

UNITED CORPORATIONS LIMITED

ANNUAL REPORT 2003

UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



DIRECTORS

E. KENDALL CORK
Toronto

THE HON. HENRY N.R. JACKMAN
Toronto

DUNCAN N.R. JACKMAN
Toronto

A. STEPHEN PROBYN
Toronto

HELEN J. ROTENBERG
Toronto

IAN S. STEERS
London, England

MARK M. TAYLOR
Mississauga

J. CHRISTOPHER WANSBROUGH
Toronto

MICHAEL J. WHITE
Toronto

OFFICERS

DUNCAN N.R. JACKMAN
Chairman and President

MARK M. TAYLOR
Secretary

TRAVIS R. EPP
Treasurer

Auditors PricewaterhouseCoopers LLP
Toronto, Ontario

Transfer Agent and Registrar Computershare Investor Services Inc.
Shares transferable at Toronto.

Shares Listed Toronto Stock Exchange

Stock Symbols

Common	UNC
First Preferred	UNC.PR.A
Second Preferred, 1959 Series	UNC.PR.B
Second Preferred, 1963 Series	UNC.PR.C

Head Office 10th Floor
165 University Avenue
Toronto, Ontario
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Annual Meeting Thursday, June 26, 2003, 11:45 a.m.,
4th Floor,
The Dominion of Canada
General Insurance Company Building,
165 University Avenue,
Toronto, Ontario

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investment Strategy

Effective April 1, 2002, the investment strategy of the Company changed to allow for increased investment in non-Canadian capital markets. During fiscal 2003, the composition of the portfolio changed significantly as the Company increased its exposure to investment opportunities outside of Canada. As a result of the change in investment strategy the company no longer is an Investment Corporation under Section 130 of the Income Tax Act (Canada).

Operating Results

Net investment income

The Company's net investment income in 2003 was \$12,150,000 compared to 2002 net investment income of \$11,984,000. On a per common share basis, net investment income increased to \$0.97 in 2003 from \$0.95 in 2002.

The composition of dividend income changed significantly during the year due to the change in investment strategy. On an overall basis, dividend income increased by 18.5% from \$13,579,000 in 2002 to \$16,096,000 in 2003. Foreign dividend income increased significantly from \$2,012,000 in 2002 to \$8,155,000 in 2003 while Canadian dividend income decreased to \$7,941,000 in 2003 compared to \$11,567,000 in 2002. Interest income amounted to \$1,090,000 in 2003 compared to \$897,000 in 2002.

Operating expenses amounted to \$2,416,000 (2002 - \$2,370,000) or 0.35% (2002 - 0.30%) of average net assets.

Net gain (loss) on investments

The Company's realized gain (loss) and change in unrealized appreciation (depreciation) of investments for the year ended March 31, 2003 was a net loss of \$150,802,000 compared with a net gain of \$41,575,000 in 2002. The net loss in 2003 was a result of the continued poor performance of the equity markets on a global basis. In 2002, the net gain was a result of the Company's Canadian securities performance in the financial services, merchandising and oil and gas sectors.

The investment portfolio of the Company is comprised of a mix of high yielding and low yielding foreign and Canadian investments. Net investment income, net realized gain on investments, net change in unrealized appreciation (depreciation) of investments and net asset value per share will vary significantly from period to period depending on the investment mix which moves with the constantly changing economic environment.

Dividends

Regular quarterly dividends were paid on the first and second preferred shares during the year. Regular dividends paid on the common shares totalled \$0.80 per share in 2003 and \$0.94 per share in 2002 (restated to give retroactive effect to the March, 2002 capital gains stock dividend).

Assets

Total assets were \$612.2 million at March 31, 2003 which is a decrease of 20.6% from 2002's total assets of \$770.6 million. The cost of investments in Canadian securities decreased from \$291.6 million in 2002 to \$204.5 million in 2003. The cost of foreign securities at March 31, 2003 was \$388.2 million, an increase from \$289.4 million in 2002.

Overall, the Company's net equity value per share decreased from \$61.53 in 2002 to \$49.33 in 2003, a decrease of 18.6% based on the reinvestment of distributions at month-end net asset values. During the comparable period, the TSX 300 Total Return Index decreased 17.6% while the MSCI World Index (C\$) decreased 29.8%.

Management Agreements

During fiscal 2003, the Company terminated its investment management agreement with Pembroke Management Limited ("Pembroke"). The assets that were managed by Pembroke were reallocated to Jarislowsky Fraser Limited ("Jarislowsky").

Jarislowsky Fraser Limited, 401 Bay Street, Suite 1600, Toronto, Ontario, receives a fee of 0.15% per annum of the market value of its managed portion of the Company's portfolio calculated at the close of each calendar quarter.

Sanford C. Bernstein & Co. LLC, a subsidiary of Alliance Capital Management L.P. ("Bernstein"), 1345 Avenue of the Americas, New York, New York, receives a fee of 0.34% per annum of the market value of its managed portion of the Company's portfolio calculated at the close of each month.

E-L Financial Corporation Limited ("E-L Financial"), 165 University Avenue, 10th Floor, Toronto, Ontario, provides clerical, statistical and accounting services. E-L Financial receives in consideration for these services, a management fee equal to 0.05% per annum of the market value of the net assets of the Company calculated at the close of each month.

