

UNITED CORPORATIONS LIMITED

ANNUAL REPORT

2018


THE FISCAL YEAR AT A GLANCE

Year ended March 31	2018	2017
Net equity value per Common Share ¹	\$ 138.40	\$ 132.32
Net investment income per Common Share ¹	\$ 1.98	\$ 1.92
Net income per Common Share	\$ 8.40	\$ 14.09
Cash dividends paid per Common Share		
Quarterly	\$ 1.20	\$ 0.80
Additional ²	\$ 1.12	\$ 1.33
Net assets ³	\$ 1,695,470	\$ 1,621,302
Net investment income ^{1,3}	\$ 24,502	\$ 23,936
Number of Common Shares outstanding at year end	12,194,193	12,194,193

¹ See Management's Discussion and Analysis for Use of Non-GAAP measures.

² This additional dividend represents the annual distribution of the prior year's annual net investment income after payment of Preferred Share dividends and after payment of quarterly dividends.

³ In thousands of Canadian dollars.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at Vantages Venues, Caledonia Room, 150 King Street West, 27th Floor, Toronto, Ontario on Wednesday, June 20, 2018 at 11:30 a.m. All shareholders are invited to attend.

UNITED CORPORATIONS LIMITED

BOARD OF DIRECTORS

DUNCAN N. R. JACKMAN
Chairman and President
United Corporations Limited

DAVID J. DAWSON
Managing Director
Protiviti

KIM SHANNON
President and Co-Chief Investment Officer
Sionna Investment Managers Inc.

MARK M. TAYLOR
Corporate Director

MICHAEL J. WHITE
Chairman of the Board
Addenda Capital Inc.

DAVID R. WINGFIELD
Partner
Strosberg Sasso Sutts LLP

HONORARY DIRECTORS

J. CHRISTOPHER BARRON
Corporate Director

THE HONOURABLE HENRY N. R. JACKMAN
Honorary Chairman
The Empire Life Insurance Company

OFFICERS

DUNCAN N. R. JACKMAN
Chairman and President

RICHARD B. CARTY
Corporate Secretary

SCOTT F. EWERT
Vice-President

FRANK J. GLOSNEK
Treasurer

UNITED CORPORATIONS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

This document has been prepared for the purpose of providing Management's Discussion and Analysis ("MD&A") of the financial position and results of operations for the years ended March 31, 2018 and 2017. This MD&A should be read in conjunction with the March 31, 2018 year-end financial statements of United Corporations Limited ("United" or the "Company") which form part of this Annual Report. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), as set out in the Handbook of the Chartered Professional Accountants of Canada. IFRS constitutes Canadian generally accepted accounting principles ("GAAP"). The reporting currency for the Company is the Canadian dollar, and all amounts in the following discussion are in Canadian dollars.

This MD&A may contain certain forward-looking statements that are subject to risks and uncertainties that may cause the results or events mentioned in this discussion to differ materially from actual results or events. No assurance can be given that results, performance or achievement expressed in, or implied by, any forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

The Company

United is a closed-end investment corporation that trades on the Toronto Stock Exchange. United is an investment vehicle for long-term growth through investments in common equities, as management believes that over long periods of time, common equities, as an asset class, will outperform fixed-income instruments or balanced funds. From time to time, however, assets of the Company may be invested in interest-bearing short-term securities pending the selection of suitable equity investments.

The Company has been a closed-end investment corporation since 1929 and has never bought back its Common Shares. The Common Shares have historically traded at a discount to their net asset value, ranging from a 40% discount to a 15% discount over the past 10 years. Management believes that shareholders who have invested in the Common Shares of the Company recognize that the Common Shares of the Company usually trade at a discount to their net asset value.

Closed-end investment corporations have the following benefits: they often allow investors the opportunity to purchase assets at a discounted price; they have management expense ratios which are generally much lower than those for actively-managed open-ended funds; and the management of a closed-end investment corporation's portfolio is not impacted by shareholder subscription or redemption activities.

United has no plans to become an open-ended investment fund.

The majority of the Company's investment portfolio is actively managed by Jarislowsky Fraser Limited ("Jarislowsky") and ValueInvest Asset Management S.A. ("ValueInvest"). Each of the managers has a global equity mandate. As of March 31, 2018, \$761,235,000 (2017 - \$768,470,000) and \$825,610,000 (2017 - \$859,612,000) of equity investments were managed by Jarislowsky and ValueInvest, respectively.

Jarislowsky is a global investment manager whose head office is in Montreal, Quebec, with offices in Toronto, Calgary, Vancouver, and New York. Jarislowsky selects investments using a long-term bottom-up investment philosophy, which is to purchase good companies with strong economics and management, whose shares are selling below Jarislowsky's estimate of intrinsic value. The portfolio normally consists of 45 - 75 investments and includes publicly-traded equity securities of companies outside of Canada, with between 80% - 100% allocated to non-cyclical blue chip industry leaders with large capitalizations, and the balance allocated to cyclical smaller market capitalization companies. The target geographic mix expressed as a percentage of the portfolio are generally U.S. equities 30 - 70%; international equities 30 - 70%; and emerging markets 0 - 10%. On May 1, 2018, The Bank of Nova Scotia acquired Jarislowsky.

ValueInvest is a global investment manager whose head office is in the Grand Duchy of Luxembourg. ValueInvest provides portfolio advisory services to Canadian clients through Pier 21 Asset Management Inc., a registered portfolio manager based in Montreal, Quebec. ValueInvest's investment objective is to provide long-term growth primarily through capital appreciation, by investing in a portfolio of common stocks and equivalent securities of major companies around the world. The investment philosophy rests on its core conviction that long-term preservation and accumulation of wealth can best be achieved through a combination of attractive valuations and thorough assessment of the quality of the businesses. There is no target geographic mix for the portfolio. The portfolio normally consists of 30 - 80 companies. On March 12, 2018, ValueInvest entered into an agreement to be acquired by Macquarie Investment Management which is expected to close during 2018.

On September 29, 2017 United allocated approximately \$100 million of its assets to emerging markets mandates, \$50 million invested in LSV Emerging Markets Small Cap Equity Fund, LP ("LSV") and \$50 million in Burgundy Emerging Markets Equity Fund ("Burgundy"). The LSV mandate is managed by LSV Asset Management, a value equity manager whose head office is in Chicago, Illinois. The Burgundy mandate is managed by Burgundy Asset Management Ltd., a fundamental value-driven investment manager whose head office is in Toronto. The risks of foreign investments are generally higher in emerging markets. As of March 31, 2018, the top 5 largest country exposures represented 59% of these emerging market mandates. These countries included China (15%), India (14%), South Korea (11%), Brazil (10%) and Taiwan (9%). As of March 31, 2018, \$55,266,000 (2017 - \$nil) and \$53,109,000 (2017 - \$nil) of equity investments were managed by LSV and Burgundy, respectively. In addition, the Jarislowsky investment portfolio held two investments within emerging markets totalling \$17,618,000 (2017 - \$7,801,000).

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company also has a long-term investment in Algoma Central Corporation ("Algoma"), a public shipping company. Algoma is a related party and is a reporting issuer which trades on the Toronto Stock Exchange with a profile on SEDAR. The investment in Algoma is consistent with the Company's investment strategy and contributes to achieving the investment objective of the Company.

Investment Strategy

The objective of the Company is to earn an above-average rate of return, primarily through long-term capital appreciation and dividend income. Short-term volatility is expected and tolerated. Management remains confident that the Company's investment strategy will reward shareholders over the long term.

The investment portfolio of the Company comprises primarily foreign equities. Net equity value and net investment income may vary significantly from period to period depending on the economic environment and market conditions.

Use of Non-GAAP Measures

This MD&A contains references to "net equity value per Common Share" and "net investment income per Common Share". These terms do not have any standardized meanings in GAAP and therefore may not be comparable to similar measures presented by other companies. The Company believes that these measures provide information useful to our shareholders in evaluating the Company's financial results.

Net equity value per Common Share is used by investors and management as a comparison to the market price of its Common Shares to determine the discount or premium at which the Company's Common Shares are trading, relative to the net equity value per Common Share. In order to determine its net equity value per Common Share, the Company deducts the cost of redemption of its Preferred Shares from its net assets.

