

# UNITED CORPORATIONS LIMITED



FIRST QUARTER REPORT

JUNE 30, 2011

# UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



## THE PERIOD AT A GLANCE (Unaudited)

	As at June 30 2011 <sup>(1)</sup>	As at March 31 2011 <sup>(1)</sup>
Net equity value per Common Share <sup>(2)</sup> .....	\$ 71.67	\$ 71.82
Net assets.....	\$ 881,730	\$ 883,576
Number of Common Shares outstanding at period end .....	12,194,193	12,194,193

  

	Three months ended June 30	
	2011 <sup>(1)</sup>	2010 <sup>(1)</sup>
Net investment income per Common Share <sup>(2)</sup> .....	\$ 0.54	\$ 0.44
Dividends per Common Share .....	\$ 0.20	\$ 0.20
Increase (decrease) in net assets from operations per Common Share .....	\$ 0.05	\$ (3.94)
Investment income .....	\$ 9,412	\$ 7,800
Net investment income .....	\$ 6,643	\$ 5,404

<sup>(1)</sup> In thousands of Canadian dollars, except number of Common Shares outstanding and per share amounts.

<sup>(2)</sup> See Management's Discussion and Analysis for Use of Non-GAAP Measures.

### NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's external auditors, PricewaterhouseCoopers LLP, have not performed a review of these interim financial statements of United Corporations Limited.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the unaudited operating results and financial condition of United Corporations Limited ("United" or the "Company") for the first quarter of fiscal 2012 should be read in conjunction with the MD&A for the fiscal year ended March 31, 2011, the Company's annual audited financial statements, the notes relating thereto, the supplementary financial information included in the Company's Annual Report, the quarterly unaudited financial statements and notes contained in this report. These unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They do not include all of the disclosures required under GAAP for annual financial statements. The reporting currency for the Company is the Canadian dollar, and all amounts in the following discussion are in Canadian dollars.

This MD&A may contain certain forward-looking statements that are subject to risks and uncertainties that may cause the results or events mentioned in this discussion to differ materially from actual results or events. No assurance can be given that results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

### Use of Non-GAAP Measures

This MD&A contains reference to "net equity value per Common Share" and "net investment income per Common Share". These terms do not have any standardized meaning in GAAP and therefore may not be comparable to similar measures presented by other companies. The Company believes that these measures provide information useful to our shareholders in evaluating the Company's financial results.

Investors and management use net equity value per Common Share to determine the Company's value on a per Common Share basis. In order to determine its net equity value per Common Share, the Company deducts the cost of redemption of its Preferred Shares from its net assets.

Net equity value per Common Share is also used by investors and management as a comparison to the market price of its Common Shares to determine the particular discount or premium that the Company's Common Shares are trading at relative to the net equity value per Common Share.

Net investment income per Common Share is used by both investors and management to assess the sustainability and funding of dividends on Common Shares and Preferred Shares. In order to determine its net investment income per Common Share, the Company deducts the dividends paid on its Preferred Shares.

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

	<b>June 30 2011</b>	March 31 2011
Net assets .....	<b>\$ 881,730</b>	\$ 883,576
Deduct:		
Cost of redemption:		
First Preferred Shares .....	<b>1,567</b>	1,567
Second Preferred Shares, Series 1959 and 1963.....	<b>6,180</b>	6,180
	<b>7,747</b>	7,747
Net equity value .....	<b>\$ 873,983</b>	\$ 875,829
Common Shares outstanding .....	<b>12,194,193</b>	12,194,193
Net equity value per Common Share.....	<b>\$ 71.67</b>	\$ 71.82

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Three months ended June 30	
	2011	2010
Increase (decrease) in net assets from operations .....	\$ 719	\$ (47,972)
Add: Net loss on investments .....	5,924	53,376
Net investment income .....	6,643	5,404
Deduct: Dividends paid on Preferred Shares.....	94	94
Net investment income, net of dividends paid on Preferred Shares .....	<u>\$ 6,549</u>	<u>\$ 5,310</u>
Common Shares outstanding .....	<u>12,194,193</u>	<u>12,194,193</u>
Net investment income per Common Share .....	<u>\$ 0.54</u>	<u>\$ 0.44</u>

### Net Equity Value per Common Share

For the quarter ended June 30, 2011, the Company's net equity value per Common Share decreased to \$71.67 from \$71.82 at March 31, 2011. With dividends reinvested at month-end net equity values, the Company's net equity value return was 0.1% in fiscal 2012 compared to negative 5.9% for the same period in the prior fiscal year.

