

# UNITED CORPORATIONS LIMITED



SECOND QUARTER REPORT

SEPTEMBER 30, 2014



# UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



## THE PERIOD AT A GLANCE (Unaudited)

	As at Sept. 30 2014 <sup>(1)</sup>	As at March 31 2014 <sup>(1)</sup>
Net equity value per Common Share <sup>(2)</sup>	\$ 100.48	\$ 99.50
Net assets	\$ 1,232,960	\$ 1,221,034
Number of Common Shares outstanding at period end	12,194,193	12,194,193

	Six months ended September 30	
	2014 <sup>(1)</sup>	2013 <sup>(1)</sup>
Net investment income per Common Share <sup>(2)</sup>	\$ 1.11	\$ 0.92
Dividends per Common Share		
Quarterly	\$ 0.40	\$ 0.40
Additional <sup>(3)</sup>	\$ 0.73	\$ 0.63
Net income per Common Share	\$ 2.11	\$ 6.33
Net investment income	\$ 13,767	\$ 11,451

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

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

<sup>(3)</sup> 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 second 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; the Company's MD&A and unaudited condensed financial statements and notes for the previous quarter of fiscal 2015, 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 six months ended September 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 reported under Previous Canadian GAAP to those under IFRS for the three and six months ended September 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 was transferred to 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, 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>Sept. 30 2014</u>	<u>March 31 2014</u>
Net assets	<u>\$ 1,232,960</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>\$ 1,225,213</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>\$ 100.48</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 September 30		Six months ended September 30	
	2014	2013	2014	2013
Net income	\$ 15,840	\$ 44,112	\$ 25,895	\$ 77,341
Add (deduct):				
Fair value change in investments	(14,023)	(47,104)	(13,975)	(75,954)
Tax on fair value change in investments	1,858	6,242	1,851	10,064
Net refundable dividend taxes recovered	—	—	(4)	—
Net investment income	3,675	3,250	13,767	11,451
Deduct:				
Dividends paid on Preferred Shares	95	95	189	189
Net investment income, net of dividends paid on Preferred Shares	\$ 3,580	\$ 3,155	\$ 13,578	\$ 11,262
Common Shares outstanding	12,194,193	12,194,193	12,194,193	12,194,193
Net investment income per Common Share	\$ 0.29	\$ 0.26	\$ 1.11	\$ 0.92

### Net Equity Value per Common Share

For the quarter ended September 30, 2014, the Company's net equity value per Common Share increased to \$100.48 from \$99.38 at June 30, 2014. With dividends reinvested at month-end net equity values, the Company's net equity value return was 1.3% in fiscal 2015 compared to a return of 4.3% for the same period in the prior fiscal year. On a fiscal year-to-date basis, the net equity value per Common Share increased to \$100.48 from \$99.50 at March 31, 2014. The net equity value return for the fiscal year to date was 2.1% compared to a return of 7.7% in the prior fiscal period.

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 September 30		Six months ended September 30	
	(%)			
MSCI World Index	2.8		4.3	
S&P 500 Index	6.2		7.9	
S&P/TSX Composite Index	(0.6)		5.8	

### Operating Results

#### Net income

The Company's net income in the second quarter of fiscal 2015 decreased to \$15,840,000 compared to \$44,112,000 for the second quarter of fiscal 2014. On a year-to-date basis, net income decreased to \$25,895,000 from \$77,341,000 in fiscal 2014. On a per Common Share basis, net income for the quarter decreased by 64.3% to \$1.29 in fiscal 2015 compared to \$3.61 in fiscal 2014 and on a year-to-date basis decreased by 66.7% to \$2.11 from \$6.33 in the prior fiscal period.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The net realized gain for the Company was \$11,032,000 for the second quarter of fiscal 2015 compared to a net realized gain of \$17,225,000 for the same period in the prior year, a decrease of \$7,193,000 or 36.0%. On a year-to-date basis, the net realized gain was \$23,936,000 for fiscal 2015 compared to a net realized gain of \$36,234,000 for fiscal 2014, a decrease of \$12,298,000 or 33.9%. The largest year-to-date contributors to the net realized gain during fiscal 2015 were the sales of Merck & Co., Inc., Microsoft Corporation, and Walgreen Company.

