

UNITED CORPORATIONS LIMITED



SECOND QUARTER REPORT

SEPTEMBER 30, 2017

UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



THE PERIOD AT A GLANCE (Unaudited)

	As at Sept. 30 2017	As at March 31 2017
Net equity value per Common Share ¹	\$ 130.43	\$ 132.32
Net assets ²	\$ 1,598,204	\$ 1,621,302
Number of Common Shares outstanding at period end	12,194,193	12,194,193

	Six months ended September 30	
	2017	2016
Net investment income per Common Share ¹	\$ 1.26	\$ 1.22
Dividends per Common Share		
Quarterly	\$ 0.60	\$ 0.40
Additional ³	\$ 1.12	\$ 1.33
Net income (loss) per Common Share	\$ (0.17)	\$ 7.14
Net investment income ²	\$ 15,556	\$ 15,041

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

² In thousands of Canadian dollars.

³ This additional dividend represents the annual distribution of the prior year's annual net investment income after payment of Preferred Share dividends and quarterly Common Share dividends.

The financial statements have been prepared under International Financial Reporting Standards ("IFRS").

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's external auditors, PricewaterhouseCoopers LLP, have not performed a review of these interim financial statements of United Corporations Limited.

UNITED CORPORATIONS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the unaudited interim condensed financial performance and financial condition of United Corporations Limited ("United" or the "Company") for the second quarter of fiscal 2018 should be read in conjunction with: the March 31, 2017 Annual Report, including the MD&A, the Company's audited annual financial statements and the notes and supplementary financial information; the Company's MD&A and unaudited interim condensed financial statements and notes for the previous quarter of fiscal 2018; and the unaudited interim condensed financial statements and notes contained in this report. These unaudited interim condensed 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. 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 September 30, 2017, \$718,593,000 (March 31, 2017 - \$768,470,000) and \$779,948,000 (March 31, 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%.

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.

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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 and \$50 million in Burgundy Emerging Markets Equity Fund. 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 September 30, 2017 the top 5 largest country exposures represented 55% of these emerging market mandates. These countries included India (13%), China (11%), Brazil (11%), South Korea (11%), and Taiwan (9%). In addition, the Jarislowsky investment portfolio held two investments within emerging markets.

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. Further related party information is provided in Note 11 to the financial statements in the March 31, 2017 Annual Report and in the schedule of investment portfolio in this interim report beginning on page 14.

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 generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other companies. Canadian GAAP is IFRS for these financial statements. 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 both 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 on its Preferred Shares.

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

	September 30 2017	March 31 2017
Net assets	\$ 1,598,204	\$ 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	\$ 1,590,457	\$ 1,613,555
Common Shares outstanding	12,194,193	12,194,193
Net equity value per Common Share	\$ 130.43	\$ 132.32

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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 September 30		Six months ended September 30	
	2017	2016	2017	2016
Net income (loss)	\$ (22,652)	\$ 57,675	\$ (1,935)	\$ 87,240
Add (deduct):				
Fair value change in investments	30,654	(61,992)	20,162	(83,226)
Tax on fair value change in investments	(4,061)	8,214	(2,671)	11,027
Net investment income ¹	3,941	3,897	15,556	15,041
Deduct:				
Dividends on Preferred Shares	95	95	189	189
Net investment income, net of dividends on Preferred Shares ¹	\$ 3,846	\$ 3,802	\$ 15,367	\$ 14,852
Common Shares outstanding	12,194,193	12,194,193	12,194,193	12,194,193
Net investment income per Common Share ¹	\$ 0.32	\$ 0.31	\$ 1.26	\$ 1.22

¹ On an after-tax basis.

Net Equity Value per Common Share

The Company's net equity value per Common Share decreased to \$130.43 at September 30, 2017 compared to \$132.59 at June 30, 2017 and \$132.32 at March 31, 2017.

With dividends reinvested at month-end net equity values, the Company's net equity value return for the quarter was negative 1.4% (2017 – 3.9%) and 0% (2017 – 6.0%) year to date.

