since 2009

Paul R. Weiss

Corporate Director

Director since 2009

Phyllis Yaffe

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, Operator
Fabric Spark

Director since 2015

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Chair

DAVID P. HOLLAND
President and Chief Executive Officer

LORENZO DEMARCHI
Executive Vice-President and Chief Financial Officer

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

JENNIFER BARBER
Senior Vice-President Finance

CHRIS GOODRIDGE
Senior Vice-President Strategy and Digital Ventures

D. TODD SMITH
Treasurer

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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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