During the current fiscal quarter, the Company's change in unrealized appreciation was \$2,991,000 compared to \$29,879,000 for the same period in the prior year, a decrease of \$26,888,000. On a year-to-date basis, the Company's change in unrealized appreciation was negative \$9,961,000 compared to positive \$39,720,000 during the prior year, a decrease of \$49,681,000. During the quarter, North American equities increased by \$20,084,000 offset by a decline of \$17,093,000 in equities outside of North America. On a year-to-date basis, North American equities increased by \$11,643,000 offset by a decline of \$21,604,000 in equities outside of North America.

### *Net investment income*

The Company's net investment income in the second quarter of fiscal 2015 increased to \$3,675,000 compared to \$3,250,000 for the second quarter of fiscal 2014, an increase of 13.1%. On a year-to-date basis, net investment income increased to \$13,767,000 from \$11,451,000 for the same period in the prior year, an increase of 20.2%. On a per Common Share basis, net investment income for the quarter increased to \$0.29 in 2015 compared to \$0.26 in 2014 and on a year-to-date basis increased to \$1.11 in 2015 compared to \$0.92 in 2014.

Foreign dividend income in the second quarter increased by 18.6% to \$6,140,000 from \$5,178,000 for the same quarter in the prior year and on year-to-date basis increased by 22.7% to \$20,890,000 from \$17,028,000 in fiscal 2014. The year-over-year increases in both periods occurred primarily as a result of higher-yielding securities held in the current year compared to the same periods in the prior year.

Interest and securities lending income increased to \$148,000 for the second quarter of the year compared to \$94,000 for the same quarter in the prior year, and on a year-to-date basis increased to \$461,000 compared to \$315,000 in the prior year. During the current fiscal quarter, the Company earned approximately \$141,000 of securities lending income compared to \$87,000 in the prior year, and on a year-to-date basis, the Company earned approximately \$432,000 of securities lending income compared to \$288,000 in the prior year.

Expenses during the quarter increased to \$1,633,000 in fiscal 2015 compared to \$1,204,000 for the same period in the prior year, and on a year-to-date basis increased to \$3,311,000 compared to \$2,470,000 in the prior year. The majority of the increase in both periods relates primarily to an increase in investment management and administrative costs resulting from a higher average investment portfolio compared to the prior 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.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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	
	Sept. 30 2014	June 30 2014	March 31 2014	Dec. 31 2013	Sept. 30 2013	June 30 2013	March 31 2013	Dec. 31 2012
Investments	\$ 1,252,795	\$ 1,234,830	\$ 1,248,116	\$ 1,206,090	\$ 1,092,813	\$ 1,044,112	\$ 1,032,275	\$ 934,245
Net investment income	\$ 3,675	\$ 10,092	\$ 4,188	\$ 3,425	\$ 3,250	\$ 8,201	\$ 3,371	\$ 2,692
Increase in net income (net assets from operations)	\$ 15,840	\$ 10,055	\$ 47,124	\$ 106,013	\$ 44,112	\$ 33,229	\$ 90,229	\$ 31,748
Per Common Share:								
Net investment income	\$ 0.29	\$ 0.82	\$ 0.33	\$ 0.28	\$ 0.26	\$ 0.66	\$ 0.27	\$ 0.21
Increase in net income (net assets from operations)	\$ 1.29	\$ 0.82	\$ 3.86	\$ 8.68	\$ 3.61	\$ 2.72	\$ 7.39	\$ 2.60
Net equity value	\$ 100.48	\$ 99.38	\$ 99.50	\$ 95.84	\$ 87.35	\$ 83.94	\$ 82.03	\$ 74.84

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.