Investments managed by ValueInvest presented a pre-tax year-to-date total return of negative 1.5% (2017 – 6.9%), whereas investments managed by Jarislowsky had a total return of 2.4% (2017 – 8.0%).

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 United's net equity value and stock market indices, were as follows:

	Three months ended September 30	Six months ended September 30
	(%)	
United net equity value	(1.4)	0.0
MSCI World Index	0.9	2.6
S&P 500 Index	0.5	1.0
S&P/TSX Composite Index	3.7	2.0

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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
		(%)
2008	\$ 77.18	(9.4)
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

Compound annual growth*

2008 - 2017 - 10 years	5.9
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*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

Net income

The Company reported a net loss for the second quarter of fiscal 2018 of \$22,652,000 compared to net income of \$57,675,000 in fiscal 2017. On a year-to-date basis, the net loss was \$1,935,000 compared to net income of \$87,240,000 in fiscal 2017. The net loss per Common Share for the second quarter of fiscal 2018 was \$1.86 compared to net income of \$4.72 for fiscal 2017. On a year-to-date basis, the net loss per share was \$0.17 compared to net income of \$7.14 per share in fiscal 2017.

The Company's fair value change in investments for the second quarter of fiscal 2018 was a loss of \$30,654,000 compared to a gain of \$61,992,000 for the same period in fiscal 2017. On a year-to-date basis, the fair value change in investments was a loss of \$20,162,000 compared to a gain of \$83,226,000 for the six months ended September 30, 2016. During the quarter, negative performance of \$21,690,000 in the U.S. and \$4,067,000 in Asia contributed to the \$30,654,000 fair value loss in investments. On a year-to-date basis, U.S. investments contributed \$29,579,000 to the negative investment performance partly offset by a \$10,403,000 positive performance in European investments. A portion of the negative performance is attributable to the U.S. dollar declining 3.8% and 6.3% for the quarter and fiscal year to date respectively and the Japanese yen declining 4.1% and 7.3% for the same corresponding periods.

The largest year-to-date detractors were Kimberly-Clark Corporation, General Mills, Inc. Koninklijke Ahold Delhaize NV, and ConAgra Brands, Inc. with fair value investment losses of \$7,139,000, \$6,968,000, \$6,922,000 and \$6,832,000 respectively. The significant contributors to the year-to-date investment performance included L'Air Liquide, Next plc and Keyence Corporation with fair value investment gains of \$4,448,000, \$3,760,000 and \$3,317,000 respectively.

The net realized gain was \$46,358,000 for the second quarter of fiscal 2018 compared to \$12,949,000 for the same period in the prior year. The gain occurred as a result of Jarislowsky and ValueInvest selling equities in order to fund the Company's increased investment in emerging markets. On a year-to-date basis, the net realized gain was \$70,990,000 compared to \$35,652,000 in fiscal 2017. The largest year-to-date contributors to the net realized gain in fiscal 2018 were from the sales of U.S. securities for a gain of \$40,447,000, European securities for \$15,971,000 and Asian securities for \$14,164,000.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Net investment income

The Company's net investment income in the second quarter of fiscal 2018 increased to \$3,941,000 compared to \$3,897,000 for the second quarter of fiscal 2017. On a year-to-date basis, net investment income increased to \$15,556,000 from \$15,041,000 for the same period in the prior year. On a per Common Share basis, net investment income for the quarter increased to \$0.32 in fiscal 2018 compared to \$0.31 in 2017 and on a year-to-date basis increased to \$1.26 in 2018 compared to \$1.22 in 2017.

Foreign dividend income in the second quarter increased to \$6,892,000 from \$6,560,000 for the same quarter in the prior year and on a year-to-date basis increased to \$24,438,000 from \$23,363,000 in fiscal 2017. The increase in both periods occurred primarily as a result of growth in the average global investment portfolio.

Canadian dividend income in the second quarter increased to \$290,000 from \$254,000 for the same quarter in the prior year and on a year-to-date basis increased to \$580,000 from \$508,000 in fiscal 2017. The increase in both periods occurred as a result of a dividend increase by Algoma.

