

UNITED CORPORATIONS LIMITED



THIRD QUARTER REPORT

DECEMBER 31, 2014

UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



THE PERIOD AT A GLANCE (Unaudited)

	As at Dec. 31 2014 ⁽¹⁾	As at March 31 2014 ⁽¹⁾
Net equity value per Common Share ⁽²⁾	\$ 105.54	\$ 99.50
Net assets	\$ 1,294,671	\$ 1,221,034
Number of Common Shares outstanding at period end	12,194,193	12,194,193

	Nine months ended Dec. 31	
	2014 ⁽¹⁾	2013 ⁽¹⁾
Net investment income per Common Share ⁽²⁾	\$ 1.43	\$ 1.20
Dividends per Common Share		
Quarterly	\$ 0.60	\$ 0.60
Additional ⁽³⁾	\$ 0.73	\$ 0.63
Net income per Common Share	\$ 7.37	\$ 15.01
Net investment income	\$ 17,733	\$ 14,876

⁽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 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 third 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 quarters 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 nine months ended December 31, 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 nine months ended December 31, 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>Dec. 31 2014</u>	<u>March 31 2014</u>
Net assets	<u>\$ 1,294,671</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>\$ 1,286,924</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>\$ 105.54</u>	<u>\$ 99.50</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Three months ended December 31		Nine months ended December 31	
	2014	2013	2014	2013
Net income	\$ 64,244	\$ 106,012	\$ 90,139	\$ 183,353
Add (deduct):				
Fair value change in investments	(69,485)	(118,256)	(83,460)	(194,210)
Tax on fair value change in investments	9,207	15,669	11,058	25,733
Net refundable dividend taxes recovered	—	—	(4)	—
Net investment income	3,966	3,425	17,733	14,876
Deduct:				
Dividends paid on Preferred Shares	95	95	284	284
Net investment income, net of dividends paid on Preferred Shares	\$ 3,871	\$ 3,330	\$ 17,449	\$ 14,592
Common Shares outstanding	12,194,193	12,194,193	12,194,193	12,194,193
Net investment income per Common Share	\$ 0.32	\$ 0.28	\$ 1.43	\$ 1.20

Net Equity Value per Common Share

For the quarter ended December 31, 2014, the Company's net equity value per Common Share increased to \$105.54 from \$100.48 at September 30, 2014. With dividends reinvested at month-end net equity values, the Company's net equity value return was 5.2% in fiscal 2015 compared to a return of 10.0% 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 \$105.54 from \$99.50 at March 31, 2014. The net equity value return for the fiscal year to date was 7.5% compared to a return of 18.2% 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 December 31		Nine months ended December 31	
	(%)			
MSCI World Index	4.7		9.2	
S&P 500 Index	8.6		17.2	
S&P/TSX Composite Index	(1.5)		4.2	

Operating Results

Net income

The Company's net income in the third quarter of fiscal 2015 decreased to \$64,244,000 compared to \$106,012,000 for the third quarter of fiscal 2014. On a year-to-date basis, net income decreased to \$90,139,000 from \$183,353,000 in fiscal 2014. On a per Common Share basis, net income for the quarter decreased by 39.4% to \$5.26 in fiscal 2015 compared to \$8.68 in fiscal 2014 and on a year-to-date basis decreased by 50.9% to \$7.37 from \$15.01 in the prior fiscal period.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The net realized gain for the Company was \$14,345,000 for the third quarter of fiscal 2015 compared to a net realized gain of \$10,350,000 for the same period in the prior year, an increase of \$3,995,000 or 38.6%. On a year-to-date basis, the net realized gain was \$38,281,000 for fiscal 2015 compared to a net realized gain of \$46,584,000 for fiscal 2014, a decrease of \$8,303,000 or 17.8%. The largest year-to-date contributors to the net realized gain during fiscal 2015 were the sales of Allergan, Inc., Philip Morris International Inc., and Merck & Co., Inc.

During the current fiscal quarter, the Company's change in unrealized appreciation was \$55,140,000 compared to \$107,906,000 for the same period in the prior year, a decrease of \$52,766,000. On a year-to-date basis, the Company's change in unrealized appreciation was \$45,179,000 compared to \$147,626,000 during the prior year, a decrease of \$102,447,000. During the quarter, North American equities increased by \$55,279,000 offset by a decline of \$139,000 in equities outside of North America. On a year-to-date basis, North American equities increased by \$66,922,000 offset by a decline of \$21,743,000 in equities outside of North America.