As the Company is a taxable Canadian corporation, these returns are net of a provision for income taxes on investment income and realized gains (losses) on investments, and net of a future income tax provision on the unrealized appreciation of investments.

In Canadian dollar terms, benchmark returns on a total return (capital gains plus dividends) basis were as follows:

	Three months ended June 30, 2011
	(%)
S&P/TSX Composite Index .....	(5.2)
MSCI World Index.....	(0.1)
S&P 500 Index .....	(0.7)

### Operating Results

#### *Net investment income*

The Company's net investment income in the first quarter of fiscal 2012 was \$6,643,000 compared to net investment income of \$5,404,000 in the same quarter of the prior year. On a per Common Share basis, net investment income for the quarter increased to \$0.54 in fiscal 2012 from \$0.44 in fiscal 2011.

During the quarter, foreign dividend income increased to \$7,033,000 from \$5,718,000 in fiscal 2011, and Canadian dividend income increased to \$2,231,000 from \$1,943,000 in fiscal 2011. The increases in both foreign and Canadian dividends resulted primarily from increased dividend payouts on securities held compared to the same period in the prior year.

Expenses in the quarter amounted to \$1,028,000 (fiscal 2011 - \$903,000). The implementation of the harmonized sales tax ("HST") of 13% increased the quarter's expenses by approximately \$68,000. The balance of the expense increases relate primarily to an increase in investment management and administrative costs resulting from a higher average investment portfolio value compared to the same period in the prior year.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The provision for income taxes in the current quarter includes \$34,000 (fiscal 2011 - \$171,000) of additional income tax related to certain foreign withholding taxes that could not be credited against Canadian income taxes payable.

### *Net loss on investments*

The Company realized a net gain on investments of \$1,597,000 in the first quarter of fiscal 2012 versus a net loss of \$2,108,000 for the same period in the prior year. The largest contributors to the net realized gain during the quarter were Dairy Farm International Holdings Limited, Fluor Corporation, and Heineken NV, offset in part by a net loss on the sale of Research In Motion Limited.

The Company's net change in unrealized appreciation of investments was a decrease of \$7,457,000 in the quarter compared to a decrease of \$51,220,000 in the same period last year. During the quarter, North American securities declined approximately \$13,597,000, partially offset by a net increase of \$6,140,000 from securities outside of North America.

### Quarterly Results

The following table summarizes various financial results on a quarterly basis for the eight most recent quarters (in thousands of dollars, except per Common Share amounts):

	June 30 2011	March 31 2011	Dec. 31 2010	Sept. 30 2010	June 30 2010	March 31 2010	Dec. 31 2009	Sept. 30 2009
Investments, at fair value	\$ 879,225	\$ 897,570	\$ 873,567	\$ 833,844	\$ 773,350	\$ 825,406	\$ 812,712	\$ 777,435
Investment income	\$ 9,412	\$ 5,839	\$ 4,469	\$ 4,405	\$ 7,800	\$ 4,798	\$ 4,090	\$ 4,468
Increase (decrease) in net assets from operations	\$ 719	\$ 21,222	\$ 35,420	\$ 56,233	\$ (47,972)	\$ 6,496	\$ 24,708	\$ 52,828
Increase (decrease) in net assets from operations per Common Share <sup>1</sup>	\$ 0.05	\$ 1.73	\$ 2.90	\$ 4.60	\$ (3.94)	\$ 0.52	\$ 2.02	\$ 4.32
Net equity value per Common Share	\$ 71.67	\$ 71.82	\$ 70.28	\$ 67.60	\$ 63.19	\$ 67.33	\$ 67.01	\$ 65.19

<sup>1</sup> Net of dividends paid on Preferred Shares.