The management agreements are subject to termination at any time upon 30 days prior written notice by either party to the other. For the year ended March 31, 2003, management fees were as follows: Jarislowsky - \$697,000; Bernstein - \$640,000; E-L Financial - \$349,000 and Pembroke - \$50,000.

Liquidity and Capital Resources

Liquidity refers to the Company's ability to maintain a cash flow adequate to fund operations and capital investments on a timely and cost efficient basis. It is the objective of the Company to provide its shareholders an above average total rate of return through long-term capital appreciation and dividend yield, principally in equity securities. 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's income from investments after payment of dividends is used to fund operating costs as well as provide resources for additional investments.

United Corporations Limited has always been a vehicle for long term growth through investment in common equities. Management believes that over long periods of time, common equities as an asset class will outperform fixed income instruments or balanced funds. The price of this commitment to equities is increased volatility and the last year has been one of the most volatile in recent memory.

As the company's investment philosophy is of a long-term nature, short-term volatility is expected and tolerated. We remain confident that our investment strategy will reward our shareholders over the long term.

May 1, 2003

Duncan N.R. Jackman
Chairman of the Board and President

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF NET ASSETS

	March 31	
	2003	2002
	(000's)	
ASSETS		
Investments, at market value (cost - \$592,698; 2002 - \$580,922)	\$ 568,705	\$ 710,952
Cash	4,675	11,883
Short-term investments	34,043	42,509
Receivable in respect of investments sold	1,287	1,677
Income taxes receivable	1,581	2,329
Accrued income on investments	1,654	1,185
Other assets	253	104
	612,198	770,639
LIABILITIES		
Accounts payable and accrued liabilities	451	659
Payable in respect of investments purchased	2,478	11,148
Future income taxes	—	777
	2,929	12,584
NET ASSETS	\$ 609,269	\$ 758,055
SHAREHOLDERS' EQUITY		
Stated capital (Note 2)		
52,237 First Preferred Shares	\$ 119	\$ 119
200,000 Second Preferred Shares	6,000	6,000
12,194,193 Common Shares	534,881	534,881
	541,000	541,000
Retained earnings	92,262	87,802
Unrealized appreciation (depreciation) of investments	(23,993)	129,253
TOTAL SHAREHOLDERS' EQUITY	\$ 609,269	\$ 758,055

APPROVED BY THE BOARD:

DUNCAN N.R. JACKMAN, Director

J. CHRISTOPHER WANSBROUGH, Director

(See accompanying notes)

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended March 31	
	2003	2002
	(000's)	
INVESTMENT INCOME		
Dividends		
Canadian	\$ 7,941	\$ 11,567
Foreign	8,155	2,012
	16,096	13,579
Interest	1,090	897
	17,186	14,476
EXPENSES		
Management costs	1,696	1,694
Directors' and officers' remuneration	159	174
Office and miscellaneous	182	223
Transfer, registrar and custodial agents' fees	198	118
Professional fees	58	48
Capital tax	123	113
	2,416	2,370
Investment income before income taxes	14,770	12,106
Income taxes (Note 4)	2,620	122
NET INVESTMENT INCOME	12,150	11,984
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain on investments (Note 3)	2,444	46,403
Net change in unrealized appreciation (depreciation) of investments	(153,246)	(4,828)
NET GAIN (LOSS) ON INVESTMENTS	(150,802)	41,575
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ (138,652)	\$ 53,559

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended March 31	
	2003	2002
	(000's)	
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 87,802	\$ 96,937
Add:		
Net investment income	12,150	11,984
Net realized gain on investments	2,444	46,403
Refundable taxes recovered	1,841	—
	104,237	155,324
Deduct:		
Dividends from investment income:		
First Preferred Shares	78	78
Second Preferred Shares	300	300
Common Shares (per share - \$0.80; 2002 - \$1.00)	9,756	11,447
Capital gains dividends, net of income tax recovery of \$12,987 in 2002	—	55,697
Provision for refundable taxes	1,841	—
	11,975	67,522
RETAINED EARNINGS, END OF YEAR	\$ 92,262	\$ 87,802

(See accompanying notes)

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Year ended March 31	
	2003	2002
	(000's)	
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ (138,652)	\$ 53,559
DISTRIBUTIONS TO SHAREHOLDERS		
Common shareholders		
From net investment income	(9,756)	(11,447)
From net realized gain on investments	—	(68,684)
	(9,756)	(80,131)
Less: Shares issued as stock dividends	—	48,068
Cash distributions to common shareholders	(9,756)	(32,063)
Cash distributions to preferred shareholders	(378)	(378)
	(10,134)	(32,441)
TAXATION CHANGES		
Income taxes recoverable on distributions from net realized gain on investments	—	12,987
INCREASE (DECREASE) IN NET ASSETS	(148,786)	34,105
NET ASSETS, BEGINNING OF YEAR	758,055	723,950
NET ASSETS, END OF YEAR	\$ 609,269	\$ 758,055

