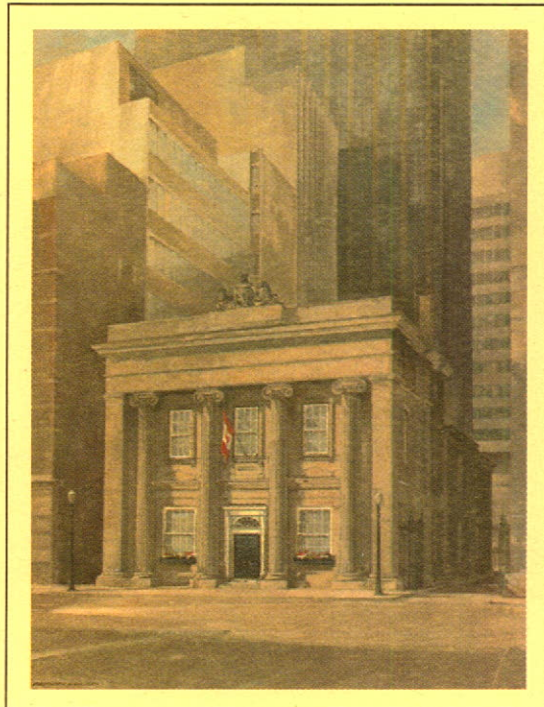


ARGUS CORPORATION LIMITED

39th Annual Report

DECEMBER 31, 1984



TEN TORONTO STREET

Designed by Frederick Cumberland of Cumberland and Storm, the building was completed and opened as Toronto's seventh post office in 1852. By 1873 it had become too small to handle the steadily increasing mail load and the post office function moved to the eighth post office at the head of Toronto Street. Ten Toronto Street later became the office of the Bank of Canada in Toronto. In 1959 it was purchased by Argus Corporation as its head office, which function it has performed ever since.



Board of Directors

RALPH M. BARFORD	Toronto	FREDRIK S. EATON	Toronto
DOUGLAS G. BASSETT	Toronto	JOHN R. FINLAY, Q.C.	Toronto
*EDWARD G. BATTLE	Toronto	*H. T. McCURDY	Toronto
*CONRAD M. BLACK	Toronto	F. DAVID RADLER	Vancouver
*G. MONTEGU BLACK	Toronto	*RONALD T. RILEY	Montreal
*DIXON S. CHANT	Toronto	*TRUMBULL WARREN	Hamilton
CHARLES G. COWAN Q.C.	Toronto	DONALD C. WEBSTER	Toronto
GLEN W. DAVIS	Toronto	LORNE C. WEBSTER	Montreal

*Members of the Executive Committee

Officers

<i>Chairman of the Board</i>	CONRAD M. BLACK
<i>President and Chief Executive Officer</i>	G. MONTEGU BLACK
<i>Deputy Chairman</i>	DIXON S. CHANT
<i>Vice-Presidents</i>	FREDRIK S. EATON JOHN R. FINLAY, Q.C. F. DAVID RADLER
<i>Vice-President and Secretary</i>	CHARLES G. COWAN, Q.C.
<i>Treasurer</i>	WENDELL F. WHITE, C.A.

ARGUS CORPORATION LIMITED

10 TORONTO STREET, TORONTO, CANADA M5C 2B7

Annual Report

TO THE SHAREHOLDERS OF
ARGUS CORPORATION LIMITED

April 9, 1985

Your directors present the balance sheet of the Corporation as at December 31, 1984 and the statements of income and expenses and changes in the financial position for the 12 months ended on that date. Also shown are comparative figures for the year ended December 31, 1983.

The balance sheet shows the Corporation's major investment carried at market value. Provision has been made for deferred income taxes, if any, payable under the hypothetical assumption that such investment was sold at the market price prevailing on December 31, 1984, and on December 31, 1983 for the comparative statement. In our opinion, such a provision is not a definitive figure. Unrealized gain on such investments is estimated at \$26,859,881 at December 31, 1984 and \$36,863,156 at December 31, 1983.

As at December 31, 1984 the net asset value of each of the Corporation's Class C shares and common shares was \$10.76. The comparable net asset value of each Class C and common share at December 31, 1983 was \$11.56.

Income from investments during the 12 months ended December 31, 1984 amounted to \$5,696,754 compared to \$6,552,951 for the year ended December 31, 1983. Expenses were \$2,184,059 compared to \$1,858,336 in the previous year. Net income in 1984 amounted to \$4,286,808 compared to \$5,300,065 for the year ended December 31, 1983 (35¢ compared with 47¢ per Class C and common share).

During 1984, 4,800 Class A Preference Shares \$2.50 Series and 3,850 Class A Preference Shares \$2.60 Series were purchased and cancelled.