Net investment income

The Company's net investment income in the third quarter of fiscal 2015 increased to \$3,966,000 compared to \$3,425,000 for the third quarter of fiscal 2014, an increase of 15.8%. On a year-to-date basis, net investment income increased to \$17,733,000 from \$14,876,000 for the same period in the prior year, an increase of 19.2%. On a per Common Share basis, net investment income for the quarter increased to \$0.32 in 2015 compared to \$0.28 in 2014 and on a year-to-date basis increased to \$1.43 in 2015 compared to \$1.20 in 2014.

Foreign dividend income in the third quarter increased by 20.0% to \$6,635,000 from \$5,527,000 for the same quarter in the prior year and on year-to-date basis increased by 22.0% to \$27,525,000 from \$22,555,000 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 \$62,000 for the third quarter of the year compared to \$41,000 for the same quarter in the prior year, and on a year-to-date basis increased to \$523,000 compared to \$356,000 in the prior year. During the current fiscal quarter, the Company earned approximately \$53,000 of securities lending income compared to \$33,000 in the prior year, and on a year-to-date basis, the Company earned approximately \$485,000 of securities lending income compared to \$321,000 in the prior year.

Expenses during the quarter increased to \$1,646,000 in fiscal 2015 compared to \$1,262,000 for the same period in the prior year, and on a year-to-date basis increased to \$4,957,000 compared to \$3,732,000 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. Directors and officer's remuneration in the third quarter has increased to \$85,000 in fiscal 2015 compared to \$58,000 for the same period in the prior year, and on a year-to-date basis increased to \$265,000 compared to \$175,000 in the prior year. The majority of the increase in both periods relates to an increase in compensation paid to the Chairman and President.

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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
	Dec. 31 2014	Sept. 30 2014	June 30 2014	March 31 2014	Dec. 31 2013	Sept. 30 2013	June 30 2013	March 31 2013
Investments	\$ 1,321,516	\$ 1,252,795	\$ 1,234,830	\$ 1,248,116	\$ 1,206,090	\$ 1,092,813	\$ 1,044,112	\$ 1,032,275
Net investment income	\$ 3,966	\$ 3,675	\$ 10,092	\$ 4,188	\$ 3,425	\$ 3,250	\$ 8,201	\$ 3,371
Net income (increase in net assets from operations)	\$ 64,244	\$ 15,840	\$ 10,055	\$ 47,124	\$ 106,012	\$ 44,112	\$ 33,229	\$ 90,229
Per Common Share:								
Net investment income	\$ 0.32	\$ 0.29	\$ 0.82	\$ 0.33	\$ 0.28	\$ 0.26	\$ 0.66	\$ 0.27
Net income (increase in net assets from operations)	\$ 5.26	\$ 1.29	\$ 0.82	\$ 3.86	\$ 8.68	\$ 3.61	\$ 2.72	\$ 7.39
Net equity value	\$ 105.54	\$ 100.48	\$ 99.38	\$ 99.50	\$ 95.84	\$ 87.35	\$ 83.94	\$ 82.03

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 December 31, 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 December 31, 2014, net investment income was \$0.32 (fiscal 2014 - \$0.28) 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 \$1.43 (fiscal 2014 - \$1.20) as compared to Common Share quarterly dividend payments of \$1.33 (fiscal 2014 - \$1.23) 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.

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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.

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.

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

February 3, 2015

UNITED CORPORATIONS LIMITED

STATEMENTS OF NET ASSETS (Unaudited)

	December 31 2014	March 31 2014	April 1 2013
	(000's)		
ASSETS			
Cash and cash equivalents	\$ 17,005	\$ 13,362	\$ 13,648
Investments (Note 5)	1,321,516	1,248,116	1,032,691
Receivable for investments sold	—	2,185	—
Dividends and interest receivable	1,497	2,792	2,366
Income taxes receivable	1,345	—	—
Other assets	1,098	658	418
	1,342,461	1,267,113	1,049,123
LIABILITIES			
Accrued expenses	749	692	573
Income taxes payable	—	3,958	12,535
Deferred tax liabilities	47,041	41,429	27,642
	47,790	46,079	40,750
NET ASSETS	\$ 1,294,671	\$ 1,221,034	\$ 1,008,373
SHAREHOLDERS' EQUITY			
Share capital	\$ 541,000	\$ 541,000	\$ 541,000
Retained earnings	753,671	680,034	467,373
TOTAL SHAREHOLDERS' EQUITY	\$ 1,294,671	\$ 1,221,034	\$ 1,008,373

