

# UNITED CORPORATIONS LIMITED

**FIRST QUARTER REPORT**  
**June 30, 2003**

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Operating Results

#### *Net investment income*

The Company's net investment income in the first quarter of fiscal 2004 was \$3,755,000 compared to fiscal 2003 net investment income of \$3,989,000. On a per common share basis, net investment income for the quarter decreased to \$0.30 in fiscal 2004 from \$0.32 in fiscal 2003.

Foreign dividend income in the quarter amounted to \$3,685,000 compared to \$3,216,000 in fiscal 2003. Canadian dividend income amounted to \$1,617,000 in the current quarter compared to \$1,875,000 in the prior year. Interest income amounted to \$325,000 compared to \$172,000 in fiscal 2003. The increase in interest income is attributable to the securities lending program initiated in the fall of 2002.

Operating expenses in the quarter amounted to \$601,000 (2003 - \$707,000).

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

The Company's net realized gain and change in unrealized appreciation of investments for the quarter ended June 30, 2003 was a net gain of \$48,810,000 compared with a net loss of \$59,102,000 in the quarter ended June 30, 2002. The performance of the investment portfolio reflects that most equity markets posted double digit returns (in local currency) in the current quarter. However, the return of the Company's investment portfolio was adversely effected by the strength of the Canadian dollar against most currencies. In the quarter ended June 30, 2002, the negative return was derived from a general decline across most investment sectors. In particular, however, our investment in Worldcom Inc. led the decline.

The investment portfolio of the Company is comprised of a mix of high and low yielding foreign and Canadian investments. Net investment income, net realized gain (loss) 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.

### Dividends

Regular quarterly dividends were paid on our preferred and common shares. Dividends paid out of net investment income on the preferred shares were \$0.37 per share and \$0.20 per share on the common shares. These dividend payments are consistent with the prior year.

### Assets

Total assets at June 30, 2003 are \$669,838,000 which is an increase of 9.4% from the total assets of \$612,198,000 at March 31, 2003. The cost of investments in foreign equities at June 30, 2003 was \$394,325,000, an increase from \$388,212,000 at March 31, 2003. The market value of foreign equities at June 30, 2003 was \$337,308,000 compared to \$303,493,000 at March 31, 2003. The cost of investments in Canadian equities increased in the first quarter of fiscal 2004 to \$205,099,000 from \$204,486,000 at March 31, 2003. The market value of Canadian securities at June 30, 2003 was \$289,256,000 compared to \$264,971,000 at March 31, 2003.

Overall, the Company's net equity value per share increased to \$53.43 at June 30, 2003 from \$49.33 at March 31, 2003. Based on the reinvestment of distributions at month-end net equity values, the Company's value per share increased by 8.7% in the three months ended June 30, 2003. During the comparable period, the TSX 300 Total Return Index increased 10.6% and the MSCI World Index (C\$) increased by 8.0%.

## UNITED CORPORATIONS LIMITED

### **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 objective of the Company is to earn an above average rate of return primarily through long-term capital appreciation and dividend income. The investment portfolio will be invested principally in equities. 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 operations after payment of taxable 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.

As the fund'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.

August 7, 2003

Duncan N.R. Jackman  
Chairman of the Board

# UNITED CORPORATIONS LIMITED

## CONSOLIDATED STATEMENT OF NET ASSETS (Unaudited)

	June 30 2003	March 31 2003
	(in thousands)	
<b>ASSETS</b>		
Investments, at indicated market value (cost - \$599,424; March 31, 2003 - \$592,698) .....	\$ 626,168	\$ 568,705
Cash .....	6,964	4,675
Short-term investments .....	32,570	34,043
Receivable in respect of investments sold .....	2,344	1,287
Income taxes receivable .....	75	1,581
Accrued income on investments .....	1,396	1,654
Other assets .....	321	253
	<u>669,838</u>	<u>612,198</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities .....	565	451
Payable in respect of investments purchased .....	5,035	2,478
Future income taxes on unrealized net capital gains .....	4,936	—
	<u>10,536</u>	<u>2,929</u>
Net assets, at indicated market value .....	<u>\$ 659,302</u>	<u>\$ 609,269</u>
<b>SHAREHOLDERS' EQUITY</b>		
Stated capital		
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
	<u>541,000</u>	<u>541,000</u>
Retained earnings .....	96,494	92,262
Unrealized appreciation (depreciation) of investments .....	21,808	(23,993)
Total shareholders' equity .....	<u>\$ 659,302</u>	<u>\$ 609,269</u>

