

# UNITED CORPORATIONS LIMITED



FIRST QUARTER REPORT

JUNE 30, 2013



# UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



## THE PERIOD AT A GLANCE (Unaudited)

	As at June 30 2013 <sup>(1)</sup>	As at March 31 2013 <sup>(1)</sup>
Net equity value per Common Share <sup>(2)</sup> .....	\$ 83.88	\$ 82.03
Net assets.....	\$ 1,030,589	\$ 1,008,012
Number of Common Shares outstanding at period end .....	12,194,193	12,194,193

	Three months ended June 30	
	2013 <sup>(1)</sup>	2012 <sup>(1)</sup>
Net investment income per Common Share <sup>(2)</sup> .....	\$ 0.66	\$ 0.62
Dividends per Common Share		
Quarterly .....	\$ 0.20	\$ 0.20
Additional <sup>(3)</sup> .....	\$ 0.63	\$ 0.63
Increase (decrease) in net assets from operations per Common Share .....	\$ 2.68	\$ (1.53)
Investment income .....	\$ 12,331	\$ 10,547
Net investment income .....	\$ 8,201	\$ 7,623

<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.

### 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 financial performance and financial condition of United Corporations Limited ("United" or the "Company") for the first quarter of fiscal 2014 should be read in conjunction with: the 2013 Annual Report, including the MD&A, the Company's annual audited financial statements and the notes and supplementary financial information; and the unaudited interim financial statements and notes contained in this report. These unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They do not include all of the disclosures required under GAAP for annual financial statements. 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, 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 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 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, as both companies can be significantly influenced by the same party. 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 2013 Annual Report and in the statement of investments in this interim report beginning on page 11.

### 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 prior year, the Board of Directors announced that, after careful consideration, it was reducing United's exposure to Canadian equities and increasing its exposure to foreign equities. Prior to the announcement, Canadian equities had constituted approximately 30-35% of United's externally managed assets for many years. While this strategy had served United well, as a result of the outperformance of the Canadian equity market and the appreciation of the Canadian dollar, the Board believes that the objective of United, to earn an above-average rate of return through long-term capital appreciation and dividend income, will be better served in the future by investing the significant majority of its externally managed assets in foreign equities and reducing its concentration in Canadian equities. United's exposure to non-Canadian equities is now approximately 95% of United's investments compared to approximately 64% one year earlier.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 meaning in Canadian 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 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):

	<b>June 30 2013</b>	March 31 2013
Net assets .....	<b>\$ 1,030,589</b>	\$ 1,008,012
Deduct:		
Cost of redemption		
First Preferred Shares .....	<b>1,567</b>	1,567
1959 and 1963 Series Second Preferred Shares.....	<b>6,180</b>	6,180
	<b>7,747</b>	7,747
Net equity value .....	<b>\$ 1,022,842</b>	\$ 1,000,265
Common Shares outstanding .....	<b>12,194,193</b>	12,194,193
Net equity value per Common Share .....	<b>\$ 83.88</b>	\$ 82.03

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	
	<b>2013</b>	2012
Increase (decrease) in net assets from operations .....	<b>\$ 32,792</b>	\$ (18,561)
Add: Net loss (gain) on investments .....	<b>(24,591)</b>	26,184
Net investment income .....	<b>8,201</b>	7,623
Deduct: Dividends paid on Preferred Shares.....	<b>94</b>	94
Net investment income, net of dividends paid on Preferred Shares .....	<b>\$ 8,107</b>	\$ 7,529
Common Shares outstanding .....	<b>12,194,193</b>	12,194,193
Net investment income per Common Share .....	<b>\$ 0.66</b>	\$ 0.62

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Net Equity Value per Common Share