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENT OF FINANCIAL HIGHLIGHTS

For each of the five years ended March 31, 2003

DATA PER COMMON SHARE	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
NET EQUITY VALUE, beginning of year	\$ 61.53	\$ 58.94	\$ 64.37	\$ 50.85	\$ 54.71
INCOME FROM INVESTMENT OPERATIONS AVAILABLE TO COMMON SHAREHOLDERS					
Net investment income	1.00	0.98	0.90	0.72	0.82
Net realized and unrealized gain (loss) on investments	(12.37)	3.41	(4.16)	13.14	(3.28)
	(11.37)	4.39	(3.26)	13.86	(2.46)
DISTRIBUTIONS TO SHAREHOLDERS					
Common shareholders					
From net investment income	(0.80)	(0.94)	(0.79)	(0.67)	(0.69)
From net realized gain on investments	—	(5.63)	(15.88)	(3.61)	(5.87)
	(0.80)	(6.57)	(16.67)	(4.28)	(6.56)
Less: Shares issued as stock dividends	—	3.94	11.11	2.53	4.10
Cash distributions to common shareholders	(0.80)	(2.63)	(5.56)	(1.75)	(2.46)
Cash distributions to preferred shareholders	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
	(0.83)	(2.66)	(5.59)	(1.78)	(2.49)
TAXATION CHANGES					
Income taxes recoverable on distributions from net realized gain on investments	—	1.07	4.70	1.17	1.92
Change in refundable capital gains tax on hand	—	(0.21)	(1.28)	0.27	(0.83)
	—	0.86	3.42	1.44	1.09
NET ASSET VALUE, end of year	\$ 49.33	\$ 61.53	\$ 58.94	\$ 64.37	\$ 50.85

All per share figures have been restated based on the number of common shares outstanding at March 31, 2003.

(See accompanying notes)

MANAGEMENT'S REPORT

The accompanying financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and other sections of the Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Company are described in Note 1 to the financial statements. Financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Board of Directors carries out its responsibilities principally through its Audit Committee. The Audit Committee reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with management and the external auditors prior to the approval of the audited financial statements for publication.

PricewaterhouseCoopers LLP, the Company's external auditors, who are appointed by the shareholders, audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on this page.

Duncan N.R. Jackman
Chairman of the Board
May 1, 2003

Travis R. Epp
Treasurer

AUDITORS' REPORT

To the Shareholders of United Corporations Limited

We have audited the accompanying consolidated statement of net assets of United Corporations Limited as at March 31, 2003 and 2002, and the consolidated statement of investments as at March 31, 2003, the consolidated statements of operations, retained earnings and changes in net assets for the years then ended, and the statement of financial highlights for each of the years in the five year period ended March 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2003 and 2002, its results of operations and changes in net assets for the years then ended, and its financial highlights for each of the years in the five year period ended March 31, 2003, in accordance with Canadian generally accepted accounting principles.

May 1, 2003
Toronto, Canada

PricewaterhouseCoopers LLP
Chartered Accountants

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT MARCH 31, 2003

No. of Shares or Par Value		Cost	Market Value	% of Market
		(000's)		
North America				
Canada				
Preferred				
140,000	Nortel Networks Limited \$1.275 Series F	\$ 3,512	\$ 1,960	0.3
Common				
362,568	Algoma Central Corporation	6,201	15,228	
471,502	Bank of Nova Scotia	16,258	24,471	
131,000	Cameco Corporation	2,738	5,305	
206,800	Canadian Tire Corp. Ltd. Class A	5,897	5,935	
105,400	Canadian Utilities Class A	5,177	4,974	
247,240	Dupont Canada Inc. Class A	3,816	5,291	
206,913	Enbridge Inc.	5,643	9,092	
206,196	Encana Corporation	7,170	9,847	
235,000	Great-West Lifeco Inc.	6,716	8,596	
110,880	Imperial Oil Limited	2,682	5,250	
406,000	Jean Coutu Group Inc.	3,756	5,635	
131,300	Loblaw Cos. Limited	6,529	6,965	
36,353	Magna International Inc. Class A	2,715	2,789	
384,400	Manulife Financial Corporation	12,308	13,512	
510,000	Metro Inc.	4,755	8,976	
326,255	Nexen Inc.	10,360	9,771	
97,000	Nova Chemicals Corporation	2,759	2,604	
28,600	Petro-Canada	1,467	1,430	
47,000	Potash Corp. of Saskatchewan	4,100	4,247	
130,000	Power Financial Corporation	1,495	5,031	
223,400	Quebecor Inc.	8,131	2,815	
180,900	Rogers Communications Inc. Class B	3,711	2,831	
255,000	Rothmans Inc.	5,490	6,120	
373,428	Royal Bank of Canada	9,730	21,338	
210,300	Shaw Communications Inc. Class B	7,063	3,249	
155,420	Shell Canada Ltd. Class A	5,112	7,654	
302,900	Slocan Forest Products Ltd.	2,785	2,317	
161,350	SNC-Lavalin Group Inc. Class A	2,040	5,462	
140,268	Sun Life Financial Services of Canada	3,197	3,892	
176,970	Talisman Energy Inc.	7,940	10,335	
200,625	Thomson Corporation (The)	9,138	7,679	
363,208	Toronto-Dominion Bank	6,875	11,768	
469,700	TransCanada Pipelines Limited	7,135	10,122	
300,000	TVA Group Inc. Class B	4,002	4,740	
125,600	West Fraser Timber Co. Ltd.	2,866	4,490	
35,100	Weston (George) Limited	3,217	3,250	
		200,974	263,011	46.3
United States				
66,000	Abbott Laboratories	4,289	3,651	
111,000	Albertsons Inc.	4,616	3,078	
157,000	Altria Group, Inc.	12,524	6,919	
155,850	AOL Time Warner Inc.	4,595	2,490	
81,000	Bank of America Corporation	8,354	7,964	
66,000	Bristol Myers Squibb Company	4,059	2,051	
11,100	Centex Corporation	910	887	
35,000	Chevrontexaco Corporation	4,410	3,328	
30,500	The Chubb Corporation	2,784	1,988	
50,000	Colgate Palmolive Company	3,899	4,004	
73,900	ConocoPhillips	5,551	5,826	
100,000	CVS Corporation	4,706	3,508	
126,000	Disney (Walt) Company	4,644	3,154	
50,000	Emerson Electric Company	4,279	3,335	
64,000	Entergy Corporation	4,557	4,533	
59,800	Exxon Mobile Corporation	3,621	3,074	
38,000	Fannie Mae	4,527	3,653	
80,000	General Electric Company	3,667	3,001	
45,000	Gillette Company	2,120	2,048	
40,000	Hartford Financial Services Group, Inc.	3,606	2,076	
60,000	HCA Inc.	3,876	3,650	

