MIDDLEFIELD CANADIAN INCOME

GBP PC A CELL OF MIDDLEFIELD CANADIAN INCOME PCC
(formerly MIDDLEFIELD CANADIAN INCOME TRUSTS - GBP PC A CELL OF MIDDLEFIELD CANADIAN INCOME TRUSTS INVESTMENT COMPANY PCC)

Annual Financial Report

For the year ended 31 December 2011

MCI

MIDDLEFIELD Canadian Income PCC

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Philip Bisson
Thomas Grose (appointed 11 October 2011)
W. Garth Jestley
Nicholas Villiers (Chairman)

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CHAIRMAN'S REPORT

It is my pleasure to introduce the 2011 Annual Financial Report. Middlefield Canadian Income PCC (the "Company") has established one closed-ended Cell known as Middlefield Canadian Income – GBP PC (the "Fund"). The Fund invests in a broadly diversified portfolio of Canadian equity income securities with the objective of providing shareholders with high dividends as well as capital growth over the longer term.

In spite of the numerous global economic and capital market challenges that emerged over the past year, the Fund performed exceptionally well in 2011. Having generated a total return of 6.0%, the Fund beat both its benchmark S&P/TSX Equity Income Index as well as the broader S&P/TSX Composite Index returns of 4.8% and -8.7% respectively. The Fund's outperformance was mainly attributable to the strong returns posted by the Canadian real estate sector as well as the liquids rich natural gas-focused issuers in which the portfolio was invested. The general outperformance of the Canadian Equity Income sector relative to the broader Canadian market is largely reflective of the positive impact of dividend income on returns and the on-going investor demand for yield in a low interest rate environment.

Going forward, we expect the rate of growth in developed economies such as Europe to decline as governments, financial institutions and households deleverage. While developed markets attempt to regain their fiscal balance, we believe that emerging economies will continue to expand, albeit at a more moderate pace. This growth, in turn, is expected to support longer-term demand for both energy and commodities. In North America, liquidity is plentiful, profit margins are high and inventory levels are lean. In addition, U.S. employment is modestly improving and corporate balance sheets are very strong. Notwithstanding the likelihood of a short-lived European recession due to the absence of a viable short-term solution to public sector indebtedness, we expect the U.S. and China to lead global-reacceleration during 2012.

Given the backdrop of low interest rates and aging populations which generally characterize the developed world, we believe that companies offering high levels of sustainable income will continue to receive premium valuations for the foreseeable future. Middlefield remains focused on those issuers in the Canadian Equity Income sector which are well positioned to grow their businesses, either organically or through accretive acquisitions, and thereby increase cash flows available to pay dividends.

We thank you for your continued support.

Chairman
Date: 4 April 2012

INVESTMENT MANAGER'S REPORT

In 2011, fiscal alarm bells were set off around the world. We witnessed civil wars and revolutions in the Middle East, a nuclear disaster in Japan and wide-spread protests that "occupied" our financial centres. Fears of a sovereign debt epidemic drove gold to record highs as investors sought safety amidst declining equity prices. As a result of these challenges, the S&P/TSX Composite Index fell by 8.7% on a total return basis in 2011. However, despite the broad market decline, MCI performed very well in 2011, generating a total return of 6.0% and exceeding its benchmark return (S&P/TSX Equity Income Index (CDN$)) of 4.8% during this period.

Looking forward, we expect growth in developed economies such as Europe will be. impaired as governments, financial institutions and households deleverage. While developed markets regain their fiscal balance, we believe that emerging economies will continue to expand, albeit at a more moderate pace. Most recently, leading PMI indicators have slowed in China, India and Brazil, suggesting that emerging economies have not entirely decoupled from more developed markets. While the headlines are disconcerting, we believe that emerging economies will be able to stimulate growth through policy easing. For example, although China's industrial production is expected to slow, consumer inflation is moderating and the government has the ability to spur lending by lowering reserve requirements for banks and reducing benchmark interest rates, which were increased five times during the past two years.

In North America liquidity is plentiful. Weak economic data is not unusual during a soft landing and we would be more concerned if it were accompanied by persistent declines in global trade volumes, which have yet to materialize. Moreover, U.S. employment is modestly improving and corporate balance sheets are remarkably strong, with non-financial companies in the S&P500 sitting on over $1 trillion of cash (an increase of 70% since 2007). Notwithstanding the likelihood of a short-lived European recession due to the absence of a viable shortterm solution to public sector indebtedness, we expect the U.S. and China to lead global-reacceleration during 2012.

With respect to the natural resource sector, we believe that emerging markets will continue to drive demand for commodities. Long-term, we see no evidence that global demand for metals and energy has been affected by the headline risks that surfaced during the year. We continue to believe that prices will trend higher as new deposits and mines are more expensive to develop, have a higher marginal cost of production and will be impacted by geopolitical issues, such as the Peruvian government's decision to increase mining royalties last August.

INVESTMENT MANAGER'S REPORT

We remain positive on the long-term outlook for oil and natural gas and maintain that North American natural gas and global oil production have peaked. We expect oil to average $90 per barrel over the next 12 months as global demand begins to recover. Long-term, oil prices are expected to average over $100 per barrel as global production is peaking and new supply is expensive and challenging to develop. We anticipate that natural gas prices will move higher, approaching US$6 per Mcf over the next 12 to 18 months. Fundamentals continue to suggest that shale gas production will not increase enough to offset declines in conventional, Gulf of Mexico and associated gas production. Excess supply of natural gas depressed prices during the past few years as land retention drilling and significant levels of foreign capital subsidized shale production and development costs. Moreover, recent data suggests that shale gas production in prominent regions, such as the Haynesville and Barnett, is flattening or declining.

The Canadian real estate sector performed remarkably well in 2011, supported by a widespread improvement in rents and occupancy. We believe REITs will remain an attractive asset class due to their ability to offer investors a tax-efficient source of income and the potential for stable long-term total returns. The relative strength of the Canadian economy and low unemployment should continue to support domestic and international demand for commercial real estate in Canada. Furthermore, life insurance companies and pension funds are expected to continue to increase their allocations to real estate relative to volatile publicly listed equities and low-yielding fixed income alternatives. We believe that continued access to low-cost capital and strong fundamentals will support cash flows and drive REIT dividend increases in 2012.

MCI is well positioned to take advantage of attractive investment opportunities in the equity-income, natural resource and real estate sectors, which should continue to perform well in a low interest rate environment and benefit from a demographic demand for income.

Middlefield International Limited
Date: 4 April 2012

DIRECTORS' REPORT

On 11 October 2011, Middlefield Canadian Income PCC (the "Company") announced the successful completion of its plan to simplify the structure of Middlefield Canadian Income - GBP PC (the "Fund"), which was approved at the meeting of shareholders held on 19 September 2011. On 3 October 2011 the Fund redeemed its entire holding of 10,000 trust units in CIT Trust. As of 6 October 2011, the Company's Swap arrangements, including its Canadian dollar currency hedge, were removed and the Fund invested directly in a portfolio of assets comprised predominantly of listed Canadian equity income securities.

In connection with the restructuring, the Company changed its tax residency from Jersey to the United Kingdom and, as conveyed in the shareholder circular issued on 19 August 2011, Mr Thomas Grose, a UK resident, was appointed to the Board as an additional non-executive Director. Mr Nicholas Villiers, another UK resident, replaced Mr Raymond Apsey as Chairman and Mr Apsey continues in office as a non-executive director.

Kleinwort Benson continues to act as the Fund's administrator. Consistent with the calculation method employed in valuing the securities of CIT Trust, the reference asset under the Swap, the Fund's net asset value per share ("NAV") is calculated using the closing prices of the securities held within its portfolio. In light of the simplification of the Fund's structure, the Company now publishes its NAV on a daily basis.

Although the structure of the Fund has been simplified its investment objective remains similar. The Fund's previous investment objective was to produce a high income return whilst also seeking to preserve shareholder capital. To achieve such objective, the Fund (i) entered into a Swap in order to achieve efficient currency hedged economic exposure to the Canadian equity income securities market and, (ii) also invested its assets in a Money Market and Bond Portfolio. The Fund's new investment objective and policy are described in further detail below.

Dividends

Subject to unforeseen circumstances, the Fund intends to maintain its current dividend rate of five pence per Share per annum payable on a quarterly basis.