For the quarter ended June 30, 2013, the Company's net equity value per Common Share increased to \$83.88 from \$82.03 at March 31, 2013. With dividends reinvested at month-end net equity values, the Company's net equity value return was positive 3.3% in fiscal 2014 compared to a return of negative 2.1% 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 future income tax provision on the net 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, 2013
	(%)
MSCI World Index.....	4.4
S&P 500 Index .....	6.5
S&P/TSX Composite Index .....	(4.1)

### Operating Results

#### *Net investment income*

The Company's net investment income in the first quarter of fiscal 2014 was \$8,201,000 compared to net investment income of \$7,623,000 in the same quarter of the prior year. On a per Common Share basis, net investment income for the quarter increased to \$0.66 in fiscal 2014 from \$0.62 in fiscal 2013.

During the quarter, foreign dividend income increased by 50.4% to \$11,850,000 from \$7,877,000 in fiscal 2013. Canadian dividend income decreased by 89.6% to \$260,000 in fiscal 2014 compared to \$2,512,000 in the prior fiscal year. These changes occurred as a result of the increase in the Company's exposure to foreign equities.

Interest income, including securities lending income, increased to \$221,000 for the first quarter of the year compared to \$158,000 for the same quarter in the prior year. During the current fiscal quarter, the Company earned approximately \$201,000 of securities lending income compared to \$141,000 in the prior year.

Expenses of the Company for the quarter increased to \$1,266,000 compared to \$1,028,000 for the same period in the prior year. The increase relates primarily to an increase in investment management and administrative costs resulting from a higher average investment portfolio value compared to the prior year as well as from an increase in custody fees arising from an increase in investments held outside of Canada, compared to the prior year.

The provision for income taxes has increased by 51.1% to \$2,864,000 during the quarter from \$1,896,000 for the same quarter in the prior year. Although investment income before income taxes has increased by only 16.2%, the amount of taxable income has increased by 54.5% as foreign dividend income is subject to Part I tax whereas Canadian dividend income is not subject to such tax. Given that the Company increased its exposure to foreign securities commencing in November 2012, the effective income tax rate for the quarter has increased in fiscal 2014 to 25.9% from 19.9% for the prior year.

#### *Net gain (loss) on investments*

The net gain on investments for the Company increased to \$24,591,000 in the first quarter of fiscal 2014 compared to a net loss of \$26,184,000 for the same period in the prior year.

The Company realized a net gain on investments of \$16,565,000 in the current fiscal quarter compared to a net gain of \$1,705,000 in the prior year. The largest contributors to the net realized gain during fiscal 2014 were the sale of Essilor International S.A., H.J. Heinz Company, and Makita Corporation.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

During the current fiscal quarter, the Company's net change in unrealized appreciation of investments was an increase of \$8,116,000 compared to a decrease of \$27,843,000 during the same period in the prior year. During the quarter, North American equities increased approximately \$14,450,000 offset by a decline of approximately \$6,334,000 for equities outside of North America.

### 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):

	June 30 2013	March 31 2013	Dec. 31 2012	Sept. 30 2012	June 30 2012	March 31 2012	Dec. 31 2011	Sept. 30 2011
Investments, at fair value	\$ 1,043,192	\$ 1,032,275	\$ 934,245	\$ 903,346	\$ 869,310	\$ 901,554	\$ 837,970	\$ 793,685
Investment income	\$ 12,331	\$ 5,707	\$ 4,445	\$ 5,747	\$ 10,547	\$ 5,408	\$ 5,213	\$ 5,389
Net investment income	\$ 8,201	\$ 3,371	\$ 2,692	\$ 4,106	\$ 7,623	\$ 4,307	\$ 3,363	\$ 3,477
Increase (decrease) in net assets from operations	\$ 32,792	\$ 90,229	\$ 31,748	\$ 32,526	\$ (18,561)	\$ 49,038	\$ 37,598	\$ (71,074)
Per Common Share:								
Net investment income	\$ 0.66	\$ 0.27	\$ 0.21	\$ 0.33	\$ 0.62	\$ 0.35	\$ 0.27	\$ 0.27
Increase (decrease) in net assets from operations	\$ 2.68	\$ 7.39	\$ 2.60	\$ 2.66	\$ (1.53)	\$ 4.01	\$ 3.08	\$ (5.84)
Net equity value	\$ 83.88	\$ 82.03	\$ 74.84	\$ 72.42	\$ 69.96	\$ 72.32	\$ 68.51	\$ 65.63

