

UNITED CORPORATIONS LIMITED

ANNUAL REPORT 2004

UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



THE FISCAL YEAR AT A GLANCE

	2004	2003
Investment income	\$ 17,277	\$ 17,186
Net investment income	\$ 11,419	\$ 12,150
Net investment income per common share	\$ 0.91	\$ 0.97
Regular dividends per common share	\$ 0.80	\$ 0.80
Net assets (Market value)	\$ 755,491	\$ 609,269
Net asset value per common share	\$ 61.32	\$ 49.33
Number of common shares outstanding at year end	12,194,193	12,194,193

In thousands of dollars, except number of common shares outstanding and per share amounts.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at 11:45 a.m. on Tuesday, June 29, 2004, in the Board Room of The Dominion of Canada General Insurance Company, 4th Floor, 165 University Avenue, Toronto. All Shareholders are invited to attend.

HEAD OFFICE

Tenth Floor, 165 University Avenue, Toronto, Ontario, M5H 3B8
Tel: 416-947-2578
Fax: 416-868-6199

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

BANKERS

The Bank of Nova Scotia

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.
Shares transferable at Toronto



BOARD OF DIRECTORS

J. CHRISTOPHER BARRON	Chairman Scotia Cassels Investment Counsel Limited
E. KENDALL CORK	President Sentinel Associates Limited
DUNCAN N. R. JACKMAN	Chairman and President E-L Financial Corporation Limited
THE HONOURABLE HENRY N. R. JACKMAN	Honorary Chairman The Empire Life Insurance Company
A. STEPHEN PROBYN	Chairman and Chief Executive Officer The Probyn Group
HELEN J. ROTENBERG	Corporate Director
IAN S. STEERS	Corporate Director
MARK M. TAYLOR	Executive Vice-President E-L Financial Corporation Limited
J. CHRISTOPHER WANSBROUGH	Chairman Rogers Telecommunications Ltd.
MICHAEL J. WHITE	President and Chief Executive Officer The Independent Order of Foresters

OFFICERS

DUNCAN N. R. JACKMAN	Chairman of the Board
MARK M. TAYLOR	Secretary
TRAVIS R. EPP	Treasurer

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investment Strategy

United Corporations Limited ("United" or the "Company") is a closed-end investment corporation that trades on the Toronto Stock Exchange. United has always been 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 objective of the Company is to provide its shareholders an above average total rate of return through long-term capital appreciation and dividend income from the Company's portfolio of equity investments. Commencing with the fiscal 2003 year, the investment strategy of the Company changed to allow for increased investment in non-Canadian capital markets. The equity investments in the portfolio currently reflect investment opportunities all over the world.

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.

Risks

The Company faces a broad range of risks and uncertainties in managing a global equity portfolio. The market risk refers to the risk of loss from the investment and trading activities of the Company due to changes in equity prices, foreign currency rates, interest rates and market volatility.

The external investment portfolio of the Company is managed by Jarislowsky Fraser Limited ("Jarislowsky") and Sanford C. Bernstein & Co. Inc., LLC ("Bernstein"), a wholly owned subsidiary of Alliance Capital Management L.P. Jarislowsky commenced operations in 1955 while Bernstein was founded in 1967. Each of the managers has a global equity mandate and is allowed to hedge the foreign currency exposure of any non-Canadian investments.

The Company also manages a portion of the investments in the portfolio. The two investments managed by the Company are Algoma Central Corporation and the Emerging Markets Investors Fund.

Market Review

Global stock markets rebounded strongly in fiscal 2004 from the poor performance in the prior year. However, the strong performance of global equities was somewhat mitigated by certain foreign currency movements in fiscal 2004. In particular, the Canadian dollar rose 12.1% relative to the United States dollar.

In Canadian dollar terms, in fiscal 2004, the TSX Total Return Index increased 37.7%, the MSCI World Index (C\$) increased 28.9% and the S&P 500 Index (C\$) increased 20.5%. The fiscal 2004 market performance was a significant improvement from fiscal 2003 in which the TSX Total Return Index decreased 17.6%, the MSCI World Index (C\$) decreased 29.8% and the S&P 500 Index (C\$) fell 30.7%.

