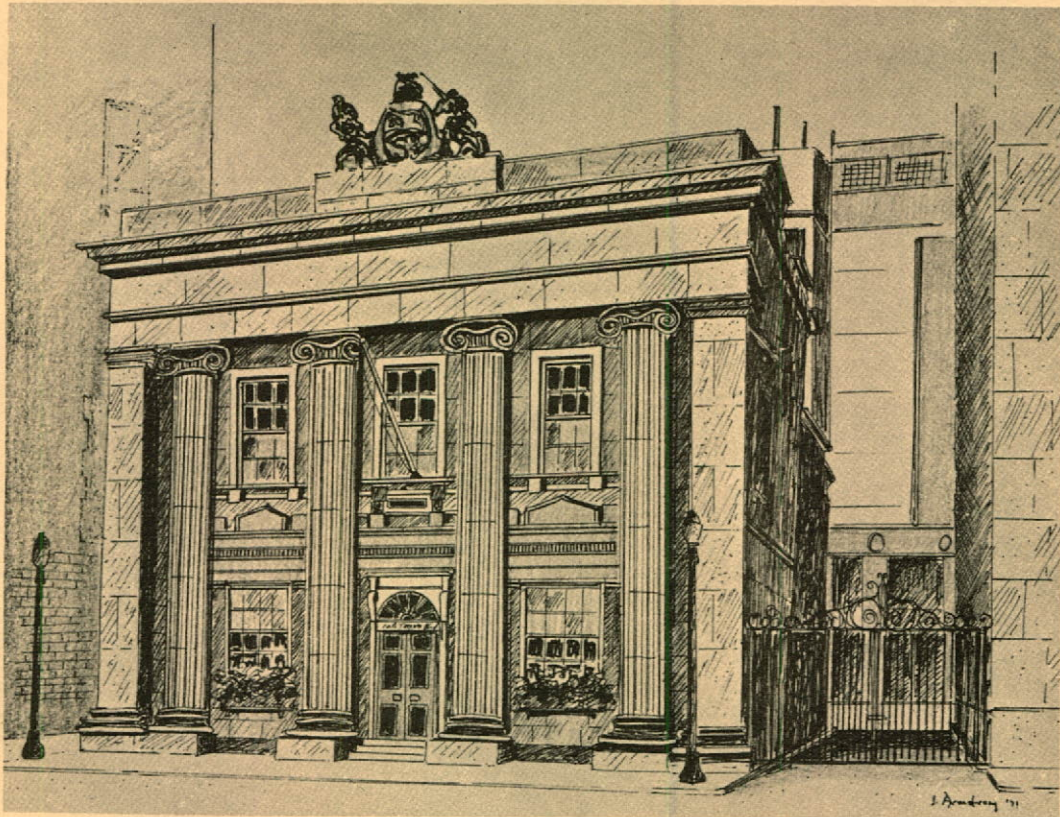


ARGUS CORPORATION LIMITED

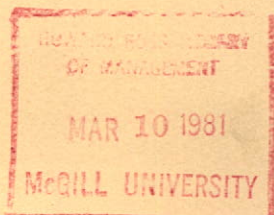
35th Annual Report

DECEMBER 31, 1980



No. 10 Toronto Street

This historic building in Toronto, Canada, constructed in 1852, was acquired by Argus Corporation Limited as its head office in 1959. The architects were Messrs. Cumberland and Storm.



Board of Directors

DOUGLAS G. BASSETT	Toronto	JOHN R. FINLAY, Q.C.	Toronto
*CONRAD M. BLACK	Toronto	*H. N. R. JACKMAN	Toronto
*G. MONTEGU BLACK	Toronto	H. T. McCURDY	Toronto
THOMAS G. BOLTON	Toronto	D. A. McINTOSH, Q.C.	Toronto
*DIXON S. CHANT	Toronto	*F. DAVID RADLER	Vancouver
GLEN W. DAVIS	Toronto	RONALD T. RILEY	Montreal
*FREDRIK S. EATON	Toronto	TRUMBULL WARREN	Hamilton
HARRY H. EDMISON	Toronto	PETER G. WHITE	London, Ont.

*Members of the Executive Committee

Officers

Chairman of the Board	CONRAD M. BLACK
President and Chief Executive Officer	G. MONTEGU BLACK
Executive Vice-President	DIXON S. CHANT
Vice-Presidents	FREDRIK S. EATON JOHN R. FINLAY, Q.C. H. N. R. JACKMAN F. DAVID RADLER
Secretary	HARRY H. EDMISON
Treasurer	WENDELL F. WHITE, C.A.

ARGUS CORPORATION LIMITED

10 TORONTO STREET, TORONTO, CANADA M5C 2B7

Annual Report

TO THE SHAREHOLDERS OF
ARGUS CORPORATION LIMITED

February 26, 1981.

