

UNITED CORPORATIONS LIMITED



FIRST QUARTER REPORT

JUNE 30, 2014

UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



THE PERIOD AT A GLANCE (Unaudited)

	As at June 30 2014 ⁽¹⁾	As at March 31 2014 ⁽¹⁾
Net equity value per Common Share ⁽²⁾	\$ 99.38	\$ 99.50
Net assets	\$ 1,219,654	\$ 1,221,034
Number of Common Shares outstanding at period end	12,194,193	12,194,193

	Three months ended June 30	
	2014 ⁽¹⁾	2013 ⁽¹⁾
Net investment income per Common Share ⁽²⁾	\$ 0.82	\$ 0.66
Dividends per Common Share		
Quarterly	\$ 0.20	\$ 0.20
Additional ⁽³⁾	\$ 0.73	\$ 0.63
Net income per Common Share	\$ 0.82	\$ 2.72
Net investment income	\$ 10,092	\$ 8,201

⁽¹⁾ In thousands of Canadian dollars, except number of Common Shares outstanding and per share amounts.

⁽²⁾ See Management's Discussion and Analysis for Use of Non-GAAP Measures.

⁽³⁾ This additional dividend represents the once-per-year distribution of the prior year's annual net investment income, after payment of Preferred Share dividends and after payment of quarterly 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 condensed financial performance and financial condition of United Corporations Limited ("United" or the "Company") for the first quarter of fiscal 2015 should be read in conjunction with: the March 31, 2014 Annual Report, including the MD&A, the Company's audited annual financial statements and the notes and supplementary financial information; and the unaudited quarterly condensed financial statements and notes contained in this report. These unaudited condensed financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The Company adopted this basis of accounting in fiscal 2015 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CICA Handbook ("Previous Canadian GAAP"). The Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at April 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended March 31, 2014 and the three months ended June 30, 2013 prepared under Previous Canadian 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 discussion will occur, or if they do, that any benefits may be derived from them.

First-time Adoption of IFRS

Over the past year, the Company has provided disclosure in its MD&A on how the transition to IFRS was expected to impact its financial statements. The Company's results, including for comparative periods, are now being reported in accordance with IFRS. Note 3 of the quarterly condensed financial statements in this report contains a detailed description of the Company's transition to IFRS. The note disclosure includes a reconciliation of financial statements previously reported under Previous Canadian GAAP to those under IFRS for the three months ended June 30, 2013 and for the year ended March 31, 2014 as well as explanations of the individual adjustments that resulted from the transition.

The IFRS-related disclosures and values in this document have been prepared using the standards and interpretations currently issued. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending March 31, 2015 could result in restatement of these quarterly financial statements, including the transition adjustments recognized on conversion to IFRS.

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 as high as a 45% discount to as low as a 20% discount. 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 funds 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 open-ended funds; and the management of a closed-end fund's portfolio is not impacted by shareholder subscription or redemption activities.

UNITED CORPORATIONS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The external investment portfolio of the Company is managed by Jarislowsky Fraser Limited ("Jarislowsky") and ValueInvest Asset Management S.A. ("ValueInvest"). Each of the managers has a global equity mandate.

The Company has a long-term investment in Algoma Central Corporation ("Algoma"). Algoma and United are related parties. In management's view, 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 8 to the financial statements in the 2014 Annual Report.

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. Net equity value and net investment income may vary significantly from period to period depending on the economic environment and market conditions. Management remains confident that the Company's investment strategy will reward shareholders over the long term.

The investment portfolio of the Company comprises a mix of predominantly foreign equities. During the fourth quarter of the previous fiscal year, the Board of Directors announced that, effective January 13, 2014, it had allocated its assets evenly between the Company's two external investment managers, Jarislowsky and ValueInvest, in order to diversify manager risk. As a consequence of this decision, approximately \$300 million of assets managed by Jarislowsky is now managed by ValueInvest.