Expenses during the quarter increased to \$2,113,000 in fiscal 2018 compared to \$2,047,000 for the same period in the prior year, and on a year-to-date basis increased to \$4,452,000 compared to \$4,222,000 in the prior year. The majority of the increase relates primarily to an increase in investment management and administrative costs resulting from a higher investment portfolio compared to the prior year.

Quarterly Results

The following table summarizes various financial results on a quarterly basis for the eight most recent quarters (in thousands of dollars, except per Common Share amounts):

	Sept. 30 2017	June 30 2017	March 31 2017	Dec. 31 2016	Sept. 30 2016	June 30 2016	March 31 2016	Dec. 31 2015
Investments	\$ 1,642,607	\$ 1,672,747	\$ 1,673,802	\$ 1,589,654	\$ 1,582,130	\$ 1,525,816	\$ 1,519,665	\$ 1,590,388
Net investment income ¹	\$ 3,941	\$ 11,615	\$ 5,196	\$ 3,699	\$ 3,897	\$ 11,144	\$ 4,837	\$ 4,433
Net income (loss)	\$ (22,652)	\$ 20,717	\$ 75,146	\$ 9,900	\$ 57,675	\$ 29,565	\$ (60,699)	\$ 120,478
Per Common Share:								
Net investment income ¹	\$ 0.32	\$ 0.94	\$ 0.41	\$ 0.29	\$ 0.31	\$ 0.91	\$ 0.39	\$ 0.36
Net income (loss)	\$ (1.86)	\$ 1.69	\$ 6.15	\$ 0.80	\$ 4.72	\$ 2.42	\$ (4.99)	\$ 9.87
NAV	\$ 130.43	\$ 132.59	\$ 132.32	\$ 126.67	\$ 126.07	\$ 121.55	\$ 120.66	\$ 125.85

¹ 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.

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Share Data

As at September 30, 2017, 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 together with an additional Common Share dividend representing the balance of net investment income for the previous fiscal year. The quarterly dividend is \$0.30 (2017 - \$0.20) per Common Share and \$0.375 per Preferred Share.

During the first fiscal quarter, the Company paid an additional cash dividend of \$1.12 (2017 - \$1.33) per Common Share representing the balance of net investment income for the previous fiscal year.

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

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.



Duncan N.R. Jackman
Chairman and President

November 1, 2017

UNITED CORPORATIONS LIMITED

STATEMENTS OF NET ASSETS (Unaudited)

	September 30 2017	March 31 2017
	(000's)	
ASSETS		
Cash and cash equivalents	\$ 13,825	\$ 17,938
Investments (Note 4)	1,642,607	1,673,802
Dividends and interest receivable	2,493	2,763
Other assets	3,012	2,667
	1,661,937	1,697,170
LIABILITIES		
Accrued expenses	974	964
Income taxes payable	1,491	1,478
Dividends payable	3,753	3,753
Deferred tax liabilities	57,515	69,673
	63,733	75,868
NET ASSETS	\$ 1,598,204	\$ 1,621,302
SHAREHOLDERS' EQUITY		
Share capital	\$ 541,000	\$ 541,000
Retained earnings	1,057,204	1,080,302
TOTAL SHAREHOLDERS' EQUITY	\$ 1,598,204	\$ 1,621,302

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended Sept. 30		Six months ended Sept. 30	
	2017	2016	2017	2016
	(000's)			
INCOME				
Dividends				
Foreign	\$ 6,892	\$ 6,560	\$ 24,438	\$ 23,363
Canadian	290	254	580	508
	7,182	6,814	25,018	23,871
Interest and securities lending income	279	189	482	379
Fair value change in investments (Note 5)	(30,654)	61,992	(20,162)	83,226
	(23,193)	68,995	5,338	107,476
EXPENSES				
Investment management and administrative costs				
	1,840	1,764	3,780	3,469
Transfer, registrar and custody fees	130	116	271	241
Directors' and officer's remuneration	89	90	190	194
Office and miscellaneous	39	60	177	275
Professional fees	15	17	34	43
	2,113	2,047	4,452	4,222
INCOME BEFORE INCOME (LOSS) TAXES	(25,306)	66,948	886	103,254
Provision for (recovery of) income taxes	(2,654)	9,273	2,821	16,014
NET INCOME (LOSS)	\$ (22,652)	\$ 57,675	\$ (1,935)	\$ 87,240
EARNINGS (LOSS) PER COMMON SHARE				
BASIC AND DILUTED	\$ (1.86)	\$ 4.72	\$ (0.17)	\$ 7.14