The Company's global investment portfolio performed well in fiscal 2004. Jarislowsky, which manages approximately 67% of the investment portfolio, achieved a return of 28.1% in fiscal 2004. Bernstein, which manages approximately 30% of the investment portfolio, achieved a return of 37.7%. A portion of Bernstein's performance was due to a successful hedging strategy which preserved capital.

The net asset value return of the Company is determined by calculating the performance of the investment portfolio and then netting against it both the changes in future income taxes and the expenses of the Company. Overall, the Company's net asset value per share increased to \$61.32 at March 31, 2004 from \$49.33 at March 31, 2003. Based on the reinvestment of distributions at month-end net asset values, the Company's net asset value per share increased 26.1% in fiscal 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Operating Results
Net Investment Income

The composition of the investment income in fiscal 2004 reflects the change in investment strategy that occurred in fiscal 2003 to allow for a more globally diversified investment portfolio. While total dividend income remained relatively unchanged from the prior year, the composition changed significantly as foreign dividends increased and Canadian dividends decreased. Security lending revenue continued to increase since the inception of the program in the fall of 2002. Management costs, which are based on assets under management, increased to \$1,966,000 in fiscal 2004 from \$1,696,000 in fiscal 2003 due to the strong performance in the global equity markets. The provision for taxes also increased in the current year due to the increased foreign dividends. Overall, the net investment income decreased by 6% to \$11,419,000 in fiscal 2004 compared to \$12,150,000 in fiscal 2003. The Company continued to maintain its low management expense ratio ("MER"). The MER in fiscal 2004 was 0.37% compared to 0.35% in fiscal 2003.

Net Gain (Loss) on Investments

The Company's net gain (loss) on investments in fiscal 2004 mirrored the positive returns in the global equity markets. The Company realized a gain on investments sold of \$13,912,000 compared to a gain of \$2,444,000 in fiscal 2003. The Company's change in unrealized appreciation of investments increased by \$131,025,000 in fiscal 2004 compared to a decrease of \$153,246,000 in fiscal 2003.

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 gains (losses) on investments, net change in unrealized appreciation 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 and market conditions.

A summary of various financial data for each of the last fiscal three years is as follows (in thousands of dollars, except "per share" amounts):

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Investment income	\$ 17,277	\$ 17,186	\$ 14,476
Net investment income	11,419	12,150	11,984
Net investment income per share ¹	0.91	0.97	0.95
Net gain (loss) on investments	144,937	(150,802)	41,575
Net gain (loss) on investments per share ¹	11.88	(12.37)	3.41
Total assets	783,752	612,198	770,639
Cash dividends per common share ^{1,2}	0.80	0.80	2.63
Cash dividends per preferred share	1.50	1.50	1.50

¹ All per share figures have been restated based on the number of common shares outstanding at March 31, 2004.

² Included in cash dividends per common share in 2002 are capital gains dividends of \$1.69 per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following tables summarize various financial results on a quarterly basis for the current and prior fiscal years:

	2004 Fiscal Year			
	Quarter ended			
	Jun. 30	Sep. 30	Dec. 31	Mar. 31
	(in thousands of dollars, except "per share" amounts)			
Investment income	\$ 5,627	\$ 3,809	\$ 3,581	\$ 4,260
Net investment income	3,755	2,530	2,418	2,716
Per common share: ¹				
Net investment income	0.30	0.20	0.19	0.22
Net gain on investments	4.01	1.55	4.61	1.71
Total gain from investment operations	<u>\$ 4.31</u>	<u>\$ 1.75</u>	<u>\$ 4.80</u>	<u>\$ 1.93</u>

	2003 Fiscal Year			
	Quarter ended			
	Jun. 30	Sep. 30	Dec. 31	Mar. 31
	(in thousands of dollars, except "per share" amounts)			
Investment income	\$ 5,263	\$ 3,375	\$ 4,645	\$ 3,903
Net investment income	3,989	1,961	3,685	2,515
Per common share: ¹				
Net investment income	0.32	0.15	0.29	0.21
Net gain (loss) on investments	(4.85)	(6.60)	2.29	(3.21)
Total gain (loss) from investment operations	<u>\$ (4.53)</u>	<u>\$ (6.45)</u>	<u>\$ 2.58</u>	<u>\$ (3.00)</u>

¹ The net investment income per common share is net of preferred dividends paid during the period.