Net investment income per Common Share is used by investors and management to assess the approximate amount of dividends to be distributed on Common Shares. In order to determine its net investment income per Common Share, the Company deducts the dividends paid and accrued on its Preferred Shares from net investment income.

Net equity value per Common Share is calculated as follows (in thousands of dollars, except number of Common Shares and per Common Share amounts):

	March 31 2018	March 31 2017
Net assets	\$ 1,695,470	\$ 1,621,302
Deduct:		
Cost of redemption		
First Preferred Shares	1,567	1,567
1959 and 1963 Series Second Preferred Shares	6,180	6,180
	7,747	7,747
Net equity value	\$ 1,687,723	\$ 1,613,555
Common Shares outstanding	12,194,193	12,194,193
Net equity value per Common Share	\$ 138.40	\$ 132.32

UNITED CORPORATIONS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

Use of Non-GAAP Measures

Net investment income per Common Share is calculated as follows (in thousands of dollars, except number of Common Shares and per Common Share amounts):

	Three months ended March 31		Year ended March 31	
	2018	2017	2018	2017
Net income	\$ 5,828	\$ 75,146	\$ 102,837	\$ 172,286
Fair value change in investments	(795)	(80,633)	(90,870)	(171,008)
Tax on fair value change in investments	74	10,683	11,951	22,658
Net investment income of a limited partnership ^{1,2}	208	—	584	—
Net investment income ¹	5,315	5,196	24,502	23,936
Dividends paid and accrued on Preferred Shares	(94)	(189)	(378)	(473)
Net investment income, net of Preferred Share dividends ¹	\$ 5,221	\$ 5,007	\$ 24,124	\$ 23,463
Common Shares outstanding	12,194,193	12,194,193	12,194,193	12,194,193
Net investment income per Common Share ¹	\$ 0.43	\$ 0.41	\$ 1.98	\$ 1.92

¹ On an after-tax basis.

² Represents allocation of dividends net of expenses.

Net Equity Value per Common Share

The Company's net equity value per Common Share increased to \$138.40 at March 31, 2018 from \$132.32 at the prior year end.

With dividends reinvested at month-end net equity values, the net equity value return was 6.4% in fiscal 2018, compared to a return of 11.6% in fiscal 2017.

During the current fiscal year the investments managed by Jarislowsky had a pre-tax total return of 10.1% (2017 – 18.0%), whereas the investments managed by ValueInvest had a pre-tax total return of 5.4% (2017 – 10.5%).

As the Company is a taxable Canadian corporation, the Company's net equity value is net of a provision for income taxes on net investment income and net realized gains on investments, and net of a deferred income tax provision on its change in unrealized appreciation of investments.

In Canadian dollar terms, total returns (capital gains plus dividends) for stock market indices, were as follows:

	Year ended March 31, 2018	Year ended March 31, 2017
	(%)	
MSCI World Index	10.6	18.6
S&P 500 Index	10.4	20.4
S&P/TSX Composite Index	1.7	18.6

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Growth in Net Equity Value ("NAV")

Set out below is a table that shows annual growth in NAV in each of the past 10 fiscal years:

Annual growth in NAV*

	NAV per Common Share	Annual Growth
		(%)
2009	\$ 54.81	(28.1)
2010	67.33	24.4
2011	71.82	7.9
2012	72.32	1.9
2013	82.03	15.7
2014	99.50	23.2
2015	117.86	20.2
2016	120.66	4.0
2017	132.32	11.6
2018	138.40	6.4

Compound annual growth*

2009 - 2018 - 10 years 7.6

*This chart was drawn from the individual annual reports and any NAV amounts prior to 2014 have not been restated for any subsequent changes in accounting policies.

Operating Results - Fiscal 2018

Net Income

The Company's net income for fiscal 2018 was \$102,837,000 compared to net income of \$172,286,000 in the prior year. On a per Common Share basis, net income decreased to \$8.40 from \$14.09 in the prior year.

Fair value change in investments for the portfolio decreased to \$90,870,000 for the current fiscal year compared to a fair value change in investments of \$171,008,000 for the prior year. Fair value gains in North America of \$30,340,000, \$28,102,000 in Europe, \$22,527,000 in Japan, \$9,581,000 in Emerging Markets and \$3,046,000 in Hong Kong were offset by fair value losses of \$2,458,000 in Australia and \$268,000 in the United Kingdom.

The significant contributors to the investment performance for the current fiscal year included Microsoft Corporation, MasterCard, Inc. Class A, and L'Air Liquide S.A. with fair value investment gains of \$12,744,000, \$7,335,000 and \$6,621,000 respectively. The largest detractors were General Mills, Inc., Kimberly-Clark Corporation, and Roche Holding AG with fair value investment losses of \$10,236,000, \$8,471,000 and \$6,238,000 respectively.

The net realized gain was \$100,272,000 for the current fiscal year compared to \$79,455,000 for the prior year. During the second fiscal quarter, the proceeds from the sale of investments managed by Jarislowsky and ValueInvest were used to fund the emerging markets investments with LSV and Burgundy. This sale contributed to higher net realized gains during the fiscal year. The three largest contributors to the net realized gain during fiscal 2018 were from sales of MetLife, Inc., Dollar Tree, Inc., and Microsoft Corporation totalling \$19,731,000 of realized gains.

Net investment income

The Company's net investment income for fiscal 2018 increased to \$24,502,000 compared to \$23,936,000 for the prior year. On a per Common Share basis, net investment income increased to \$1.98 in 2018 compared to \$1.92 in 2017.

During the year, foreign dividend income increased to \$39,489,000 from \$38,716,000 in fiscal 2017. Foreign dividend income is impacted by changes in the composition of the investment portfolio, variability in foreign exchange rates and dividend yields.

Net investment income includes \$795,000 (2017 - \$nil) of net investment income of a limited partnership. This amount for accounting purposes is included in fair value change in investments in the statement of operations.

Canadian dividend income increased to \$1,233,000 from \$1,015,000 in fiscal 2017. The increase occurred as a result of dividend increases by Algoma.

Interest and securities lending income increased to \$822,000 compared to \$666,000 in the prior year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses of the Company for the year increased to \$9,327,000 compared to \$8,375,000 in the prior year. The majority of the increase relates to an increase in investment management and administrative costs resulting from a higher investment portfolio compared to the prior year. In addition, there are increased management fees for the emerging markets mandates. Office and miscellaneous expenses in the prior year include additional stock exchange filing fees. The Company's management expense ratio ("MER") increased in fiscal 2018 to 0.56% of average net assets versus 0.55% in the prior year.

The effective tax rate for United is impacted by the amount of investment gains, which are subject to a lower tax rate. The Company's effective income tax rate increased during the year by 1.4% due primarily to the lower proportion of fair value change in investments in the current year compared to the prior year.

Operating Results - Fourth Quarter, Fiscal 2018

The Company's net equity value per Common Share increased to \$138.40 at March 31, 2018 from \$138.23 at December 31, 2017. With dividends reinvested at month-end net equity values, the Company's net equity value return was 0.3% in the fourth quarter of fiscal 2018. On a pre-tax basis, Jarislowsky's return for the quarter was 1.2% and ValueInvest's return was 0.5%. Positive contributors to the investment performance for the fourth quarter included Microsoft Corporation, Koninklijke Ahold Delhaize NV, and MasterCard, Inc. Class A. During the fourth quarter, the largest detractor to the portfolio was General Mills, Inc.

In Canadian dollar terms, in the fourth quarter of fiscal 2018 total returns for stock market indices were MSCI World Index 1.6%, S&P 500 Index 2.0% and S&P/TSX Composite Index (4.5)%.

Three-Year Results

A summary of various financial data for each of the last three fiscal years is as follows (in thousands of dollars, except per share amounts):

	2018	2017	2016
Fair value change in investments ¹	\$ 78,919	\$ 148,350	\$ 30,153
Fair value change in investments per Common Share ¹	6.42	12.17	2.47
Total assets	1,771,851	1,697,170	1,541,262
Net investment income ¹	24,502	23,936	26,345
Net investment income per Common Share ¹	1.98	1.92	2.13
Cash dividends paid per Common Share:			
Quarterly	1.20	0.80	0.80
Additional	1.12	1.33	1.00
Cash dividends paid per Preferred Share	1.50	1.50	1.50

¹ On an after-tax basis.