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF INVESTMENTS As At March 31, 2003 (Continued)

No. of Shares or Par Value		Cost	Market Value	% of Market
		(000's)		
United States (continued)				
69,000	Health Net Inc.	2,872	2,717	
122,000	Hewlett-Packard Company	3,646	2,790	
80,000	IMS Health Inc.	2,477	1,837	
57,000	Jefferson-Pilot Corp.	4,123	3,226	
45,400	Johnson & Johnson	3,277	3,866	
61,600	JP Morgan Chase & Co.	3,680	2,148	
67,000	Kimberly Clark Corporation	5,812	4,480	
27,000	Lehman Brothers Holdings Inc.	2,773	2,293	
46,000	Merck & Co. Inc.	4,365	3,707	
46,000	Metlife, Inc.	1,627	1,785	
78,600	Microsoft Corporation	3,473	2,800	
42,000	PartnerRe Ltd.	3,233	3,104	
77,000	Pepsico	5,042	4,531	
187,000	Pfizer Inc.	10,881	8,571	
35,000	Pulte Homes, Inc.	2,779	2,582	
585,000	Qwest Communications International Inc.	5,979	3,003	
77,600	Travelers Property Casualty Corporation Class A	1,831	1,609	
20,600	Valero Energy Corporation	1,060	1,254	
152,300	Washington Mutual, Inc.	8,150	7,901	
65,000	Wells Fargo & Company	4,298	4,303	
46,000	Whirlpool Corporation	5,422	3,317	
14,300	XL Capital Ltd Class A	1,817	1,490	
		<u>184,211</u>	<u>147,532</u>	<u>25.9</u>
	Total North America	388,697	412,503	72.5
Latin America				
62,590	Cemex SA de C.V.	2,787	1,606	
119,900	Petroleo Brasileiro S.A. ADR	3,748	2,427	
		<u>6,535</u>	<u>4,033</u>	<u>0.7</u>
Europe, excluding United Kingdom				
22,625	L'Air Liquide SA	4,701	4,412	
204,520	Alcatel SA ADR	4,166	2,073	
19,700	AMB Generali Holding AG	3,194	1,037	
187,000	Arcelor	3,940	2,419	
58,700	Assurances Générales de France	4,438	2,286	
45,900	Autoliv Inc.	1,551	1,314	
23,200	Aventis S.A.	1,580	1,498	
36,000	BNP Paribas SA	2,780	2,121	
51,200	Compagnie De Saint-Gobain	3,173	2,082	
101,000	DSM NV	6,586	5,729	
246,100	ENI S.P.A.	5,651	4,827	
64,000	Fresenius Medical Care AG ADR	2,512	1,607	
118,117	Grupo Dragados SA	2,792	3,229	
4,800	Hannover Rueckversicherungs-AG	185	137	
88,000	Heineken NV	5,392	4,801	
110,000	ING Groep N.V. ADR	4,093	1,888	
10,000	ING Groep N.V.	409	170	
220,000	Luxtistica Group SPA ADR	5,620	3,488	
62,000	Nestlé S.A. ADR	5,126	4,432	
46,000	Novartis AG ADR	2,419	2,508	
74,000	PSA Peugeot Citroen	5,274	4,257	
32,000	Roche Holdings	4,261	2,818	
57,000	Royal Dutch Petroleum Company	4,112	3,417	
27,000	Société Générale	2,630	2,051	
103,000	Svenska Cellulosa AB-B (SCA)	5,397	4,780	
36,000	Total Fina Elf SA ADR	4,015	3,350	
47,000	Unilever NV	3,530	4,109	
140,000	Vestas Wind Systems A/S	4,282	1,558	
73,300	Volkswagen AG	4,444	3,435	
		<u>108,253</u>	<u>81,833</u>	<u>14.4</u>

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF INVESTMENTS As At March 31, 2003 (Continued)