Investment income is derived primarily from dividend income that is earned by the Company. While North American investments usually pay regular quarterly dividends, investments outside of North America often pay less frequently. In general, dividends earned on investments outside of North America peak in the first quarter of the fiscal year. Given the volatility in global stock markets and the value of the Canadian dollar relative to other currencies, there is no guarantee that the Company will receive dividend income on its investments at recent dividend payout levels. During the past three quarters, the Company experienced a year-over-year increase in foreign dividend income compared to the same quarter in the prior fiscal year, reversing a negative trend that had occurred in the five immediately preceding quarters.

Overall returns are determined by the performance of the investment managers of the portfolio and may fluctuate significantly as illustrated by the past eight quarters. The returns generated by the investment managers may also not correlate with benchmark returns.

### Share Data

At June 30, 2011, the following shares were issued and outstanding: 52,237 First Preferred Shares, 80,290 Second Preferred Shares, 1959 Series, 119,710 Second Preferred Shares, 1963 Series and 12,194,193 Common Shares.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Liquidity and Capital Resources

Quarterly dividends were paid on the Common Shares and Preferred Shares. The quarterly per share dividend was \$0.20 on the Common Shares and \$0.375 for each Preferred Share series. Payment of the Company's dividends is funded by net investment income. For the quarter ended June 30, 2011, net investment income was \$0.54 per Common Share as compared to Common Share dividend payments of \$0.20 per share.

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

The Company will apply IFRS to its disclosures commencing April 1, 2013. Its first set of financial statements prepared in accordance with IFRS will be for the quarter ending June 30, 2013, which will provide corresponding comparative financial information for fiscal 2013, including an opening statement of financial position as at April 1, 2012.

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

Additional information relating to the transition to IFRS is available in the Company's fiscal 2011 Annual Report.

### Additional Information

Additional information relating to United, including the Company's Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).

United's website, [www.ucorp.ca](http://www.ucorp.ca), also provides further information on the Company, including historical information on the net equity value per Common Share which is updated weekly.

Duncan N.R. Jackman  
Chairman and President

August 2, 2011

# UNITED CORPORATIONS LIMITED

## STATEMENT OF NET ASSETS (Unaudited)

	June 30 2011	March 31 2011
	(000's)	
<b>ASSETS</b>		
Investments, at fair value (cost - \$700,509; March 31, 2011 - \$709,728) (Note 2)	\$ 879,225	\$ 897,570
Cash	6,794	1,979
Short-term investments	15,624	4,870
Accrued income on investments	2,191	2,422
Income taxes receivable	708	962
Other assets	413	266
	<b>904,955</b>	<b>908,069</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	523	547
Payable in respect of investments purchased	483	—
Future income taxes	22,219	23,946
	<b>23,225</b>	<b>24,493</b>
<b>NET ASSETS</b>	<b>\$ 881,730</b>	<b>\$ 883,576</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital		
Issued:		
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
	<b>541,000</b>	<b>541,000</b>
Retained earnings (Note 3)	340,730	342,576
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 881,730</b>	<b>\$ 883,576</b>

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENT OF OPERATIONS (Unaudited)

	Three months ended June 30	
	2011	2010
	(000's)	
INVESTMENT INCOME		
Dividends:		
Foreign	\$ 7,033	\$ 5,718
Canadian	2,231	1,943
	9,264	7,661
Interest, including securities lending income	148	139
	9,412	7,800
Expenses:		
Investment management and administrative costs	848	716
Directors' and officers' remuneration	56	56
Office and miscellaneous	54	68
Transfer, registrar and custody fees	48	50
Professional fees	22	13
	1,028	903
Investment income before income taxes	8,384	6,897
Provision for income taxes	1,741	1,493
NET INVESTMENT INCOME	6,643	5,404
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	1,597	(2,108)
Net change in unrealized appreciation of investments	(7,457)	(51,220)
Transaction costs on purchase and sale of investments	(64)	(48)
NET LOSS ON INVESTMENTS	(5,924)	(53,376)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 719	\$ (47,972)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER COMMON SHARE	\$ 0.05	\$ (3.94)