Three-Year Results

United's investment portfolio is affected by equity markets, stock selection and currency movements. In fiscal years 2017 and 2018, the performance of United was favourably affected by strong investment returns in global equity markets. In fiscal 2016, the performance of United was affected by reduced fair value gains in its global equity investments relative to fiscal years 2017 and 2018.

The fluctuations in net investment income are due primarily to changes in dividend income that is earned by the Company, net of management fees, and due to the receipt of special dividends that occur from time to time. Dividend income is determined by the dividend policies of the corporations that are held as investments in the total investment portfolio.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Review - Fiscal 2018 and 2017

The following tables summarize various financial results on a quarterly basis for the current and prior fiscal years:

	2018 Fiscal Year			
	Quarter ended			
	June 30	Sept. 30	Dec. 31	Mar. 31
	(in thousands of dollars, except per share amounts)			
Investments	\$ 1,672,747	\$ 1,642,607	\$ 1,741,035	\$ 1,747,067
Net investment income ^{1,2}	11,615	3,941	3,631	5,315
Fair value change in investments ²	9,102	(26,593)	95,689	721
Per Common Share:				
Net investment income ^{1,2}	\$ 0.94	\$ 0.32	\$ 0.29	\$ 0.43
Fair value change in investments ²	0.75	(2.18)	7.81	0.04
Net income (loss)	\$ 1.69	\$ (1.86)	\$ 8.10	\$ 0.47

	2017 Fiscal Year			
	Quarter ended			
	June 30	Sept. 30	Dec. 31	Mar. 31
	(in thousands of dollars, except per share amounts)			
Investments	\$ 1,525,816	\$ 1,582,130	\$ 1,589,654	\$ 1,673,802
Net investment income ^{1,2}	11,144	3,897	3,699	5,196
Fair value change in investments ²	18,421	53,778	6,201	69,950
Per Common Share:				
Net investment income ^{1,2}	\$ 0.91	\$ 0.31	\$ 0.29	\$ 0.41
Fair value change in investments ²	1.51	4.41	0.51	5.74
Net income	\$ 2.42	\$ 4.72	\$ 0.80	\$ 6.15

¹ The net investment income per Common Share is net of dividends on Preferred Shares during the period.

² On an after-tax basis.

Investment income is derived primarily from dividend income that is earned by the Company. While North American investments usually pay regular quarterly dividends, investments outside of North America often pay less frequently. In general, dividends earned on investments outside of North America peak in the first quarter of the fiscal year. From time to time, the Company receives additional one-time dividends arising from significant corporate transactions. There is no guarantee that the Company will receive dividend income on its investments at current dividend payout levels.

Overall returns are determined by the performance of the investment managers of the portfolio and may fluctuate significantly as illustrated by the past eight quarters. The returns generated by the investment managers may not correlate with benchmark returns.

UNITED CORPORATIONS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company under Canadian securities laws is recorded, processed, summarized and reported within the specified time periods, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management on a timely basis to allow appropriate decisions regarding public disclosure. Under the supervision of management, an evaluation was carried out on the effectiveness of the Company's disclosure controls and procedures as of March 31, 2018. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective as at March 31, 2018.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Under the supervision of management, an evaluation of the Company's internal control over financial reporting was carried out as at March 31, 2018. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at March 31, 2018. No changes were made in the Company's internal control over financial reporting during the year ended March 31, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Risks

As the Company is a closed-end investment corporation, United faces various risks arising from its investments. Under the supervision of the Board of Directors, management has developed policies to identify and monitor these risks. Note 4 to the March 31, 2018 financial statements provide disclosures surrounding risks arising from its financial instruments. These risks include market, liquidity, and credit risks.

Market risk

The most significant risk that is faced by United is market risk which represents exposures to changes in the fair value of its investment portfolio. As the Company's investment portfolio is represented primarily by global equities, the value of its investments will vary from day to day depending on a number of market factors including economic conditions, global events, market news, and the performance of the issuers of the securities in which the Company invests. Changes in foreign currency exchange rates will also affect the value of investments of non-Canadian dollar securities. As of March 31, 2018, 48% (2017 – 52%) of the investment portfolio including cash and cash equivalents was denominated in U.S. dollars, 19% (2017 – 19%) in Euros, 11% (2017 – 11%) in Japanese yen, 6% (2017 – 5%) in British pounds, and 6% (2017 – 7%) in Swiss Francs.

Liquidity risk

Sufficient liquidity is maintained by regular monitoring of cash flow requirements. All liabilities, other than deferred tax liabilities, settle within three months of the year end.

Credit risk

United participates in securities lending which could expose the Company to the risk of counterparty failure. RBC Investor & Treasury Services ("RBC ITS"), the Company's custodian, acts as lending agent. RBC ITS is responsible to return the borrowed securities to the Company when required, and RBC ITS indemnifies the Company in the event of borrower default. The Company has recourse to the Royal Bank of Canada in the event of a failure by RBC ITS to discharge its obligations to the Company.

The Company's exposure to risks is also addressed in the Company's Annual Information Form.

Share Data

As at March 31, 2018, the following shares were issued and outstanding: 52,237 First Preferred Shares, 80,290 1959 Series Second Preferred Shares, 119,710 1963 Series Second Preferred Shares and 12,194,193 Common Shares.

Liquidity and Capital Resources

The Company's dividend policy is to distribute annual net investment income, after payment of Preferred Share dividends, in the form of Common Share dividends.

The Company pays quarterly dividends on its Common and Preferred Shares in February, May, August and November of each year together with an additional Common Share dividend representing the balance of net investment income for the previous fiscal year. During the 2018 fiscal year the Company paid a quarterly dividend of \$0.30 (2017 - \$0.20) per Common Share and \$0.375 per Preferred Share.

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On June 30, 2017, the Company paid an additional cash dividend of \$1.12 per Common Share. An additional dividend of \$0.78 per Common Share payable in the first quarter of fiscal 2019 was declared by the Board of Directors on May 8, 2018.

The Company's dividend policy is established by the Board of Directors at its discretion and is subject to change.

Related Party Information

Included in the Company's Schedule of Investment Portfolio is Algoma, a related party, with a fair value at March 31, 2018 of \$51,847,000 (2017 - \$45,720,000). Dividend income from Algoma for the fiscal year ended March 31, 2018 amounted to \$1,233,000 (2017 - \$1,015,000).

E-L Financial holds a 52.0% (2017 - 51.8%) interest in the Company. Included in investment management and administrative costs are fees for administrative services paid to E-L Financial. These fees are calculated at 0.1% per annum of the fair value of the investments managed by the external investment managers and are paid monthly. The total fees for the year ended March 31, 2018 amounted to \$1,835,000 (2017 - \$1,732,000).

The ultimate controlling party of the Company and these related parties is The Honourable Henry N. R. Jackman together with a trust created in 1969 by his father, Henry R. Jackman.

Critical Accounting Estimates

The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and earnings. Note 2 to the financial statements describes the significant accounting policies and note 3 contains critical accounting estimates and judgments.

Changes in Accounting Policies

IFRS 9 – "Financial Instruments" addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after January 1, 2018. On adoption of IFRS 9, the Company's investment portfolio will continue to be classified as fair value through profit or loss. As a result, adoption of IFRS 9 is not expected to have a material impact on the Company's financial statements.

Additional Information

Additional information relating to United, including the Company's Annual Information Form, is available at www.sedar.com.

United's website, www.ucorp.ca, also provides further information on the Company, including historical information on the net equity value per Common Share which is updated weekly.