Use of Non-GAAP Measures

Current Canadian GAAP is IFRS for these financial statements. 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 meaning 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 at 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 paid 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):

	<u>June 30</u> <u>2014</u>	<u>March 31</u> <u>2014</u>
Net assets	<u>\$ 1,219,654</u>	<u>\$ 1,221,034</u>
Deduct:		
Cost of redemption		
First Preferred Shares	1,567	1,567
1959 and 1963 Series Second Preferred Shares	6,180	6,180
	<u>7,747</u>	<u>7,747</u>
Net equity value	<u>\$ 1,211,907</u>	<u>\$ 1,213,287</u>
Common Shares outstanding	<u>12,194,193</u>	<u>12,194,193</u>
Net equity value per Common Share	<u>\$ 99.38</u>	<u>\$ 99.50</u>

UNITED CORPORATIONS LIMITED

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 June 30	
	2014	2013
Net income	\$ 10,055	\$ 33,229
Add (deduct):		
Fair value change in investments	48	(28,850)
Tax on fair value change in investments	(7)	3,822
Net refundable dividend taxes recovered	(4)	—
Net investment income	<u>10,092</u>	<u>8,201</u>
Deduct:		
Dividends paid on Preferred Shares	94	94
Net investment income, net of dividends paid on Preferred Shares	<u>\$ 9,998</u>	<u>\$ 8,107</u>
Common Shares outstanding	<u>12,194,193</u>	<u>12,194,193</u>
Net investment income per Common Share	<u>\$ 0.82</u>	<u>\$ 0.66</u>

Net Equity Value per Common Share

For the quarter ended June 30, 2014, the Company's net equity value per Common Share decreased to \$99.38 from \$99.50 at March 31, 2014. With dividends reinvested at month-end net equity values, the Company's net equity value return was 0.8% in fiscal 2015 compared to a return of 3.3% for the same period in the prior fiscal year.

As the Company is a taxable Canadian corporation, its returns are net of a provision for income taxes on investment income and realized gains (losses) on investments, and net of a deferred income tax provision on its change in unrealized appreciation of investments.

In Canadian dollar terms, benchmark returns on a total return (capital gains plus dividends) basis, before deducting any applicable taxes, were as follows:

	Three months ended June 30, 2014
	(%)
MSCI World Index	1.5
S&P 500 Index	1.6
S&P/TSX Composite Index	6.4

Operating Results

Net income

The Company's net income in the first quarter of fiscal 2015 decreased to \$10,055,000 compared to \$33,229,000 for the first quarter of fiscal 2014. On a per Common Share basis, net income for the quarter decreased by 69.9% to \$0.82 in fiscal 2015 compared to \$2.72 in fiscal 2014.

The net realized gain for the Company was \$12,904,000 for the first quarter of fiscal 2015 compared to a net realized gain of \$19,009,000 for the same period in the prior year, a decrease of \$6,105,000 or 32.1%. The largest contributors to the net realized gain during the quarter were the sales of Kerry Group plc, Merck & Co., Inc., and Walgreen Company.

The Company's change in unrealized appreciation was negative \$12,952,000 in the first quarter of fiscal 2015 compared to positive \$9,841,000 for the same period in the prior year, a decrease of \$22,793,000. During the quarter, North American equities declined by \$8,441,000 and equities outside of North America declined by \$4,511,000.

UNITED CORPORATIONS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net investment income

The Company's net investment income in the first quarter of fiscal 2015 increased to \$10,092,000 compared to \$8,201,000 for the first quarter of fiscal 2014, an increase of 23.1%. On a per Common Share basis, net investment income for the quarter increased to \$0.82 in fiscal 2015 compared to \$0.66 in fiscal 2014.

Foreign dividend income in the first quarter increased by 24.5% to \$14,750,000 from \$11,850,000 for the same quarter in the prior year. The year-over-year increase occurred as a result of higher-yielding foreign securities held in the current year compared to the same period in the prior year.

Interest and securities lending income increased by 41.6% during the quarter to \$313,000 from \$221,000 for the first quarter of fiscal 2014. The increase year over year resulted from a \$90,000 increase in securities lending fee activity that amounted to \$291,000 during the quarter compared to \$201,000 for the same quarter in the prior year.