APPROVED BY THE BOARD:

DUNCAN N.R. JACKMAN                      Director

J. CHRISTOPHER WANSBROUGH      Director

(See accompanying note)

# UNITED CORPORATIONS LIMITED

## CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

	Three months ended June 30	
	<u>2003</u>	<u>2002</u>
	(in thousands)	
INVESTMENT INCOME		
Dividends:		
Foreign .....	\$ 3,685	\$ 3,216
Canadian .....	<u>1,617</u>	<u>1,875</u>
	5,302	5,091
Interest .....	<u>325</u>	<u>172</u>
	5,627	5,263
Expenses:		
Operating .....	601	707
Income taxes .....	<u>1,271</u>	<u>567</u>
	1,872	1,274
NET INVESTMENT INCOME .....	<u>3,755</u>	3,989
REALIZED AND UNREALIZED GAIN ON INVESTMENTS		
Net realized gain on investments .....	3,009	2,105
Net change in unrealized appreciation of investments .....	<u>45,801</u>	<u>(61,207)</u>
NET GAIN (LOSS) ON INVESTMENTS .....	<u>48,810</u>	<u>(59,102)</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ 52,565</u>	<u>\$ (55,113)</u>

## CONSOLIDATED STATEMENT OF REALIZED GAIN (Unaudited)

	Three months ended June 30	
	<u>2003</u>	<u>2002</u>
	(in thousands)	
Proceeds on sales of investments .....	\$ 28,518	\$ 96,080
Cost of investments, beginning of period .....	592,698	580,922
Cost of investments purchased during the period .....	<u>31,506</u>	<u>114,747</u>
	624,204	695,669
Cost of investments, end of period .....	<u>599,424</u>	<u>602,333</u>
Cost of investments sold during the period .....	24,780	93,336
Realized gain on investments sold before taxes .....	3,738	2,744
Provision for taxes on realized net taxable capital gains .....	<u>729</u>	<u>639</u>
Net realized gain on investments .....	<u>\$ 3,009</u>	<u>\$ 2,105</u>

(See accompanying note)

## UNITED CORPORATIONS LIMITED

### CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

	Three months ended June 30	
	<u>2003</u>	<u>2002</u>
	(in thousands)	
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS .....	<u>\$ 52,565</u>	<u>\$ (55,113)</u>
DISTRIBUTIONS TO SHAREHOLDERS		
Common shareholders .....	(2,439)	(2,439)
Preferred shareholders .....	(93)	(93)
	<u>(2,532)</u>	<u>(2,532)</u>
INCREASE (DECREASE) IN NET ASSETS .....	<u>50,033</u>	(57,645)
NET ASSETS, BEGINNING OF PERIOD .....	<u>609,269</u>	<u>758,055</u>
NET ASSETS, END OF PERIOD .....	<u>\$ 659,302</u>	<u>\$ 700,410</u>

### CONSOLIDATED STATEMENT OF RETAINED EARNINGS (Unaudited)

	Three months ended June 30	
	<u>2003</u>	<u>2002</u>
	(in thousands)	
RETAINED EARNINGS, BEGINNING OF PERIOD .....	<u>\$ 92,262</u>	<u>\$ 87,802</u>
Add:		
Net investment income .....	3,755	3,989
Net realized gain on investments .....	3,009	2,105
Refundable taxes recovered .....	531	—
	<u>99,557</u>	<u>93,896</u>
Deduct:		
Dividends from net investment income:		
First Preferred Shares .....	19	19
Second Preferred Shares .....	74	74
Common Shares .....	2,439	2,439
Provision for refundable taxes .....	531	—
	<u>3,063</u>	<u>2,532</u>
RETAINED EARNINGS, END OF PERIOD .....	<u>\$ 96,494</u>	<u>\$ 91,364</u>

(See accompanying note)