New Investment Objective and Policy

The Fund seeks to provide Shareholders with a high level of dividends as well as capital growth over the longer term. The Fund intends to pay dividends on a quarterly basis each year.

Investment Portfolio

The Fund seeks to achieve its investment objective by investing predominantly in the securities of companies and REITs domiciled in Canada and listed on a Canadian Stock Exchange that the Investment Manager believes will provide an attractive level of distributions, together with the prospect for capital growth. It is expected that the Fund's portfolio will generally comprise between 40 and 70 investments.

DIRECTORS' REPORT (continued)

The Fund may also hold cash or cash equivalents.

The Fund may utilise derivative instruments including index-linked notes, contracts for differences, covered options and other equity-related derivative instruments for the purposes of efficient portfolio management.

The Fund will at all times invest and manage its assets in a manner which is consistent with the objective of spreading investment risk.

Investment restrictions

The Fund will not at the time of making an investment:

(a) have more than 10 percent of the value of its portfolio assets invested in the securities of any single issuer;

(b) have more than 50 percent of the value of its portfolio assets comprised of its ten largest security investments by value; or

(c) have more than 10 percent of the value of its portfolio assets invested in securities listed on a recognised stock exchange outside Canada; or

(d) have more than 10 percent of the value of its portfolio assets invested in unquoted securities; or

(e) purchase securities on margin or make short sales of securities or maintain short positions in excess of 10 percent of the Fund's net asset value.

Hedging

The Board reserves the right to employ currency hedging but, other than in exceptional circumstances, does not intend to hedge.

Gearing

The Fund has power to borrow up to 25 percent of the value of its total assets at the time of drawdown. In the normal course of events, and subject to Board oversight, the Fund is expected to employ gearing in the range of 0 to 20 percent of the value of its total assets in order to enhance returns.

Change of Company and Fund names

In anticipation of the restructuring, on 8 June 2011, the Company changed its name from Middlefield Canadian Income Trusts Investment Company PCC to Middlefield Canadian Income PCC. On the same date, the name of the Company's only cell was changed from Middlefield Canadian Income Trusts - GBP PC to Middlefield Canadian Income - GBP PC.

DIRECTORS' REPORT (continued)

Authorised and Issued Share Capital as at 31 December 2011

The Fund has the power to issue an unlimited number of shares of no par value which may be issued as redeemable participating preference shares or otherwise and which may be denominated in Sterling or any other currency. There are currently 2 Management shares of no par value (issued on incorporation) and 80,317,500 redeemable participating preference shares of no par value in issue. No shares are held in treasury.

Further issues of Shares

The Fund's Articles of Association provide the Directors with wide powers to issue further shares without seeking further Shareholder approval. Shares must be issued on a pre-emptive basis, however, up to 10% of the issued share capital of the Fund may be issued on a non-pre-emptive basis provided that they are issued for cash at a price which is not less than the Fund's adjusted NAV at the time of issue. Since the year end, the Fund has issued the following for cash: on 20 January 2012 750,000 new redeemable participating preference shares, each of no par value in the Fund at an issue price per share (before expenses) of 104.5 pence. On 7 February 2012 7,280,000 new redeemable participating preference shares, each of no par value in the Fund at a price per share (before expenses) of 103 pence.

Substantial shareholding in the Fund

As at the date of this report, the following shareholders had declared a notifiable interest of 5 percent or more in the Fund's voting rights:

Name	Redeemable Participating Preference Shares Nominal	Redeemable Participating Preference Shares % of Shares in issue
HSBCGlobal Custody Nominee (UK) Limited	7,675,000	8.68
Harewood Nominees Limited	5,553,860	6.28
Rathbone Nominees Limited	5,333,589	6.03
State Street Nominees Limited	5,081,877	5.75

Results and dividends

The results for the year are shown in the Statement of Comprehensive Income on page 23 and related notes on pages 26 to 48. During the year dividends were paid on a quarterly basis (see note 13). Although there is no guarantee, dividends are expected to be paid on a quarterly basis and paid at the end of that month as follows:

Payment Month	Gross amount per Share
April 2012	1.25p expected
July 2012	1.25p expected
October 2012	1.25p expected
January 2013	1.25p expected

DIRECTORS' REPORT (continued)

Going concern

In the opinion of the Directors, there is a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. For this reason the financial statements have been prepared using the going concern basis.

The Directors have arrived at this opinion by considering, inter alia, the following factors:

- the Fund has sufficient liquidity to meet all on-going expenses;
- should the need arise, the Directors have the option to reduce dividend payments in order to positively affect the Fund's cash flows; and
- the Fund's investments in Canadian securities are readily realisable should their realisation be required to meet liquidity requirements.

Corporate Governance

Since the Fund has a London Stock Exchange premium listing, the annual financial report must disclose:

- whether or not it complies with the corporate governance regime of its country of incorporation;
- the significant ways in which its actual corporate governance practices differ from those set out in the UK Corporate Governance Code; and
- the unexpired term of the service contract of any Director proposed for election or re-election at the forthcoming Annual General Meeting and, if any Director for election or re-election does not have a service contract, a statement to that effect.

The Fund has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained in the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Fund.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Fund is a member of the AIC (Association of Investment Companies). The Fund has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

DIRECTORS' REPORT (continued)

Corporate Governance (continued)

The UK Corporate Governance Code includes a provision relating to the role of the chief executive. For the reasons set out in the AIC Guide, and in the preamble to the UK Corporate Governance Code, the Board considers that this provision is not relevant to the position of the Fund, being an externally managed investment fund. Per Listing Rule 15.6.6, a closed ended investment fund does not need to comply with the Code Provisions for Remuneration within The UK Corporate Governance Code. The Fund has therefore not reported further in respect of these provisions.

The Board

As at 31 December 2011 the Board of Directors comprised five non-executive Directors of whom four were independent of the Investment Manager.

The Directors who served on the board during the year, together with their beneficial interests and those of their families at the date of approval of this report were as follows:

	2011 Redeemable Participating Preference Shares	**2010 Redeemable Participating Preference Shares**
Raymond Apsey	50,000	10,000
Philip Bisson	310,000	245,000
Thomas Grose (effective 11 October 2011)	20,000	-
W. Garth Jestley	200,000	200,000
Nicholas Villiers (Chairman)	10,000	10,000

The Directors are:

Raymond Apsey (68)

Mr Apsey is a Fellow of the Institute of Chartered Secretaries and Administrators with extensive experience at management level of the offshore finance industry in the Bahamas, the Channel Islands and the Cayman Islands. He joined the Morgan Grenfell Offshore Group in 1975 to head the Corporate and Trust Division and held various senior appointments including Deputy Managing Director of Jersey, Managing Director of Cayman and Group Director before retiring in December 1995. Mr Apsey resides in Jersey and is currently Chairman or Director of a number of investment companies listed on the London, Irish and Channel Islands Stock Exchanges.

DIRECTORS' REPORT (continued)

Corporate Governance (continued)

Philip Bisson (57)
Mr Bisson is a Fellow Member of the Chartered Institute of Bankers, and is or has been a member of various Jersey committees including the Jersey Association of Trust Companies of which he is also treasurer. From 1979 to 1986 Mr Bisson was Trust Manager and Company Secretary of Chase Bank and Trust company (CI) Limited and from 1986 to 1994 was a Director of BT Trustees (Jersey) Limited. Mr Bisson is domiciled in Jersey and is currently the Managing Director of Philean Trust Company Limited.

Thomas Grose (71)
Following service with the United States Army, Mr Grose began his career in finance with Citibank in New York, where he rose to become an Assistant Vice President. After a spell as Vice President - Finance and Chief Financial Officer with Great American Industries, Inc., he joined Bankers Trust Company, where he spent 18 years variously in New York, London and Tunisia. Since 1991, Mr Grose has worked for Stock Market Index International, a company that he established in the UK, which provides proprietary research to asset managers, hedge funds and other financial institutions.

W. Garth Jestley (65)
Mr Jestley is President and Chief Executive Officer of Middlefield Group Limited and Deputy Chairman of Middlefield Capital Corporation. Mr Jestley has over 35 years of experience in the financial services sector, including senior roles in investment management, corporate banking, resource project financing and investment banking. Prior to joining Middlefield in 1985, Mr Jestley was employed with Citibank N.A., Bank of Montreal and The Prudential Insurance Company of America. Mr Jestley holds the Chartered Financial Analyst designation.