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Share capital	Retained earnings	Total
		(000's)	
At April 1, 2017	\$ 541,000	\$ 1,080,302	\$ 1,621,302
Net loss for the period	—	(1,935)	(1,935)
Dividends			
First Preferred Shares	—	(39)	(39)
Second Preferred Shares	—	(150)	(150)
Common Shares	—	(20,974)	(20,974)
At September 30, 2017	\$ 541,000	\$ 1,057,204	\$ 1,598,204
At April 1, 2016	\$ 541,000	\$ 938,121	\$ 1,479,121
Net income for the period	—	87,240	87,240
Dividends			
First Preferred Shares	—	(39)	(39)
Second Preferred Shares	—	(150)	(150)
Common Shares	—	(21,096)	(21,096)
At September 30, 2016	\$ 541,000	\$ 1,004,076	\$ 1,545,076

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENTS OF CASH FLOW (Unaudited)

Six months ended Sept. 30

2017 2016

(000's)

Net inflow (outflow) of cash related to the following activities:

Operating

Net income (loss)	\$ (1,935)	\$ 87,240
Adjustments for:		
Fair value change in investments	20,162	(83,226)
Purchases of investments	(264,301)	(111,757)
Proceeds from sale of investments	275,334	132,518
Dividends and interest receivable	270	(391)
Deferred taxes	(12,158)	6,379
Net change in other assets and liabilities	(322)	(8,654)
	17,050	22,109

Financing

Dividends paid to shareholders	(21,163)	(21,285)
Net (decrease) increase in cash and cash equivalents	(4,113)	824
Cash and cash equivalents at beginning of the period	17,938	17,187
Cash and cash equivalents at end of the period	\$ 13,825	\$ 18,011

Additional information for operating activities:

Interest received	\$ 78	\$ 42
Dividends received, net of withholding taxes	21,810	20,122
Income taxes paid	11,850	15,800
Income tax refunds	—	29

(See accompanying notes)

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Description of Company and summary of operations

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 interim condensed financial statements are presented in Canadian dollars which is the functional and presentation currency. These interim condensed financial statements were approved by the Company’s Board of Directors on November 1, 2017.

2. Basis of presentation

These unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting as issued by the International Accounting Standards Board and follow the same accounting policies and methods as the most recent annual financial statements. These unaudited interim condensed financial statements do not include all of the disclosures required under International Financial Reporting Standards for annual financial statements and should be read in conjunction with the notes to the Company’s audited financial statements for the year ended March 31, 2017.

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 are dependent on an assumption as to when a deferred tax liability is expected to be realized.

4. 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 September 30, 2017, \$1,542,412,000 (March 31, 2017 - \$1,673,802,000) of the Company’s equity investments were Level 1 investments and \$100,195,000 (March 31, 2017 - \$nil) were Level 2 investments. There were no year-to-date transfers between Level 1, 2 or 3 equity investments.

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

The Company's Level 2 investments are represented by units in the Burgundy Emerging Markets Equity Fund and the LSV Emerging Markets Small Cap Fund, LP. The Company has the right to redeem its units in these investments within a 30-to-90-day period depending on the fund. The fair value of these investments is based on the net asset values provided by the administrators.

5. Fair value change in investments

The fair value change in investments is comprised as follows:

	Three months ended September 30		Six months ended September 30	
	2017	2016	2017	2016
	(000's)			
Net realized gain	\$ 46,358	\$ 12,949	\$ 70,990	\$ 35,652
Change in unrealized appreciation	(77,012)	49,043	(91,152)	47,574
	\$ (30,654)	\$ 61,992	\$ (20,162)	\$ 83,226

6. Related party transactions

Included in the Company's Schedule of Investment Portfolio is Algoma Central Corporation ("Algoma"), a related party, with a fair value at September 30, 2017 of \$43,871,000 (March 31, 2017 - \$45,720,000). Dividend income from Algoma for the three months and six months ended September 30, 2017 amounted to \$290,000 (2017 - \$254,000) and \$580,000 (2017 - \$508,000), respectively.