May 8, 2018

UNITED CORPORATIONS LIMITED

FINANCIAL HIGHLIGHTS

For each of the years in the five-year period ended March 31, 2018:

	2018	2017	2016	2015	2014
	(Per Common Share)				
NET EQUITY VALUE, beginning of year	<u>\$ 132.32</u>	<u>\$ 120.66</u>	<u>\$ 117.86</u>	<u>\$ 99.50</u>	<u>\$ 82.06</u>
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS					
Net investment income ¹	1.98	1.92	2.13	1.80	1.53
Fair value change in investments	<u>6.42</u>	<u>12.17</u>	<u>2.47</u>	<u>18.09</u>	<u>17.34</u>
	<u>8.40</u>	<u>14.09</u>	<u>4.60</u>	<u>19.89</u>	<u>18.87</u>
DIVIDENDS TO COMMON SHAREHOLDERS					
Quarterly ²	(1.20)	(1.10)	(0.80)	(0.80)	(0.80)
Additional	<u>(1.12)</u>	<u>(1.33)</u>	<u>(1.00)</u>	<u>(0.73)</u>	<u>(0.63)</u>
	<u>(2.32)</u>	<u>(2.43)</u>	<u>(1.80)</u>	<u>(1.53)</u>	<u>(1.43)</u>
NET EQUITY VALUE, end of year	<u><u>\$ 138.40</u></u>	<u><u>\$ 132.32</u></u>	<u><u>\$ 120.66</u></u>	<u><u>\$ 117.86</u></u>	<u><u>\$ 99.50</u></u>

¹ Net investment income per Common Share is a Non-GAAP measure. See Management's Discussion and Analysis on page 4.

² The quarterly Common shareholder dividend for fiscal 2017 includes \$0.30 of declared dividends payable in fiscal 2018.

UNITED CORPORATIONS LIMITED

MANAGEMENT'S REPORT

The accompanying financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and other sections of the Annual Report.

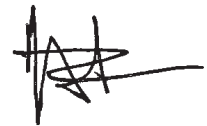
The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Company are described in Note 2 to the financial statements. Financial information disclosed elsewhere in the Annual Report is consistent with the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Board of Directors carries out its responsibilities principally through its Audit Committee. The Audit Committee reviews the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and the external auditor prior to recommending the audited financial statements and related disclosure for approval by the Board of Directors.

The shareholders of the Company appointed the independent auditor, PricewaterhouseCoopers LLP. The independent auditor audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on the following page.



Duncan N.R. Jackman
Chairman and President
May 8, 2018



Frank J. Glosnek
Treasurer

UNITED CORPORATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of United Corporations Limited:

We have audited the accompanying financial statements of United Corporations Limited, which comprise the statements of financial position as at March 31, 2018 and 2017 and the statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of United Corporations Limited as at March 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

May 8, 2018
Toronto, Canada

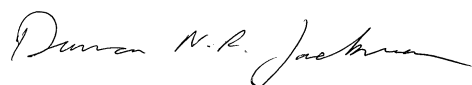
Chartered Professional Accountants, Licensed Public Accountants

UNITED CORPORATIONS LIMITED

STATEMENTS OF FINANCIAL POSITION

	<u>March 31</u> <u>2018</u>	<u>March 31</u> <u>2017</u>
	(000's)	
ASSETS		
Cash and cash equivalents (Note 6)	\$ 19,161	\$ 17,938
Investments (Notes 4 and 11)	1,747,067	1,673,802
Dividends and interest receivable	2,149	2,763
Other assets	3,474	2,667
	<u>1,771,851</u>	<u>1,697,170</u>
LIABILITIES		
Accrued expenses	1,330	964
Income taxes payable	3,331	1,478
Dividends payable (Note 10)	3,753	3,753
Deferred tax liabilities (Note 7)	67,967	69,673
	<u>76,381</u>	<u>75,868</u>
NET ASSETS	<u>\$ 1,695,470</u>	<u>\$ 1,621,302</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	\$ 541,000	\$ 541,000
Retained earnings	1,154,470	1,080,302
TOTAL SHAREHOLDERS' EQUITY	<u>\$ 1,695,470</u>	<u>\$ 1,621,302</u>

APPROVED BY THE BOARD



DUNCAN N.R. JACKMAN
Director



MICHAEL J. WHITE
Director

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENTS OF COMPREHENSIVE INCOME

	Year ended March 31	
	2018	2017
	(000's)	
INCOME		
Dividends		
Foreign	\$ 39,489	\$ 38,716
Canadian (Note 11)	1,233	1,015
	40,722	39,731
Interest and securities lending income	822	666
Fair value change in investments (Note 8)	90,870	171,008
	132,414	211,405
EXPENSES		
Investment management and administrative costs (Note 11)	8,007	7,011
Transfer, registrar and custody fees	539	480
Directors' and officer's remuneration	355	379
Office and miscellaneous	349	425
Professional fees	77	80
	9,327	8,375
INCOME BEFORE INCOME TAXES	123,087	203,030
Provision for income taxes (Note 7)	20,250	30,744
NET INCOME	\$ 102,837	\$ 172,286
EARNINGS PER COMMON SHARE		
BASIC AND DILUTED (Note 12)	\$ 8.40	\$ 14.09

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Retained Earnings	Total
	(000's)		
At April 1, 2017	\$ 541,000	\$1,080,302	\$1,621,302
Net income for the year	—	102,837	102,837
Dividends (Note 10)	—	(28,669)	(28,669)
At March 31, 2018	\$ 541,000	\$1,154,470	\$1,695,470
At April 1, 2016	\$ 541,000	\$ 938,121	\$1,479,121
Net income for the year	—	172,286	172,286
Dividends (Note 10)	—	(30,105)	(30,105)
At March 31, 2017	\$ 541,000	\$1,080,302	\$1,621,302

STATEMENTS OF CASH FLOWS

	Year ended March 31	
	2018	2017
	(000's)	
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	\$ 102,837	\$ 172,286
Adjustments for:		
Fair value change in investments	(90,870)	(171,008)
Purchases of investments	(329,118)	(244,042)
Proceeds from sale of investments	346,723	260,912
Dividends and interest receivable	614	(310)
Deferred taxes	(1,706)	12,149
Net change in other assets and liabilities	1,412	(2,884)
	<u>29,892</u>	<u>27,103</u>
Financing		
Dividends paid to shareholders	(28,669)	(26,352)
Net increase in cash and cash equivalents	1,223	751
Cash and cash equivalents at beginning of the year	17,938	17,187
Cash and cash equivalents at end of the year (Note 6)	\$ 19,161	\$ 17,938
Additional information for operating activities:		
Interest received	\$ 142	\$ 76
Dividends received, net of withholding taxes	35,499	33,666

(See accompanying notes)

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

1. Description of business

United Corporations Limited (“United” or the “Company”) is a closed-end investment corporation. The head office, principal address and registered office of the Company is located at 165 University Avenue, Toronto, Ontario, M5H 3B8.

United trades on the Toronto Stock Exchange under the symbols UNC, UNC.PR.A, UNC. PR.B and UNC.PR.C. United is an investment vehicle for long-term growth through investments in common equities, as management believes that over long periods of time, common equities, as an asset class, will outperform fixed-income instruments or balanced funds. From time to time, however, assets of the Company may be invested in interest-bearing short-term securities pending the selection of suitable equity investments.

The financial statements are presented in Canadian dollars which is the functional and presentation currency. These financial statements were approved by the Company’s Board of Directors on May 8, 2018.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss (“FVTPL”).

Investment entity

The Company has determined that it meets the definition of investment entity and as a result, it measures its investment in associate at FVTPL. An investment entity is an entity that (i) obtains funds from one or more investors for the purposes of providing them with investment management services; (ii) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and (iii) measures and evaluates the performance of substantially all of its investments on a fair value basis.

Financial instruments

The Company recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. The Company’s investments are measured at FVTPL, which are designated at FVTPL at inception. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract’s effective interest rate. The cost of each investment, realized and unrealized gains and losses from investment transactions are determined on an average cost basis.

The Company has invested in units of a pooled fund trust and limited partnership which have investment objectives to gain exposure to emerging markets or developing countries. These investments are considered structured entities as defined by IFRS, given that decision making about these investments’ activities is not governed by voting or similar rights held by the Company, but through contractual arrangements. The fair value of these investments is determined based on the net asset values provided by the administrators. The Company does not have any further capital funding commitments for these investments other than payment of investment management fees.

Interest income from short-term investments is recognized at the effective interest rate. Dividends are recognized as income on the ex-dividend date.

Purchases and sales of financial assets are recognized at their trade date. Receivables in respect to investments sold and payables in respect to investments purchased represent unsettled investment transactions.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For publicly listed investments, the Company uses the last traded market price where this price falls within that day’s bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates that transactions occur. Assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to financial assets and liabilities are included as a component of the “Fair value change in investments” in the statement of comprehensive income.

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and short term, highly liquid instruments with maturities of three months or less from the date of acquisition.

Securities lending income

Securities lending income is recognized as earned.