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. The Company's income from operations after payment of taxable dividends is used to fund operating costs as well as provide resources for additional investments.

May 3, 2004

Duncan N.R. Jackman
Chairman of the Board

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 3, 2004

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, 2004 and 2003, and the consolidated statement of investments as at March 31, 2004, 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, 2004. 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, 2004 and 2003, 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, 2004, in accordance with Canadian generally accepted accounting principles.

May 3, 2004
Toronto, Canada

PricewaterhouseCoopers LLP
Chartered Accountants

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF NET ASSETS

	March 31	
	2004	2003
	(000's)	
ASSETS		
Investments, at market value (cost - \$615,875; 2003 - \$592,698)	\$ 746,771	\$ 568,705
Cash	8,144	4,675
Short-term investments	25,796	34,043
Receivable in respect of investments sold	865	1,287
Income taxes receivable	—	1,581
Accrued income on investments	1,833	1,654
Other assets	343	253
	783,752	612,198
LIABILITIES		
Accounts payable and accrued liabilities	572	451
Payable in respect of investments purchased	1,384	2,478
Income taxes payable	2,441	—
Future income taxes (Note 2)	23,864	—
	28,261	2,929
NET ASSETS	\$ 755,491	\$ 609,269
SHAREHOLDERS' EQUITY		
Stated capital (Note 4)		
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	107,459	92,262
Unrealized appreciation (depreciation) of investments (Note 2)	107,032	(23,993)
TOTAL SHAREHOLDERS' EQUITY	\$ 755,491	\$ 609,269

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	
	2004	2003
	(000's)	
INVESTMENT INCOME		
Dividends		
Foreign	\$ 9,826	\$ 8,155
Canadian	6,094	7,941
	15,920	16,096
Interest, including securities lending revenue (Note 6)	1,357	1,090
	17,277	17,186
EXPENSES		
Management costs	1,966	1,696
Directors' and officers' remuneration	171	159
Office and miscellaneous	158	182
Transfer, registrar and custodial agents' fees	228	198
Professional fees	51	58
Capital tax	134	123
	2,708	2,416
Investment income before income taxes	14,569	14,770
Income taxes (Note 2)	3,150	2,620
NET INVESTMENT INCOME	11,419	12,150
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain on investments (Note 3)	13,912	2,444
Net change in unrealized appreciation (depreciation) of investments	131,025	(153,246)
NET GAIN (LOSS) ON INVESTMENTS	144,937	(150,802)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 156,356	\$ (138,652)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended March 31	
	2004	2003
	(000's)	
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 92,262	\$ 87,802
Add:		
Net investment income	11,419	12,150
Net realized gain on investments	13,912	2,444
Refundable taxes recovered	1,977	1,841
	119,570	104,237
Deduct:		
Dividends from investment income:		
First Preferred Shares	78	78
Second Preferred Shares	300	300
Common Shares (per share - \$0.80)	9,756	9,756
Provision for refundable taxes	1,977	1,841
	12,111	11,975
RETAINED EARNINGS, END OF YEAR	\$ 107,459	\$ 92,262

(See accompanying notes)

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Year ended March 31	
	2004	2003
	(000's)	
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 156,356	\$ (138,652)
DISTRIBUTIONS TO SHAREHOLDERS		
Cash distributions to common shareholders	(9,756)	(9,756)
Cash distributions to preferred shareholders	(378)	(378)
	(10,134)	(10,134)
INCREASE (DECREASE) IN NET ASSETS	146,222	(148,786)
NET ASSETS, BEGINNING OF YEAR	609,269	758,055
NET ASSETS, END OF YEAR	\$ 755,491	\$ 609,269