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. Given the volatility in global stock markets and the value of the Canadian dollar relative to other currencies, there is no guarantee that the Company will receive dividend income on its investments at recent dividend payout levels. During the prior fiscal year, the Company reduced its exposure to Canadian equities and increased its exposure to foreign equities. Going forward, dividends received from foreign equities may be more or less than dividends earned from the previous Canadian equity portfolio.

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 June 30, 2013, 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, 2013, net investment income was \$0.66 (fiscal 2013 - \$0.62) per Common Share as compared to Common Share dividend payments of \$0.83 (fiscal 2013 - \$0.83) per share which includes a cash dividend of \$0.63 (fiscal 2013 - \$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.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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.

### **Transition to International Financial Reporting Standards ("IFRS") for Investment Companies**

The Company will adopt IFRS commencing April 1, 2014. Its first set of financial statements prepared in accordance with IFRS will be for the quarter ending June 30, 2014, which will provide corresponding comparative financial information for fiscal 2014, including an opening statement of financial position as at April 1, 2013.

Management does not expect that the transition to IFRS will affect the calculation of the Company's net assets or net equity value per Common Share. The primary impact of IFRS on the Company's financial statements will be in financial statement presentation and note disclosure. In addition, management believes that the conversion to IFRS will not materially affect the Company's business arrangements, systems, internal controls over financial reporting, or disclosure controls and procedures.

Additional information relating to the transition to IFRS is available in the Company's 2013 Annual Report.

### **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.



Duncan N.R. Jackman  
Chairman and President

August 6, 2013



# UNITED CORPORATIONS LIMITED

## STATEMENT OF NET ASSETS (Unaudited)

	June 30 2013	March 31 2013
	(000's)	
<b>ASSETS</b>		
Investments, at fair value (Cost - \$833,569; March 31, 2013 - \$722,337) (Note 2))	<b>\$ 1,043,192</b>	\$ 1,032,275
Cash	<b>4,716</b>	4,075
Short-term investments	<b>9,217</b>	9,574
Accrued income on investments	<b>2,475</b>	2,365
Other assets	<b>666</b>	418
	<b>1,060,266</b>	1,048,707
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<b>611</b>	573
Income taxes payable	<b>228</b>	12,535
Future income taxes (Note 3)	<b>28,838</b>	27,587
	<b>29,677</b>	40,695
<b>NET ASSETS</b>	<b>\$ 1,030,589</b>	\$ 1,008,012
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)		
Issued:		
52,237 First Preferred Shares	<b>\$ 119</b>	\$ 119
200,000 Second Preferred Shares	<b>6,000</b>	6,000
12,194,193 Common Shares	<b>534,881</b>	534,881
	<b>541,000</b>	541,000
Retained earnings	<b>489,589</b>	467,012
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 1,030,589</b>	\$ 1,008,012

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENT OF OPERATIONS (Unaudited)

	Three months ended June 30	
	2013	2012
	(000's)	
<b>INVESTMENT INCOME</b>		
Dividends:		
Foreign	\$ 11,850	\$ 7,877
Canadian	260	2,512
	<b>12,110</b>	10,389
Interest, including securities lending income	221	158
	<b>12,331</b>	10,547
Expenses:		
Investment management and administrative costs	988	805
Directors' and officers' remuneration	61	61
Office and miscellaneous	87	78
Transfer, registrar and custody fees	104	53
Professional fees	26	31
	<b>1,266</b>	1,028
Investment income before income taxes	11,065	9,519
Provision for income taxes	2,864	1,896
<b>NET INVESTMENT INCOME</b>	<b>8,201</b>	7,623
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>		
Net realized gain on investments	16,565	1,705
Net change in unrealized appreciation of investments	8,116	(27,843)
Transaction costs on purchase and sale of investments	(90)	(46)
<b>NET GAIN (LOSS) ON INVESTMENTS</b>	<b>24,591</b>	(26,184)
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 32,792</b>	\$ (18,561)
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER COMMON SHARE</b>	<b>\$ 2.68</b>	\$ (1.53)