Your directors present the balance sheet of the Corporation as at December 31, 1980 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 November 30, 1979 and for the 13 months ended December 31, 1980. The financial statements are presented in this form to reflect a change in the Corporation's fiscal year from November 30 to December 31.

The balance sheet shows the Corporation's major investments carried at market values. Provision has been made for deferred income taxes payable under the hypothetical assumption that such investments were sold at the market prices prevailing on December 31, 1980, and on November 30, 1979 for the comparative statement. In our opinion, such a provision is not a definitive figure. Unrealized gain on such investments is estimated at \$74,218,702 at December 31, 1980 and \$50,932,712 at November 30, 1979.

As at December 31, 1980, the net asset value of each of the Corporation's Class C shares and common shares was \$11.19, after providing for the deferred income taxes on capital gains referred to above. Such taxes, if applicable, would amount to approximately 67¢ per share. The comparable net asset value of each Class C and common share at November 30, 1979 was \$11.81 and the comparable deferred income taxes on that date were 9¢ per share.

Income from investments during the 12 months ended December 31, 1980 amounted to \$5,577,539 compared to \$9,035,032 for the year ended November 30, 1979. Expenses were \$1,043,805 compared to \$1,030,921 in the previous year. As in fiscal 1979, a considerable portion of the expenses incurred resulted from necessary renovations at the Corporation's offices at 10 Toronto Street. Net income in 1980 amounted to \$4,754,664 compared to \$7,169,711 for the year ended November 30, 1979. The contraction of investment income in 1980 from the previous year was attributable largely to the disposal of the Corporation's Hollinger holdings in July, 1979.

In addition to the regular dividends on the Corporation's Class A and Class B Preference Shares, dividends totalling 10¢ per share were paid on the Class C and the common shares during 1980. At its meeting in June, 1980, your Board of Directors omitted the regular quarterly dividends on the Corporation's Class C and common shares commencing with the September, 1980 quarterly payments. The Board decided that the withholding of such dividends would strengthen the cash position of the Corporation and permit further increases in portfolio positions. In the opinion of the directors such a policy would prove of longer-term benefit to the shareholders.

In October, 1980, your Corporation disposed of 3,000,000 common shares of Massey-Ferguson Limited representing the Corporation's entire holding of such shares by transferring ownership thereof, without consideration, to the Canadian pension plans of Massey-Ferguson Limited. As reflected in your Corporation's financial statements for the year ended December 31, 1980, an income tax recovery, following upon such transfer, of approximately \$7,600,000 is anticipated in respect of income taxes that were paid as a result of the disposal of certain portfolio investments in the 1979 fiscal year.

In the years immediately prior to 1978, the financial condition of Massey-Ferguson deteriorated considerably. Your Corporation played a significant role from 1978 to 1980 in revitalizing Massey-Ferguson management, streamlining its operations, convincing its lenders of the desirability of a comprehensive financial plan of reorganization, and encouraging Federal and Provincial government participation in such a plan. The above-mentioned disposition was a difficult decision, but we believe it to have been in your Corporation's best interests as well as Massey-Ferguson's. We wish good fortune for Massey-Ferguson Limited and all who are associated with it as that company turns a new page in its long and colourful history.

In the 12 months ended December 31, 1980, the Corporation purchased 165,000 common shares of Dominion Stores Limited increasing your Corporation's interest in that company to 38.5% of the shares outstanding. During 1980 3,938 Class A Preference Shares \$2.50 Series and 4,377 Class A Preference Shares \$2.60 Series were purchased and cancelled.

In September, 1980, Mr. John R. Finlay, Q.C. a director of Argus and of The Ravelston Corporation Limited was elected a Vice-President of the Corporation.

Shareholders, on request, will receive copies of the annual reports of the companies which comprise the Corporation's major investments.

Submitted on behalf of the Board,
CONRAD M. BLACK,
Chairman of the Board.