Nicholas Villiers (Chairman) (72)
Mr Villiers was Vice Chairman of Royal Bank of Canada Europe Limited and Managing Director of RBC Capital Markets (previously RBC Dominion Securities). Mr Villiers joined the Royal Bank of Canada Group in 1983 as a Director and Head of Mergers and Acquisitions at Orion Royal Bank, London (a subsidiary of Royal Bank of Canada). During his 19-year career with the RBCGroup, Mr Villiers led the international mergers and acquisitions team based in London and was also responsible for the Royal Bank of Canada Group's successful participation in international privatisations. Prior to joining the Royal Bank of Canada Group, Mr Villiers served from 1977 to 1983 as joint Managing Director of Delcon Financial Corporation. Mr Villiers is domiciled in Switzerland.

The Fund does not have any executive Directors nor does it have any employees.

DIRECTORS' REPORT (continued)

Corporate Governance (continued)

The structure of the Board is such that it is considered unnecessary to identify a senior independent nonexecutive Director other than the Chairman as the board currently has a majority of independent Directors and will continue to have a majority of independent Directors beyond the forthcoming Annual General Meeting. As such, it complies with the UK Corporate Governance Code. On 26 May 2010, a Nomination and Remuneration Committee was established comprised of all the Directors of the Fund. Directors will be subject to election by shareholders at the Annual General Meeting following their appointment and, thereafter, at least at every third subsequent Annual General Meeting.

It is the Board's view that Mr Jestley, a non-independent Director, continues to provide effective and impartial scrutiny of the performance of the Investment Manager and the Fund's advisors and service providers and should therefore remain on the Board.

Although no formal training in Corporate Governance is given to Directors, the Directors are kept up-to-date on Corporate Governance issues through bulletins and training materials provided from time to time by the Company Secretary, the Administrator and the AIC.

The Board meets at least quarterly to review the overall business of the Fund and to consider matters specifically reserved for its review. At these meetings the Board monitors the investment performance of the Fund. The Directors also review the Fund's activities every quarter to ensure that it adheres to the Fund's investment policies or, if appropriate, to make any changes to those policies. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Directors' Remuneration

No Director has a service contract with the Fund and details of the Directors' fees are disclosed in Note 15. Mr Jestley has waived his entitlement to Directors' fees.

For the year ended 31 December 2011 the independent non executive Directors each received the following:

Director	**Fees**
Raymond Apsey*	£18,750
Philip Bisson	£15,000
Thomas Grose (appointed 11 October 2011)	£ 3,000
Nicholas Villiers*	£16,250

*Raymond Apsey received remuneration for acting as Chairman up to 10 October 2011, thereafter he received remuneration for acting as a Director.

DIRECTORS' REPORT (continued)

Corporate Governance (continued)

*Nicholas Villiers received remuneration for acting as a Director up to 10 October 2011, thereafter he received remuneration for acting as the Chairman when the Company adopted UK tax residency.

Following a recent review, the Nomination and Remuneration Committee decided to increase the independent Directors' fees to £20,000 and the Chairman's fee to £25,000 with effect from 1 January 2012.

In line with good corporate governance, resolution 5 in the notice of the Annual General Meeting seeks approval of the Directors' remuneration as set out herein.

Directors' Attendance

The table below summarises the Directors' attendance at each type of meeting held during the year.

	Board	Audit Committee	Nomination and Remuneration Committee
No. of meetings in the year	10	3	1
Raymond Apsey	7	3	1
Philip Bisson	9	3	1
Thomas Grose*	4	1	n/a
W Garth Jestley	9	n/a	1
Nicholas Villiers	9	3	1

*Thomas Grose's appointment as a director of the Fund became effective on 11 October 2011. He was appointed as a member of the audit committee on 15 November 2011.

Internal Control

The Board is responsible for establishing and maintaining the Fund's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet the particular requirements of the Fund and to manage rather than eliminate the risks of failure to achieve its objectives. The systems by their very nature can provide reasonable but not absolute assurance against material misstatement or loss. There is an ongoing process for identifying, evaluating and maintaining risks significant to the Fund. The Board has reviewed the effectiveness of the internal control systems of the service providers to the Fund including the financial, operational and compliance controls and risk management. These systems have been in place for the period under review and to the date of signing the accounts.

The Fund receives services from the Administrator relating to its administration activities. Documented contractual arrangements are in place with the Administrator which define the areas where the Fund has delegated authority to them.

DIRECTORS' REPORT (continued)

Corporate Governance (continued)

Audit Committee

On 26 May 2010, an Audit Committee was established. Phillip Bisson (Chairman), Raymond Apsey and Nicholas Villiers were appointed as members. On 15 November 2011 Thomas Grose was appointed as a member. The Audit Committee considers the financial reporting by the Fund, the internal controls, and relations with the Fund's external auditors. In addition the Audit Committee reviews the independence and objectivity of the auditors.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and to consult with outside legal or other independent professional advisers when deemed necessary in order to adequately discharge their duties and responsibilities, which include:

- Considering the appointment, resignation or dismissal of the external auditor and their independence and objectivity, particularly in circumstances where non-audit services have been provided.
- Reviewing the cost effectiveness of the external audit from time to time.
- Reviewing and challenging the half-yearly and annual financial reports, focusing particularly on changes in accounting policies and practice, areas of accounting judgement and estimation, significant adjustments arising from audit or other review and the going concern assumption.
- Reviewing compliance with accounting standards and law and regulations including the UKLA Listing Rules.
- Completing regular risk management reviews of internal controls, which includes the review of the Fund's Risk Register.
- Reviewing the Fund's system of internal controls, including financial, operating, compliance and risk management controls and to make and report to the Board any recommendations that may arise.
- Considering the major findings of internal investigations and make recommendations to the Board on appropriate action.
- Ensuring that arrangements exist whereby service providers and management may raise concerns over irregularities in financial reporting or other matters in confidence and that such concerns are independently investigated and remediated with appropriate action.

The Audit Committee, having reviewed the effectiveness of the internal control systems of the Administrator, and having a regard to the role of its external auditors, does not consider that there is a need for the Fund to establish its own internal audit function.

DIRECTORS' REPORT (continued)

Corporate Governance (continued)

Nomination and Remuneration Committee

The Board has also established itself as a Nomination and Remuneration Committee, which will meet when necessary.

- The Committee will consider and monitor the level and structure of remuneration of the directors of the Fund.
- The Committee is authorised, in consultation with the Secretary, where necessary to fulfil its duties, to obtain outside legal or other professional advice including the advice of independent remuneration consultants, to secure the attendance of external advisors at its meetings, if it considers this necessary, and to obtain reliable up-to-date information about remuneration in other companies, at the expense of the Fund.
- The Committee will consider the overall levels of insurance cover for the Fund, including Directors' and Officers' Liability Insurance.
- The Committee will conduct a process in January each year to evaluate the performance of the Board and its individual directors.
- The Committee will consider such other topics as directed by the Board.

The Terms of Reference for both the Audit Committee and the Nomination and Remuneration Committee are available for inspection at the Fund's registered office during normal business hours.

The Board believes that subject to any exception explained above and the nature of the Fund as an investment fund, that it has complied with the applicable provisions of the UK Corporate Governance Code and with the Turnbull guidance on internal controls throughout the year.

The London Stock Exchange Listing Rules also require the following additional information:

- To coincide with the restructure, Kleinwort Benson (Channel Islands) Corporate Services Limited ("Kleinwort Benson") ceased to act as the Manager of the Fund in an agreement dated 18 August 2011, (effective 5 October 2011). In the agreement dated 18 August 2011 Kleinwort Benson agreed to continue to act as the Company's Administrator but it would no longer act as its Manager, with Middlefield International Limited appointed directly by the Company as its discretionary investment manager. The Administrator receives an Administration fee payable by the Fund quarterly in arrears at a rate of 0.1 percent per annum of the average Fund Net Asset Value calculated over the relevant quarterly period. Administration fees for the year ended 31 December 2011 total £84,768 (Administration and Management fees together for the year ended 31 December 2010: £67,708).