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENT OF RETAINED EARNINGS (Unaudited)

	Three months ended June 30	
	2013	2012
	(000's)	
BEGINNING OF PERIOD	\$ 467,012	\$ 348,646
Add:		
Increase (decrease) in net assets from operations	32,792	(18,561)
Refundable dividend taxes recovered	5	760
	32,797	(17,801)
Deduct:		
Dividends:		
First Preferred Shares	19	19
Second Preferred Shares	75	75
Common Shares	10,121	10,121
Provision for refundable dividend taxes	5	780
	10,220	10,995
END OF PERIOD	\$ 489,589	\$ 319,850

## STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

	Three months ended June 30	
	2013	2012
	(000's)	
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 32,792	\$ (18,561)
DIVIDENDS TO SHAREHOLDERS		
Preferred Shares	(94)	(94)
Common Shares	(10,121)	(10,121)
	(10,215)	(10,215)
TAXATION CHANGE		
Net increase in refundable dividend taxes on hand	—	(20)
INCREASE (DECREASE) IN NET ASSETS	22,577	(28,796)
NET ASSETS, BEGINNING OF PERIOD	1,008,012	889,646
NET ASSETS, END OF PERIOD	\$ 1,030,589	\$ 860,850

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENT OF NET REALIZED GAIN ON INVESTMENTS (Unaudited)

	Three months ended June 30	
	2013	2012
	(000's)	
Proceeds on sales of investments	\$ 61,874	\$ 25,101
Cost of investments, beginning of period	831,990	722,337
Cost of investments purchased during the period	44,354	21,792
	876,344	744,129
Cost of investments, end of period	833,569	720,896
Cost of investments sold during the period	42,775	23,233
Realized gain on investments sold before income taxes	19,099	1,868
Provision for income taxes	2,534	163
Net realized gain on investments	\$ 16,565	\$ 1,705

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENT OF INVESTMENTS AS AT JUNE 30, 2013 (Unaudited)