G. MONTEGU BLACK,
President.

ARGUS CORPORATION LIMITED

Balance Sheet

ASSETS	December 31 1980 <small>(Note 6)</small>	November 30 1979
INVESTMENTS:		
Securities having a quoted market value, at market (Note 1)	\$114,671,331	\$122,209,734
Cost—		
December 31, 1980—\$34,825,822		
November 30, 1979—\$70,476,081		
Securities not having a quoted market value, at cost (Note 1)	2,298,949	2,298,952
CASH	70,797	57,002
SHORT-TERM DEPOSITS, at cost plus accrued interest	2,106,111	11,503,768
INCOME TAXES RECOVERABLE	7,607,294	—
CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES	558,200	545,500
OTHER ASSETS	760,119	455,061
HEAD OFFICE PREMISES (No. 10 Toronto Street):		
Land, building and furnishings, at nominal value	<u>1</u>	<u>1</u>
	<u>\$128,072,802</u>	<u>\$137,070,018</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
DIVIDENDS PAYABLE	\$ 360,000	\$ 423,179
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	63,181	250,933
INCOME TAXES PAYABLE	—	7,949,856
DEFERRED INCOME TAXES (Note 1)	5,626,807	800,941
SHAREHOLDERS' EQUITY:		
Capital stock (Note 2)—		
Number of shares		
Authorized	Issued	
245,783		Class A Preference—
	90,428	\$2.50 Series, cumulative
	155,355	\$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>83,968,061</u>
Contributed surplus, realized on purchase for cancellation of preference shares (including \$184,502 arising during the thirteen months ended December 31, 1980)	1,555,736	1,371,234
Deficit	(37,719,685)	(9,042,648)
Unrealized gain on investments	74,218,702	50,932,712
	<u>122,022,814</u>	<u>127,645,109</u>
	<u>\$128,072,802</u>	<u>\$137,070,018</u>

APPROVED BY THE BOARD:

CONRAD M. BLACK, Director

G. MONTEGU BLACK, Director

Handwritten notes and calculations in the bottom right corner, including the number 258 and a vertical calculation: 377 / 11 = 34.27.

ARGUS CORPORATION LIMITED

Statement of Investments

	December 31, 1980				November 30, 1979	
	Class of shares	Number of shares	Percentage of outstanding shares	Indicated market value (Note 1)	Number of shares	Indicated market value (Note 1)
Securities having a quoted market value:						
Dominion Stores Limited	Common	3,370,300	38.55%	\$ 74,989,175	3,205,300	\$ 60,099,375
Massey-Ferguson Limited	Common	—	—	—	3,000,000	31,500,000
Standard Broadcasting Corporation Limited	Common	2,885,975	50.92%	39,682,156	2,880,975	30,610,359
				<u>\$114,671,331</u>		<u>\$122,209,734</u>
Securities not having a quoted market value				<u>\$ 2,298,949</u>		<u>\$ 2,298,952</u>

NOTES TO FINANCIAL STATEMENTS

- SUMMARY OF ACCOUNTING POLICIES:**
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.
 Investments not having a quoted market value are carried at cost.
Deferred income taxes—
 Provision has been 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.
- CAPITAL STOCK:**
 (a) The Class A and Class B preference shares have a par value of \$50 each 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 thirteen months ended December 31, 1980, 3,938 Class A preference shares \$2.50 series and 4,377 Class A preference shares \$2.60 series were purchased and cancelled.
- INVESTMENT IN MASSEY-FERGUSON LIMITED:**
 On October 2, 1980, the Corporation disposed of 3,000,000 common shares of Massey-Ferguson Limited held by the Corporation by transferring without consideration the ownership of one-half of such shares to each of the two pension plans of Massey-Ferguson Limited established for the benefit of its Canadian employees.
- INCOME TAXES:**
 As a result of the transaction described in Note 3, the Corporation incurred a capital loss for tax purposes of \$39,000,000. A portion amounting to \$29,800,000 has been applied against the capital gains realized for the year ended November 30, 1979. The remaining amount of \$9,200,000 may be used to reduce future capital gains and the potential tax benefits will be reflected in the financial statements when realized.
- CONTINGENT LIABILITY:**
 The Corporation previously had arrangements which expire in 1983 with certain shareholders of Hollinger Argus Limited (formerly Hollinger Mines Limited) regarding first refusal rights to purchase shares of that company. Certain of such shareholders have the right to put shares of Hollinger Argus Limited to the Corporation. These arrangements have been taken over by The Ravelston Corporation Limited which has agreed to assume and indemnify the Corporation against all obligations under such arrangements.
- CHANGE IN FISCAL YEAR END:**
 On November 12, 1980 the directors approved a change in the fiscal year end of the Corporation from November 30 to December 31. As a consequence of this change, the statements of deficit, unrealized gain on investments, income and expenses, and changes in financial position cover the thirteen months ended December 31, 1980 and for comparative purposes, amounts are also shown for the twelve months ended on that date.
- RELATED PARTY TRANSACTIONS:**
 The Corporation incurs costs in connection with the administration and operations at 10 Toronto Street. A portion of such costs are recovered from certain related companies.