Expenses during the quarter increased to \$1,678,000 in fiscal 2015 compared to \$1,266,000 for the same period in the prior year. The majority of the increase relates primarily to an increase in investment management and administrative costs resulting from a higher average investment portfolio compared to the higher year and increased investment management costs resulting from the \$300 million reallocation of assets between Jarislowsky and ValueInvest that occurred in the fourth quarter of the prior fiscal 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):

	IFRS					Previous Canadian GAAP		
	June 30 2014	March 31 2014	Dec. 31 2013	Sept. 30 2013	June 30 2013	March 31 2013	Dec. 31 2012	Sept. 30 2012
Investments	\$ 1,234,830	\$ 1,248,116	\$ 1,206,090	\$ 1,092,813	\$ 1,044,112	\$ 1,032,275	\$ 934,245	\$ 903,346
Net investment income	\$ 10,092	\$ 4,188	\$ 3,425	\$ 3,250	\$ 8,201	\$ 3,371	\$ 2,692	\$ 4,106
Increase in net income (net assets from operations)	\$ 10,055	\$ 47,124	\$ 106,012	\$ 44,113	\$ 33,229	\$ 90,229	\$ 31,748	\$ 32,526
Per Common Share:								
Net investment income	\$ 0.82	\$ 0.33	\$ 0.28	\$ 0.26	\$ 0.66	\$ 0.27	\$ 0.21	\$ 0.33
Increase in net income (net assets from operations)	\$ 0.82	\$ 3.86	\$ 8.68	\$ 3.61	\$ 2.72	\$ 7.39	\$ 2.60	\$ 2.66
Net equity value	\$ 99.38	\$ 99.50	\$ 95.84	\$ 87.35	\$ 83.94	\$ 82.03	\$ 74.84	\$ 72.42

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. 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

Share Data

As at June 30, 2014, the following shares were issued and outstanding: 52,237 First Preferred Shares, 80,290 Second Preferred Shares, 1959 Series, 119,710 Second Preferred Shares, 1963 Series and 12,194,193 Common Shares.

Liquidity and Capital Resources

Quarterly dividends were paid on the Common Shares and Preferred Shares. The quarterly per share dividend was \$0.20 on the Common Shares and \$0.375 for each Preferred Share series. Payment of the Company's dividends is funded by net investment income. For the quarter ended June 30, 2014, net investment income was \$0.82 (fiscal 2014 - \$0.66) per Common Share as compared to Common Share dividend payments of \$0.93 (fiscal 2014 - \$0.83) per share which includes the additional cash dividend of \$0.73 (fiscal 2014 - \$0.63) per Common Share, paid to shareholders. This additional dividend represents a distribution of the balance of net investment income (after payment of Preferred Share dividends) for the prior fiscal year.

The Company's dividend policy is to distribute annual net investment income, after payment of Preferred Share dividends. The distributions are composed of \$0.20 quarterly dividends together with an additional dividend representing the balance of net investment income for the previous fiscal year. 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.

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

August 5, 2014

UNITED CORPORATIONS LIMITED

STATEMENTS OF NET ASSETS (Unaudited)

	June 30 2014	March 31 2014	April 1 2013
	(000's)		
ASSETS			
Cash and cash equivalents	\$ 23,845	\$ 13,362	\$ 13,648
Investments (Note 5)	1,234,830	1,248,116	1,032,691
Receivable for investments sold	—	2,185	—
Dividends and interest receivable	2,077	2,792	2,366
Income taxes receivable	2,716	—	—
Other assets	977	658	418
	1,264,445	1,267,113	1,049,123
LIABILITIES			
Accrued expenses	713	692	573
Payable for investments purchased	4,565	—	—
Income taxes payable	—	3,958	12,535
Deferred tax liabilities	39,513	41,429	27,642
	44,791	46,079	40,750
NET ASSETS	\$ 1,219,654	\$ 1,221,034	\$ 1,008,373
SHAREHOLDERS' EQUITY			
Share capital	\$ 541,000	\$ 541,000	\$ 541,000
Retained earnings	678,654	680,034	467,373
TOTAL SHAREHOLDERS' EQUITY	\$ 1,219,654	\$ 1,221,034	\$ 1,008,373

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENTS OF OPERATIONS (Unaudited)

Three months ended June 30

2014 2013

(000's)

INCOME

Dividends

Foreign	\$	14,750	\$	11,850
Canadian		254		260

		15,004		12,110
--	--	--------	--	--------

Interest and securities lending income		313		221
----------------------------------------	--	-----	--	-----

Fair value change in investments (Note 6)		(48)		28,850
-------------------------------------------	--	------	--	--------