DIRECTORS' REPORT (continued)

Corporate Governance (continued)

Nomination and Remuneration Committee (continued)

- The agreement dated 19 June 2006 with Middlefield International Limited as Investment Adviser was terminated as at 19 August 2011 (effective 5 October 2011). Middlefield International Limited's role as the Company's Investment Manager became effective 6 October 2011. Prior to this date, the Fund obtained economic exposure to Canadian equity income securities through CIT Trust, the Fund's reference asset under a total return Swap. Middlefield Limited, in its capacity as the manager of CIT Trust, received a management fee out of the property of CIT Trust at a rate of 0.60 percent per annum of the average Net Asset Value of the trust. In addition, Middlefield International Limited received a fee of 0.10 percent of the Fund's Net Asset Value for acting as the investment adviser to the Fund. As at 6 October 2011, the fee payable to Middlefield Limited by CIT Trust equated to a rate of 0.767 percent of the Fund's Net Asset Value, using the value of CIT Trust, the Net Asset Value of the Fund and the Sterling/Canadian dollar exchange rate as at close of business that day. The rate of 0.767 percent was higher than 0.6 percent by virtue of the currency hedge embedded in the Swap, which resulted in the net assets under management in CIT Trust exceeding the Net Asset Value of the Fund as at 6 October 2011. The simplification of the Company's structure was not intended to result in a change in the fees paid to Middlefield Group. Accordingly, under the new Investment Management Agreement, from the date of the termination of the Swap until 28 June 2013 (when the Swap would otherwise have expired), Middlefield International will receive a management fee payable by the Fund on the average Net Asset Value of the Fund calculated over the relevant quarter period at a rate of 0.867 percent, which is intended to reflect the fee payable by the Fund (0.10 percent per annum) and CIT Trust under the arrangements prior to the termination of the Swap on 6 October 2011. Following 28 June 2013, the management fee will decrease to a rate of 0.70 percent per annum of the average Net Asset Value of the Fund calculated over the relevant quarter period. Investment Management fees for the year ended 31 December 2011 total £229,760 (Investment Advisory fees for the year ended 31 December 2010: £67,708).

The Board regularly reviews the performance of the services provided by these companies. A summary of the terms of the agreements with Kleinwort Benson and Middlefield International Limited are set out in note 2 to the financial statements. After due consideration of the resources and reputation of Kleinwort Benson and Middlefield International Limited, the Board believes it is in the interests of shareholders to retain the services of both Kleinwort Benson and Middlefield International Limited for the foreseeable future.

Having reviewed the investment management and investment advisory services provided by Middlefield International Limited and having regard to the Fund's investment performance since the Fund's launch in May 2006, the Directors are of the view that the portfolio should remain under the Investment Manager's stewardship for the foreseeable future.

Note 19 lists all investments of the Fund's investment portfolio.

DIRECTORS' REPORT (continued)

Corporate Governance (continued)

Independent Auditor

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Secretary

Kleinwort Benson (Channel Islands) Corporate Services Limited acted as Secretary throughout the year.

Annual General Meeting

The notice (the "Notice") of the next annual general meeting (the "AGM") of the Fund is included at the back of this annual financial report. The following information to be discussed at the AGM is important and requires your immediate attention.

Resolutions relating to the following items of special business will be proposed at the AGM:

Resolution 8 Disapplication of pre-emption rights in respect of the issue of additional shares

By law, the Directors require specific authority from shareholders before allotting new shares or selling shares for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 8 will empower the Directors to allot new shares for cash without first offering them to existing shareholders on a prorata basis, subject to the terms of the resolution included in the Notice.

Resolution 9 Authority to buy back Shares

Resolution 9 will empower the Fund to purchase its own Shares on the terms set out in the Notice. The Directors will only repurchase shares in the market if they believe it to be in shareholders' interests and as a means of correcting an imbalance between supply and demand for the Fund's Shares.

Unless renewed at a general meeting prior to such time, the authorities granted by resolutions 8 to 9 will expire at the earlier of 30 September 2013 or the conclusion of the next annual general meeting of the Fund to be held in 2013.

Recommendation:

The Board considers that each of the resolutions is likely to promote the success of the Fund and is in the interests of the Fund and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Fund as at the end of the financial year and of the profit or loss for that year. The Directors have elected to prepare the financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union.

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Fund's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and performance.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Fund and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Fund's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

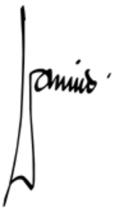
DIRECTORS' RESPONSIBILITIES (continued)

Directors' responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Fund; and
2. the Investment Manager's report includes a fair review of the development, performance and position of the Fund, together with a description of the principal risks and uncertainties faced by the Fund.

By order of the Board:



Director
4 April 2012

Director
4 April 2012

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MIDDLEFIELD CANADIAN INCOME - GBP PC ("THE FUND"),
A CELL OF MIDDLEFIELD CANADIAN INCOME PCC

We have audited the Fund financial statements (the "financial statements") of Middlefield Canadian Income - GBP PC for the year ended 31st December 2011 which comprise the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Redeemable Participating Preference Shareholders' Equity, the Cash Flow Statement, and Notes 1 to 20 of the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Fund's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 December 2011 and of the Fund's gain for the year then ended;
- have been properly prepared in accordance with IFRSsas adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991 .

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MIDDLEFIELD CANADIAN INCOME - GBP PC ("THE FUND"),
A CELL OF MIDDLEFIELD CANADIAN INCOME PCC

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:
- proper accounting records have not been kept by the Fund; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Andrew Isham, B.A, FCA
for and on behalf of Deloitte LLP
Chartered Accountants and Recognized Auditor
Jersey, UK
4 April 2012

BALANCE SHEET

As at 31 December 2011 with comparatives as at 31 December 2010

	Notes	2011 GBP	2010 GBP
Current assets			
Derivative financial instruments (at fair value through profit or loss)	3	-	5,022,260
Securities (at fair value through profit or loss)	4 & 19	83,449,781	76,985,979
Accrued bond interest		84,470	103,043
Accrued bank interest		5,510	-
Accrued dividend income		286,752	558
Interest receivable on Swap		-	1,026,259
Prepayments		10,155	11,566
Cash and cash equivalents	5	7,174,709	105,897
		91,011,377	83,255,562
Current Liabilities			
Other payables and accruals	6	(269,472)	(159,162)
Dividends payable	13	-	(1,003,969)
		(296,472)	(1,163,131)
Net current assets		**90,741,905**	**82,092,431**
Non-current Liabilities			
Loan payable	16	(6,357,324)	-
Net assets		**84,384,581**	**82,092,431**
Equity attributable to equity holders			
Share capital	7	-	-
Stated capital account	7	22,628,627	22,628,627
Other reserve		54,037,500	54,037,500
Retained profit		7,718,454	5,426,304
Total Shareholders' equity		**84,384,581**	**82,092,431**
Net asset value per redeemable participating preference share	**8**	**105.06p**	**102.21p**

The financial statements and notes on pages 22 to 48 were approved by the Directors on 4 April 2012 and signed on behalf of the Board by:

Director **Director**

The accompanying notes on pages 26 to 48 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

	Notes	2011 GBP	2010 GBP
Revenue			
Dividend and interest income	9	1,245,540	397,816
Net movement in the fair value of derivative financial instruments	10	(8,551,400)	26,197,146
Net movement in the fair value of securities (at fair value through profit or loss)	11	14,129,040	17,811
Net movement on foreign exchange	2p	(485,792)	-
Total revenue		**6,337,388**	**26,612,773**
Expenditure			
Management fees	2o	163,896	67,708
Custodian fees	2l	21,708	20,312
Sponsor's fees	2m	169,536	135,415
Directors' fees and expenses	15	83,968	97,901
Investment advisory fees	2o	65,864	67,708
Legal and professional fees		189,424	-
Audit fees		26,250	25,000
Tax fees		17,600	-
Registrar's fees		27,942	23,436
Administration fees	2k	84,708	-
General expenses		2,126	46,608
Operating expenses		**853,022**	**484,088**
Net operating gain before finance costs		5,484,366	26,128,685
Loan interest		42,246	-
Total finance costs		**42,246**	**-**
Gain before tax		**5,442,120**	**-**
Withholding tax expense		138,063	-
Net gain and total comprehensive income for the year		**5,304,057**	**26,128,685**
Gain per redeemable participating preference sharebasic and diluted	12	6.60p	32.53p

The Fund has no other items of income or expense for the current and prior year and accordingly the net gain for the current year and the prior year represent total comprehensive income.