(See accompanying notes)



# UNITED CORPORATIONS LIMITED

## STATEMENT OF RETAINED EARNINGS (Unaudited)

	Three months ended June 30	
	2011	2010
	(000's)	
BEGINNING OF PERIOD	\$ 342,576	\$ 287,840
Add (deduct):		
Increase (decrease) in net assets from operations	719	(47,972)
Refundable dividend taxes recovered	659	597
	1,378	(47,375)
Deduct:		
Dividends:		
First Preferred Shares	19	19
Second Preferred Shares	75	75
Common Shares	2,439	2,439
Provision for refundable dividend taxes	691	595
	3,224	3,128
END OF PERIOD (Note 3)	\$ 340,730	\$ 237,337

## STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

	Three months ended June 30	
	2011	2010
	(000's)	
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 719	\$ (47,972)
DIVIDENDS TO SHAREHOLDERS		
Preferred Shares	(94)	(94)
Common Shares	(2,439)	(2,439)
	(2,533)	(2,533)
TAXATION CHANGE		
Net (increase) decrease in refundable dividend taxes on hand	(32)	2
DECREASE IN NET ASSETS	(1,846)	(50,503)
NET ASSETS, BEGINNING OF PERIOD	883,576	828,840
NET ASSETS, END OF PERIOD	\$ 881,730	\$ 778,337

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

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

	Three months ended June 30	
	2011	2010
	(000's)	
Proceeds on sales of investments	\$ 37,163	\$ 24,835
Cost of investments, beginning of period	709,728	694,735
Cost of investments purchased during the period	26,117	34,844
	735,845	729,579
Cost of investments, end of period	700,509	702,723
Cost of investments sold during the period	35,336	26,856
Realized gain (loss) on investments sold before income taxes	1,827	(2,021)
Provision for income taxes	230	87
Net realized gain (loss) on investments	\$ 1,597	\$ (2,108)

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENT OF INVESTMENTS AS AT JUNE 30, 2011 (Unaudited)