# UNITED CORPORATIONS LIMITED

## CONSOLIDATED STATEMENT OF INVESTMENTS AS AT JUNE 30, 2003 (Unaudited)

No. of Shares or Par Value		Cost	Market Value	% of Market
		(000's)		
<b>North America</b>				
<b>Canada</b>				
<b>Preferred</b>				
140,000	Nortel Networks Limited \$1.275 Series F .....	\$ 3,512	\$ 2,408	0.4
<b>Common</b>				
362,568	Algoma Central Corporation .....	6,201	16,225	
456,502	Bank of Nova Scotia .....	15,740	27,436	
131,000	Cameco Corporation .....	2,738	5,699	
206,800	Canadian Tire Corp. Ltd. Class A .....	5,897	6,721	
111,000	Canadian Utilities Class A .....	5,433	6,216	
247,240	Dupont Canada Inc. Class A .....	3,816	5,353	
186,913	Enbridge Inc. ....	5,097	8,959	
206,196	Encana Corporation .....	7,170	10,660	
235,000	Great-West Lifeco Inc. ....	6,716	9,165	
142,580	Imperial Oil Limited .....	4,109	6,716	
406,000	Jean Coutu Group Inc. ....	3,756	6,342	
131,300	Loblaw Cos. Limited .....	6,529	8,141	
36,353	Magna International Inc. Class A .....	2,715	3,298	
369,400	Manulife Financial Corporation .....	11,828	14,107	
510,000	Metro Inc. ....	4,755	10,022	
326,255	Nexen Inc. ....	10,360	11,142	
97,000	Nova Chemicals Corporation .....	2,759	2,494	
28,600	Petro-Canada .....	1,467	1,543	
47,000	Potash Corp. of Saskatchewan .....	4,100	4,042	
130,000	Power Financial Corporation .....	1,495	5,687	
223,400	Quebecor Inc. ....	8,131	3,686	
180,900	Rogers Communications Inc. Class B .....	3,711	3,916	
255,000	Rothmans Inc. ....	5,490	6,758	
379,928	Royal Bank of Canada .....	11,045	21,800	
210,300	Shaw Communications Inc. Class B .....	7,063	3,823	
155,420	Shell Canada Ltd. Class A .....	5,112	8,180	
302,900	Slocan Forest Products Ltd. ....	2,785	2,369	
138,350	SNC-Lavalin Group Inc. Class A .....	1,752	5,543	
140,268	Sun Life Financial Services of Canada .....	3,197	3,925	
176,970	Talisman Energy Inc. ....	7,940	10,884	
200,625	Thomson Corporation (The) .....	9,138	8,507	
363,208	Toronto-Dominion Bank .....	6,875	13,569	
469,700	TransCanada Corporation .....	7,135	11,155	
240,000	TVA Group Inc. Class B .....	3,202	4,560	
125,600	West Fraser Timber Co. Ltd. ....	2,866	4,335	
37,800	Weston (George) Limited .....	3,464	3,870	
		201,587	286,848	45.8
<b>United States</b>				
66,000	Abbott Laboratories .....	4,289	3,924	
121,000	Albertsons Inc. ....	4,875	3,157	
157,000	Altria Group, Inc. ....	12,524	9,693	
155,850	AOL Time Warner Inc. ....	4,595	3,407	
81,000	Bank of America Corporation .....	8,354	8,698	
66,000	Bristol Myers Squibb Company .....	4,059	2,435	
38,000	Chevrontexaco Corporation .....	4,685	3,728	
30,500	The Chubb Corporation .....	2,784	2,487	
50,000	Colgate Palmolive Company .....	3,899	3,937	
73,900	ConocoPhillips .....	5,551	5,502	
100,000	CVS Corporation .....	4,706	3,809	
126,000	Disney (Walt) Company .....	4,644	3,381	
50,000	Emerson Electric Company .....	4,279	3,472	
64,000	Entergy Corporation .....	4,557	4,590	
59,800	Exxon Mobile Corporation .....	3,621	2,918	
46,000	Fannie Mae .....	5,260	4,215	
21,000	Fifth Third Bancorp .....	1,476	1,638	
80,000	General Electric Company .....	3,667	3,118	
45,000	Gillette Company .....	2,120	1,948	
40,000	Hartford Financial Services Group, Inc. ....	3,606	2,737	
90,000	HCA Inc. ....	5,170	3,918	