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENT OF FINANCIAL HIGHLIGHTS

For each of the five years ended March 31, 2004

DATA PER COMMON SHARE	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
NET ASSET VALUE, beginning of year	\$ 49.33	\$ 61.53	\$ 58.94	\$ 64.37	\$ 50.85
INCOME FROM INVESTMENT OPERATIONS AVAILABLE TO COMMON SHAREHOLDERS					
Net investment income	0.91	0.97	0.95	0.87	0.69
Net realized and unrealized gain (loss) on investments	11.88	(12.37)	3.41	(4.16)	13.14
	12.79	(11.40)	4.36	(3.29)	13.83
DISTRIBUTIONS TO COMMON SHAREHOLDERS					
From net investment income	(0.80)	(0.80)	(0.94)	(0.79)	(0.67)
From net realized gain on investments	—	—	(5.63)	(15.88)	(3.61)
	(0.80)	(0.80)	(6.57)	(16.67)	(4.28)
Less: Shares issued as stock dividends	—	—	3.94	11.11	2.53
Cash distributions to common shareholders	(0.80)	(0.80)	(2.63)	(5.56)	(1.75)
TAXATION CHANGES					
Income taxes recoverable on distributions from net realized gain on investments	—	—	1.07	4.70	1.17
Change in refundable capital gains tax on hand	—	—	(0.21)	(1.28)	0.27
	—	—	0.86	3.42	1.44
NET ASSET VALUE, end of year	\$ 61.32	\$ 49.33	\$ 61.53	\$ 58.94	\$ 64.37

All per share figures have been restated based on the number of common shares outstanding at March 31, 2004.

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2004

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, 2004. 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.
- (i) Accounting estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reported period. Actual results could differ from these estimates.

2. 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.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
MARCH 31, 2004

2. Income taxes (continued)

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

	<u>2004</u>	<u>2003</u>
Basic combined federal and provincial rate	36.50%	38.12%
Effect of tax on subsidiaries' income at basic tax rate and other adjustments	0.67	0.25
Effective tax rate	<u>37.17%</u>	<u>38.37%</u>

	(000's)	
Applied to:		
Net investment income for the year	\$ 11,419	\$ 12,150
Add: Income taxes	3,150	2,620
	<u>14,569</u>	<u>14,770</u>
Less: Dividends from taxable Canadian companies	6,094	7,941
	<u>\$ 8,475</u>	<u>\$ 6,829</u>
Provision for income taxes	<u>\$ 3,150</u>	<u>\$ 2,620</u>

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

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

	<u>2004</u>	<u>2003</u>
	(000's)	
Investments at market value	\$ 746,771	\$ 568,705
Investments at cost	615,875	592,698
Unrealized appreciation (depreciation) of investments before provision for future income taxes	130,896	(23,993)
Future income taxes	23,864	—
Unrealized appreciation (depreciation) of investments	<u>\$ 107,032</u>	<u>\$ (23,993)</u>

**NOTES TO CONSOLIDATED
 FINANCIAL STATEMENTS
 MARCH 31, 2004**

3. Net realized gain on investments

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

	2004	(000's)	2003
Proceeds on sales of investments	\$ 137,241		\$ 210,164
Cost of investments, beginning of year	592,698		580,922
Cost of investments purchased during the year	142,591		217,990
	735,289		798,912
Cost of investments, end of year	615,875		592,698
Cost of investments sold during the year	119,414		206,214
Realized gain on investments sold before taxes	17,827		3,950
Taxes on realized net taxable capital gains (Note 2)	3,915	1,506	
Net realized gain on investments	\$ 13,912		\$ 2,444

4. 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.

5. Related party information

Included in the Company's portfolio of investments is Algoma Central Corporation ("Algoma") with a market value of \$22,479,000 (2003 - \$15,228,000). Dividends from Algoma for the fiscal years ended March 31, 2004 and March 31, 2003 amounted to \$363,000 per year. Included in management costs are fees for administrative services paid to E-L Financial Corporation Limited ("E-L Financial"). The total fees for the year ended March 31, 2004 amounted to \$474,000 (2003 - \$349,000). E-L Financial, directly or indirectly, has a significant ownership in both the Company and Algoma.