		15,269		41,181
--	--	--------	--	--------

EXPENSES

Investment management and administrative costs		1,408		988
------------------------------------------------	--	-------	--	-----

Transfer, registrar and custody fees		112		104
--------------------------------------	--	-----	--	-----

Directors' and officer's remuneration		95		61
---------------------------------------	--	----	--	----

Office and miscellaneous		39		87
--------------------------	--	----	--	----

Professional fees		24		26
-------------------	--	----	--	----

		1,678		1,266
--	--	-------	--	-------

INCOME BEFORE INCOME TAXES		13,591		39,915
-----------------------------------	--	---------------	--	---------------

Provision for income taxes		3,536		6,686
----------------------------	--	-------	--	-------

NET INCOME	\$	10,055	\$	33,229
-------------------	----	---------------	----	---------------

EARNINGS PER COMMON SHARE

BASIC AND DILUTED	\$	0.82	\$	2.72
--------------------------	----	-------------	----	-------------

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Share capital	Retained earnings	Total
		(000's)	
At April 1, 2014	\$ 541,000	\$ 680,034	\$ 1,221,034
Net income for the period	—	10,055	10,055
Dividends			
First Preferred Shares	—	(19)	(19)
Second Preferred Shares	—	(75)	(75)
Common Shares	—	(11,341)	(11,341)
At June 30, 2014	\$ 541,000	\$ 678,654	\$ 1,219,654
At April 1, 2013	\$ 541,000	\$ 467,373	\$ 1,008,373
Net income for the period	—	33,229	33,229
Dividends			
First Preferred Shares	—	(19)	(19)
Second Preferred Shares	—	(75)	(75)
Common Shares	—	(10,121)	(10,121)
At June 30, 2013	\$ 541,000	\$ 490,387	\$ 1,031,387

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENTS OF CASH FLOW (Unaudited)

Three months ended June 30

	2014	2013
	(000's)	
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	\$ 10,055	\$ 33,229
Adjustments for:		
Fair value change in investments	48	(28,850)
Purchases of investments	(46,842)	(44,354)
Proceeds from sale of investments	60,080	61,784
Dividends and interest receivable	715	(109)
Deferred taxes	(1,916)	1,317
	22,140	23,017
Net change in other assets and liabilities	(222)	(12,517)
	21,918	10,500
Financing		
Dividends paid to shareholders	(11,435)	(10,215)
Net increase in cash and cash equivalents	10,483	285
Cash and cash equivalents at beginning of the period	13,362	13,648
Cash and cash equivalents at end of the period	\$ 23,845	\$ 13,933
Additional information for operating activities:		
Interest received	\$ 22	\$ 21
Dividends received, net of withholding taxes	13,261	10,215
Income taxes paid	10,000	16,150

(See accompanying notes)

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2014 (Continued) (Unaudited)

Number of Shares		Cost	Carrying value	% of Carrying value
		(000's)		
North America				
Canada				
Common				
3,625,680	Algora Central Corporation ¹	\$ 6,201	\$ 59,969	4.9
United States				
87,130	3M Co.	7,988	13,324	
102,610	Allergan, Inc.	10,224	18,537	
124,260	Automatic Data Processing Inc.	6,563	10,517	
96,210	Becton, Dickinson and Company	7,282	12,151	
175,800	Clorox Company (The)	17,072	17,154	
156,830	Colgate-Palmolive Company	7,152	11,416	
97,800	Computer Sciences Corporation	5,431	6,599	
786,600	ConAgra Foods, Inc.	24,734	24,354	
156,920	Dollar Tree, Inc.	5,953	9,124	
153,470	Emerson Electric Company	7,205	10,873	
111,650	EOG Resources, Inc.	6,632	13,929	
94,920	Exxon Mobil Corporation	7,218	10,135	
150,100	Fiserv, Inc.	5,009	9,666	
546,500	General Mills, Inc.	25,110	30,654	
9,644	Google Inc. Class A	5,110	6,020	
9,344	Google Inc. Class C	4,922	5,739	
102,870	Halliburton Company	3,336	7,799	
370,600	Hormel Foods Corporation	17,371	19,525	
66,090	IBM Corporation	11,846	12,790	
105,460	Johnson & Johnson	7,359	11,779	
200,070	JPMorgan Chase & Co.	8,273	12,307	
251,200	Kimberly Clark Corporation	23,749	29,827	
195,966	Kraft Foods Inc.	10,064	12,542	
290,400	Merck & Co., Inc.	13,825	17,935	
270,590	MetLife, Inc.	9,357	16,050	
561,000	Microsoft Corporation	19,041	24,975	
147,500	Mondelez International Inc. Class A	4,622	5,923	
329,530	Oracle Corporation	10,858	14,259	
128,470	PepsiCo, Inc.	8,728	12,253	
933,987	Pfizer Inc.	26,712	29,595	
89,630	Philip Morris International Inc.	5,943	8,068	
1,796,500	Staples Inc.	25,557	20,790	
170,180	Target Corporation	11,175	10,529	
69,540	Time Warner Cable Inc.	5,904	10,936	
288,780	US Bancorp	8,266	13,356	
167,750	Verisk Analytics Inc. Class A	8,258	10,749	
203,980	Walgreen Company	7,008	16,143	
129,900	Waste Management Inc.	5,195	6,203	
282,131	Wells Fargo & Company	13,494	15,831	
		<u>419,546</u>	<u>550,356</u>	44.6
Mexico				
66,200	Fomento Economico Mexicano, S.A. de C.V. ADR	3,924	6,619	0.5
	Total North America	<u>429,671</u>	<u>616,944</u>	50.0