There are GBP nil (2010: GBP nil) earnings attributable to the management shares.

All activities derive from continuing operations.

The accompanying notes on pages 26 to 48 form an integral part of these financial statements.

STATEMENT OF CHANGES IN REDEEMABLE PARTICIPATING PREFERENCE SHAREHOLDERS' EQUITY

For the year ended 31 December 2011 with comparatives for the year ended 31 December 2010

	Notes	Share Capital GBP	Stated Capital Account GBP	Other Reserve GBP	Retained Income GBP	Total GBP
At 1 January 2010		-	22,628,627	54,037,500	(15,682,537)	60,983,590
Gain for the year		-	-	-	26,128,685	26,128,685
Dividends paid and declared	13	-	-	-	(5,019,844)	(5,019,844)
At 31 December 2010		**-**	**22,628,627**	**54,037,500**	**5,426,304**	**82,092,431**
Gain for the year		-	-	-	5,304,057	5,304,057
Dividends paid	13	-	-	-	(3,011,907)	(3,011,907)
At 31 December 2011		**-**	**22,628,627**	**54,037,500**	**7,718,454**	**84,384,581**

The accompanying notes on pages 26 to 48 form an integral part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

	2011 GBP	2010 GBP
Cash flows from operating activities		
Net gain	5,304,057	26,128,685
Adjustments for:		
Net movement in the fair value of securities (at fair value through profit or loss)	(14,129,040)	(17,811)
Net movement in derivative financial instruments	11,768,356	(22,099,533)
Realised loss on foreign exchange	47,094	-
Unrealised loss on foreign exchange	438,698	-
Operating cash flows before movements in working capital	3,429,165	4,011,341
Decrease/(increase) in other receivables	754,539	133,159
Increase in other payables and accruals	110,310	32,727
Net cash from operating activities	**4,294,014**	**4,177,227**
Cash flows from investing activities		
Payment for purchases of securities	(311,437,018)	(310,603,378)
Proceeds from sale of securities	319,102,255	310,303,378
Final Swap payment	(6,746,096)	-
Net cash (used in)/generated from investing activities	919,141	(300,000)
Cash flows from financing activities		
Repayments of borrowings	(6,186,839)	-
New bank loans raised	12,277,843	-
Dividends paid	(4,015,875)	(4,015,875)
Net cash generated from/(used in) financing activities	2,075,129	(4,015,875)
Net (decrease)/increase in cash and cash equivalents	7,288,284	(138,648)
Cash and cash equivalents at the beginning of the year	105,897	244,545
Effect of foreign exchange rate changes	(219,472)	-
Cash and cash equivalents at the end of year	**7,174,709**	**105,897**
Cash and cash equivalents made up of:		
Cash at bank	7,174,709	105,897

The accompanying notes on pages 26 to 48 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

1. General Information

The Company is a closed-ended investment company incorporated in Jersey on 24 May 2006. The Company has one closed-ended Cell: Middlefield Canadian Income - GBP PC, also referred to as the "Fund". The Fund seeks to provide Shareholders with a high level of dividends as well as capital growth over the longer term. The Fund intends to pay dividends on a quarterly basis each year. The Fund seeks to achieve its investment objective by investing predominantly in the securities of companies and REITs domiciled in Canada and listed on a Canadian Stock Exchange that the Investment Manager believes will provide an attractive level of distributions, together with the prospect for capital growth.

The address of the Fund's registered office is PO Box 76, Wests Centre, St. Helier, Jersey, JE4 8PQ, Channel Islands.

The Fund's shares are listed on the London Stock Exchange.

The Fund has no employees.

The functional and presentational currency of the Fund is expressed in Sterling ("GBP").

2. Accounting Policies

a. Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The preparation of financial statements in conformity with IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The financial statements are prepared under IFRS on the historical cost basis modified by stating the following assets and liabilities at their fair value: derivative financial instruments and securities.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies.

2. Accounting Policies (continued)

a. Basis of presentation (continued)

Adoption of standards and interpretations

In the current year, the Company has not adopted any new or revised standards.

The following standards or Interpretations have been issued by the International Accounting Standards Board (IASB) but are not yet approved by the EU and therefore have not yet been adopted by the Fund:

- IFRS 9 (revised April 2009) Financial Instruments: Classification and Measurement effective for annual periods beginning on or after 1 January 2015.

The following standards or interpretations have been issued by the International Accounting Standards Board (IASB) and have been approved by the EU but have not yet been adopted by the Fund:

- IAS 32 (amended) “Offsetting Financial Assets and Financial Liabilities” effective date is 1 January 2014

The adoption of some of these standards and Interpretations may require additional disclosure in future financial statements. None are expected to affect the financial position of the Fund.

b. Financial Instruments

Financial instruments carried on the balance sheet include securities, trade and other receivables, cash at bank, trade and other payables and derivative financial instruments. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices on active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. Unrealised fair value gains or losses on these derivative financial instruments are included in the Statement of Comprehensive Income.

Disclosures about financial instruments to which the Fund is a party are provided in Note 18.

c. Securities

Investments in securities have been classified as fair value through profit or loss securities and are those securities intended to be held for a short period of time but which may be sold in response to needs for liquidity or changes in interest rates. These are held at fair value through profit or loss, as they are managed and the performance evaluated on a fair value basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

2. Accounting Policies (continued)

c. Securities (continued)

Fair value through profit or loss securities are initially recognised at cost, which is the fair value of the consideration given. The securities (collectively referred to as the 'Equities' and 'Money Market and Bond Portfolio') are subsequently re-measured at fair value based on bid prices quoted at the Balance Sheet date. Gains and losses arising from changes in the fair value of these securities are recognised in the Statement of Comprehensive Income as they arise.

All purchases and sales of investments and trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at trade date, which is the date on which the Fund commits to purchase or sell the asset. In cases which are not within the time frame established by regulation or market convention, such transactions are recognised on settlement date. Any change in fair value of the asset to be received is recognised between the trade date and settlement date.

d. Receivables

Receivables are carried at anticipated realisable value.

e. Prepayments

Prepayments comprise amounts paid in advance for insurance. Payments are expensed to the Statement of Comprehensive Income over the period which the Fund is receiving the benefit of these services.

f. Cash and cash equivalents

Cash includes amounts held in interest bearing accounts. Cash and cash equivalents comprise bank balances and cash held by the Fund. The carrying value of these assets approximates their fair value. Deposits held as part of the Money Market and Bond Portfolio are not included within cash and cash equivalents.

g. Provisions

A provision is recognised when the Fund has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligations.

h. Share capital

Redeemable participating preference shares are only redeemable at the sole option of the Directors, participate in the net income of the Fund during its life and are classified as equity in line with IAS 32 (see Note 7).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

2. Accounting Policies (continued)

i. Net asset value per redeemable participating preference share

The net asset value per redeemable participating preference share is calculated by dividing the net assets attributable to redeemable participating preference shareholders included in the balance sheet by the number of redeemable participating preference shares in issue at the year end.

j. Issue costs

The expenditure directly attributable to the launch of the Fund's shares and all other costs incurred on the launch and subsequent issues of the Fund's shares are written-off immediately against proceeds raised.

k. Administration and secretarial fees

Under the provisions of the Administration Agreement dated 18 August 2011 between the Fund and Kleinwort Benson (Channel Islands) Corporate Services Limited as Administrator, the Fund pays the Administrator a quarterly fee in respect of administration and secretarial services equal to 0.10 percent per annum of the average NAV of the Fund calculated over the relevant quarterly period. The fee is payable quarterly, in arrears.

l. Custodian fees

Prior to 6 October 2011 and in accordance with the Custodian Agreement dated 19 June 2006 between the Fund and Kleinwort Benson (Guernsey) Limited as Custodian, the Fund paid the Custodian 0.03 percent per annum of the Fund's NAV, accrued for at each valuation date, subject to an annual minimum fee of £15,000. The minimum fee was subject to review by the Custodian, every three years from the date of the Custodian Agreement.