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended Dec. 31		Nine months ended Dec. 31	
	2014	2013	2014	2013
	(000's)			
INCOME				
Dividends				
Foreign	\$ 6,635	\$ 5,527	\$ 27,525	\$ 22,555
Canadian	253	260	761	780
	6,888	5,787	28,286	23,335
Interest and securities lending income	62	41	523	356
Fair value change in investments (Note 6)	69,485	118,256	83,460	194,210
	76,435	124,084	112,269	217,901
EXPENSES				
Investment management and administrative costs				
	1,388	1,068	4,168	3,071
Transfer, registrar and custody fees	108	93	322	272
Directors' and officer's remuneration	85	58	265	175
Office and miscellaneous	40	30	135	163
Professional fees	25	13	67	51
	1,646	1,262	4,957	3,732
INCOME BEFORE INCOME TAXES	74,789	122,822	107,312	214,169
Provision for income taxes	10,545	16,810	17,173	30,816
NET INCOME	\$ 64,244	\$ 106,012	\$ 90,139	\$ 183,353
EARNINGS PER COMMON SHARE				
BASIC AND DILUTED	\$ 5.26	\$ 8.68	\$ 7.37	\$ 15.01

(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	—	90,139	90,139
Dividends			
First Preferred Shares	—	(59)	(59)
Second Preferred Shares	—	(225)	(225)
Common Shares	—	(16,218)	(16,218)
At December 31, 2014	\$ 541,000	\$ 753,671	\$ 1,294,671
At April 1, 2013	\$ 541,000	\$ 467,373	\$ 1,008,373
Net income for the period	—	183,353	183,353
Dividends			
First Preferred Shares	—	(59)	(59)
Second Preferred Shares	—	(225)	(225)
Common Shares	—	(14,998)	(14,998)
At December 31, 2013	\$ 541,000	\$ 635,444	\$ 1,176,444

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENTS OF CASH FLOW (Unaudited)

Nine months ended Dec. 31

	2014	2013
	(000's)	
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	\$ 90,139	\$ 183,353
Adjustments for:		
Fair value change in investments	(83,460)	(194,210)
Purchases of investments	(143,473)	(140,157)
Proceeds from sale of investments	153,534	160,969
Dividends and interest receivable	1,295	964
Deferred taxes	5,612	19,279
Net change in other assets and liabilities	(3,502)	(14,565)
	20,145	15,633
Financing		
Dividends paid to shareholders	(16,502)	(15,283)
Net increase in cash and cash equivalents	3,643	350
Cash and cash equivalents at beginning of the period	13,362	13,648
Cash and cash equivalents at end of the period	\$ 17,005	\$ 13,998
Additional information for operating activities:		
Interest received	\$ 36	\$ 35
Dividends received, net of withholding taxes	25,246	21,112
Income taxes paid	13,000	23,050
Income tax refunds	42	—

(See accompanying notes)

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2014 (Unaudited)

Number of Shares		Cost	Carrying value	% of Carrying value
		(000's)		
	North America			
	Canada			
Common				
3,625,680	Algom Central Corporation ¹	\$ 6,201	\$ 59,461	4.5
	United States			
83,600	3M Co.	7,665	15,936	
72,980	Allergan, Inc.	7,271	17,999	
120,960	Automatic Data Processing Inc.	5,581	11,699	
94,610	Becton, Dickinson and Company	7,161	15,274	
339,070	CA Technologies, Inc.	10,736	11,978	
186,700	Clorox Company (The)	18,254	22,571	
192,510	Colgate-Palmolive Company	10,057	15,452	
97,800	Computer Sciences Corporation	5,431	7,154	
767,000	ConAgra Foods, Inc.	24,730	32,282	
153,910	Dollar Tree, Inc.	5,839	12,566	
173,730	Emerson Electric Company	8,680	12,441	
109,180	EOG Resources, Inc.	6,486	11,662	
90,520	Exxon Mobil Corporation	6,929	9,708	
147,790	Fiserv, Inc.	4,932	12,168	
557,100	General Mills, Inc.	25,713	34,467	
9,644	Google Inc. Class A.	5,110	5,937	
14,360	Google Inc. Class C	8,034	8,769	
370,600	Hormel Foods Corporation	17,371	22,400	
72,520	IBM Corporation	12,985	13,498	
103,490	Johnson & Johnson	7,221	12,555	
196,920	JPMorgan Chase & Co.	8,143	14,296	
251,200	Kimberly Clark Corporation	22,767	33,670	
195,966	Kraft Foods Inc.	10,064	14,245	
156,100	Merck & Co., Inc.	7,431	10,284	
265,960	MetLife, Inc.	9,197	16,689	
603,680	Microsoft Corporation	24,709	32,530	
147,500	Mondelez International Inc. Class A	4,622	6,216	
350,970	Oracle Corporation	11,847	18,310	
126,170	PepsiCo, Inc.	8,571	13,841	
847,407	Pfizer Inc.	24,236	30,623	
1,534,100	Staples Inc.	21,694	32,248	
160,160	Target Corporation	10,517	14,104	
72,440	Time Warner Cable Inc.	6,443	12,779	
285,300	US Bancorp.	8,166	14,877	
167,660	Verisk Analytics Inc. Class A	8,280	12,458	
163,500	Walgreen Boots Alliance Inc.	5,619	14,458	
129,900	Waste Management Inc.	5,195	7,734	
271,891	Wells Fargo & Company	13,004	17,291	
		<u>416,691</u>	<u>623,169</u>	47.2
	Mexico			
78,420	Fomento Economico Mexicano, S.A. de C.V. ADR	5,245	8,009	0.6
	Total North America	<u>428,137</u>	<u>690,639</u>	52.3