Number of Shares		Cost	Fair value	% of Fair value
		(000's)		
<b>North America</b>				
<b>Canada</b>				
<b>Common</b>				
362,568	Algoma Central Corporation <sup>1</sup> .....	\$ 6,201	\$ 35,242	
70,720	Bank of Montreal .....	4,318	4,330	
306,805	Bank of Nova Scotia .....	5,322	17,795	
80,880	BCE Inc. ....	3,043	3,059	
322,670	CAE, Inc. ....	3,267	4,188	
90,620	Cameco Corporation .....	548	2,298	
136,330	Canadian National Railway Company .....	5,471	10,496	
260,570	Canadian Natural Resources Ltd. ....	8,132	10,504	
86,260	Canadian Tire Corp. Ltd. Class A .....	3,069	5,435	
44,505	Canadian Utilities Limited Class A .....	1,089	2,490	
202,702	Canfor Corporation .....	1,307	2,132	
273,565	Cenovus Energy Inc. ....	5,399	9,933	
80,000	Cogeco Cable Inc. ....	2,649	3,601	
292,932	Enbridge Inc. ....	1,997	9,160	
338,415	Encana Corporation .....	7,449	10,051	
300,000	Great-West Lifeco Inc. ....	4,287	7,632	
52,800	Industrial Alliance Insurance & Financial Services .....	2,015	2,116	
147,430	Imperial Oil Limited .....	1,308	5,857	
210,676	Jean Coutu Group Inc. ....	1,949	2,307	
114,119	Loblaw Cos. Limited .....	5,607	4,437	
614,730	Manulife Financial Corporation .....	10,305	10,469	
206,705	Metro Inc. ....	2,139	9,918	
392,710	Nexen Inc. ....	3,283	8,510	
151,890	Potash Corporation of Saskatchewan .....	1,496	8,340	
161,000	Power Financial Corporation .....	926	4,783	
107,775	Quebecor Inc. Class B .....	3,923	3,407	
224,165	Rogers Communications Inc. Class B .....	4,224	8,532	
374,796	Royal Bank of Canada .....	6,493	20,610	
338,400	Shaw Communications Inc. Class B .....	5,393	7,438	
169,620	Shoppers Drug Mart .....	6,996	6,729	
263,350	SNC-Lavalin Group Inc. Class A .....	1,110	15,485	
254,430	Suncor Energy Inc. ....	10,176	9,587	
669,310	Talisman Energy Inc. ....	4,131	13,226	
283,810	Thomson Reuters Corporation .....	11,534	10,263	
74,320	Tim Hortons Inc. ....	2,675	3,497	
246,928	Toronto-Dominion Bank .....	6,854	20,186	
236,764	TransCanada Corporation .....	4,803	9,991	
200,000	Transcontinental Inc Class A .....	3,808	2,906	
240,000	TVA Group Inc. Class B .....	3,202	2,911	
73,600	West Fraser Timber Co. Ltd. ....	1,679	3,828	
55,000	Weston (George) Limited .....	5,073	3,827	
		174,650	337,506	
<b>United States</b>				
80,000	3M Co. ....	7,246	7,314	
5,000	Apple Computer Inc. ....	4,941	5,586	
191,000	BB&T Corporation .....	5,395	4,943	
58,000	Becton Dickinson & Co. ....	4,169	4,819	
4,188,000	Chaoda Modern Agriculture .....	3,659	1,739	
80,000	Chevron Corporation .....	5,728	7,927	
300,000	Cisco Systems, Inc. ....	8,625	4,513	
95,000	Colgate-Palmolive Company .....	6,877	8,005	
291,400	ConAgra Foods, Inc. ....	5,862	7,244	
166,400	Computer Sciences Corp. ....	8,280	6,091	
203,000	CVS Caremark Corporation .....	5,011	7,351	
121,000	Emerson Electric Company .....	5,089	6,561	
90,000	Exxon Mobil Corporation .....	5,839	7,059	
82,000	Fiserv, Inc. ....	4,202	4,952	
355,000	General Electric Company .....	9,537	6,449	
205,100	General Mills, Inc. ....	7,466	7,357	
93,000	Gilead Sciences, Inc. ....	3,220	3,713	
				38.4