### Share Data

As at September 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 September 30, 2014, net investment income was \$0.29 (fiscal 2014 - \$0.26) per Common Share as compared to Common Share dividend payments of \$0.20 (fiscal 2014 - \$0.20) per share. On a fiscal year-to-date basis, net investment income per Common Share was \$1.11 (fiscal 2014 - \$0.92) as compared to Common Share quarterly dividend payments of \$1.13 (fiscal 2014 - \$1.03) 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.



# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Additional Information

Additional information relating to United, including the Company's Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).

United's website, [www.ucorp.ca](http://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.

A handwritten signature in black ink that reads "Duncan N.R. Jackman". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Duncan N.R. Jackman  
Chairman and President

November 3, 2014

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF NET ASSETS (Unaudited)

	September 30 2014	March 31 2014	April 1 2013
	(000's)		
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,233	\$ 13,362	\$ 13,648
Investments (Note 5)	1,252,795	1,248,116	1,032,691
Receivable for investments sold	11,242	2,185	—
Dividends and interest receivable	2,508	2,792	2,366
Income taxes receivable	4,115	—	—
Other assets	1,012	658	418
	<b>1,285,905</b>	<b>1,267,113</b>	<b>1,049,123</b>
<b>LIABILITIES</b>			
Accrued expenses	739	692	573
Payable for investments purchased	11,945	—	—
Income taxes payable	—	3,958	12,535
Deferred tax liabilities	40,261	41,429	27,642
	<b>52,945</b>	<b>46,079</b>	<b>40,750</b>
<b>NET ASSETS</b>	<b>\$ 1,232,960</b>	<b>\$ 1,221,034</b>	<b>\$ 1,008,373</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	\$ 541,000	\$ 541,000	\$ 541,000
Retained earnings	691,960	680,034	467,373
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 1,232,960</b>	<b>\$ 1,221,034</b>	<b>\$ 1,008,373</b>

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended Sept. 30		Six months ended Sept. 30	
	2014	2013	2014	2013
	(000's)			
<b>INCOME</b>				
Dividends				
Foreign	\$ 6,140	\$ 5,178	\$ 20,890	\$ 17,028
Canadian	254	260	508	520
	<b>6,394</b>	5,438	<b>21,398</b>	17,548
Interest and securities lending income	148	94	461	315
Fair value change in investments (Note 6)	14,023	47,104	13,975	75,954
	<b>20,565</b>	52,636	<b>35,834</b>	93,817
<b>EXPENSES</b>				
Investment management and administrative costs				
	1,372	1,015	2,780	2,003
Transfer, registrar and custody fees	102	75	214	179
Directors' and officer's remuneration	85	56	180	117
Office and miscellaneous	56	46	95	133
Professional fees	18	12	42	38
	<b>1,633</b>	1,204	<b>3,311</b>	2,470
<b>INCOME BEFORE INCOME TAXES</b>	<b>18,932</b>	51,432	<b>32,523</b>	91,347
Provision for income taxes	3,092	7,320	6,628	14,006
<b>NET INCOME</b>	<b>\$ 15,840</b>	\$ 44,112	<b>\$ 25,895</b>	\$ 77,341
<b>EARNINGS PER COMMON SHARE</b>				
<b>BASIC AND DILUTED</b>	<b>\$ 1.29</b>	\$ 3.61	<b>\$ 2.11</b>	\$ 6.33

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Share capital	Retained earnings	Total
		(000's)	
<b>At April 1, 2014</b>	<b>\$ 541,000</b>	<b>\$ 680,034</b>	<b>\$ 1,221,034</b>
Net income for the period	—	25,895	25,895
<b>Dividends</b>			
First Preferred Shares	—	(39)	(39)
Second Preferred Shares	—	(150)	(150)
Common Shares	—	(13,780)	(13,780)
<b>At September 30, 2014</b>	<b>\$ 541,000</b>	<b>\$ 691,960</b>	<b>\$ 1,232,960</b>
<b>At April 1, 2013</b>	<b>\$ 541,000</b>	<b>\$ 467,373</b>	<b>\$ 1,008,373</b>
Net income for the period	—	77,341	77,341
<b>Dividends</b>			
First Preferred Shares	—	(39)	(39)
Second Preferred Shares	—	(150)	(150)
Common Shares	—	(12,560)	(12,560)
<b>At September 30, 2013</b>	<b>\$ 541,000</b>	<b>\$ 531,965</b>	<b>\$ 1,072,965</b>