As explained in the Directors' Report, as a result of the restructuring of the Fund, the Custodian Agreement with Kleinwort Benson (Guernsey) Limited was terminated. RBC Dexia Investor Services Trust (the "Custodian") was appointed as Custodian to the Fund on 6 October 2011. The Fund pays the Custodian 0.01 percent per annum of the Fund's NAV, accrued for at each valuation date.

m. Sponsor's fees

Cannacord Genuity Limited, the corporate broker, is entitled to ongoing sponsor's fees payable by the Fund quarterly in arrears at a rate of 0.20 percent per annum of the average NAV of the Fund calculated over the relevant quarterly period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

2. Accounting Policies (continued)

n. Going Concern

In the opinion of the Directors the Fund has adequate resources to continue in operational existence for the foreseeable future. For this reason the financial statements have been prepared using the going concern basis.

The Directors have arrived at this opinion by considering, inter alia, the following factors:

- the Fund has sufficient liquidity to meet all on-going expenses and repayment of external borrowings; and
- the portfolio of investments held by the Fund materially consists of listed investments which are readily realisable and therefore the Fund will have sufficient resources to meet its liquidity requirements.

o. Investment management fees

Under the provisions of the Investment Advisory Agreement dated 19 June 2006 between the Fund and Middlefield International Limited as Adviser, the Fund paid the Adviser a quarterly investment advisory fee equal to 0.10 percent per annum of the average NAV of the Fund calculated over the relevant quarterly period. The investment advisory fee was payable quarterly, no later than 10 days in arrears. The aforesaid Investment Advisory Agreement ceased with effect 5 October 2011 and was replaced by a revised Investment Management Agreement whereby the Investment Manager's fee was increased from 0.10 percent to 0.867 percent per annum of the average NAV of the Fund calculated over the relevant quarterly period, payable quarterly, no later than 10 days in arrears.

p. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at exchange rates in effect at the date of the financial statements. Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the Statement of Comprehensive Income as foreign currency gains and Losses. The cost of investments, and income and expenditure are translated into Sterling based on exchange rates on the date of the transaction. Realised loss on foreign exchange currency transactions totalled £47,094 for the year (2010: £nil). Unrealised loss on foreign currency transactions totalled £438,698 (2010: £nil).

q. Revenue recognition

Interest and dividend income comprises bond interest, dividend income and interest on bank deposits and is calculated on an accrual basis. Bond interest is calculated and accounted for on an effective yield basis. Dividend income is shown gross of withholding tax. Gains and losses on derivative financial instruments and on securities are recognised and disclosed in Notes 10 and 11 respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

2. Accounting Policies (continued)

r. Related parties

Related parties are individuals and companies where the individuals or companies have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

s. Business and geographical segments

The Directors are of the opinion that the Fund is engaged in a single segment of business investing predominantly in securities and REITs domiciled in Canada to which the Fund is solely exposed and therefore no segmental reporting is provided.

3. Derivative financial instruments

	2011 GBP	2010 GBP
Fair value of derivative financial instruments at 31 December (amount owed to the Fund)	-	5,022,260

The Fund previously hedged its CAD to GBP exposure using a currency exchange Swap. Payments under these Swap agreements were recognised in the Statement of Comprehensive Income at the time that payments under the hedged positions were incurred and matching Swap receipts were received. The Swap agreement was recognised in the Financial Statements at its fair value, being the present value of all future cash flows under the contract. Movements in fair value of the Swap contract were recognised in the Statement of Comprehensive Income.

As noted in the Fund annual report in respect of the financial year ended 31 December 2010, published on 18 March 2011, as a result of changes to the taxation of Canadian income trusts, virtually all income trusts changed their legal form to Canadian corporations. In light of these changes, and after consultation with the Fund's major shareholders, it was decided to simplify the Fund's structure by removing the Swap. The Swap was terminated on 5 October 2011, resulting in a realised loss of £6,746,096.

4. Securities (at fair value through profit or loss)

	2011 GBP	2010 GBP
Certificates of deposit	-	76,922,556
Canadian Income Trust	-	63,423
Equities	78,272,611	-
Debentures	5,177,170	-
	83,449,781	**76,985,979**

Please refer to Note 19 for the Schedule of Investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

5. Cash and cash equivalents

	2011 GBP	2010 GBP
Cash at bank	7,174,709	105,897

Cash and cash equivalents comprise bank balances and cash held by the Fund. The carrying value of these assets approximates their fair value.

6. Other payables and accruals

	2011 GBP	2010 GBP
Audit fees	26,341	25,000
Custodian fees	1,890	5,737
Directors' fees	-	342
General expenses	13,301	49,064
Investment advisory fees	-	19,124
Management fees	163,896	19,124
Registrar's fees	3,808	2,521
Sponsor's fees	40,157	38,250
Administration fees	20,079	-
	269,472	**159,162**

7. Share capital and stated capital account

The authorised share capital of the Fund is divided into 2 management shares of no par value and an unlimited number of redeemable participating preference shares of no par value.

	No. of shares	GBP
Management shares issued		
At 24 May 2006	-	-
2 management shares of no par value issued at £1 each	2	2
At 31 December 2010 and 2011	**2**	**2**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

7. Share capital and stated capital account (continued)

Redeemable participating preference shares issued		
At 24 May 2006	-	-
6 July 2006 55,000,000 shares of no par value issued at £1 each	55,000,000	55,000,000
6 July 2006 issue costs	-	(962,500)
6 October 2006 reduction of capital- transfer to other reserve	-	(54,037,500)
23 October 2006 5,490,000 shares of no par value issued at £1 each	5,490,000	5,490,000
23 October 2006 issue costs	-	(55,125)
18 April 2007 19,827,500 shares of no par value issued at 87 pence each	19,827,500	17,500,000
18 April 2007 issue costs	-	(306,250)
At 31 December 2009 and 2010	**80,317,500**	**22,628,625**

The holders of redeemable participating preference shares are entitled to receive in proportion to their holdings, all of the revenue profits of the Fund (including accumulated revenue reserves).

Each redeemable participating preference shareholder is entitled to one vote for each share held, provided all amounts payable in respect of that share have been paid.

Management shares are non-redeemable, have no right in respect of the accrued entitlement, and have no right to participate in the assets of the Fund on a winding-up. In all other respects the management shares have the same rights and restrictions as redeemable participating preference shares. Each management share entitles the holder to one vote for each share held.

Redeemable participating preference shares are redeemed at the absolute discretion of the Directors. Since redemption is at the discretion of the Directors, in accordance with the provisions of IAS 32, the redeemable participating preference shares are classified as equity. The Fund will not give effect to redemption requests in respect of more than 25 percent of the shares then in issue, or such lesser percentage as the Directors may decide.

On 6 October 2006, the Royal Court of Jersey confirmed the reduction of capital by way of a cancellation of the stated capital account of the Fund. The £54,037,500 cancelled has been credited as a distributable reserve established in the Fund's books of account as other reserves and is available as distributable profits to be used for all purposes permitted under Jersey Law, including purchase back of shares and the payment of dividends.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

8. Net asset value per redeemable participating preference share

The net asset value per share of 105.06p (31 December 2010: 102.21p) is based on the net assets at the year end of £84,384,579 (31 December 2010: £82,092,429) and on 80,317,500 redeemable participating preference shares, being the number of redeemable participating preference share in issue at the year end (31 December 2010: 80,317,500 shares).

9. Dividend and interest income

	2011 GBP	2010 GBP
Bond and debenture interest	322,905	394,333
Bank interest	13,731	569
Dividend income	908,904	2,914
	1,245,540	**397,816**

10. Net movement in the fair value of derivative financial instruments

	2011 GBP	2010 GBP
CIBC Swap amounts received and accrued	3,216,956	4,097,613
Reversal of CIBC Swap as at 31 December 2010	(5,022,260)	-
Change in fair value of CIBC Swap	-	22,099,533
Final CIBC SWAP payment	(6,746,096)	-
	(8,551,400)	**26,197,146**

The movement in the year on the CIBC Swap comprised amounts received and accrued under the quarterly payments of the Swap of £3,216,956 (2010: £4,097,613), and a decrease in Swap value of £5,022,260 (2010: increase £22,099,533). After making the final SWAP payment to CIBC, the Swap was terminated on 6 October 2011 at a realised loss on termination of £6,746,096.