Comprehensive income

The Company does not have any other comprehensive income and therefore comprehensive income equals net income which it reports in its statement of comprehensive income.

Earnings per Common share ("EPS")

Basic and diluted EPS is calculated by dividing the net income, less preferred dividends, by the weighted average number of Common Shares outstanding for the period. Refer to Note 12 for the calculation.

Income taxes

Income tax comprises both current and deferred tax. Income tax is recognized in the statement of comprehensive income.

Current 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 these amounts are those that are enacted or substantively enacted at the end of each reporting period.

Deferred income tax assets and liabilities are recorded for the expected future income tax consequences of events that have been reflected in the statements or income tax returns.

Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases for assets and liabilities and for certain carry-forward items.

Deferred income tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred income tax assets will be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates, on the date of the enactment or substantive enactment.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

The Company currently incurs withholding taxes imposed by certain countries on investment income. Such income is recorded on a gross basis and the related withholding taxes are reflected within the "Provision for income taxes" in the statement of comprehensive income.

Future Accounting Changes

IFRS 9 – "Financial Instruments" addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after January 1, 2018. On adoption of IFRS 9, the Company's investment portfolio will continue to be classified as fair value through profit or loss. As a result, adoption of IFRS 9 is not expected to have a material impact on the Company's financial statements.

3. Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Company has made in preparing the financial statements:

Classification and measurement of investments

In classifying and measuring financial instruments held by the Company, the Company is required to make significant judgments about whether or not the business of the Company is to invest on a total return basis for the purpose of applying the fair value option for financial assets. The most significant judgment made includes the determination that the Company can apply the fair value option to its investments.

Deferred taxes

Estimates and assumptions are used primarily in the determination of the Company's deferred tax liabilities, as the income tax rates used in determining the liability is dependent on an assumption as to when a deferred tax liability is expected to be realized.

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

4. Risks associated with financial instruments

The Company faces various risks arising from its financial instruments. Under the supervision of the Board of Directors, management has developed policies to identify, measure and monitor these risks. These risks and their management are described below:

Credit risk

Credit risk is the risk of financial loss resulting from a counterparty's failure to discharge an obligation. The Company has a securities lending agreement with its custodian, RBC Investor & Treasury Services ("RBC ITS"), whereby RBC ITS lends securities to borrowers for a fee, which is shared with the Company. RBC ITS receives fixed income securities and equities as collateral from borrowers, of at least 105% of the value of the securities loaned. In the event that the loaned securities are not returned to the Company by the borrower, RBC ITS is responsible to restore the securities or pay to the Company the market value of the loaned securities. If the collateral is not adequate to pay the market value to the Company, RBC ITS indemnifies the Company for the difference. The Company has recourse to the Royal Bank of Canada should RBC ITS fail to discharge its obligations to the Company. At March 31, 2018 the Company had loaned securities with a fair value of approximately \$690,008,000 (2017 - \$529,781,000) and received approximately \$724,508,000 (2017 - \$556,270,000) in collateral. There was no significant exposure to credit risk to other receivable balances because of their short-term nature.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Sufficient liquidity is maintained by regular monitoring of cash flow requirements. All liabilities, other than deferred tax liabilities, settle within three months of the year end.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices which includes interest rate risk, foreign currency risk and other price risk.

The Company is not subject to significant interest rate risk, as its only fixed-interest investments are short term in nature.

Currency risk arises from financial instruments denominated in foreign currencies. IFRS 7 - "Financial Instrument Disclosures" considers the foreign exchange exposures relating to non-monetary financial instruments to be a component of other price risk. The Company's distribution of underlying currency risk exposure of investments is as follows:

	2018	2017
	(000's)	
United States dollar	\$ 830,458	\$ 862,662
European Union euro	327,717	321,964
Japanese yen	189,401	188,297
British pound sterling	111,625	91,905
Canadian dollar	104,956	45,720
Swiss franc	101,996	117,926
Other	80,914	45,328
	<u>\$ 1,747,067</u>	<u>\$ 1,673,802</u>

The Company is exposed to other price risk through its investment in equity securities. These risks are mitigated by investing in a diversified portfolio of securities.

A 10% fluctuation in global equity market prices, assuming all other factors are constant, would have an after-tax impact of approximately \$151,558,000 (2017 - \$145,202,000) on net income.

5. Financial instruments

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted unadjusted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At March 31, 2018, the Company had \$1,638,692,000 (2017 - \$1,673,802,000) of Level 1 and \$108,375,000 (2017 - \$nil) of Level 2 equity investments. There were no year-to-date transfers between Level 1, 2 or 3 equity investments.

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS March 31, 2018

5. Financial instruments (continued)

The Company's Level 2 equity investments are represented by units in the Burgundy Emerging Markets Equity Fund ("Fund") and the LSV Emerging Markets Small Cap Fund, LP ("Partnership"). The Company has the right to redeem its units in these investments within a 30-to-90-day period depending on the investment. The fair value of these investments is based on the net asset values provided by the administrators. The Company's percentage allocation to the Fund and Partnership was approximately 4.7% and 6.8% respectively.

The fair value change in financial instruments at FVTPL by category for the year end March 31, 2018 included \$90,870,000 (2017 - \$171,008,000) of net gains on financial assets at FVTPL.

Cash equivalents are Level 2 financial instruments. The carrying values of cash and cash equivalents, dividends and interest receivable, accrued expenses, and dividends payable approximate their fair values due to their short-term nature.

6. Cash and cash equivalents

Components of cash and cash equivalents for purposes of the statements of cash flows are as follows:

	2018	2017
	(000's)	
Cash	\$ 6,969	\$ 9,175
Cash equivalents	12,192	8,763
	<u>\$ 19,161</u>	<u>\$ 17,938</u>

The following table presents cash and cash equivalents classified by the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
	(000's)			
March 31, 2018	\$ 6,969	\$ 12,192	\$ —	\$ 19,161
March 31, 2017	9,175	8,763	—	17,938

7. Income taxes

The Company is a public corporation under the Income Tax Act and is subject to tax at normal corporate rates on its taxable net realized gains (Note 9) and on investment income other than taxable dividends received from corporations resident in Canada. Income taxes are assessed on income before income taxes. The current enacted corporate tax rates as they impact the Company in fiscal 2018 stand at 26.5% (2017 – 26.5%). The effective tax rate varies from the combined statutory rate as follows:

	2018	2017
	(000's)	
Income taxes at statutory rate	\$ 32,618	\$ 53,803
Variance as a result of:		
Non-taxable portion of fair value change in investments	(12,040)	(22,659)
Tax-paid dividends	(327)	(269)
Other	(1)	(131)
Provision for income taxes	<u>\$ 20,250</u>	<u>\$ 30,744</u>

The Company's provision for income taxes includes provisions for current and deferred income taxes as follows:

	2018	2017
	(000's)	
Current	\$ 21,956	\$ 18,595
Deferred	(1,706)	12,149
Provision for income taxes	<u>\$ 20,250</u>	<u>\$ 30,744</u>

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS March 31, 2018

7. Income taxes (continued)

Deferred tax liabilities arise primarily from differences between the carrying value and the tax cost of the investments as well as from the timing of the inclusion of accrued dividends for income tax purposes. Details of the deferred tax liabilities as at March 31 are as follows:

	<u>2018</u>	<u>2017</u>
	(000's)	
Unrealized appreciation of investments	\$ 67,405	\$ 68,941
Accrued dividends	562	732
Deferred tax liabilities	<u>\$ 67,967</u>	<u>\$ 69,673</u>

Deferred tax expense included in net income represents movements related to the following items:

	<u>2018</u>	<u>2017</u>
	(000's)	
Investments	\$ (1,536)	\$ 12,067
Accrued dividends	(170)	82
Deferred tax liabilities	<u>\$ (1,706)</u>	<u>\$ 12,149</u>

During the year ended March 31, 2018, the Company paid tax instalments and assessments totaling \$15,068,000 (2017 - \$15,800,000) and received income tax refunds totaling \$18,000 (2017 - \$29,000). These items are classified as cash flows from operating activities in the cash flow statement.