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF CASH FLOW (Unaudited)

Six months ended Sept. 30

2014                      2013

(000's)

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

#### Operating

Net income	\$ 25,895	\$ 77,341
Adjustments for:		
Fair value change in investments	(13,975)	(75,954)
Purchases of investments	(101,074)	(112,102)
Proceeds from sale of investments	110,369	127,935
Dividends and interest receivable	285	206
Deferred taxes	(1,168)	5,269
	20,332	22,695
Net change in other assets and liabilities	(5,492)	(8,733)
	14,840	13,962

#### Financing

Dividends paid to shareholders	(13,969)	(12,749)
<b>Net increase in cash and cash equivalents</b>	<b>871</b>	<b>1,213</b>
Cash and cash equivalents at beginning of the period	13,362	13,648
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 14,233</b>	<b>\$ 14,861</b>

### Additional information for operating activities:

Interest received	\$ 30	\$ 27
Dividends received, net of withholding taxes	18,392	15,213
Income taxes paid	13,000	17,950
Income tax refunds	42	—

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2014 (Unaudited)

Number of Shares		Cost	Carrying value	% of Carrying value
		(000's)		
<b>North America</b>				
<b>Canada</b>				
<b>Common</b>				
3,625,680	Algom Central Corporation <sup>1</sup> .....	\$ 6,201	\$ 58,736	4.7
<b>United States</b>				
83,600	3M Co. ....	7,665	13,275	
99,680	Allergan, Inc. ....	9,932	19,908	
120,960	Automatic Data Processing Inc. ....	6,388	11,263	
96,210	Becton, Dickinson and Company .....	7,282	12,272	
294,290	CA Technologies, Inc. ....	9,203	9,216	
175,800	Clorox Company (The) .....	17,072	18,923	
152,630	Colgate-Palmolive Company .....	6,961	11,157	
97,800	Computer Sciences Corporation .....	5,431	6,703	
804,500	ConAgra Foods, Inc. ....	25,939	29,791	
156,920	Dollar Tree, Inc. ....	5,953	9,861	
150,870	Emerson Electric Company .....	7,083	10,582	
109,180	EOG Resources, Inc. ....	6,486	12,117	
90,520	Exxon Mobil Corporation .....	6,929	9,542	
150,100	Fiserv, Inc. ....	5,009	10,874	
557,100	General Mills, Inc. ....	25,713	31,501	
9,644	Google Inc. Class A .....	5,110	6,360	
9,344	Google Inc. Class C .....	4,922	6,046	
101,240	Halliburton Company .....	3,283	7,320	
370,600	Hormel Foods Corporation .....	17,371	21,346	
63,840	IBM Corporation .....	11,443	13,583	
103,490	Johnson & Johnson .....	7,221	12,363	
200,070	JPMorgan Chase & Co. ....	8,273	13,508	
251,200	Kimberly Clark Corporation .....	23,749	30,286	
195,966	Kraft Foods Inc. ....	10,064	12,388	
182,600	Merck & Co., Inc. ....	8,693	12,132	
270,590	MetLife, Inc. ....	9,357	16,292	
401,100	Microsoft Corporation .....	13,613	20,841	
147,500	Mondelez International Inc. Class A .....	4,622	5,665	
356,810	Oracle Corporation .....	12,044	15,309	
128,470	PepsiCo, Inc. ....	8,728	13,404	
847,407	Pfizer Inc. ....	24,236	28,085	
89,630	Philip Morris International Inc. ....	5,943	8,378	
1,805,500	Staples Inc. ....	25,532	24,486	
170,180	Target Corporation .....	11,175	11,955	
73,220	Time Warner Cable Inc. ....	6,512	11,775	
288,780	US Bancorp. ....	8,266	13,539	
169,080	Verisk Analytics Inc. Class A .....	8,350	11,539	
167,210	Walgreen Company .....	5,745	11,108	
129,900	Waste Management Inc. ....	5,195	6,920	
271,891	Wells Fargo & Company .....	13,004	15,807	
		<u>415,497</u>	<u>567,420</u>	45.3
<b>Mexico</b>				
62,290	Fomento Economico Mexicano, S.A. de C.V. ADR .....	3,693	6,426	0.5
	<b>Total North America</b> .....	<u>425,391</u>	<u>632,582</u>	50.5