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, 2004, the Company has loaned approximately \$258,880,000 (2003 - \$78,600,000) in securities, received approximately \$280,690,000 (2003 - \$83,620,000) in collateral, and recognized \$276,000 (2003- \$76,000) in securities lending revenue for the year. Revenue from securities lending is included in interest income in the Statement of Operations of the Company.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
MARCH 31, 2004

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

The net asset 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 asset value per Common Share is the net asset value divided by the number of Common Shares outstanding.

	March 31	
	<u>2004</u>	<u>2003</u>
	(000's)	
Net assets	\$ 755,491	\$ 609,269
Deduct:		
Cost to redeem (Note 4)		
First Preferred Shares	1,567	1,567
Second Preferred Shares	6,180	6,180
	7,747	7,747
Net asset value	\$ 747,744	\$ 601,522
Net asset value per Common Share	\$ 61.32	\$ 49.33

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT MARCH 31, 2004

Number of Shares		Cost	Market Value	% of Market
		(000's)		
North America				
Canada				
Preferred				
140,000	Nortel Networks Limited \$1.275 Series F	\$ 3,512	\$ 3,045	0.4
Common				
362,568	Algoma Central Corporation	6,201	22,479	
369,202	Bank of Nova Scotia	12,730	26,140	
51,700	Cameco Corporation	1,081	3,372	
206,800	Canadian Tire Corp. Ltd. Class A	5,897	9,231	
90,000	Canadian Utilities Class A	4,405	5,625	
54,480	Canfor Corporation	594	761	
186,913	Enbridge Inc.	5,098	9,962	
143,000	Encana Corporation	4,972	8,107	
215,000	Great-West Lifeco Inc.	6,144	10,911	
123,480	Imperial Oil Limited	3,710	7,269	
406,000	Jean Coutu Group Inc.	3,756	6,943	
120,000	Loblaw Cos. Limited	5,967	7,512	
21,353	Magna International Inc. Class A	1,314	2,228	
362,200	Manulife Financial Corporation	11,987	17,588	
510,000	Metro Inc.	4,755	11,194	
60,400	Molson Cos. Inc. Class A	1,835	1,953	
286,255	Nexen Inc.	9,089	14,628	
97,000	Nova Chemicals Corporation	2,759	3,193	
1,500	Petro-Canada	77	86	
42,000	Potash Corp. of Saskatchewan	3,664	4,581	
117,000	Power Financial Corporation	1,346	6,493	
200,000	Quebecor Inc.	7,279	4,870	
149,900	Rogers Communications Inc. Class B	3,075	3,672	
130,100	Rothmans Inc.	2,801	4,456	
312,428	Royal Bank of Canada	9,082	19,542	
190,300	Shaw Communications Inc. Class B	6,391	4,101	
145,420	Shell Canada Ltd. Class A	4,783	9,023	
302,900	Slocan Forest Products Ltd.	2,785	5,589	
138,550	SNC-Lavalin Group Inc. Class A	1,752	6,650	
126,305	Sun Life Financial Services of Canada	2,879	4,446	
162,970	Talisman Energy Inc.	7,312	12,588	
200,725	Thomson Corporation (The)	9,142	8,139	
343,208	Toronto-Dominion Bank	6,497	15,839	
389,700	TransCanada Pipelines Limited	5,920	11,021	
240,000	TVA Group Inc. Class B	3,202	5,653	
125,600	West Fraser Timber Co. Ltd.	2,866	5,025	
43,400	Weston (George) Limited	4,012	4,259	
		177,159	305,129	40.9
United States				
71,000	Abbott Laboratories	4,592	3,835	
121,000	Albertsons Inc.	4,875	3,522	
157,000	Altria Group, Inc.	12,524	11,235	
50,000	American International Group Inc.	3,942	4,689	
99,500	Aramark Corporation Class B	3,522	3,584	
64,300	Bank of America Corporation	6,631	6,843	
37,000	Cardinal Health, Inc.	2,995	3,350	
40,000	Chevrontexaco Corporation	4,888	4,615	
30,500	The Chubb Corporation	2,784	2,787	
88,200	Citigroup Inc.	5,670	5,993	
60,000	Colgate Palmolive Company	4,580	4,345	
76,900	Comcast Corporation Special Class A	3,169	2,815	
73,900	ConocoPhillips	5,551	6,780	
100,000	CVS Corporation	4,706	4,639	
126,000	Disney (Walt) Company	4,644	4,138	
50,000	Emerson Electric Company	4,279	3,937	
64,000	Entergy Corporation	4,557	5,005	
59,800	Exxon Mobile Corporation	3,621	3,269	
68,700	Fannie Mae	7,448	6,706	
57,300	Fifth Third Bancorp	4,173	4,170	
34,800	Freddie Mac	2,774	2,701	