8. Fair value change in investments

The fair value change in investments is comprised as follows:

	<u>2018</u>	<u>2017</u>
	(000's)	
Net realized gain	\$ 100,272	\$ 79,455
Net change in unrealized appreciation	(9,402)	91,553
	<u>\$ 90,870</u>	<u>\$ 171,008</u>

9. Net realized gain

The following are the details of the net realized gain for the years ended March 31:

	<u>2018</u>	<u>2017</u>
	(000's)	
Proceeds on sales of investments	\$ 346,723	\$ 260,912
Cost of investments, beginning of the year	1,154,031	1,091,446
Cost of investments purchased during the year	329,118	244,042
	<u>1,483,149</u>	<u>1,335,488</u>
Cost of investments, end of the year	1,236,698	1,154,031
Cost of investments sold during the year	246,451	181,457
Net realized gain	<u>\$ 100,272</u>	<u>\$ 79,455</u>

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS March 31, 2018

10. Share capital

The classes of shares and, where applicable, the maximum number of shares that the Company is authorized to issue are as follows:

- (a) 52,237 First Preferred Shares without nominal or par value redeemable at the option of the Company at \$30.00 each;
- (b) 200,000 Second Preferred Shares without nominal or par value, issuable in series, of which: 80,290 shares are designated 1959 Series Second Preferred Shares, redeemable at the option of the Company at \$30.00 each and 119,710 shares are designated 1963 Series Second Preferred Shares, redeemable at the option of the Company at \$31.50 each;
- (c) Third Preferred Shares without nominal or par value, issuable in series. The maximum number of Third Preferred Shares that may be outstanding at any time shall be that number for which the aggregate stated value does not exceed \$15,000,000; and
- (d) an unlimited number of Common Shares.

The capital stock of the Company is as follows:

	Authorized	Issued and outstanding	2018	2017
			(000's)	
First Preferred Shares	52,237	52,237	\$ 119	\$ 119
Second Preferred Shares	200,000	200,000	6,000	6,000
Common Shares	unlimited	12,194,193	534,881	534,881
			<u>\$ 541,000</u>	<u>\$ 541,000</u>

Cash dividends paid during the year were as follows:

	2018	2017
	(000's)	
On Preferred Shares:		
52,237 First Preferred Shares - \$1.50 per share	\$ 78	\$ 78
200,000 Second Preferred Shares - \$1.50 per share	300	300
	<u>378</u>	<u>378</u>
On Common Shares:		
Quarterly - \$0.30 (2017 - \$0.20) quarterly per share	14,633	9,755
Additional - \$1.12 (2017 - \$1.33) per share	13,658	16,219
	<u>28,291</u>	<u>25,974</u>
	<u>\$ 28,669</u>	<u>\$ 26,352</u>

The Company's current dividend policy is to distribute annual net investment income, after payment of Preferred Share dividends. The fiscal 2018 distributions are composed of quarterly dividends of \$0.30 (2017 - \$0.20) together with an additional dividend representing the balance of net investment income for the previous fiscal year, subject to the Board of Directors approval. This additional dividend is paid in the first quarter following the fiscal year end. The Company's dividend policy is established by the Board of Directors at its discretion and is subject to change.

Common Share dividends of \$0.78 per Common Share were declared by the Board of Directors at its meeting on May 8, 2018, with a record and payable date of June 15, 2018 and June 29, 2018, respectively.

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

11. Related party information

Included in the Company's Schedule of Investment Portfolio is Algoma Central Corporation ("Algoma"), a related party, with a fair value at March 31, 2018 of \$51,847,000 (2017 - \$45,720,000). Dividend income from Algoma for the fiscal year ended March 31, 2018 amounted to \$1,233,000 (2017 - \$1,015,000).

E-L Financial holds a 52.0% (2017 - 51.8%) interest in the Company. Included in investment management and administrative costs are fees for administrative services paid to E-L Financial. These fees are calculated at 0.1% per annum of the fair value of the investments managed by the external investment managers and are paid monthly. The total fees for the year ended March 31, 2018 amounted to \$1,835,000 (2017 - \$1,732,000).

The ultimate controlling party of the Company and these related parties is The Honourable Henry N. R Jackman together with a trust created in 1969 by his father, Henry R. Jackman.

Compensation of key management personnel

Key management personnel comprise the Chairman and President and directors of the Company and their remuneration is as follows:

	<u>2018</u>	<u>2017</u>
	(000's)	
Chairman and President's and directors' compensation	<u>\$ 355</u>	<u>\$ 379</u>

12. Earnings per Common Share ("EPS")

Basic and diluted EPS

EPS is calculated by dividing the net income, less preferred dividends, by the weighted average number of Common Shares outstanding for the period.

EPS is calculated as follows (in thousands of dollars, except for weighted average number of Common Shares outstanding and per Common Share amounts):

	<u>2018</u>	<u>2017</u>
	(000's)	
Net income	<u>\$ 102,837</u>	\$ 172,286
Less: Preferred dividends	<u>378</u>	473
Net income attributed to common shareholders	<u>\$ 102,459</u>	<u>\$ 171,813</u>
Weighted average number of Common shares outstanding	<u>12,194,193</u>	12,194,193
Basic and diluted earnings per Common Share	<u>\$ 8.40</u>	<u>\$ 14.09</u>

13. Capital

The Company's capital comprises shareholders' equity, which is invested primarily in managed diversified portfolios of common shares of publicly-traded global companies. The Company's strategy is to earn an above-average rate of return, primarily through long-term capital appreciation and dividend income. Short-term volatility is expected and tolerated. Management remains confident that the Company's investment strategy will reward shareholders over the long term. The Company monitors its capital via its assessment of shareholders' equity.

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT MARCH 31, 2018

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
United States				
50,600	3M Co.....	\$ 5,206	\$ 14,322	
200,760	Abbott Laboratories	10,886	15,511	
7,694	Alphabet Inc. Class A.....	5,102	10,289	
16,399	Alphabet Inc. Class C.....	11,521	21,817	
66,400	Becton, Dickinson and Company.....	5,378	18,553	
79,210	Berkshire Hathaway Inc. Class B.....	16,419	20,374	
3,490	Booking Holdings Inc	7,931	9,362	
118,720	Bristol-Myers Squibb Company.....	8,951	9,682	
380,290	CA Inc.....	13,132	16,623	
248,300	Clorox Company (The).....	28,762	42,616	
146,740	Colgate-Palmolive Company.....	8,119	13,562	
512,950	Comcast Corporation Class A.....	20,370	22,600	
685,100	ConAgra Brands, Inc.....	20,893	32,579	
55,990	Costco Wholesale Corporation	11,167	13,603	
237,340	DaVita Inc.....	21,225	20,179	
88,860	EOG Resources, Inc.	5,889	12,061	
207,080	Fiserv, Inc.....	3,887	19,040	
503,100	General Mills, Inc.	23,529	29,230	
972,300	Hormel Foods Corporation.....	32,018	43,026	
113,912	Iqvia Holdings Inc.....	10,673	14,410	
137,760	JPMorgan Chase & Co.	6,037	19,534	
279,200	Kimberly-Clark Corporation.....	28,534	39,647	
125,366	Lamb Weston Holdings, Inc.	3,081	9,411	
87,540	MasterCard, Inc. Class A.....	11,053	19,771	
292,200	Merck & Co., Inc.....	18,955	20,522	
400,370	Microsoft Corporation	19,073	47,117	
117,200	Mondelez International Inc. Class A.....	4,552	6,306	
258,160	Noble Energy, Inc.....	11,478	10,086	
310,960	Oracle Corporation.....	12,445	18,344	
88,450	PepsiCo, Inc.....	6,248	12,448	
662,500	Pfizer Inc.	22,797	30,317	
79,500	TJX Companies, Inc.....	6,826	8,360	
61,160	UnitedHealth Group Incorporated	9,694	16,876	
199,410	US Bancorp.....	6,000	12,984	
129,320	Verisk Analytics Inc. Class A	7,109	17,342	
164,050	Walgreen Boots Alliance Inc.	8,410	13,849	
191,200	Waste Management Inc.	10,585	20,738	
231,851	Wells Fargo & Company	12,362	15,670	
		476,297	738,761	42.3