11. Net movement in the fair value of securities

	2011 GBP	2010 GBP
Gains on the sale of securities	2,060,200	-
Gains on the revaluation of securities held at the year end	12,068,840	17,811
Net movement in the fair value of securities (at fair value through profit or loss)	**14,129,040**	**17,811**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

12. Gain per redeemable participating preference share - basic and diluted

Basic gain per redeemable participating preference share is calculated by dividing the net gain attributable to redeemable participating preference shares of £5,304,057 (31 December 2010: £26,128,685) by the weighted average number of redeemable participating preference shares outstanding during the year of 80,317,500 shares (31 December 2010: 80,317,500 shares).

13. Dividends

Dividends were paid on a quarterly basis during the year in the months of January, April, July and October totalling £4,015,875. On 31 January 2011 a dividend of £1,003,969 was paid. In accordance with the requirements of IFRS, as this was approved on 22 December 2010, being before the balance sheet date, an accrual was reflected in the 2010 financial statements for this amount (31 December 2011: £3,011,907, 31 December 2010: £5,019,844).

14. Taxation

The Company adopted UK tax residency from 11 October 2011 onwards. Since that date the Company has been managed in such a way as to be able to meet the conditions for approval as an investment trust under Section 1158 of the Corporation Tax Act 2010. Accordingly, no UK tax has been provided for. The Company will be applying to be approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 and will seek to remain so approved.

15. Related party transactions

Kleinwort Benson (Channel Islands) Corporate Services Limited (the “Secretary” and “Administrator”) and the Directors are regarded as related parties. The Administrator and Secretary are wholly-owned subsidiaries of Kleinwort Benson Channel Islands Holdings Limited, whose ultimate parent company is RHJ International, a company incorporated in Belgium.

Total directors’ fees paid during the year amounted to £53,000 of which £nil was due at the year end (2010: £50,000 of which £342 was due at the year end). Each independent Director was paid a fee of £15,000 in respect of the financial year ended and the Chairman was paid a fee of £20,000. Mr W. Garth Jestley has waived his entitlement to directors’ fees.

Canaccord Genuity (formerly Collins Stewart) the corporate broker, is regarded as related. Canaccord Genuity is entitled to ongoing sponsor’s fees from the Fund. During the year Canaccord Genuity also provided professional services in relation to the restructuring of the Fund. Total professional fees paid to Canaccord Genuity during the year amounted to £90,000 (2010: £nil) of which £nil was due at the year end (2010: £nil).

The fees for the above are all arms length transactions. The fees payable to the Administrator are explained in Note 2k. The balances due to the Administrator at the period end are disclosed in Note 6 “Other payables and accruals”.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

16. Loan payable

The Fund entered into a Credit Agreement with Royal Bank of Canada ("RBC") on 6 October 2011 whereby RBC provides a 364-day Revolving Term Credit Facility (the "Credit Facility") with a maximum principal amount of the lesser of CAD 50,000,000 and 25% of the Total Asset Value of the Fund.

The above loan facility is provided by RBCas detailed in the Revolving Term Credit Facility Agreement dated 6 October 2011. On 6 October 2011, upon termination of the Swap, the Fund availed the Credit Facility by way of a Bankers' acceptance and Prime loan. The Prime loan drawn under the Credit Facility totalled CAD 10,000,000 (GBP equivalent £6,134,969). The Prime loan was repaid on 7 November 2011. Interest paid on the Prime loan totalled CAD 21,589 (GBP equivalent £13,355).

The Bankers' acceptance drawn under the Credit Facility totals CAD 9,968,915 (GBP equivalent of £6,357,324) (2010: nil) at the year end.

Pre-paid interest and stamping fees of CAD 31,085 (GBP equivalent £19,229) were paid on the Bankers' acceptance and these costs are being amortised over 60 days. Interest paid on the Bankers' acceptance totalled £28,891.

Interest is calculated at an annual percentage equal to, in the case of Prime Loans, the Prime Rate minus 0.35%. In the case of a Bankers' acceptance, a stamping fee of 0.65% per annum is payable. Interest accrued on the facility totalled CAD 27,458 at the year end (2010: nil).

17. Security Agreement

In conjunction with entering into the Credit Facility, the Fund has entered into a General Security Agreement. Pursuant to the terms of the General Security Agreement the Fund has granted Royal Bank of Canada interests in respect of Collateral, being all present and after-acquired personal property including the Securities Portfolio, as security for the Fund's obligations under the Credit Facility.

18. Financial instruments

Fair values

The carrying amounts of the investments, other receivables, cash and cash equivalents and other payables approximate their fair values.

Management of Capital

The Investment Manager manages the capital of the Fund in accordance with the Fund's investment objectives and policies. The Fund underwent a change in structure during the year, the consequences of which are explained in the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

18. Financial instruments (continued)

Management of Capital (continued)

The capital structure of the Fund consists of proceeds from the issue of preference shares and reserve accounts. The Investment Manager reviews the capital structure on a monthly basis. The Fund does not have any externally imposed capital requirements.

Investment and trading activities

It is intended that the Fund will continue throughout its life to be invested in a Canadian Equities Portfolio.

The Fund's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Fund is exposed are market price risk, interest rate risk and currency risk.

Credit risk

Credit risk is the risk that an issuer or counterparty may be unable or unwilling to meet a commitment that it has entered into with the Fund.

The Fund's principal financial assets are bank balances and cash, other receivables and investments as set out in the balance sheet which represents the Fund's maximum exposure to credit risk in relation to the financial assets.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings of AA- and A+ assigned by Standard and Poor's rating agency.

All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

The Fund's maximum exposure to credit risk is the carry value of the assets on the balance sheet.

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. The Fund's exposure to market price risk is comprised mainly of movements in the value of the Fund's investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

18. Financial instruments (continued)

Country risk

On 17 January 2012 the Financial Reporting Council ("FRC") released "Responding to the increased country and currency risk in financial reports".

The FRC 17 January 2012 update for directors of listed companies includes guidance on responding to the increased country and currency risk as a result of funding pressures on certain European countries, the curtailment of capital spending programmes (austerity measures) and regime changes in the Middle East.

The Board has reviewed the disclosures and believes that no additional disclosures in light of this update are required since the Canadian economy is stable with a Moody's rating of AAA.

Fair value measurements

The Fund adopted the amendment to IFRS 7, effective 1 January 2009. IFRS 7 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS7 are as follows:

- Level 1 fair value measurements are those derived from quoted prices(unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

18. Financial instruments (continued)

Fair value measurements (continued)

The following table presents the Fund's financial assets and liabilities by level within the valuation hierarchy as of 31 December 2011

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities				
(at fair value through profit or loss)	83,449,781	-	-	83,449,781
Derivative financial instruments				
(at fair value through profit or loss)	-	-	-	-

The following table presents the Fund's financial assets and liabilities by level within the valuation hierarchy as of 31 December 2010

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities				
(at fair value through profit or loss)	76,985,979	-	-	76,985,979
Derivative financial instruments				
(at fair value through profit or loss)	-	5,022,260	-	5,022,260

The Fund holds securities that trade in active markets. Such financial instruments are classified as Level 1 of the IFRS7 fair value hierarchy. The fair value of the Swap is derived indirectly from observable market data and as such is classified as Level 2 of the IFRS fair value hierarchy. There were no transfers between Level 1 and 2 in the year.

Price sensitivity
At 31 December 2011, if the market prices of the securities had been 30% higher with all other variables held constant, the increase in net assets attributable to holders of redeemable shares for the year would have been £25,034,934 (2010: £24,602,472) higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by £25,034,934 (2010: £24,602,472).

At 31 December 2011, if the market prices of the securities had been 30% lower with all other variables held constant, the decrease in net assets attributable to holders of redeemable shares for the year would have been equal, but opposite, to the figures stated above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

18. Financial instruments (continued)

Price sensitivity (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate sensitive assets and liabilities mainly comprise cash and cash equivalents. The cash and cash equivalents are subject to floating rates and are considered to be part of the investment strategy of the Fund. No other hedging is undertaken in respect of this interest rate risk. As such, the Board does not believe the Fund suffers any material interest rate risk and has therefore not produced a sensitivity analysis.