During the year, the Corporation acquired 128,900 shares of Dominion Stores Limited at a cost of \$20.04 per share. This acquisition resulted in increasing the Corporation's ownership in Dominion Stores Limited to approximately 41%.

In August 1984, pursuant to a court-approved statutory arrangement under the provisions of the Canada Business Corporations Act, the holders of the common shares of Dominion Stores Limited automatically became the holders of an equivalent number of common shares of Argcen Holdings Inc. and ceased to be shareholders of Dominion Stores Limited, which thereupon became a wholly-owned subsidiary of Argcen Holdings Inc. As part of this restructuring, the 92.9% common share interest of Dominion Stores Limited in Hollinger Argus Limited was transferred to Argcen Holdings Inc.

In November 1984 the Directors of Argcen Holdings Inc. reduced the dividend of that company from 25¢ per quarter to 10¢ per quarter.

In December, 1984, Mr. John C. Toma resigned as a Director of the Corporation. Mr. Peter G. White resigned as a Director of the Corporation upon his appointment as Special Assistant to the Prime Minister of Canada. In February, 1985, Mr. Charles G. Cowan, Q.C. was appointed a Director of the Corporation.

Submitted on behalf of the Board,

CONRAD M. BLACK,
Chairman of the Board.

G. MONTEGU BLACK,
President.

ARGUS CORPORATION LIMITED

Consolidated Balance Sheet

ASSETS	December 31	
	1984	1983
		(Note 4(a))
INVESTMENTS:		
Securities having a quoted market value, at market (Note 2)	\$112,402,500	\$122,734,950
Cost—		
December 31, 1984—\$83,972,069		
December 31, 1983—\$81,384,474		
CASH	35,443	67,718
SHORT-TERM INVESTMENTS, at cost plus accrued interest	2,164,046	2,764,429
INCOME TAXES RECOVERABLE	708,020	—
CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES	607,000	594,000
OTHER ASSETS	1,856,059	2,130,688
HEAD OFFICE PREMISES (10 Toronto Street):		
Land, building and furnishings, at nominal value	1	1
	<u>\$117,773,069</u>	<u>\$128,291,786</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

DIVIDENDS PAYABLE	\$ 328,158	\$ 333,661
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	39,145	65,958
INCOME TAXES PAYABLE	—	288,938
DEFERRED INCOME TAXES	1,570,550	4,487,320
SHAREHOLDERS' EQUITY:		
Capital stock (Note 3)—		
Number of shares		
<u>Authorized</u>	<u>Issued</u>	
196,056		Class A Preference—
	71,183	\$2.50 series cumulative
	124,873	\$2.60 series cumulative
1,000,000		Class B Preference—
	300,000	Cumulative 1962 Series \$2.70 dividend
6,770,944	6,770,944	Class C Participating Non-Voting Preference
10,000,000	1,692,736	Common
		<u>81,481,711</u>
		<u>81,914,211</u>
Contributed surplus, realized on purchase for cancellation of preference shares, including \$190,052 arising during the year ended December 31, 1984 (1983—\$287,211)		
	2,957,637	2,767,585
Earned surplus		
	4,535,987	1,570,957
Unrealized gain on investments		
	26,859,881	36,863,156
	<u>115,835,216</u>	<u>123,115,909</u>
	<u>\$117,773,069</u>	<u>\$128,291,786</u>

APPROVED BY THE BOARD:

CONRAD M. BLACK, Director

G. MONTEGU BLACK, Director

ARGUS CORPORATION LIMITED

Notes to Consolidated Financial Statements, December 31, 1984

1. SUMMARY OF ACCOUNTING POLICIES:

Principles of consolidation—

The consolidated financial statements include the accounts of the Corporation and its subsidiary, 536463 Ontario Limited. All of the common shares of the subsidiary are owned by the Corporation.

Investments—

The investments having a quoted market value are carried in the balance sheet at market values which are determined by pricing the holdings in each security at the closing quoted market prices at the year end. Such amounts do not necessarily represent the value of entire blocks which may be more or less than that indicated by market quotations.

Deferred income taxes—

Provision is made for deferred income taxes that would be payable if the investments had been realized at the year end at the indicated quoted market value on that date.

Dividend income—

Dividend income is recognized in the statement of income and expenses on a cash received basis.

Head office premises—

Head office premises are carried at nominal value and all capital additions to the building and furnishings are charged to expense as incurred.

2. INVESTMENTS:

Investments consist of 6,423,000 common shares (41.0%) of Argcen Holdings Inc. (1983—6,294,100 shares (40.1%) of Dominion Stores Limited).

3. CAPITAL STOCK:

- (a) The Class A and Class B preference shares are without par value and are issuable in series; the Class C preference shares and the common shares are without par value.

The issued Class A and Class B preference shares carry cumulative dividends and are redeemable at the option of the Corporation at \$52.50 per share and accrued dividends.