# UNITED CORPORATIONS LIMITED

## STATEMENT OF INVESTMENTS AS AT JUNE 30, 2011 (Continued) (Unaudited)

Number of Shares		Cost	Fair value	% of Fair value
		(000's)		
<b>United States (continued)</b>				
165,000	Halliburton Company .....	\$ 5,181	\$ 8,113	
110,000	Hartford Financial Services Group, Inc. ....	6,758	2,795	
101,900	H.J. Heinz Company .....	4,795	5,234	
33,970	IBM Corporation .....	5,092	5,618	
108,000	Johnson & Johnson .....	7,577	6,921	
111,000	J.P. Morgan Chase & Co. ....	4,901	4,379	
115,700	Kimberly Clark Corporation .....	7,336	7,423	
74,500	Kraft Foods Inc. ....	2,423	2,530	
164,200	Merck & Co. Inc. ....	5,710	5,585	
120,000	Metlife, Inc. ....	4,231	5,074	
277,100	Microsoft Corporation .....	7,060	6,942	
65,000	Monsanto Co. ....	5,118	4,546	
45,120	NIKE, Inc. Class B .....	2,648	3,914	
156,820	Oracle Corp. ....	4,855	4,974	
115,000	Pepsico, Inc. ....	7,448	7,805	
554,200	Pfizer Inc. ....	15,986	11,004	
140,000	Philip Morris International Inc. ....	6,598	9,010	
142,875	Proctor & Gamble Company .....	8,346	8,762	
87,000	Scripps Networks Interactive .....	4,333	4,097	
220,000	Spectra Energy Corporation .....	4,874	5,813	
275,000	US Bancorp. ....	7,086	6,762	
110,700	Verisk Analytics Inc. Class A .....	3,219	3,696	
127,400	Waste Management Inc. ....	4,058	4,577	
220,161	Wells Fargo & Company .....	15,033	5,957	
		<u>251,812</u>	<u>243,154</u>	27.7
<b>Mexico</b>				
100,000	Fomento Economico Mexicano, S.A. de C.V. ADR .....	2,727	6,413	0.7
	<b>Total North America</b> .....	<u>429,189</u>	<u>587,073</u>	66.8
<b>Europe, excluding United Kingdom</b>				
230,780	ABB Limited .....	4,126	5,766	
42,579	Adidas AG .....	1,906	3,258	
206,669	AXA .....	5,300	4,536	
425,937	Banco Santander Central Hispano SA .....	5,782	4,748	
51,000	Bayer AG .....	3,958	3,943	
53,112	Casino Guichard-Perrachon SA .....	4,542	4,830	
120,828	CSM .....	2,088	3,921	
419,841	Davide Campari-Milano S.p.A. ....	1,793	3,319	
119,951	Delhaize Group .....	9,344	8,685	
100,240	Essilor International SA .....	3,118	7,852	
139,157	France Telecom SA .....	3,056	2,858	
93,000	Fresenius Medical Care & Co. KGaA ADR .....	3,006	6,699	
371,426	ING Groep N.V. ADR .....	7,802	4,423	
130,700	Kerry Group plc .....	3,449	5,224	
382,292	Koninklijke Ahold NV .....	5,465	4,958	
32,497	L'Air Liquide SA .....	2,299	4,498	
28,160	L'Oreal SA .....	2,643	3,529	
50,938	Lafarge SA .....	3,866	3,125	
131,000	OMV AG .....	6,187	5,508	
108,538	Publicis Groupe .....	3,684	5,845	
167,500	Nestlé S.A. ADR .....	5,652	10,076	
167,122	Nestlé S.A. ....	7,611	9,998	
35,983	Roche Holding AG .....	5,650	5,794	

# UNITED CORPORATIONS LIMITED

## STATEMENT OF INVESTMENTS AS AT JUNE 30, 2011 (Continued) (Unaudited)

Number of Shares		Cost	Fair value	% of Fair value
		(000's)		
<b>Europe, excluding United Kingdom (continued)</b>				
48,800	Sanofi .....	\$ 3,471	\$ 3,785	
120,000	SAP AG Spons ADR .....	6,607	7,016	
33,654	Schneider Electric SA .....	4,557	5,430	
99,821	SKF AB .....	1,112	2,793	
46,000	Synthes, Inc. ....	5,505	7,782	
440,000	Telenor ASA .....	7,522	6,970	
9,300	Total SAADR .....	5,548	5,189	
		<u>136,649</u>	<u>162,358</u>	18.5
<b>United Kingdom</b>				
125,000	BP plc ADR .....	9,706	5,337	
325,400	Britvic plc .....	1,554	1,989	
353,015	Dairy Crest Group plc .....	1,271	2,024	
45,000	Diageo plc ADR .....	3,404	3,553	
512,376	GlaxoSmithKline plc .....	11,032	10,590	
506,000	HSBC Holdings Inc. ....	3,848	4,843	
120,000	National Grid plc ADR .....	5,456	5,722	
190,301	Next plc .....	4,339	6,852	
100,600	Reckitt Benckiser plc .....	3,735	5,352	
120,948	Standard Chartered plc .....	3,321	3,069	
2,898,273	Thomas Cook Group Plc .....	10,238	5,972	
312,000	Vodafone Group Plc ADR .....	9,262	8,036	
		<u>67,166</u>	<u>63,339</u>	7.2
<b>Asia</b>				
151,600	Asahi Breweries, Ltd. ....	3,222	2,926	
3,392,000	China Pharmaceutical Group .....	1,898	1,585	
152,400	Circle K Sunkus Co., Ltd. ....	2,900	2,275	
67,400	Eisai Co., Ltd. ....	2,827	2,527	
37,100	Fanuc Corp. ....	4,118	5,937	
601	Inpex Corp. ....	3,633	4,241	
67,000	Itochu Techno-Solutions Corp. ....	1,944	2,279	
1,001	KDDI Corp. ....	5,739	6,908	
14,080	Keyence Corporation .....	2,888	3,819	
144,000	Kirin Holdings Company, Limited .....	1,944	1,920	
340,000	Konica Minolta Holdings Inc. ....	3,651	3,108	
60,600	Makita Corporation .....	1,557	2,696	
196,000	Mitsubishi Tanabe Pharma Corporation .....	3,335	3,151	
6,500	Nintendo Co. Ltd. ....	1,934	1,165	
70,800	Secom Co. Ltd. ....	3,320	3,256	
1,466,330	Sumitomo Trust and Banking Co., Ltd. (The) .....	8,485	4,875	
240,000	Suzuki Motor Corporation .....	6,450	5,175	
780,000	Television Broadcasts Limited .....	4,579	4,964	
		<u>64,424</u>	<u>62,807</u>	7.1
<b>Australia</b>				
45,000	BHP Billiton Limited Spons ADR .....	3,081	3,648	0.4
	<b>Total investments</b> .....	<u>\$ 700,509</u>	<u>\$ 879,225</u>	<u>100.0</u>