(continued)

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2014 (continued) (Unaudited)

Number of Shares		Cost	Carrying value	% of Carrying value
		(000's)		
	Europe, excluding United Kingdom			
169,025	Adidas AG	\$ 15,097	\$ 13,672	
70,078	Anheuser-Busch Inbev SA ADR.....	6,091	9,131	
319,059	AXA.....	6,421	8,602	
1,153,343	Banco Santander Central Hispano S.A.....	10,668	11,327	
86,528	Bayer AG.....	7,561	13,726	
242,364	Casino Guichard-Perrachon S.A.....	27,325	26,014	
1,181,141	Davide Campari-Milano S.p.A.....	9,246	8,556	
260,902	Delhaize Group.....	18,439	22,133	
82,126	Fresenius Medical Care & Co. KGaA.....	5,658	7,131	
109,320	Fresenius Medical Care & Co. KGaA ADR.....	1,767	4,710	
300,476	Group Danone S.A.....	23,031	22,967	
3,147	Hermes International.....	1,271	1,302	
74,488	Kerry Group plc.....	3,935	5,968	
1,328,222	Koninklijke Ahold NV.....	22,372	27,512	
110,279	Lafarge S.A.....	7,640	8,991	
117,633	L'Air Liquide S.A.....	13,696	16,984	
63,651	LVMH Moët Hennessy Louis Vuitton SA.....	11,828	11,817	
392,617	Nestlé SA.....	25,139	33,442	
84,270	Nestlé SA ADR.....	2,904	7,132	
958,962	Orange S.A.....	15,580	19,049	
141,789	Publicis Groupe.....	10,661	11,871	
70,595	Roche Holding AG.....	17,741	22,247	
117,669	Sanofi.....	9,955	12,498	
108,976	Schneider Electric S.A.....	7,588	9,272	
1,524,632	Securitas AB Class B.....	15,867	21,355	
88,331	Siemens AG.....	9,145	11,625	
467,472	Telenor ASA.....	9,110	10,977	
		<u>315,736</u>	<u>380,011</u>	28.7
	United Kingdom			
444,848	BG Group plc.....	8,349	6,954	
117,918	Diageo plc.....	3,676	3,939	
28,020	Diageo plc ADR.....	2,119	3,709	
424,191	GlaxoSmithKline plc.....	10,756	10,548	
1,103,176	HSBC Holdings Inc.....	10,335	12,133	
349,395	National Grid plc.....	3,956	5,797	
13,000	National Grid plc ADR.....	596	1,066	
276,120	Royal Dutch Shell plc.....	11,127	10,722	
402,388	Standard Chartered plc.....	9,967	7,003	
		<u>60,881</u>	<u>61,871</u>	4.7
	Asia			
361,600	Asahi Group Holdings Co.....	9,366	13,111	
235,100	FamilyMart Co., Ltd.....	11,462	10,352	
55,500	Fanuc Corporation.....	8,314	10,713	
1,010,700	Inpex Corporation.....	13,660	13,161	
145,000	Kao Corporation.....	5,573	6,675	
109,300	KDDI Corporation.....	5,350	8,078	
16,488	Keyence Corporation.....	3,921	8,586	
537,000	Kirin Holdings Company, Limited.....	7,708	7,780	
945,100	Konica Minolta Holdings Inc.....	9,328	12,119	
92,800	Lawson Inc.....	7,069	6,547	
83,700	Makita Corporation.....	3,699	4,439	
382,900	Mitsubishi Tanabe Pharma Corporation.....	6,078	6,559	
968,870	Mitsubishi UFJ Financial Group.....	6,394	6,231	
2,412,000	Osaka Gas Co., Ltd.....	10,501	10,527	
104,200	Secom Co. Ltd.....	5,742	7,004	
887,400	Television Broadcasts Limited.....	5,810	5,995	
179,500	Toyota Motor Corporation.....	8,102	13,130	
354,100	Unicharm Corporation.....	7,826	9,978	
		<u>135,903</u>	<u>160,985</u>	12.2