E-L Financial holds a 51.9% (March 31, 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 three months and six months ended September 30, 2017 amounted to \$446,000 (2017 - \$433,000) and \$935,000 (2017 - \$852,000), respectively.

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

7. Subsequent event

Common Share dividends of \$0.30 per Common Share, and \$0.375 per Preferred Share for First Preferred Shares, Second Preferred Shares, 1959 Series and Second Preferred Shares, 1963 Series, were declared by the Board of Directors at its meeting on November 1, 2017, with a record and payable date of February 5, 2018 and February 15, 2018, respectively.

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

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2017 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
United States				
51,320	3M Co.....	\$ 5,271	\$ 13,420	
203,190	Abbott Laboratories	11,018	13,531	
7,694	Alphabet Inc. Class A.....	5,102	9,350	
16,399	Alphabet Inc. Class C.....	11,521	19,629	
67,210	Becton, Dickinson and Company.....	5,443	16,436	
80,180	Berkshire Hathaway Inc. Class B.....	16,620	18,344	
19,222	Brighthouse Financial, Inc.....	766	1,459	
120,160	Bristol-Myers Squibb Company.....	9,060	9,558	
384,890	CA Inc.....	13,291	16,034	
223,400	Clorox Company (The).....	24,648	36,777	
148,520	Colgate-Palmolive Company.....	8,217	13,503	
512,950	Comcast Corporation Class A.....	20,370	24,633	
685,100	ConAgra Brands, Inc.....	20,893	28,848	
214,330	DaVita Inc.....	19,650	15,886	
80,759	Dollar Tree, Inc.....	3,246	8,750	
89,950	EOG Resources, Inc.....	5,961	10,860	
104,780	Fiserv, Inc.....	3,933	16,864	
503,100	General Mills, Inc.....	23,529	32,498	
986,600	Hormel Foods Corporation.....	32,143	39,573	
139,430	JPMorgan Chase & Co.....	6,110	16,620	
244,400	Kimberly-Clark Corporation.....	23,449	35,894	
160,556	Lamb Weston Holdings, Inc.....	3,946	9,396	
89,160	MasterCard, Inc. Class A.....	11,258	15,712	
209,800	Merck & Co., Inc.....	13,009	16,765	
188,830	MetLife, Inc.....	5,846	12,242	
419,350	Microsoft Corporation	19,977	38,984	
117,200	Mondelez International Inc. Class A.....	4,552	5,947	
258,160	Noble Energy, Inc.....	11,478	9,137	
316,380	Oracle Corporation.....	12,662	19,091	
89,510	PepsiCo, Inc.....	6,323	12,448	
608,700	Pfizer Inc.....	20,255	27,120	
115,302	Quintiles IMS Holdings, Inc.....	10,803	13,680	
79,500	TJX Companies, Inc.....	6,826	7,315	
61,910	UnitedHealth Group Incorporated	9,813	15,132	
201,820	US Bancorp.....	6,072	13,498	
130,900	Verisk Analytics Inc. Class A.....	7,196	13,590	
138,700	Walgreen Boots Alliance Inc.....	6,058	13,366	
213,800	Waste Management Inc.....	11,837	20,884	
230,641	Wells Fargo & Company	12,511	16,150	
		<u>450,663</u>	<u>678,924</u>	41.3