No. of Shares or Par Value		Cost	Market Value	% of Market
		(000's)		
United Kingdom				
142,000	Aviva PLC	1,370	1,162	
69,000	Diageo PLC ADR	5,358	4,174	
50,000	GlaxoSmithKline PLC ADR	3,548	2,588	
25,890	GlaxoSmithKline PLC	719	670	
47,880	HSBC Holdings PLC ADR	4,373	3,600	
1,243,000	Royal & Sun Alliance Insurance Group PLC	8,022	1,972	
1,108,700	Safeway PLC	7,946	6,722	
402,000	Six Continents PLC	6,650	5,632	
990,000	Vodafone Group PLC	2,700	2,601	
74,000	Whitbread PLC	1,013	901	
90,700	Wolseley PLC	1,275	1,080	
		<u>42,974</u>	<u>31,102</u>	5.5
Asia				
76,000	Canon Inc.	4,318	3,903	
459,080	Compal Electronics Inc.	3,421	3,390	
107,786	Emerging Markets Investors Fund	3,639	2,501	
80,000	Honda Motor Co., Ltd.	5,159	3,920	
40,800	Kookmin Bank	1,727	1,417	
170,000	Nippon Meat Packers, Inc.	2,119	2,396	
377,000	Nissan Motor Co., Ltd.	3,881	3,694	
15,200	Posco	1,798	1,755	
14,500	Promise Co., Ltd.	654	594	
203,000	Shinhan Financial Group Co., Ltd.	2,614	2,453	
37,200	Siam Investment Fund	527	356	
64,820	Sony Corporation ADR	4,927	3,350	
4,000	Sony Corporation	580	208	
29,900	Takefuji Corporation	2,883	2,096	
530,000	Television Broadcasts Limited	3,268	2,388	
		<u>41,515</u>	<u>34,421</u>	6.1
Australia				
161,000	National Australia Bank Limited	4,724	4,572	0.8
	Total equities	592,698	568,464	100.0
	Forward Currency Contracts, net - Schedule 1	—	241	0.0
	Total investments	<u>\$ 592,698</u>	<u>\$ 568,705</u>	<u>100.0</u>

Schedule 1 - Forward Currency Contracts, net

Forward contracts to sell foreign currencies for Canadian dollars:

Par value (in millions)	Currency	Number of Contracts	Contract Rates	Settlement Date	Unrealized gain (loss)
42.8	USD	3	1.4731 - 1.5220	June 18, 2003	\$ (109)
4.8	GBP	3	2.3121 - 2.3470	June 18, 2003	96
1,312	JPY	2	0.0126 - 0.0127	June 18, 2003	254
					<u>\$ 241</u>

All counterparties have an approved credit rating equivalent to A-1+.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
MARCH 31, 2003

1. Summary of significant accounting policies

- (a) Principles of consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.
- (b) Investments
Investments are carried at market value which is determined based on closing market quotations on securities exchanges at March 31, 2003. When no quoted market value is available, the market value of these investments is determined by the Company's investment managers.
- (c) Investment transactions
Investment transactions are accounted for on a trade date basis, and realized gains and losses from such transactions are calculated on an average cost basis.
- (d) Short-term investments
Short-term investments consist of treasury bills, commercial paper, guaranteed investment certificates and bankers' acceptances held for investment purposes. These investments are carried at cost, which approximates fair value.
- (e) Dividend and interest income
Dividend income is recognized on the ex-dividend date and interest income is recognized as earned.
- (f) Foreign exchange
The average cost of foreign portfolio investments is the cost thereof translated into Canadian dollars at the rate of exchange prevailing at the time of purchase. The market value of investments and short-term investments has been translated into Canadian dollars at the closing rates of exchange.
- (g) Forward currency contracts
The Company periodically utilizes forward currency contracts to reduce foreign currency exposure on foreign equity investments. Contracts are carried at market and upon maturity the realized gain or loss is included in realized gain on investments.
- (h) Income taxes
Income taxes are accounted for using the asset and liability method. The asset and liability method requires the recognition of future tax liabilities and assets for the expected future tax consequences of temporary differences between the book amounts and tax basis of assets and liabilities. However, future tax assets are only recognized to the extent that it is more likely than not that the Company will realize the benefits of that future tax asset.
Prior to April 1, 2002, except for the investments held by the Company's wholly-owned subsidiaries, no provision was made for future income taxes on the unrealized net capital gains on investments held in the Company's investment portfolio since the company qualified as an Investment Corporation under Section 130 of the Income Tax Act (Canada) ("the Act") and such taxes were recoverable upon payment of capital gains dividends by the Company (Note 4).

2. Stated capital

The classes of shares and, where applicable, the maximum number of shares that the Company is authorized to issue are as follows:

- (a) 52,237 First Preferred Voting Shares without nominal or par value are redeemable at \$30.00 each;
- (b) 200,000 Second Preferred Shares without nominal or par value, issuable in series of which 80,290 shares are designated \$1.50 Cumulative Redeemable Second Preferred Shares, 1959 Series and are redeemable at \$30.00 each and 119,710 shares are designated \$1.50 Cumulative Redeemable Second Preferred Shares, 1963 Series and are redeemable at \$31.50 each;
- (c) Third Preferred Shares without nominal or par value, issuable in series. The maximum number of Third Preferred Shares that may be outstanding at any time shall be that number of which the stated value does not exceed \$15,000,000; and
- (d) an unlimited number of Common Shares.