ARGUS CORPORATION LIMITED

Statement of Income and Expenses

	Thirteen months ended December 31 1980 <small>(Note 6)</small>	Twelve months ended December 31 1980 <small>(Note 6)</small>	November 30 1979
Income:			
Dividends received	\$ 6,108,815	\$ 5,313,240	\$ 6,391,875
Interest earned	395,580	264,299	2,643,157
	<u>6,504,395</u>	<u>5,577,539</u>	<u>9,035,032</u>
Expenses:			
Remuneration of officers and directors	298,516	269,599	228,500
General office and administrative expenses	728,679	658,086	462,550
Renovation and fixture expenses	116,120	116,120	339,871
	<u>1,143,315</u>	<u>1,043,805</u>	<u>1,030,921</u>
Income before income taxes	5,361,080	4,533,734	8,004,111
Income taxes (recovered)	(220,930)	(220,930)	834,400
Net income for the period	<u>\$ 5,582,010</u>	<u>\$ 4,754,664</u>	<u>\$ 7,169,711</u>
Earnings per Class C preference and common share	<u>\$.45</u>	<u>\$.39</u>	<u>\$.67</u>

Statement of Changes in Financial Position

	Thirteen months ended December 31 1980 <small>(Note 6)</small>	Twelve months ended December 31 1980 <small>(Note 6)</small>	November 30 1979
Cash in banks and short-term deposits at beginning of period	\$ 11,560,770	\$11,267,124	\$ 1,489,514
Source of funds:			
Net income for the period	5,582,010	4,754,664	7,169,711
Proceeds from disposal of investments plus recovery (less expense in 1979) of applicable income taxes	7,368,556	7,368,556	129,009,635
Increase in income taxes payable	—	—	7,947,774
	<u>\$ 24,511,336</u>	<u>\$23,390,344</u>	<u>\$145,616,634</u>
Application of funds:			
Purchase of investments	\$ 3,321,146	\$ 2,612,156	\$ 53,677,993
Dividends	2,656,195	1,868,222	78,325,238
Purchase for cancellation of Class A preference shares	231,248	206,330	219,048
Decrease in income taxes payable	15,557,150	15,557,151	—
Decrease in dividends payable	63,179	427,972	1,269,536
Decrease in accounts payable and accrued liabilities	187,752	220,835	432,751
Other	317,758	320,770	131,298
	<u>22,334,428</u>	<u>21,213,436</u>	<u>134,055,864</u>
Cash in banks and short-term deposits at end of period	<u>\$ 2,176,908</u>	<u>\$ 2,176,908</u>	<u>\$ 11,560,770</u>
	<u>\$ 24,511,336</u>	<u>\$23,390,344</u>	<u>\$145,616,634</u>

ARGUS CORPORATION LIMITED

Statement of Deficit

	Thirteen months ended December 31 1980 <small>(Note 6)</small>	Twelve months ended December 31 1980 <small>(Note 6)</small>	Twelve months ended November 30 1979
Earned surplus (deficit) at beginning of period	\$ (9,042,648)	\$ (9,003,275)	\$ 36,746,628
Net income for the period	5,582,010	4,754,664	7,169,711
Gain (loss) on disposal of investments, less income taxes thereon (1980 recovery of \$7,368,556; 1979 expense of \$7,385,206)	(31,602,852)	(31,602,852)	38,648,491
	(35,063,490)	(35,851,463)	82,564,830
Dividends:			
Class A Preference Shares \$2.50 Series	285,691	227,212	238,962
Class A Preference Shares \$2.60 Series	511,637	407,824	421,381
Class B Preference Shares 1962 Series	1,012,509	810,007	810,008
Class C Participating Preference Shares			
Regular	677,086	338,543	4,401,062
Special	—	—	67,708,640
Common Shares			
Regular	169,272	84,636	1,100,265
Special	—	—	16,927,160
	2,656,195	1,868,222	91,607,478
Deficit at end of period	<u>\$(37,719,685)</u>	<u>\$(37,719,685)</u>	<u>\$ (9,042,648)</u>

Statement of Unrealized Gain on Investments

	Thirteen months ended December 31 1980 <small>(Note 6)</small>	Twelve months ended December 31 1980 <small>(Note 6)</small>	Twelve months ended November 30 1979
Balance at beginning of period	\$ 50,932,712	\$ 62,096,529	\$ 78,619,346
Increase (decrease) in unrealized gain on investments	28,111,856	14,802,305	(33,040,080)
Decrease (increase) in deferred income taxes	(4,825,866)	(2,680,132)	5,353,446
Balance at end of period	<u>\$ 74,218,702</u>	<u>\$ 74,218,702</u>	<u>\$ 50,932,712</u>

AUDITORS' REPORT

To the Shareholders of

ARGUS CORPORATION LIMITED:

We have examined the balance sheet and the statement of investments of Argus Corporation Limited as at December 31, 1980 and the statements of deficit, unrealized gain on investments, income and expenses and changes in financial position for the thirteen months and twelve months 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 financial statements present fairly the financial position of the Corporation as at December 31, 1980 and the results of its operations and the changes in its financial position for the thirteen months and twelve months then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, January 21, 1981

PRICE WATERHOUSE & Co.

Chartered Accountants