# UNITED CORPORATIONS LIMITED

## CONSOLIDATED STATEMENT OF INVESTMENTS As At JUNE 30, 2003 (Continued) (Unaudited)

No. of Shares or Par Value		Cost	Market Value	% of Market
		(000's)		
<b>United States (continued)</b>				
207,200	Hewlett-Packard Company .....	6,128	5,997	
80,000	IMS Health Inc. ....	2,477	1,955	
57,000	Jefferson-Pilot Corp. ....	4,123	3,211	
57,400	Johnson & Johnson .....	4,131	4,032	
61,600	JP Morgan Chase & Co. ....	3,680	2,861	
67,000	Kimberly Clark Corporation .....	5,812	4,747	
27,000	Lehman Brothers Holdings Inc. ....	2,773	2,439	
46,000	Merck & Co. Inc. ....	4,365	3,784	
46,000	Metlife, Inc. ....	1,627	1,770	
90,600	Microsoft Corporation .....	3,872	3,156	
143,700	Norfolk Southern Corporation .....	3,896	3,749	
42,000	PartnerRe Ltd. ....	3,233	2,917	
77,000	Pepsico .....	5,042	4,656	
187,000	Pfizer Inc. ....	10,881	8,677	
35,000	Pulte Homes, Inc. ....	2,779	2,932	
585,000	Qwest Communications International Inc. ....	5,979	3,799	
77,600	Travelers Property Casualty Corporation Class A .....	1,831	1,677	
20,600	Valero Energy Corporation .....	1,060	1,017	
152,300	Washington Mutual, Inc. ....	8,150	8,546	
65,000	Wells Fargo & Company .....	4,298	4,451	
46,000	Whirlpool Corporation .....	5,421	3,982	
14,300	XL Capital Ltd. Class A .....	1,816	1,613	
		<u>192,095</u>	<u>164,680</u>	<u>26.3</u>
	<b>Total North America</b> .....	397,194	453,936	72.5
<b>Latin America</b>				
62,590	Cemex SA de C.V. ....	2,787	1,896	
119,900	Petroleo Brasileiro S.A. ADR .....	3,748	2,893	
		<u>6,535</u>	<u>4,789</u>	<u>0.8</u>
<b>Europe, excluding United Kingdom</b>				
22,625	L'Air Liquide SA .....	4,701	4,558	
204,520	Alcatel SA ADR .....	4,166	2,487	
15,300	AMB Generali Holding AG .....	2,481	1,363	
213,400	Arcelor .....	4,354	3,376	
58,700	Assurances Générales de France .....	4,438	3,285	
45,900	Autoliv Inc. ....	1,551	1,679	
23,200	Aventis S.A. ....	1,580	1,734	
20,900	BNP Paribas SA .....	1,614	1,443	
50,400	Compagnie De Saint-Gobain .....	3,123	2,695	
68,000	DSM NV .....	4,434	3,896	
246,100	ENI S.P.A. ....	5,651	5,058	
64,000	Fresenius Medical Care AG ADR .....	2,512	1,430	
118,117	Grupo Dragados SA .....	2,792	3,231	
4,800	Hannover Rueckversicherungs-AG .....	185	169	
12,187	HeidelbergCement AG .....	513	365	
93,000	Heineken NV .....	5,653	4,484	
110,000	ING Groep N.V. ADR .....	4,093	2,620	
10,000	ING Groep N.V. ....	409	236	
240,000	Luxtottica Group SPA ADR .....	5,944	4,533	
62,000	Nestlé S.A. ADR .....	5,126	4,355	
46,000	Novartis AG ADR .....	2,419	2,488	
74,000	PSA Peugeot Citroen .....	5,274	4,884	
32,000	Roche Holding AG .....	4,261	3,411	
57,000	Royal Dutch Petroleum Company .....	4,112	3,611	
14,192	Société Générale .....	1,383	1,222	
103,000	Svenska Cellulosa AB-B (SCA) .....	5,397	4,782	
36,000	Total Fina Elf SA ADR .....	4,015	3,708	
51,000	Unilever NV .....	3,822	3,742	
140,000	Vestas Wind Systems A/S .....	4,282	2,176	
80,600	Volkswagen AG .....	4,815	4,629	
		<u>105,100</u>	<u>87,650</u>	<u>14.0</u>