- continued -

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2014 (Continued) (Unaudited)

Number of Shares		Cost	Carrying value	% of Carrying value
		(000's)		
	Europe, excluding United Kingdom			
57,268	Adidas AG	\$ 5,636	\$ 6,199	
72,218	Anheuser-Busch Inbev SA ADR.....	6,277	8,862	
323,319	AXA	6,507	8,248	
1,422,373	Banco Santander Central Hispano S.A.....	13,087	15,861	
88,188	Bayer AG	7,706	13,270	
218,225	Casino Guichard-Perrachon S.A.....	24,761	30,883	
1,112,120	Davide Campari-Milano S.p.A.....	8,642	10,272	
303,296	Delhaize Group	21,435	21,902	
84,746	Fresenius Medical Care & Co. KGaA.....	5,839	6,057	
115,520	Fresenius Medical Care & Co. KGaA ADR	1,867	4,130	
300,476	Group Danone S.A.....	23,031	23,819	
74,488	Kerry Group plc.....	3,935	5,971	
1,267,052	Koninklijke Ahold NV	21,162	25,388	
74,979	Lafarge S.A.....	4,828	6,948	
47,361	L'Air Liquide S.A.....	3,982	6,824	
57,141	LVMH Moët Hennessy Louis Vuitton SA.....	10,761	11,758	
373,907	Nestlé SA	23,588	30,925	
90,590	Nestlé SA ADR.....	3,122	7,512	
958,962	Orange S.A.....	15,580	16,153	
75,945	Publicis Groupe.....	5,132	6,875	
58,498	Roche Holding AG.....	13,867	18,628	
117,669	Sanofi	9,956	13,342	
113,266	Schneider Electric S.A.	7,886	11,381	
1,524,632	Securitas AB Class B	15,867	19,284	
91,751	Siemens AG	9,498	12,929	
485,632	Telenor ASA.....	9,463	11,811	
		<u>283,415</u>	<u>355,232</u>	28.8
	United Kingdom			
369,668	BG Group plc	6,761	8,337	
117,918	Diageo plc	3,676	4,018	
28,020	Diageo plc ADR.....	2,119	3,807	
424,191	GlaxoSmithKline plc	10,756	12,115	
1,003,966	HSBC Holdings Inc.	9,122	10,870	
349,395	National Grid plc.....	3,956	5,359	
29,400	National Grid plc ADR	1,348	2,335	
253,840	Royal Dutch Shell plc.....	10,115	11,219	
417,858	Standard Chartered plc.....	10,350	9,111	
		<u>58,203</u>	<u>67,171</u>	5.4
	Asia			
361,600	Asahi Group Holdings Co.....	9,366	12,120	
235,100	FamilyMart Co., Ltd.....	11,462	10,816	
61,300	Fanuc Corporation	9,183	11,287	
1,082,700	Inpex Corporation.....	14,633	17,574	
158,400	Kao Corporation	6,088	6,656	
109,300	KDDI Corporation.....	5,350	7,118	
16,688	Keyence Corporation	3,969	7,774	
537,000	Kirin Holdings Company, Limited	7,708	8,281	
1,281,000	Konica Minolta Holdings Inc.....	12,644	13,515	
92,800	Lawson Inc.	7,069	7,434	
83,700	Makita Corporation.....	3,699	5,523	
901,600	Mitsubishi Tanabe Pharma Corporation	14,312	14,416	
1,062,900	Mitsubishi UFJ Financial Group	7,015	6,957	
2,412,000	Osaka Gas Co., Ltd.....	10,501	10,830	
104,200	Secom Co. Ltd.	5,742	6,798	
992,300	Television Broadcasts Limited.....	6,497	6,882	
186,000	Toyota Motor Corporation.....	8,395	11,927	
43,800	Unicharm Corporation	2,767	2,787	
		<u>146,400</u>	<u>168,695</u>	13.7%