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# UNITED CORPORATIONS LIMITED

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

Number of Shares		Cost	Carrying value	% of Carrying value
		(000's)		
<b>Europe, excluding United Kingdom</b>				
106,595	Adidas AG .....	\$ 9,802	\$ 8,898	
71,548	Anheuser-Busch Inbev SA ADR.....	6,218	8,889	
323,319	AXA .....	6,507	8,928	
1,142,741	Banco Santander Central Hispano S.A.....	10,553	12,309	
88,188	Bayer AG .....	7,706	13,818	
218,225	Casino Guichard-Perrachon S.A.....	24,761	26,336	
1,181,141	Davide Campari-Milano S.p.A.....	9,246	9,553	
279,991	Delhaize Group .....	19,788	21,827	
84,746	Fresenius Medical Care & Co. KGaA.....	5,839	6,584	
109,320	Fresenius Medical Care & Co. KGaA ADR .....	1,767	4,252	
300,476	Group Danone S.A.....	23,031	22,539	
74,488	Kerry Group plc.....	3,935	5,885	
1,328,222	Koninklijke Ahold NV .....	22,372	24,099	
91,719	Lafarge S.A.....	6,164	7,402	
110,146	L'Air Liquide S.A.....	12,666	15,054	
64,511	LVMH Moët Hennessy Louis Vuitton SA.....	12,135	11,751	
373,907	Nestlé SA .....	23,588	30,814	
84,270	Nestlé SA ADR.....	2,904	6,954	
958,962	Orange S.A.....	15,580	16,158	
141,789	Publicis Groupe.....	10,662	10,911	
70,595	Roche Holding AG.....	17,741	23,445	
117,669	Sanofi .....	9,956	14,915	
108,976	Schneider Electric S.A.....	7,588	9,377	
1,524,632	Securitas AB Class B .....	15,867	18,978	
91,751	Siemens AG .....	9,498	12,219	
467,472	Telenor ASA.....	9,109	11,495	
		<u>304,983</u>	<u>363,390</u>	29.0
<b>United Kingdom</b>				
454,998	BG Group plc .....	8,539	9,429	
117,918	Diageo plc .....	3,676	3,826	
28,020	Diageo plc ADR.....	2,119	3,624	
424,191	GlaxoSmithKline plc .....	10,756	10,896	
967,226	HSBC Holdings Inc. ....	8,788	11,008	
349,395	National Grid plc.....	3,956	5,640	
13,000	National Grid plc ADR .....	596	1,047	
278,630	Royal Dutch Shell plc.....	11,228	11,959	
402,388	Standard Chartered plc.....	9,967	8,342	
		<u>59,625</u>	<u>65,771</u>	5.3
<b>Asia</b>				
361,600	Asahi Group Holdings Co.....	9,366	11,726	
235,100	FamilyMart Co., Ltd.....	11,462	10,055	
61,300	Fanuc Corporation .....	9,183	12,411	
1,010,700	Inpex Corporation.....	13,659	16,005	
158,400	Kao Corporation .....	6,088	6,923	
109,300	KDDI Corporation.....	5,350	7,365	
16,688	Keyence Corporation .....	3,969	8,129	
537,000	Kirin Holdings Company, Limited .....	7,708	7,993	
945,100	Konica Minolta Holdings Inc.....	9,328	11,436	
92,800	Lawson Inc. ....	7,069	7,274	
83,700	Makita Corporation.....	3,699	5,304	
382,900	Mitsubishi Tanabe Pharma Corporation .....	6,078	6,296	
1,062,900	Mitsubishi UFJ Financial Group .....	7,015	6,737	
2,412,000	Osaka Gas Co., Ltd.....	10,501	10,864	
104,200	Secom Co. Ltd. ....	5,742	6,957	
992,300	Television Broadcasts Limited.....	6,497	6,639	
183,200	Toyota Motor Corporation.....	8,269	12,101	
293,100	Unicharm Corporation .....	6,248	7,490	
		<u>137,231</u>	<u>161,705</u>	12.9