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

# UNITED CORPORATIONS LIMITED

## NOTES TO FINANCIAL STATEMENTS

(Unaudited)

### Summary of significant accounting policies

#### 1. Basis of presentation

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods as the most recent annual financial statements, and should be read in conjunction with the notes to the Company's audited financial statements for the year ended March 31, 2011. The financial statements do not include all of the disclosures required under GAAP for annual financial statements.

#### 2. Classification of fair value measurements

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted unadjusted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At both June 30, 2011 and March 31, 2011, all of the Company's investments were Level 1 investments. There were no year-to-date transfers between Level 1, 2 or 3 investments.

#### 3. Comparative figures

As a result of the financial statement reporting format adopted at the prior year end, the prior fiscal year's retained earnings numbers have been reclassified. In particular, the unrealized appreciation of investments at June 30, 2011, of \$62,517,000, reported as a separate component of shareholders' equity in the June 30, 2011 financial statements, has been grouped with retained earnings under the current financial statement format.

# UNITED CORPORATIONS LIMITED

## CORPORATE INFORMATION

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EXTERNAL INVESTMENT MANAGERS Jarislowsky Fraser Limited, Toronto  
ValueInvest Asset Management S.A., Luxembourg

AUDITORS PricewaterhouseCoopers LLP, Toronto

CUSTODIAN RBC Dexia Investor Services Trust

TRANSFER AGENT AND REGISTRAR Computershare Investor Services Inc.  
100 University Avenue, 9th Floor  
Toronto, Ontario  
M5J 2Y1  
Toll Free: 1-800-564-6253  
www.computershare.com

## TORONTO 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 EQUITY VALUE

The Company's Net Equity Value per Common Share is published on the Globe and Mail's website ([www.globefund.com](http://www.globefund.com)) and on the Company's website.

## REPORTING PROCEDURE FOR ACCOUNTING AND AUDITING MATTERS

If you have a complaint regarding accounting, internal controls or auditing matters or a concern regarding questionable accounting or auditing matters, you should submit your written complaint or concern to:

Mr. Michael J. White  
Chairman of the Audit Committee  
United Corporations Limited  
165 University Avenue, 10th Floor  
Toronto, Ontario  
M5H 3B8  
Email: [michaeljwhite@sympatico.ca](mailto:michaeljwhite@sympatico.ca)  
Phone: 416-505-2677

You may submit your complaint or concern anonymously. Your submission will be kept confidential and will be treated in accordance with the Company's policy for reporting accounting or auditing matters.

WEBSITE [www.ucorp.ca](http://www.ucorp.ca)