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT MARCH 31, 2004 (continued)

Number of Shares		Cost	Market Value	% of Market
		(000's)		
United States (continued)				
90,000	General Electric Company	4,104	3,610	
45,000	Gillette Company	2,120	2,312	
40,000	Hartford Financial Services Group, Inc.	3,606	3,349	
90,000	HCA Inc.	5,170	4,805	
207,200	Hewlett-Packard Company	6,128	6,220	
80,000	IMS Health Inc.	2,477	2,446	
57,000	Jefferson-Pilot Corp.	4,123	4,121	
74,700	Johnson & Johnson	5,298	4,979	
61,600	JP Morgan Chase & Co.	3,680	3,396	
67,000	Kimberly Clark Corporation	5,812	5,556	
100,000	Kroger Co.	2,605	2,187	
27,000	Lehman Brothers Holdings Inc.	2,773	2,941	
50,000	Merck & Co. Inc.	4,650	2,904	
39,100	Metlife, Inc.	1,383	1,833	
100,600	Microsoft Corporation	4,211	3,296	
137,900	Norfolk Southern Corporation	3,739	4,003	
40,300	PartnerRe Ltd.	3,103	2,990	
77,000	Pepsico	5,042	5,449	
217,600	Pfizer Inc.	12,157	10,024	
83,700	Safeway Inc.	2,308	2,264	
51,300	Sempra Energy	1,985	2,144	
15,700	Textron Inc.	1,185	1,097	
170,850	Time Warner Inc.	4,902	3,786	
77,600	Travelers Property Casualty Corporation Class A	1,831	1,749	
20,600	Valero Energy Corporation	1,060	1,623	
69,000	Wells Fargo & Company	4,577	5,139	
46,000	Whirlpool Corporation	5,423	4,164	
14,300	XL Capital Ltd Class A	1,813	1,429	
		<u>209,190</u>	<u>198,774</u>	<u>26.6</u>
	Total North America	389,861	506,948	67.9
Latin America				
62,590	Cemex SA de C.V.	2,787	2,453	
91,200	Petroleo Brasileiro S.A. ADR	2,851	3,541	
8,100	Votorantim Cellulose ADR	360	370	
		<u>5,998</u>	<u>6,364</u>	<u>0.9</u>
Europe, excluding United Kingdom				
57,321	Actividades de Construccion y Servicios	2,793	3,685	
27,425	L'Air Liquide SA	5,636	6,135	
214,300	Arcelor	4,368	5,109	
58,700	Assurances Générales de France	4,438	4,788	
36,500	Aventis S.A.	2,535	3,687	
68,600	Continental AG	2,832	3,556	
94,800	Credit Suisse Group	4,600	4,317	
68,000	DSM NV	4,434	3,990	
197,400	ENI S.P.A.	4,533	5,217	
68,620	Essilor International	4,269	5,485	
160,000	Fresenius Medical Care AG ADR	5,172	4,595	
18,000	Groupe Danone	3,853	3,878	
4,800	Hannover Rueckversicherungs-AG	185	213	
19,687	Heidelbergcement AG	947	1,164	
102,000	Heineken NV	6,103	5,370	
110,000	ING Groep N.V. ADR	4,093	3,188	
10,000	ING Groep N.V.	408	289	
34,000	L'Oreal	3,243	3,421	
240,000	Luxottica Group SPA ADR	5,944	4,990	
25,300	Man AG	1,162	1,185	
70,900	Mol Magyar OLAJ - ES Gazipari	2,955	3,281	
62,000	Nestlé S.A. ADR	5,126	5,190	
50,000	Novartis AG ADR	2,630	2,799	
31,300	Repsol YPF, SA	859	852	
32,000	Roche Holdings	4,261	4,108	
88,000	Royal Dutch Petroleum Company	5,987	5,503	