- continued -

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2014 (Continued) (Unaudited)

Number of Shares		Cost	Carrying value	% of Carrying value
		(000's)		
	Australia			
386,864	AGL Energy Ltd.....	\$ 6,040	\$ 6,028	
233,659	Australia and New Zealand Banking Group Limited	6,153	7,842	
88,800	BHP Billiton Ltd-Spon ADR	6,528	6,489	
		<u>18,721</u>	<u>20,359</u>	1.6
	South America			
414,740	Banco Bradesco S.A. ADR.....	<u>6,439</u>	<u>6,429</u>	<u>0.5</u>
	Total investments	<u>\$ 942,849</u>	<u>\$1,234,830</u>	<u>100.0</u>

¹ This company and United are related parties.

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Description of Company and summary of operations

United (“United” or the “Company”) is a closed-end investment corporation. The head office, principal address and registered office of the Company is located at Tenth Floor, 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 condensed financial statements are presented in Canadian dollars. These condensed financial statements were approved by the Company’s Board of Directors on August 5, 2014.

2. Basis of presentation and adoption of IFRS

These unaudited condensed financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”) applicable to the preparation of quarterly financial statements, including IAS 34 and IFRS1. The Company adopted this basis of accounting in fiscal 2015 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CICA Handbook (“Previous Canadian GAAP”). The Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at April 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s financial statements for the year ended March 31, 2014 and the three months ended June 30, 2013 prepared under Previous Canadian GAAP.

3. First-time adoption of IFRS

The Company has adopted IFRS effective April 1, 2014. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Previous Canadian GAAP. The Company’s financial statements for the year ended March 31, 2015 will be the Company’s first annual financial statements prepared in accordance with IFRS. Accordingly, the Company will make an unreserved statement of compliance with IFRS beginning with its fiscal 2015 annual financial statements.

The Company has applied IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these financial statements, with a transition date of April 1, 2013. In accordance with IFRS, the Company has:

- provided an opening balance sheet at April 1, 2013 restated from Previous Canadian GAAP;
- provided comparative financial information restated from Previous Canadian GAAP;
- applied the same accounting policies throughout all periods presented; and
- retrospectively applied all IFRS standards except for certain optional exemptions and mandatory exceptions applicable for first-time adopters of IFRS that the Company has applied, as discussed below.

The policies applied in these condensed quarterly financial statements are based on IFRS issued and outstanding as of August 5, 2014, the date the Board of Directors approved these financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending March 31, 2015 could result in restatement of these quarterly financial statements, including the transition adjustments recognized on conversion to IFRS.

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

The effect of the Company's transition to IFRS is summarized in this note as follows:

Transition elections

The only voluntary election adopted by the Company upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss ("FVTPL") upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Previous Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

Statement of cash flows

Under Previous Canadian GAAP, the Company was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

Revaluation of investments at Fair Value Through Profit and Loss

Under Previous Canadian GAAP, the Company measured the fair values of its investments in accordance with Section 3855, Financial Instruments — Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Company measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. The Company uses the last traded market price for both financial assets and financial liabilities where the last traded 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. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Company's investments by \$416,000 at April 1, 2013, \$487,000 at March 31, 2014 and \$920,000 as at June 30, 2013 and to increase deferred income taxes by \$55,000 at April 1, 2013, \$65,000 at March 31, 2014 and \$122,000 as at June 30, 2013. The impact of this adjustment was to increase the Company's net income by \$61,000 for the year ended March 31, 2014 and to increase the Company's net income by \$437,000 for the three months ended June 30, 2013.