Number of Shares		Cost	Fair value	% of Fair value
		(000's)		
	<b>North America</b>			
	<b>Canada</b>			
<b>Common</b>				
3,625,680	Algoma Central Corporation <sup>1</sup> .....	\$ 6,201	\$ 48,584	
15,100	Weston (George) Limited .....	1,302	1,262	
		<u>7,503</u>	<u>49,846</u>	4.8
	<b>United States</b>			
144,870	3M Co. ....	13,179	16,653	
139,500	Allergan, Inc. ....	14,229	12,343	
291,480	Automatic Data Processing Inc. ....	15,231	21,093	
163,680	Becton, Dickinson and Company .....	12,320	16,984	
372,660	Coca-Cola Company (The) .....	13,781	15,717	
326,700	Colgate-Palmolive Company .....	14,798	19,617	
58,300	Computer Sciences Corporation .....	2,901	2,681	
173,000	ConAgra Foods, Inc. ....	3,503	6,350	
266,230	Dollar Tree, Inc. ....	10,016	14,223	
255,990	Emerson Electric Company .....	11,959	14,663	
94,820	EOG Resources, Inc. ....	11,205	13,125	
157,170	Exxon Mobil Corporation .....	11,980	14,871	
127,260	Fiserv, Inc. ....	8,385	11,693	
257,400	General Mills, Inc. ....	9,703	13,123	
199,780	Halliburton Company .....	6,425	8,762	
130,500	Hormel Foods Corporation .....	5,399	5,292	
96,120	IBM Corporation .....	16,938	19,294	
190,370	Johnson & Johnson .....	13,214	17,182	
338,890	JP Morgan Chase & Co. ....	13,923	18,799	
95,000	Kimberly Clark Corporation .....	6,063	9,679	
115,166	Kraft Foods Inc. ....	4,869	6,758	
186,400	Merck & Co., Inc. ....	6,944	9,107	
479,040	Metlife, Inc. ....	16,565	23,043	
312,200	Microsoft Corporation .....	8,298	11,332	
182,600	Mondelez International Inc. Class A .....	4,253	5,476	
501,760	Oracle Corporation .....	16,082	16,193	
198,100	PepsiCo, Inc. ....	13,245	17,032	
766,247	Pfizer Inc. ....	20,901	22,618	
200,440	Philip Morris International Inc. ....	13,233	18,238	
326,250	QEP Resources, Inc. ....	9,475	9,527	
299,940	Spectra Energy Corporation .....	7,209	10,865	
645,000	Staples Inc. ....	8,177	10,753	
143,560	Time Warner Cable Inc. ....	12,038	16,973	
490,350	US Bancorp. ....	13,957	18,629	
129,050	Verisk Analytics Inc. Class A .....	4,241	8,099	
361,460	Walgreen Company .....	12,331	16,776	
101,300	Waste Management Inc. ....	3,228	4,292	
502,331	Wells Fargo & Company .....	24,023	21,808	
126,717	Zoetis Inc. ....	3,689	4,331	
		<u>417,910</u>	<u>523,994</u>	50.2
	<b>Mexico</b>			
68,080	Fomento Economico Mexicano, S.A. de C.V. ADR .....	2,406	7,386	0.7
	<b>Total North America</b> .....	<u>427,819</u>	<u>581,226</u>	55.7

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# UNITED CORPORATIONS LIMITED