During 2002, the Company declared a capital gains dividend. The capital gains dividend was paid on March 28, 2002 in the amount of \$6.00 per common share payable to shareholders in the form of \$1.80 per share in cash and \$4.20 per share in stock (1 additional share for approximately every 15.3238 shares owned) based on an issue price of \$64.36 per share.

**NOTES TO CONSOLIDATED
 FINANCIAL STATEMENTS (Continued)
 MARCH 31, 2003**

The changes in common stock during the years were as follows:

	2003		2002	
	Number of shares	Amount (000's)	Number of shares	Amount (000's)
Balance, beginning of year	12,194,193	\$ 534,881	11,447,327	\$ 486,813
Capital gains stock dividend	—	—	747,029	48,079
Redemption of fractional shares	—	—	(163)	(11)
Balance, end of year	12,194,193	\$ 534,881	12,194,193	\$ 534,881

3. Net realized gain on investments

The following are the details of the net realized gain on investments during the years indicated:

	2003	2002
	(000's)	
Proceeds on sales of investments	\$ 210,164	\$ 434,676
Cost of investments, beginning of year	580,922	579,895
Cost of investments purchased during the year	217,990	376,847
	798,912	956,742
Cost of investments, end of year	(592,698)	(580,922)
Cost of investments sold during the year	206,214	375,820
Realized gain on investments sold before taxes	3,950	58,856
Taxes on realized net taxable capital gains (Note 4)	1,506	12,453
Net realized gain on investments	\$ 2,444	\$ 46,403

4. Income taxes

The Company is a public corporation under the Act and is subject to tax at normal corporate rates on its realized net taxable capital gains and on investment income other than taxable dividends received from corporations resident in Canada. The Company is also subject to a special tax of up to 33 1/3% on taxable dividends received from corporations resident in Canada. This special tax is refundable on payment of taxable dividends to shareholders at the rate of \$1.00 of each \$3.00 of such dividends paid.

The Company's provision for income taxes is determined as follows:

	2003	2002
Basic combined federal and provincial rate	38.12%	41.57%
Investment Corporation reduction	—	(20.00)
	38.12	21.57
Effect of tax on subsidiaries' income at basic tax rate and other adjustments	0.25	1.06
Effective tax rate	38.37%	22.63%

	(000's)	
Applied to:		
Net investment income for the year	\$ 12,150	\$ 11,984
Add: Income taxes	2,620	122
	14,770	12,106
Less: Dividends from taxable Canadian companies	7,941	11,567
	\$ 6,829	\$ 539
Provision for income taxes	\$ 2,620	\$ 122

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS (Continued)
MARCH 31, 2003

Beginning with the 2003 fiscal year, the Company did not meet the requirements to qualify as an Investment Corporation under the Act. Consequently, the Company is required to record a provision for future income taxes on the unrealized net capital gains for tax purposes as it no longer is eligible to receive a refund of income taxes paid on realized gains by distributing a subsequent capital gains dividend to its shareholders. Accordingly, on April 1, 2002, the company recorded a provision for future income taxes of approximately \$20,200,000 based on the unrealized net capital gains for tax purposes of \$125,800,000 on its investments as at March 31, 2002.

As at March 31, 2003, the Company has an unrealized depreciation in the value of its investments of \$23,993,000. No future income tax asset has been recorded in the consolidated statement of net assets with respect to this unrealized depreciation.

The details of unrealized appreciation of investments as at March 31 are as follows:

	2003	(000's)	2002
Investments at market value	\$ 568,705		\$ 710,952
Investments at cost	592,698		580,922
Unrealized appreciation (depreciation) of investments before provision for future income taxes	(23,993)		130,030
Future income taxes	—		777
Unrealized appreciation (depreciation) of investments	\$ (23,993)		\$ 129,253

5. Related party information

Included in the Company's portfolio of investments is Algoma Central Corporation ("Algoma"), a related party, with a market value of \$15,228,000 (2002 - \$14,684,000). Dividends from Algoma for the years ended March 31, 2003 and March 31, 2002 amounted to \$363,000 per year.

Included in management costs are fees for administrative services paid to E-L Financial Corporation Limited, a related party. The total fees for the year ended March 31, 2003 amounted to \$349,000 (2002 - \$398,000).

6. Securities lending

The Company has entered into a securities lending program with its custodian, Royal Trust Corporation of Canada ("Royal Trust"). The Company will receive collateral of at least 105% of the value of the securities on loan. Collateral will generally be comprised of obligations guaranteed by the Government of Canada or a province thereof, or other governments with appropriate credit ratings. In the event that any of the loaned securities are not returned to Royal Trust, Royal Trust at its option, may either restore to the Company securities identical to the loaned securities or it will pay to the Company the value of the collateral up to but not exceeding the market value of the loaned securities on the date on which the loaned securities were to have been returned to Royal Trust ("Valuation date"). If the collateral is not sufficient to allow Royal Trust to pay such market value to the company, Royal Trust shall indemnify the Company only for the difference between the market value of the securities and the value of such collateral on the Valuation date.