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2017 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
Europe, excluding United Kingdom				
29,722	Adidas AG	\$ 2,588	\$ 8,385	
94,448	Anheuser-Busch Inbev SA ADR.....	10,650	14,062	
395,959	AXA	10,302	14,937	
1,027,844	Banco Santander Central Hispano S.A.....	9,255	8,951	
70,218	Bayer AG.....	6,606	11,961	
1,088,041	Davide Campari-Milano S.p.A.....	4,267	9,848	
402,202	Group Danone S.A.....	32,676	39,353	
153,289	Kerry Group plc.....	12,468	18,370	
1,630,400	Koninklijke Ahold Delhaize NV.....	27,472	38,024	
294,957	L'Air Liquide S.A.....	40,429	49,070	
41,331	LVMH Moet Hennesy Louis Vuitton SA.....	7,779	14,224	
462,551	Nestlé SA	34,040	48,414	
42,520	Nestlé SA ADR.....	1,465	4,458	
530,100	Nordea Bank AB.....	9,150	8,954	
263,464	Novo Nordisk A/S.....	14,837	15,702	
1,205,728	Orange S.A.....	20,884	24,636	
407,866	Publicis Groupe.....	34,872	35,529	
139,295	Roche Holding AG.....	41,912	44,344	
123,746	Schneider Electric S.A.....	9,785	13,432	
739,919	Securitas AB Class B.....	7,701	15,442	
81,741	Siemens AG.....	9,171	14,400	
34,645	Swatch Group AG, The.....	13,457	17,971	
		<u>361,766</u>	<u>470,467</u>	28.6
Asia				
1,121,700	AIA Group Limited.....	8,728	10,322	
177,700	Asahi Group Holdings Co.....	5,888	8,978	
51,200	Fanuc Corporation.....	8,873	12,940	
112,300	Kao Corporation.....	4,652	8,245	
1,064,400	KDDI Corporation.....	31,097	35,023	
22,536	Keyence Corporation.....	2,821	14,933	
267,200	Kirin Holdings Company, Limited.....	3,835	7,847	
173,200	Lawson Inc.....	15,175	14,310	
148,500	Makita Corporation.....	3,999	7,469	
382,900	Mitsubishi Tanabe Pharma Corporation.....	6,078	10,956	
285,600	Osaka Gas Co., Ltd.....	6,361	6,626	
87,700	Secom Co. Ltd.....	5,150	7,977	
362,800	Seven & i Holdings Co., Ltd.....	19,276	17,482	
66,100	Tsuruha Holdings Inc.....	9,819	9,859	
300,700	Unicharm Corporation.....	6,881	8,590	
		<u>138,633</u>	<u>181,557</u>	11.1
United Kingdom				
287,230	Compass Group plc.....	8,766	7,601	
223,938	Diageo plc.....	7,416	9,182	
8,850	Diageo plc ADR.....	669	1,459	
5,745,883	G4S plc.....	23,045	26,730	
295,140	GlaxoSmithKline plc.....	7,483	7,344	
130,240	Intertek Group plc.....	9,972	10,846	
246,835	Next plc.....	16,547	21,703	
260,780	Nielsen Holdings plc.....	15,292	13,490	
531,660	RELX plc.....	12,997	14,548	
295,860	Royal Dutch Shell plc.....	11,338	11,153	
2,947,770	Vodafone Group plc.....	12,402	10,289	
		<u>125,927</u>	<u>134,345</u>	8.2

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2017 (Unaudited)

<u>Number of Shares/Units</u>		<u>Cost</u>	<u>Carrying value</u>	<u>% of Carrying value</u>
		(000's)		
	Emerging Markets			
1,992,921	Burgundy Emerging Markets Equity Fund	\$ 50,000	\$ 50,000	
56,270	Fomento Economico Mexicano, S.A. de C.V. ADR	3,881	6,709	
207,484	LSV Emerging Markets Small Cap Equity Fund, LP	50,195	50,195	
34,900	Naspers Limited	9,623	9,407	
		<u>113,699</u>	<u>116,311</u>	7.1
	Canada			
3,625,680	Algoma Central Corporation ¹	6,201	43,871	2.7
	Australia			
727,150	Amcor Limited	11,153	10,820	
217,959	Australia and New Zealand Banking Group Limited	5,946	6,312	
		<u>17,099</u>	<u>17,132</u>	1.0
	Total Investments	<u>\$1,213,988</u>	<u>\$1,642,607</u>	<u>100.0</u>

¹ This company and United are related parties.

UNITED CORPORATIONS LIMITED

CORPORATE INFORMATION

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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 Services Trust

TRANSFER AGENT AND REGISTRAR

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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