## STATEMENT OF INVESTMENTS AS AT JUNE 30, 2013 (Continued) (Unaudited)

Number of Shares		Cost	Fair value	% of Fair value
		(000's)		
<b>Europe, excluding United Kingdom</b>				
19,503	Adidas AG .....	\$ 873	\$ 2,209	
113,218	Anheuser-Busch Inbev SA Spon ADR .....	9,807	10,741	
552,269	AXA .....	11,001	11,397	
431,040	Banco Bradesco S.A. ADR .....	7,236	5,890	
1,151,872	Banco Santander Central Hispano S.A. ....	11,116	7,719	
187,520	Bayer AG .....	16,267	20,927	
63,074	Casino Guichard-Perrachon S.A. ....	5,557	6,207	
374,169	Davide Campari-Milano S.p.A. ....	1,899	2,848	
138,522	Delhaize Group .....	10,222	8,977	
417,841	France Telecom S.A. ....	7,641	4,221	
95,200	Fresenius Medical Care & Co. KGaA.....	6,630	7,057	
177,120	Fresenius Medical Care & Co. KGaA ADR ..	2,863	6,567	
79,606	Group Danone S.A. ....	6,054	6,274	
67,473	Kerry Group plc .....	1,780	3,917	
599,241	Koninklijke Ahold NV .....	8,219	9,371	
109,058	Lafarge S.A. ....	6,946	7,045	
67,520	L'Air Liquide S.A. ....	6,187	8,758	
46,050	LVMH Moët Hennessy Louis Vuitton SA ..	8,182	7,838	
231,632	Nestlé SA .....	11,790	15,962	
146,710	Nestlé SA ADR .....	5,055	10,145	
99,476	OMV AG .....	4,611	4,692	
47,846	Publicis Groupe .....	1,624	3,578	
32,643	Roche Holding AG .....	5,220	8,526	
201,140	Sanofi .....	16,913	21,888	
187,978	Schneider Electric S.A. ....	13,154	14,324	
728,732	Securitas AB Class B .....	6,338	6,666	
152,260	Siemens AG .....	16,149	16,190	
495,350	Telenor ASA .....	8,593	10,294	
72,400	Total S.A. ....	3,612	3,710	
107,000	Total S.A. ADR .....	6,150	5,472	
		227,689	259,410	24.9
<b>United Kingdom</b>				
624,530	BG Group plc .....	11,407	11,168	
325,400	Britvic plc .....	1,554	2,666	
268,929	Dairy Crest Group plc .....	968	1,950	
63,550	Diageo plc .....	1,828	1,910	
43,020	Diageo plc ADR .....	3,254	5,199	
367,205	GlaxoSmithKline plc .....	7,906	9,675	
1,598,440	HSBC Holdings Inc. ....	14,444	17,425	
535,600	National Grid plc .....	6,064	6,383	
111,150	National Grid plc ADR .....	5,095	6,621	
36,461	Next plc .....	831	2,657	
657,888	Standard Chartered plc .....	16,307	15,003	
		69,658	80,657	7.7
<b>Asia</b>				
222,500	Asahi Group Holdings Co. ....	4,844	5,797	
40,100	FamilyMart Company, Limited .....	1,864	1,794	
86,000	Fanuc Ltd. ....	12,709	13,063	
711	Inpex Corporation .....	4,245	3,113	
48,800	Itochu Techno-Solutions Corporation .....	1,416	2,123	
124,700	KDDI Corporation .....	3,602	6,807	
28,588	Keyence Corporation .....	6,733	9,561	
250,000	Kirin Holdings Company, Limited .....	3,444	4,113	
991,500	Konica Minolta Holdings Inc. ....	8,166	7,851	
44,200	Lawson Inc. ....	3,000	3,542	
40,600	Makita Corporation .....	1,206	2,302	
398,100	Mitsubishi Tanabe Pharma Corporation ..	6,291	5,406	
1,204,000	Mitsubishi UJF Financial Group .....	7,931	7,798	
70,800	Secom Co. Ltd. ....	3,320	4,038	
913,000	Television Broadcasts Limited .....	5,807	6,645	
292,900	Toyota Motor Corporation .....	13,147	18,598	
		87,725	102,551	9.8

- continued -

# UNITED CORPORATIONS LIMITED

## STATEMENT OF INVESTMENTS AS AT JUNE 30, 2013 (Continued) (Unaudited)

<u>Number of Shares</u>		<u>Cost</u>	<u>Fair value</u>	<u>% of Fair value</u>
		(000's)		
	<b>Australia</b>			
393,810	Australia and New Zealand Banking Group Limited .....	\$ 10,352	\$ 10,837	
140,390	BHP Billiton Limited-Spon ADR.....	10,326	8,511	
		<u>20,678</u>	<u>19,348</u>	<u>1.9</u>
	<b>Total investments</b> .....	<u>\$ 833,569</u>	<u>\$1,043,192</u>	<u>100.0</u>

<sup>1</sup> This company and United can be significantly influenced by the same party.

# UNITED CORPORATIONS LIMITED

## NOTES TO FINANCIAL STATEMENTS

(Unaudited)

### Summary of significant accounting policies

#### 1. Basis of presentation

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and follow the same accounting policies and methods as the most recent 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, 2013. The financial statements do not include all of the disclosures required under GAAP for annual financial statements.

#### 2. 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, 2013 and March 31, 2013, all of the Company’s investments were Level 1 investments. There were no year-to-date transfers between Level 1, 2 or 3 investments.



# UNITED CORPORATIONS LIMITED

## CORPORATE INFORMATION

### HEAD OFFICE

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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

### AUDITORS

PricewaterhouseCoopers LLP, Toronto

### CUSTODIAN

RBC Dexia 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)