(continued)

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2014 (continued) (Unaudited)

<u>Number of Shares</u>		<u>Cost</u>	<u>Carrying value</u>	<u>% of Carrying value</u>
		(000's)		
	Australia			
846,560	AGL Energy Limited	\$ 12,872	\$ 10,721	
229,169	Australia and New Zealand Banking Group Limited	6,035	6,971	
81,420	BHP Billiton Ltd-Spon ADR	5,985	4,469	
		<u>24,892</u>	<u>22,161</u>	1.7
	South America			
377,110	Banco Bradesco S.A. ADR.....	5,854	5,849	0.4
	Total investments	<u>\$ 971,403</u>	<u>\$ 1,321,516</u>	<u>100.0</u>

¹This company and United are related parties.

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Description of Company and summary of operations

United Corporations Limited (“United” or the “Company”) is a closed-end investment corporation. The head office, principal address and registered office of the Company is located at 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 February 3, 2015.

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 nine months ended December 31, 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 ending 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 February 3, 2015, 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, \$363,000 as at December 31, 2013 and \$487,000 at March 31, 2014, and to increase deferred income taxes by \$55,000 at April 1, 2013, \$48,000 as at December 31, 2013 and \$65,000 at March 31, 2014. 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 \$315,000 for the three months ended December 31, 2013, and to decrease the Company's net income by \$46,000 for the nine months ended December 31, 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 nine months ended December 31, 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	Dec. 31, 2013	April 1, 2013
		(000's)	
Shareholders' equity as reported under Previous Canadian GAAP	\$ 1,220,612	\$ 1,176,129	\$ 1,008,012
Revaluation of investments at FVTPL	487	363	416
Less: Adjustment for deferred taxes on revaluation	(65)	(48)	(55)
Shareholders' equity as reported under IFRS	\$ 1,221,034	\$ 1,176,444	\$ 1,008,373

Net income	Year ended Mar. 31, 2014	Nine months ended Dec. 31, 2013	Three months ended Dec. 31, 2013
		(000's)	
Net income as reported under Previous Canadian GAAP	\$ 230,418	\$ 183,399	\$ 106,327
Revaluation of investments at FVTPL	71	(53)	(363)
Less: Adjustment for deferred taxes on revaluation	(10)	7	48
Less: Reclassification of net increase in refundable dividend taxes on hand	(2)	—	—
Net income as reported under IFRS	\$ 230,477	\$ 183,353	\$ 106,012

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 December 31, 2014, March 31, 2014 and April 1, 2013, 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 December 31		Nine months ended December 31	
	2014	2013	2014	2013
	(000's)			
Net realized gain	\$ 14,345	\$ 10,350	\$ 38,281	\$ 46,584
Change in unrealized appreciation	55,140	107,906	45,179	147,626
	\$ 69,485	\$ 118,256	\$ 83,460	\$ 194,210

7. Related party transactions

The ultimate controlling party of the Company and its related parties 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 February 3, 2015, with a record and payable date of May 6, 2015 and May 15, 2015, respectively.

UNITED CORPORATIONS LIMITED

CORPORATE INFORMATION

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EXTERNAL INVESTMENT MANAGERS

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ValueInvest Asset Management S.A., Luxembourg

AUDITORS

PricewaterhouseCoopers LLP, Toronto

CUSTODIAN

RBC Investor Services Trust

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
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TORONTO STOCK EXCHANGE LISTINGS

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

NET EQUITY VALUE

The Company's Net Equity Value per Common Share is published on the 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 contact the Chairman of the Audit Committee at the following:

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