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT MARCH 31, 2004 (continued)

Number of Shares		Cost	Market Value	% of Market
		(000's)		
Europe, excluding United Kingdom (continued)				
103,000	Svenska Cellulosa AB-B (SCA)	5,397	5,412	
2,000	Synthes-Stratec Inc.	2,046	2,695	
34,400	Total Fina Elf SA ADR	3,836	4,159	
51,000	Unilever NV	3,822	4,654	
140,000	Vestas Wind Systems A/S	4,282	2,946	
80,600	Volkswagen AG	4,816	4,635	
		<u>117,565</u>	<u>120,496</u>	16.1
United Kingdom				
192,000	Aviva PLC	1,871	2,449	
84,600	BP PLC	927	932	
75,000	Diageo PLC ADR	5,729	5,212	
50,000	GlaxoSmithKline PLC ADR	3,548	2,625	
110,390	GlaxoSmithKline PLC	3,014	2,848	
58,880	HSBC Holdings PLC ADR	5,377	5,788	
340,677	Intercontinental Hotels	2,883	4,090	
1,243,000	Royal & Sun Alliance Insurance Group PLC	8,022	2,462	
125,000	Vodafone Group PLC ADR	4,067	3,926	
1,343,600	Vodafone Group PLC	3,705	4,178	
114,000	Whitbread PLC	1,642	1,999	
		<u>40,785</u>	<u>36,509</u>	4.9
Asia				
76,000	Canon Inc.	4,317	5,175	
3,526,000	China Petroleum & Chemical Corporation	1,106	1,784	
527,942	Compal Electronics Inc.	3,421	4,316	
107,786	Emerging Markets Investors Fund	3,663	4,013	
54,100	Flextronics International Ltd.	1,020	1,215	
80,000	Honda Motor Co., Ltd.	5,159	4,851	
35,000	Hyundai Motor Co. Ltd.	1,985	2,102	
52,000	JFE Holdings Inc.	1,763	1,869	
40,800	Kookmin Bank	1,727	2,175	
434,000	Nissan Motor Co., Ltd.	4,508	6,387	
28,700	Posco	3,689	5,330	
14,500	Promise Co., Ltd.	654	1,310	
538,700	PTT Public Company Limited	1,959	2,523	
160,000	Shinhan Financial Group Co., Ltd.	2,061	3,870	
37,200	Siam Investment Fund	527	464	
129,000	Singapore Telecommunications	233	236	
92,820	Sony Corporation ADR	5,982	5,100	
4,000	Sony Corporation	580	220	
600	Sumitomo Mitsui Financial Group	3,603	5,836	
530,000	Television Broadcasts Limited	3,268	3,290	
675	UFJ Holdings, Inc.	3,190	5,645	
		<u>54,415</u>	<u>67,711</u>	9.1
Australia				
176,000	National Australia Bank Limited	5,136	5,474	0.7
Israel				
697,000	Bank Hapoalim Limited	2,115	2,400	0.3
Total equities		615,875	745,902	99.9
Forward Currency Contracts, net - Schedule 1		—	869	0.1
Total investments		<u>\$ 615,875</u>	<u>\$ 746,771</u>	<u>100.0</u>

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT MARCH 31, 2004 (continued)

Schedule 1 - Forward Currency Contracts, net

Forward contracts to sell foreign currencies for Canadian dollars:

<u>Par value (in millions)</u>	<u>Currency</u>	<u>Number of Contracts</u>	<u>Contract Rates</u>	<u>Settlement Date</u>	<u>Unrealized gain (in thousands)</u>
49.7	USD	5	1.3147 - 1.3547	June 17, 2004	\$ 869

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

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 - 2004

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: 1929 - 2004 (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
2004	755,491	—	7,747	747,744	61.32	11,041	0.91

= 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			