As at March 31, 2003, the Company has on loan approximately \$78,600,000 in securities, received approximately \$83,620,000 in collateral, and recognized \$76,000 (2002- \$nil) in securities lending income for the year. Income from securities lending is included in interest income in the Statement of Operations of the Company.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS (Continued)
MARCH 31, 2003

7. Net equity value of the Company's Common Shares

The net equity value of the Company's Common Shares is determined by deducting the outstanding preferred shares at their cost of redemption from the net assets. Net equity value per Common Share is the net equity value divided by the number of Common Shares outstanding.

	March 31	
	<u>2003</u>	<u>2002</u>
	(000's)	
Net assets	\$ 609,269	\$ 758,055
Deduct:		
Cost to redeem (Note 2)		
First Preferred Shares	1,567	1,567
Second Preferred Shares	6,180	6,180
	7,747	7,747
<u>Net equity value</u>	<u>\$ 601,522</u>	<u>\$ 750,308</u>
<u>Net equity value per Common Share</u>	<u>\$ 49.33</u>	<u>\$ 61.53</u>

COMPANY BACKGROUND

Consolidated Investment Corporation of Canada was incorporated in February 1929 and its bonds and preferred shares were offered for sale to the public. The Company was capitalized with \$15,000,000 4½% First Collateral Trust Gold Bonds due 1959, and \$10,000,000 (\$100 par) of 5% Cumulative Preferred shares. 1,375,000 common shares (no par value) were issued of which 375,000 were deposited in trust or reserved for sale to the Company's senior security holders. The Company's securities were sold for \$32,000,000 plus accrued interest and organizational expenses.

The trust deed securing the First Collateral Trust Gold Bonds covenanted that assets pledged with the trustee should at all times be equal to 125% of the principal amount of bonds outstanding. With the decline in security values beginning in late 1929, the Company attempted to satisfy this covenant by purchasing the Company's bonds for cancellation at discount prices. The continued deterioration of security markets into 1932 made the continuation of this policy impracticable. The Company therefore defaulted under its covenants and the Company was reorganized.

Under the February 13, 1933 arrangement, the Company's remaining \$6,427,000 4½% Gold Bonds (\$8,573,000 out of the original \$15,000,000 had been purchased for cancellation) received 70% of their face value in a new issue of 5% "income" bonds due 1953, and 30% of their face value in Class "A" 5% "preferred" shares. The bondholders were also given 53.61% of the common equity (Class "B" shares) with the old preferred shareholders and common shareholders receiving 41.70% and 4.69% of the new equity respectively.

Under the February 13, 1933 reorganization, the Company's name was changed to United Corporations Limited.

On December 23, 1959, United Corporations acquired all of the assets of London Canadian Investment Corporation for \$7,925,483. Consideration was satisfied by issuing \$2,408,700 par value of 5% preferred shares (1959 series) and common (Class B) shares equal to 15.7% of the total common shares to be outstanding after the completion of this transaction.

UNITED CORPORATIONS LIMITED

FINANCIAL RECORD: 1929 - 2003

Year	Total Net Assets at Market Value* (000's)	Funded Debt	Preferred Shares = (000's)	Net Equity Value (000's)	Net Equity Value per Common Share**	Net Income available for Common Shares (000's)	Net Income per Common Share**
Consolidated Investment Corporation of Canada							
Feb 1929	\$32,000	\$ 15,000	\$ 10,000	\$ 7,000	N/A	N/A	N/A
Dec 1931	9,616	7,161	10,000	(7,545)	N/A	N/A	N/A
1932	4,726	6,427	10,000	(11,701)	N/A	N/A	N/A
United Corporations Limited							
1933	6,120	4,499	2,000	(379)	(0.04)	—	—
1934	8,147	4,499	2,097	1,551	0.16	(95)	(0.01)
1935	9,378	4,499	2,161	2,718	0.28	(13)	—
1936	12,892	4,499	2,097	6,296	0.64	49	0.01
1937	9,542	4,499	1,928	3,115	0.32	109	0.01
1938	9,485	3,779	1,620	4,087	0.41	44	0.01
1939	9,844	3,705	1,588	4,550	0.46	58	0.01
1940	8,676	3,705	1,588	3,383	0.34	48	0.01
1941	8,175	3,599	1,588	2,988	0.30	82	0.01
1942	8,712	3,499	1,580	3,633	0.37	108	0.01
1943	9,746	3,000	1,580	5,166	0.52	78	0.01
1944	11,298	2,900	1,580	6,818	0.69	155	0.02
1945	14,444	2,800	1,580	10,064	1.02	173	0.02
1946	14,059	2,700	1,580	9,779	0.99	243	0.03
1947	13,668	2,600	1,580	9,489	0.96	339	0.03
1948	13,443	2,500	1,567	9,376	0.95	370	0.04
1949	14,772	2,400	1,567	10,805	1.10	385	0.04
1950	17,410	2,300	1,567	13,543	1.37	564	0.06
1951	20,392	2,200	1,567	16,625	1.69	578	0.06
1952	19,360	2,000	1,567	15,793	1.60	614	0.06
1953	19,130	1,900	1,567	15,663	1.59	639	0.07
1954	25,101	1,800	1,567	21,734	2.21	699	0.07
1955	29,015	1,700	1,567	25,748	2.62	732	0.07
1956	28,054	1,316	1,567	25,171	2.56	779	0.08
1957	24,447	879	1,567	22,001	2.24	834	0.09
1958	30,381	—	1,567	28,814	2.93	898	0.09
1959	38,197	—	3,976	34,221	2.93	900	0.08
1960	37,600	—	3,976	33,624	2.88	1,110	0.10
1961	44,352	—	3,976	40,376	3.44	1,117	0.10
1962	41,868	—	3,976	37,893	3.22	1,141	0.10
1963	52,321	—	7,747	44,574	3.75	1,179	0.10
1964	62,861	—	7,747	55,114	4.64	1,348	0.11
1965	66,117	—	7,747	58,370	4.91	1,503	0.13
1966	63,156	—	7,747	55,409	4.66	1,583	0.13
1967	74,757	—	7,747	67,010	5.59	1,741	0.15
1968	84,930	—	7,747	77,174	6.43	1,714	0.14
1969	78,769	—	7,747	71,022	5.90	1,866	0.16
1970	71,202	—	7,747	63,456	5.28	1,981	0.17
1971	73,401	—	7,747	65,655	5.46	1,669	0.14
1972	86,757	—	7,747	79,010	6.57	1,724	0.14
1973(a)	83,758	—	7,747	76,012	6.32	374	0.03