# UNITED CORPORATIONS LIMITED

## CONSOLIDATED STATEMENT OF INVESTMENTS As At JUNE 30, 2003 (Continued) (Unaudited)

No. of Shares or Par Value		Cost	Market Value	% of Market
		(000's)		
<b>United Kingdom</b>				
192,000	Aviva PLC .....	1,871	1,811	
75,000	Diageo PLC ADR .....	5,729	4,459	
50,000	GlaxoSmithKline PLC ADR .....	3,548	2,754	
25,890	GlaxoSmithKline PLC .....	719	710	
51,880	HSBC Holdings PLC ADR .....	4,686	4,167	
340,677	Intercontinental Hotels Group PLC .....	2,883	3,285	
80,777	Mitchells & Butlers PLC .....	409	423	
1,243,000	Royal & Sun Alliance Insurance Group PLC .....	8,022	3,867	
738,700	Safeway PLC .....	5,294	4,265	
1,498,000	Vodafone Group PLC .....	4,130	3,980	
74,000	Whitbread PLC .....	1,014	1,125	
		<u>38,305</u>	<u>30,846</u>	4.9
<b>Asia</b>				
76,000	Canon Inc. ....	4,318	4,739	
6,300,000	China Petroleum and Chemical Corporation .....	1,976	2,053	
459,080	Compal Electronics Inc. ....	3,421	4,179	
107,786	Emerging Markets Investors Fund .....	3,639	2,817	
80,000	Honda Motor Co., Ltd. ....	5,159	4,119	
40,800	Kookmin Bank .....	1,727	1,671	
170,000	Nippon Meat Packers, Inc. ....	2,119	2,181	
434,000	Nissan Motor Co., Ltd. ....	4,508	5,638	
28,700	Posco .....	3,689	4,048	
14,500	Promise Co., Ltd. ....	654	737	
203,000	Shinhan Financial Group Co., Ltd. ....	2,614	2,875	
37,200	Siam Investment Fund .....	527	388	
21,000	Singapore Airlines Ltd. ....	160	183	
84,820	Sony Corporation ADR .....	5,597	3,227	
4,000	Sony Corporation .....	580	153	
29,900	Takefuji Corporation .....	2,883	2,108	
530,000	Television Broadcasts Limited .....	3,267	2,580	
		<u>46,838</u>	<u>43,696</u>	7.0
<b>Australia</b>				
161,000	National Australia Bank Limited .....	4,724	4,915	
117,000	Qantas Airways Limited .....	329	348	
		<u>5,053</u>	<u>5,263</u>	0.8
<b>South Africa</b>				
22,800	Sappi Limited .....	399	384	0.1
	<b>Total equities</b> .....	599,424	626,564	100.1
	<b>Forward Currency Contracts, net - Schedule 1</b> .....	—	(396)	(0.1)
	<b>Total investments</b> .....	<u>\$ 599,424</u>	<u>\$ 626,168</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)
32.4	USD	2	1.3529 - 1.3590	Sept. 18, 2003	\$ (396)

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

## UNITED CORPORATIONS LIMITED

### NOTE TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

#### Summary of significant accounting policies

##### Basis of presentation

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods as the most recent annual financial statements and should be read in conjunction with the notes to the Company's audited financial statements for the year ended March 31, 2003.

# UNITED CORPORATIONS LIMITED

## CORPORATE INFORMATION

### Head Office

10th Floor  
165 University Avenue  
Toronto, Ontario  
M5H 3B8  
Telephone: 416-947-2578  
Fax: 416-868-6199

### Investment Managers

Jarislowsky Fraser Limited, Toronto

Sanford C. Bernstein & Co., LLC, New York

### Auditors

PricewaterhouseCoopers LLP, Toronto

### Transfer Agent and Registrar

Computershare Investor Services Inc.  
100 University Avenue, 9th Floor  
Toronto, Ontario  
M5J 2Y1  
Telephone: 416-981-9633  
Toll Free: 1-800-564-6253

### Stock Exchange Listings

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

### Net Asset Value

The Company's Net Asset Value per share is published every Saturday in the Mutual fund section of the Globe and Mail (under "Fund Asset Values") and in the National Post (under "Closed End Funds").