Reclassification of net provision for refundable dividend taxes on hand

Under Previous Canadian GAAP, the Company presented its net provision for refundable dividend taxes on hand in its statement of retained earnings. Upon adoption of IFRS, the net provision for refundable dividend taxes on hand is recognized as a component of the provision for income taxes. The impact of this adjustment was to decrease the Company's net income by \$2,000 for the year ended March 31, 2014. There was no impact of this adjustment to the Company's net income for the three months ended June 30, 2013.

Comprehensive income

The Company does not have any other comprehensive income or comprehensive income and therefore reports only net income in its statement of income.

Reclassification adjustments

In addition to the measurement adjustments noted above, the Company reclassified certain amounts upon transition in order to conform to its financial statement presentation under IFRS. Under Previous Canadian GAAP, the Company presented cash and short-term investments in these statements of net assets as separate line items. Under IFRS, these two items are combined and presented separately as cash and cash equivalents. Previous Canadian GAAP used the accounting term future income taxes whereas IFRS uses the comparable accounting term deferred taxes. Under Previous Canadian GAAP, in the statement of operations, the provision for income taxes was previously netted against the net change in unrealized appreciation of investments. In contrast, under IFRS, this provision for income taxes is now reclassified to the provision for income taxes in the statement of income. In addition, the IFRS statement of income line item, change in unrealized appreciation, is the reclassification of the Previous Canadian GAAP line item, net change in unrealized appreciation of investments, adjusted for the previously mentioned reclassification of the corresponding provision for income taxes.

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Reconciliation of shareholders' equity and net income as previously reported under Previous Canadian GAAP to IFRS.

Shareholders' equity	Mar. 31, 2014	June 30, 2013	April 1, 2013
		(000's)	
Shareholders' equity as reported under Previous Canadian GAAP	\$ 1,220,612	\$ 1,030,589	\$ 1,008,012
Revaluation of investments at FVTPL	487	920	416
Less: Adjustment for deferred taxes on revaluation	(65)	(122)	(55)
Shareholders' equity as reported under IFRS	\$ 1,221,034	\$ 1,031,387	\$ 1,008,373

Net income	Year ended Mar. 31, 2014	Three months ended June 30, 2013
		(000's)
Net income as reported under Previous Canadian GAAP	\$ 230,418	\$ 32,792
Revaluation of investments at FVTPL	71	504
Less: Adjustment for deferred taxes on revaluation	(10)	(67)
Less: Reclassification of net increase in refundable dividend taxes on hand	(2)	—
Net income as reported under IFRS	\$ 230,477	\$ 33,229

4. 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:

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.

5. Classification of fair value measurements

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 both June 30, 2014 and March 31, 2014, all of the Company's investments were Level 1 investments. There were no year-to-date transfers between Level 1 and Level 2 investments and the Company had no Level 3 investments.

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

6. Fair value change in investments

The fair value change in investments is comprised as follows:

	Three months ended June 30	
	2014	2013
	(000's)	
Net realized gain	\$ 12,904	\$ 19,009
Change in unrealized appreciation	(12,952)	9,841
	\$ (48)	\$ 28,850

7. Related party transactions

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

8. Subsequent event

Common Share dividends of \$0.20 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 August 5, 2014, with a record and payable date of November 6, 2014 and November 14, 2014, respectively.

UNITED CORPORATIONS LIMITED

CORPORATE INFORMATION

HEAD OFFICE

Tenth Floor, 165 University Avenue
Toronto, Ontario, M5H 3B8
Tel: 416-947-2578
Fax: 416-362-2592

EXTERNAL INVESTMENT MANAGERS

Jarislowsky Fraser Limited, Toronto
ValueInvest Asset Management S.A., Luxembourg

AUDITOR

PricewaterhouseCoopers LLP, Toronto

CUSTODIAN

RBC Investor Services Trust

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Toll Free: 1-800-564-6253
www.computershare.com

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 Globe and Mail's website (www.globefund.com) and 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