- continued -

# UNITED CORPORATIONS LIMITED

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

<u>Number of Shares</u>		<u>Cost</u>	<u>Carrying value</u>	<u>% of Carrying value</u>
		(000's)		
	<b>Australia</b>			
768,540	AGL Energy Limited .....	\$ 11,918	\$ 10,188	
233,659	Australia and New Zealand Banking Group Limited .....	6,153	7,073	
82,760	BHP Billiton Ltd-Spon ADR .....	6,084	5,462	
		<u>24,155</u>	<u>22,723</u>	1.8
	<b>South America</b>			
414,740	Banco Bradesco S.A. ADR.....	<u>6,439</u>	<u>6,624</u>	<u>0.5</u>
	<b>Total investments</b> .....	<u>\$ 957,824</u>	<u>\$1,252,795</u>	<u>100.0</u>

<sup>1</sup> 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 November 3, 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 six months ended September 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 November 3, 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 \$727,000 as at September 30, 2013 and to increase deferred income taxes by \$55,000 at April 1, 2013, \$65,000 at March 31, 2014 and \$96,000 as at September 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 decrease the Company's net income by \$168,000 for the three months ended September 30, 2013 and to increase the Company's net income by \$269,000 for the six months ended September 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 or six months ended September 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	Sept. 30, 2013	April 1, 2013
		(000's)	
Shareholders' equity as reported under Previous Canadian GAAP	\$ 1,220,612	\$ 1,072,335	\$ 1,008,012
Revaluation of investments at FVTPL	487	727	416
Less: Adjustment for deferred taxes on revaluation	(65)	(96)	(55)
<b>Shareholders' equity as reported under IFRS</b>	<b>\$ 1,221,034</b>	<b>\$ 1,072,966</b>	<b>\$ 1,008,373</b>

Net income	Year ended Mar. 31, 2014	Six months ended Sept. 30, 2013	Three months ended Sept. 30, 2013
		(000's)	
Net income as reported under Previous Canadian GAAP	\$ 230,418	\$ 77,072	\$ 44,280
Revaluation of investments at FVTPL	71	310	(194)
Less: Adjustment for deferred taxes on revaluation	(10)	(41)	26
Less: Reclassification of net increase in refundable dividend taxes on hand	(2)	—	—
<b>Net income as reported under IFRS</b>	<b>\$ 230,477</b>	<b>\$ 77,341</b>	<b>\$ 44,112</b>

#### 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 September 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 September 30		Six months ended September 30	
	2014	2013	2014	2013
	(000's)			
Net realized gain	\$ 11,032	\$ 17,225	\$ 23,936	\$ 36,234
Change in unrealized appreciation	2,991	29,879	(9,961)	39,720
	\$ 14,023	\$ 47,104	\$ 13,975	\$ 75,954

### 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 November 3, 2014, with a record and payable date of February 5, 2015 and February 13, 2015, 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](http://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](http://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](mailto: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](http://www.ucorp.ca)