The Class C preference shares, subject to the prior rights of the Class A and Class B preference shares, participate equally with the common shares in (i) any dividends paid in any fiscal year after \$.30 per share has been paid on each Class C preference share and common share and (ii) any distribution of assets.

- (b) During the year ended December 31, 1984, 4,800 Class A preference shares \$2.50 series and 3,850 Class A preference shares \$2.60 series were purchased and cancelled.

4. INCOME TAXES:

- (a) As a result of receiving income tax assessments reducing certain capital losses claimed by the Corporation in 1979, an amount of \$739,454 representing additional income taxes of \$670,154 and interest thereon of \$69,300 has been charged to earned surplus as at December 31, 1982 and interest of \$44,964 has been charged to expense in 1983.
- (b) The income taxes referred to above have been disputed by the Corporation and are currently under discussion with the taxation authorities.
- (c) The effective tax rate for the Corporation differs from the statutory tax rate primarily because of non-taxable dividends.

5. RELATED PARTY TRANSACTIONS:

- (a) The Corporation incurs costs in connection with the administration and operations of 10 Toronto Street. A portion of such costs is recovered from certain related companies.
- (b) The Corporation obtains aircraft services at cost from a related company.

ARGUS CORPORATION LIMITED

Consolidated Statement of Income and Expenses

	Year ended December 31	
	1984	1983
		(Note 4(a))
Income:		
Dividends received	\$ 5,395,100	\$ 6,179,822
Interest earned	301,654	373,129
	<u>5,696,754</u>	<u>6,552,951</u>
Expenses:		
Remuneration of officers and directors	580,600	479,645
General office and administrative expenses	1,569,545	1,231,265
Interest expense	33,914	147,426
	<u>2,184,059</u>	<u>1,858,336</u>
Income before income taxes	3,512,695	4,694,615
Income tax recovery	774,113	605,450
Net income for the year	<u>\$ 4,286,808</u>	<u>\$ 5,300,065</u>
Earnings per Class C preference and common share	<u>\$.35</u>	<u>\$.47</u>

Consolidated Statement of Changes in Financial Position

	Year ended December 31	
	1984	1983
		(Note 4(a))
Cash and short-term investments at beginning of year	\$ 2,832,147	\$ 8,691,543
Source of funds:		
Net income for the year	4,286,808	5,300,065
Net proceeds from disposal of investment	—	30,261,787
Decrease in loan to investee company	—	10,861,918
Decrease in other assets	274,629	—
	<u>\$ 7,393,584</u>	<u>\$55,115,313</u>
Application of funds:		
Purchase of investments	\$ 2,587,595	\$49,304,250
Increase in other assets	—	770,275
Dividends	1,321,778	1,346,918
Purchase for cancellation of Class A preference shares	242,448	297,539
Decrease in income taxes payable	996,958	519,078
Decrease in dividends payable	5,503	7,293
Decrease in accounts payable and accrued liabilities	26,813	25,813
Other	13,000	12,000
	<u>5,194,095</u>	<u>52,283,166</u>
Cash and short-term investments at end of year	<u>2,199,489</u>	<u>2,832,147</u>
	<u>\$ 7,393,584</u>	<u>\$55,115,313</u>

ARGUS CORPORATION LIMITED

Consolidated Statement of Earned Surplus (Deficit)

	Year ended December 31	
	1984	1983
Earned surplus (deficit) at beginning of year:		
As previously reported	\$ 2,355,375	\$(28,717,603)
Adjustment of prior years' income taxes (Note 4(a))	784,418	739,454
As restated	1,570,957	(29,457,057)
Net income for the year	4,286,808	5,300,065
Gain on disposal of investment	—	27,074,867
	5,857,765	2,917,875
Dividends:		
Class A Preference Shares \$2.50 Series	184,017	199,146
Class A Preference Shares \$2.60 Series	327,757	337,767
Class B Preference Shares 1962 Series	810,004	810,005
	1,321,778	1,346,918
Earned surplus at end of year	<u>\$ 4,535,987</u>	<u>\$ 1,570,957</u>

Consolidated Statement of Unrealized Gain on Investments

	Year ended December 31	
	1984	1983
Balance at beginning of year	\$ 36,863,156	\$ 55,658,722
Decrease in unrealized gain on investments	(12,920,045)	(16,113,371)
Decrease (increase) in deferred income taxes	2,916,770	(2,682,195)
Balance at end of year	<u>\$ 26,859,881</u>	<u>\$ 36,863,156</u>

AUDITORS' REPORT

To the Shareholders of

ARGUS CORPORATION LIMITED:

We have examined the consolidated balance sheet of Argus Corporation Limited as at December 31, 1984 and the consolidated statements of earned surplus, unrealized gain on investments, income and expenses and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, January 31, 1985

PRICE WATERHOUSE

Chartered Accountants