UNITED CORPORATIONS LIMITED

FINANCIAL RECORD: (Continued)

Year	Total Net Assets at Market Value* (000's)	Funded Debt	Preferred Shares = (000's)	Net Equity Value (000's)	Net Equity Value per Common Share**	Net Income available for Common Shares (000's)	Net Income per Common Share**
1974	\$ 82,457	\$ —	\$ 7,747	\$ 74,711	\$ 6.21	\$ 1,996	\$ 0.17
1975	71,674	—	7,747	63,928	5.31	2,791	0.23
1976	80,075	8,000	7,747	64,544	5.36	2,522	0.21
1977	78,614	8,000	7,747	63,083	5.24	2,116	0.18
1978	82,829	8,000	7,747	67,298	5.59	2,335	0.19
1979	116,793	9,506	7,747	100,285	8.32	1,478	0.12
1980	141,700	9,657	7,747	129,232	10.60	3,703	0.30
1981	197,143	8,000	7,747	194,350	15.94	4,808	0.39
1982	127,643	8,000	7,747	121,412	9.95	4,437	0.36
1983	182,227	8,000	7,747	174,692	14.31	4,468	0.37
1984	201,172	8,000	7,747	191,984	15.73	3,934	0.32
1985	247,596	8,000	7,747	234,514	19.22	4,788	0.39
1986	327,327	8,000	7,747	319,783	26.21	4,816	0.40
1987	370,718	—	7,747	371,437	30.44	4,841	0.40
1988	316,009	—	7,747	322,434	26.43	6,785	0.56
1989	329,082	—	7,747	321,668	26.37	8,778	0.72
1990	340,980	—	7,747	343,482	28.16	16,989	1.39
1991	311,586	—	7,747	304,079	24.93	9,339	0.77
1992	308,237	—	7,747	300,992	24.68	7,880	0.65
1993	314,603	—	7,747	308,617	25.30	7,617	0.63
1994	359,673	—	7,747	363,496	29.80	7,192	0.59
1995	355,050	—	7,747	352,874	28.94	7,963	0.65
1996	396,725	—	7,747	399,853	32.79	7,969	0.65
1997	478,172	—	7,747	475,416	38.99	8,960	0.74
1998	649,802	—	7,747	667,137	54.71	9,174	0.75
1999	612,872	—	7,747	620,107	50.85	9,635	0.79
2000	774,519	—	7,747	784,932	64.37	8,403	0.69
2001	723,950	—	7,747	718,712	58.94	10,640	0.87
2002	758,055	—	7,747	750,308	61.53	11,606	0.95
2003	609,269	—	7,747	601,522	49.33	11,772	0.97

= Preferred Shares at the cost of redemption, including dividend arrears in 1933 - 1936.

* Total assets at market value less liabilities exclusive of short term debt.

(a) For three months ending March 31, 1973. Figures in this table are for fiscal years ending December 31 prior to 1973 and March 31 thereafter.

Historical Stock Dividends **

Date	Stock dividend rate	Issue price	Date	Stock dividend rate	Issue price	Date	Stock dividend rate	Issue price
1953	4 for 1	Split	1988	1 for 15	\$ 65.46	1998	1 for 33.1645	\$ 76.61
1964	3 for 1	Split	1989	1 for 8	54.53	1999	1 for 13.5404	78.67
1982	1 for 6.4725	\$ 38.81	1989	1 for 55	48.30	2000	1 for 20.9744	69.74
1984	1 for 10	40.41	1991	1 for 16	50.72	2001	1 for 20.94286	80.63
1985	1 for 10	40.93	1993	1 for 38	42.18	2001	1 for 7.9472	76.77
1986	1 for 30	46.53	1995	1 for 13.5404	49.44	2002	1 for 15.3238	64.36
1987	1 for 13	60.52	1997	1 for 14.47926	62.84			