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT MARCH 31, 2018

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
Europe, excluding United Kingdom				
40,874	Adidas AG	\$ 6,308	\$ 12,848	
93,318	Anheuser-Busch Inbev SA ADR.....	10,523	13,228	
391,209	AXA	10,179	13,408	
1,022,772	Banco Santander Central Hispano S.A.....	9,205	8,593	
69,358	Bayer AG	6,525	10,141	
1,005,968	Davide Campari-Milano S.p.A.....	3,945	9,816	
410,132	Group Danone S.A.....	33,746	42,774	
140,213	Kerry Group plc.....	11,405	18,332	
1,389,757	Koninklijke Ahold Delhaize NV	23,417	42,431	
318,421	L'Air Liquide S.A.....	39,678	50,261	
40,831	LVMH Moet Hennessy Louis Vuitton SA.....	7,685	16,210	
448,248	Nestlé SA	32,917	45,699	
42,520	Nestlé SA ADR.....	1,465	4,334	
530,100	Nordea Bank AB.....	9,150	7,288	
237,616	Novo Nordisk A/S	13,381	15,071	
1,205,728	Orange S.A.....	20,884	26,372	
417,019	Publicis Groupe.....	35,722	37,438	
139,295	Roche Holding AG.....	41,912	41,146	
122,276	Schneider Electric S.A.....	9,669	13,841	
892,818	Securitas AB Class B	11,040	19,528	
80,751	Siemens AG	9,060	13,292	
26,667	Swatch Group AG (The).....	10,355	15,152	
		<u>358,171</u>	<u>477,203</u>	27.3
Japan				
165,400	Asahi Group Holdings Co.....	5,481	11,406	
50,500	Fanuc Corporation	8,752	16,262	
103,300	Kao Corporation	4,279	9,931	
1,064,400	KDDI Corporation.....	31,097	34,902	
22,236	Keyence Corporation	2,784	17,652	
267,200	Kirin Holdings Company, Limited	3,835	9,111	
202,700	Lawson Inc.	17,663	17,787	
148,500	Makita Corporation.....	3,999	9,359	
382,900	Mitsubishi Tanabe Pharma Corporation.....	6,078	9,913	
87,700	Secom Co. Ltd.	5,150	8,323	
394,100	Seven & i Holdings Co., Ltd.	20,977	21,647	
66,100	Tsuruha Holdings Inc.....	9,819	12,169	
296,000	Unicharm Corporation.....	6,774	10,939	
		<u>126,688</u>	<u>189,401</u>	10.8
United Kingdom				
287,230	Compass Group plc	8,766	7,569	
223,938	Diageo plc.....	7,416	9,780	
8,850	Diageo plc ADR.....	669	1,545	
5,935,886	G4S plc	23,900	26,665	
295,140	GlaxoSmithKline plc.....	7,483	7,449	
130,240	Intertek Group plc.....	9,972	10,989	
290,100	Next plc	20,126	24,997	
260,780	Nielsen Holdings plc.....	15,292	10,689	
525,310	RELX plc	12,842	13,934	
292,310	Royal Dutch Shell plc.....	11,202	11,959	
2,912,500	Vodafone Group plc	12,253	10,243	
		<u>129,921</u>	<u>135,819</u>	7.8

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT MARCH 31, 2018

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
	Emerging Markets			
1,987,231	Burgundy Emerging Markets Equity Fund	\$ 50,182	\$ 53,109	
56,270	Fomento Economico Mexicano, S.A. de C.V. ADR.....	3,881	6,634	
206,866	LSV Emerging Markets Small Cap Equity Fund, LP.....	50,045	55,266	
34,900	Naspers Limited	9,624	10,984	
		<u>113,732</u>	<u>125,993</u>	7.2
	Canada			
3,625,680	Algom Central Corporation ¹	6,201	51,847	3.0
	Australia			
727,150	Ancor Limited	11,153	10,203	
217,959	Australia and New Zealand Banking Group Limited	5,946	5,797	
		<u>17,099</u>	<u>16,000</u>	0.9
	Hong Kong			
1,103,900	AIA Group Limited	8,589	12,043	0.7
	Total investments	<u>\$ 1,236,698</u>	<u>\$ 1,747,067</u>	<u>100.0</u>

¹ This company and United are related parties.

UNITED CORPORATIONS LIMITED

COMPANY BACKGROUND (Unaudited)

Consolidated Investment Corporation of Canada was incorporated in February 1929 and its bonds and preferred shares were offered for sale to the public. The Company was capitalized with \$15,000,000 4½% First Collateral Trust Gold Bonds due 1959, and \$10,000,000 (\$100 par) of 5% Cumulative Preferred Shares. 1,375,000 Common Shares (no par value) were issued of which 375,000 were deposited in trust or reserved for sale to the Company's senior security holders. The Company's securities were sold for \$32,000,000 plus accrued interest and organizational expenses.

The trust deed securing the First Collateral Trust Gold Bonds covenanted that assets pledged with the trustee should at all times be equal to 125% of the principal amount of bonds outstanding. With the decline in security values beginning in late 1929, the Company attempted to satisfy this covenant by purchasing the Company's bonds for cancellation at discount prices. The continued deterioration of security markets into 1932 made the continuation of this policy impracticable. The Company therefore defaulted under its covenants and the Company was reorganized.

Under the February 13, 1933 arrangement, the Company's remaining \$6,427,000 4½% Gold Bonds (\$8,573,000 out of the original \$15,000,000 had been purchased for cancellation) received 70% of their face value in a new issue of 5% "Income" Bonds due 1953, and 30% of their face value in Class "A" 5% "Preferred" Shares. The bondholders were also given 53.61% of the common equity (Class "B" Shares) with the old preferred shareholders and common shareholders receiving 41.70% and 4.69% of the new equity respectively.

Under the February 13, 1933 reorganization, the Company's name was changed to United Corporations Limited.

On December 23, 1959, United Corporations Limited acquired all of the assets of London Canadian Investment Corporation for \$7,925,483. Consideration was satisfied by issuing \$2,408,700 par value of 5% Preferred Shares (1959 Series) and Common (Class B) Shares equal to 15.7% of the total Common Shares to be outstanding after the completion of this transaction.

UNITED CORPORATIONS LIMITED

FINANCIAL RECORD: 1929 - 2018 (Unaudited)

Year	Total Net Assets * (000's)	Funded Debt (000's)	Preferred Shares = (000's)	Net Equity Value (000's)	Net Equity Value per Common Share**	Net Investment Income Available for Common Shares (000's)	Net Investment Income per Common Share**
Consolidated Investment Corporation of Canada							
Feb 1929	\$ 32,000	\$ 15,000	\$ 10,000	\$ 7,000	\$ N/A	\$ N/A	\$ N/A
Dec 1931	9,616	7,161	10,000	(7,545)	N/A	N/A	N/A
1932	4,726	6,427	10,000	(11,701)	N/A	N/A	N/A
United Corporations Limited							
1933	6,120	4,499	2,000	(379)	(0.04)	—	—
1934	8,147	4,499	2,097	1,551	0.16	(95)	(0.01)
1935	9,378	4,499	2,161	2,718	0.28	(13)	—
1936	12,892	4,499	2,097	6,296	0.64	49	0.01
1937	9,542	4,499	1,928	3,115	0.32	109	0.01
1938	9,485	3,779	1,620	4,087	0.41	44	0.01
1939	9,844	3,705	1,588	4,550	0.46	58	0.01
1940	8,676	3,705	1,588	3,383	0.34	48	0.01
1941	8,175	3,599	1,588	2,988	0.30	82	0.01
1942	8,712	3,499	1,580	3,633	0.37	108	0.01
1943	9,746	3,000	1,580	5,166	0.52	78	0.01
1944	11,298	2,900	1,580	6,818	0.69	155	0.02
1945	14,444	2,800	1,580	10,064	1.02	173	0.02
1946	14,059	2,700	1,580	9,779	0.99	243	0.03
1947	13,668	2,600	1,580	9,489	0.96	339	0.03
1948	13,443	2,500	1,567	9,376	0.95	370	0.04
1949	14,772	2,400	1,567	10,805	1.10	385	0.04
1950	17,410	2,300	1,567	13,543	1.37	564	0.06
1951	20,392	2,200	1,567	16,625	1.69	578	0.06
1952	19,360	2,000	1,567	15,793	1.60	614	0.06
1953	19,130	1,900	1,567	15,663	1.59	639	0.07
1954	25,101	1,800	1,567	21,734	2.21	699	0.07
1955	29,015	1,700	1,567	25,748	2.62	732	0.07
1956	28,054	1,316	1,567	25,171	2.56	779	0.08
1957	24,447	879	1,567	22,001	2.24	834	0.09
1958	30,381	—	1,567	28,814	2.93	898	0.09
1959	38,197	—	3,976	34,221	2.93	900	0.08
1960	37,600	—	3,976	33,624	2.88	1,110	0.10
1961	44,352	—	3,976	40,376	3.44	1,117	0.10
1962	41,868	—	3,976	37,893	3.22	1,141	0.10
1963	52,321	—	7,747	44,574	3.75	1,179	0.10
1964	62,861	—	7,747	55,114	4.64	1,348	0.11
1965	66,117	—	7,747	58,370	4.91	1,503	0.13
1966	63,156	—	7,747	55,409	4.66	1,583	0.13
1967	74,757	—	7,747	67,010	5.59	1,741	0.15
1968	84,930	—	7,747	77,174	6.43	1,714	0.14
1969	78,769	—	7,747	71,022	5.90	1,866	0.16
1970	71,202	—	7,747	63,456	5.28	1,981	0.17
1971	73,401	—	7,747	65,655	5.46	1,669	0.14
1972	86,757	—	7,747	79,010	6.57	1,724	0.14
1973(a)	83,758	—	7,747	76,012	6.32	374	0.03

UNITED CORPORATIONS LIMITED

FINANCIAL RECORD: 1929 - 2018 (Unaudited)

Year	Total Net Assets * (000's)	Funded Debt (000's)	Preferred Shares = (000's)	Net Equity Value (000's)	Net Equity Value per Common Share**	Net Investment Income Available for Common Shares (000's)	Net Investment Income per Common Share**
1974	\$ 82,457	\$ —	\$ 7,747	\$ 74,711	\$ 6.21	\$ 1,996	\$ 0.17
1975	71,674	—	7,747	63,928	5.31	2,791	0.23
1976	80,075	8,000	7,747	64,544	5.36	2,522	0.21
1977	78,614	8,000	7,747	63,083	5.24	2,116	0.18
1978	82,829	8,000	7,747	67,298	5.59	2,335	0.19
1979	116,793	9,506	7,747	100,285	8.32	1,478	0.12
1980	141,700	9,657	7,747	129,232	10.60	3,703	0.30
1981	197,143	8,000	7,747	194,350	15.94	4,808	0.39
1982	127,643	8,000	7,747	121,412	9.95	4,437	0.36
1983	182,227	8,000	7,747	174,692	14.31	4,468	0.37
1984	201,172	8,000	7,747	191,984	15.73	3,934	0.32
1985	247,596	8,000	7,747	234,514	19.22	4,788	0.39
1986	327,327	8,000	7,747	319,783	26.21	4,816	0.40
1987	370,718	—	7,747	371,437	30.44	4,841	0.40
1988	316,009	—	7,747	322,434	26.43	6,785	0.56
1989	329,082	—	7,747	321,668	26.37	8,778	0.72
1990	340,980	—	7,747	343,482	28.16	16,989	1.39
1991	311,586	—	7,747	304,079	24.93	9,339	0.77
1992	308,237	—	7,747	300,992	24.68	7,880	0.65
1993	314,603	—	7,747	308,617	25.30	7,617	0.63
1994	359,673	—	7,747	363,496	29.80	7,192	0.59
1995	355,050	—	7,747	352,874	28.94	7,963	0.65
1996	396,725	—	7,747	399,853	32.79	7,969	0.65
1997	478,172	—	7,747	475,416	38.99	8,960	0.74
1998	649,802	—	7,747	667,137	54.71	9,174	0.75
1999	612,872	—	7,747	620,107	50.85	9,635	0.79
2000	774,519	—	7,747	784,932	64.37	8,403	0.69
2001	723,950	—	7,747	718,712	58.94	10,640	0.87
2002	758,055	—	7,747	750,308	61.53	11,606	0.95
2003	609,269	—	7,747	601,522	49.33	11,772	0.97
2004	755,491	—	7,747	747,744	61.32	11,041	0.91
2005	826,344	—	7,747	818,597	67.13	12,462	1.02
2006	940,068	—	7,747	932,321	76.46	12,676	1.04
2007	1,056,872	—	7,747	1,049,125	86.03	15,121	1.24
2008	948,929	—	7,747	941,182	77.18	15,909	1.30
2009	676,149	—	7,747	668,402	54.81	15,420	1.26
2010	828,840	—	7,747	821,093	67.33	14,155	1.16
2011	883,576	—	7,747	875,829	71.82	14,987	1.23
2012	889,646	—	7,747	881,899	72.32	17,412	1.43
2013	1,008,012	—	7,747	1,000,265	82.03	17,414	1.43
2014	1,220,612	—	7,747	1,212,865	99.46	18,686	1.53
2015	1,444,951	—	7,747	1,437,204	117.86	21,971	1.80
2016	1,479,121	—	7,747	1,471,374	120.66	25,967	2.13
2017	1,621,302	—	7,747	1,613,555	132.32	23,463	1.92
2018	1,695,470	—	7,747	1,687,723	138.40	24,124	1.98

This chart is drawn from the individual annual reports and has not been restated for any subsequent changes in accounting policies.

= Preferred Shares at the cost of redemption, including dividend arrears in 1933 - 1936.

* Total assets less liabilities exclusive of short-term debt.

** Includes the impact of historical stock dividends.

(a) For three months ended March 31, 1973. Figures in this table are for fiscal years ended December 31 prior to 1973 and March 31 thereafter.

UNITED CORPORATIONS LIMITED

FINANCIAL RECORD: 1929 - 2018 (Unaudited)

Historical Stock Dividends

<u>Date</u>	<u>Stock dividend rate</u>	<u>Issue price</u>	<u>Date</u>	<u>Stock dividend rate</u>	<u>Issue price</u>	<u>Date</u>	<u>Stock dividend rate</u>	<u>Issue price</u>
1953	4 for 1	Split	1988	1 for 15	\$ 65.46	1998	1 for 33.1645	\$ 76.61
1964	3 for 1	Split	1989	1 for 8	54.53	1999	1 for 13.5404	78.67
1982	1 for 6.4725	\$ 38.81	1989	1 for 55	48.30	2000	1 for 20.9744	69.74
1984	1 for 10	40.41	1991	1 for 16	50.72	2001	1 for 20.94286	80.63
1985	1 for 10	40.93	1993	1 for 38	42.18	2001	1 for 7.9472	76.77
1986	1 for 30	46.53	1995	1 for 16.42525	49.44	2002	1 for 15.3238	64.36
1987	1 for 13	60.52	1997	1 for 14.47926	62.84			

UNITED CORPORATIONS LIMITED

CORPORATE INFORMATION

HEAD OFFICE

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EXTERNAL INVESTMENT MANAGERS

Burgundy Asset Management Ltd., Toronto
Jarislowsky Fraser Limited, Toronto
LSV Asset Management, Chicago
ValueInvest Asset Management S.A., Luxembourg

AUDITOR

PricewaterhouseCoopers LLP, Toronto

CUSTODIAN

RBC Investor & Treasury Services

TRANSFER AGENT AND REGISTRAR

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Toronto, Ontario M5J 2Y1
Toll Free: 1-800-564-6253
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TORONTO STOCK EXCHANGE LISTINGS

	<u>Ticker Symbol</u>
Common	UNC
First Preferred	UNC.PR.A
Second Preferred, 1959 Series	UNC.PR.B
Second Preferred, 1963 Series	UNC.PR.C

NET EQUITY VALUE

The Company's Net Equity Value per Common Share is published on the Company's website.

REPORTING PROCEDURE FOR ACCOUNTING AND AUDITING MATTERS

If you have a complaint regarding accounting, internal controls or auditing matters or a concern regarding questionable accounting or auditing matters, you should submit your written complaint or concern to:

Mr. Michael J. White
Chairman of the Audit Committee
United Corporations Limited
165 University Avenue, 10th Floor
Toronto, Ontario
M5H 3B8
Email: michaeljwhite@sympatico.ca
Phone: 416-505-2677

You may submit your complaint or concern anonymously. Your submission will be kept confidential and will be treated in accordance with the Company's policy for reporting accounting or auditing matters.

WEBSITE

www.ucorp.ca