The following table details the Fund's exposure to interest rate risk at 31 December:

	Floating rate assets	
	2011	2010
	GBP	GBP
Assets		
Derivative financial instruments	-	5,022,260
Money market, bond and debenture portfolio	5,177,170	76,985,979
Cash and cash equivalents	7,174,709	105,897
	12,351,879	**82,114,136**

The above analysis excludes short term debtors and creditors as all material amounts are non-interest bearing.

Liquidity risk

Liquidity risk is the risk that the Fund cannot meet its liabilities as they fall due. The Fund's primary source of liquidity consists of cash and cash equivalents, securities at fair value through profit or loss and the Credit Facility.

The Fund's investments are considered to be readily realisable, predominantly issued by Canadian companies and REIT's listed on the Canadian Stock Exchange and are actively traded.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

18. Financial instruments (continued)

Liquidity risk (continued)

As at 31 December 2011, the Fund's exposure to liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Securities (at fair value through profit or loss)	83,449,781	-	-	-	83,449,781
Accrued bond interest	84,470	-	-	-	84,470
Accrued bank interest	5,510	-	-	-	5,510
Accrued dividend income	286,752	-	-	-	286,752
Prepayments	10,155	-	-	-	10,155
Cash and cash equivalents	7,174,709	-	-	-	7,174,709
	91,011,377	**-**	**-**	**-**	**91,011,377**
Liabilities					
Other payables and accruals	(269,472)	-	-	-	(269,472)
Loan payable	-	-	(6,357,324)	-	(6,357,324)
	(269,472)	**-**	**(6,357,324)**	**-**	**(6,626,796)**
	90,741,905	**-**	**(6,357,324)**	**-**	**84,384,581**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

18. Financial instruments (continued)

Liquidity risk (continued)

As at 31 December 2010, the Fund's exposure to liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Derivative financial instruments (at fair value through profit or loss)	-	-	-	5,022,260	5,022,260
Securities (at fair value through profit or loss)	76,922,556	-	-	63,423	76,985,979
Accrued bond interest	103,043	-	-	-	103,043
Accrued dividend income	558	-	-	-	558
Interest receivable on Swap	1,026,259	-	-	-	1,026,259
Prepayments	1,918	4,315	5,333	-	11,566
Cash and cash equivalents	105,897	-	-	-	105,897
	78,160,231	**4,315**	**5,333**	**5,085,683**	**83,255,562**
Liabilities					
Other payables and accruals	(159,162)	-	-	-	(159,162)
Dividends payable	(1,003,969)	-	-	-	(1,003,969)
	(1,163,131)	**-**	**-**	**-**	**(1,163,131)**
	76,997,100	**4,315**	**5,333**	**5,085,683**	**82,092,431**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

18. Financial instruments (continued)

Currency risk

The Fund is denominated in GBP, whereas the Fund's principal investments are denominated in CAD. Consequently, the Fund is exposed to currency risk. The Fund's policy is therefore to actively monitor exposure to currency risk. The Board reserves the right to employ currency hedging but, other than in exceptional circumstances, does not intend to hedge. The Board considers that exposure was significant at the year end.

As at 31 December 2011, the Fund's net exposure to CAD currency at the year end was as follows:

	2011 GBP
Assets:	
Cash and cash equivalents	7,093,106
Canadian equities	78,272,611
Canadian debentures	5,177,170
Accrued income	376,732
	90,919,619
Liabilities:	
Loan payable	6,357,324
	6,357,324

Sensitivity analysis

At 31 December 2011, had GBP strengthened against the CAD by 5%, with all other variables held constant, the increase in net assets attributable to shareholders would amount to approximately £4,026,776. Had GBP weakened against the CAD by 5%, this would amount to a decrease in net assets attributable to shareholders of approximately £4,450,647.

Prior to the termination of the Swap on 5 October 2011, there was no exposure to currency risk since there was no direct holding of CAD denominated assets. The Swap arrangement in place provided currency-hedged economic exposure to the Canadian equity income sector.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

19. Schedule of Investments – Securities (at fair value through profit or loss)

As at 31 December 2011

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Canada - Quoted Investments					
Consumer Discretionary:					
Cineplex Inc.	90,000	1,392,265	1,467,472	1.74%	1.76%
Enercare Inc	720,000	3,098,343	4,235,294	5.02%	5.08%
Consumer Staples:					
Agrimarine Holdings Inc	1,250,000	161,142	115,262	0.14%	0.14%
Agrimarine Holdings Inc Warrants April 2012	625,000	17,123	-	0.00%	0.00%
Energy:					
Advantage Oil & Gas Ltd.	400,000	1,193,177	1,073,450	1.27%	1.29%
AltaGas Ltd	105,000	1,736,464	2,124,706	2.52%	2.55%
ARCResources Ltd.	220,000	2,931,983	3,496,216	4.14%	4.19%
Bonavista Energy Corp.	185,000	2,416,697	3,057,647	3.62%	3.66%
Bonterra Energy Corporation	115,000	3,106,200	3,750,938	4.44%	4.50%
Calmena Energy Services Inc	458,000	67,477	65,533	0.08%	0.08%
Canyon Services Group, Inc	210,000	1,160,221	1,595,867	1.89%	1.91%
Catherdral Energy Services Ltd	235,000	861,234	1,058,060	1.25%	1.27%
Crescent Point Energy Corp.	90,000	2,126,519	2,569,793	3.05%	3.08%
Fairborne Energy Ltd	500,000	1,159,960	934,817	1.11%	1.12%
Freehold Royalties Ltd	125,000	1,207,029	1,542,130	1.83%	1.85%
Keyera Corporation	65,000	1,791,989	2,056,852	2.44%	2.46%
NAL Energy Corp	150,000	589,319	747,854	0.89%	0.90%
Painted Pony Petroleum Ltd.	175,000	1,285,683	1,244,197	1.47%	1.49%
Pembina Pipeline Corporation	145,000	2,187,017	2,734,022	3.24%	3.28%
Perpetual Energy Inc	530,000	650,706	390,970	0.46%	0.47%
Pengrowth Energy Corporation.	210,000	1,187,293	1,430,270	1.69%	1.71%
Peyto Exploration & Development Corp.	250,000	3,031,001	3,858,507	4.57%	4.62%
PHX Energy Services Corp.	70,000	382,014	471,860	0.56%	0.57%
Poseidon Concepts Corp.	175,000	1,227,265	1,385,533	1.64%	1.66%
Precision Drilling Corporation	450,000	2,599,448	2,993,323	3.55%	3.59%
Progress Energy Resources Corporation	255,000	1,948,895	2,147,027	2.54%	2.57%
Trilogy Energy Corp.	150,000	2,452,118	3,578,060	4.24%	4.29%
Veresen Inc	195,000	1,674,678	1,892,337	2.24%	2.27%
Vermilion Energy Inc	50,000	1,281,768	1,436,884	1.70%	1.72%

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

19. Schedule of Investments – Securities (at fair value through profit or loss) (continued)

As at 31 December 2011

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Canada - Quoted Investments					
Gold:					
Primero Mining Corporation	128,000	36,145	25,234	0.03%	0.03%
Industrials:					
Westshore Terminals Investments Corp.	125,000	1,619,091	1,813,990	2.15%	2.17%
Materials:					
Canexus Corporation	375,000	1,300,645	1,535,771	1.82%	1.84%
Chemtrade Logistics Income Fund	150,000	1,066,298	1,416,534	1.68%	1.70%
Metals and Mining:					
Labrador Iron Ore Royalty Corporation	125,000	2,455,494	2,953,100	3.50%	3.54%
Real Estate:					
Artis Real Estate Investment Trust	150,000	1,098,527	1,332,591	1.58%	1.60%
Brookfield Office Properties Canada	210,000	2,821,915	3,227,790	3.83%	3.87%
Brookfield Office Properties Inc	130,000	1,210,717	1,313,641	1.56%	1.57%
Calloway Real Estate Investment Trust	150,000	2,334,254	2,547,854	3.02%	3,05%
Canmarc Real Estate Investment Trust	75,000	573,204	763,116	0.90%	0.91%
Northwest Healthcare Properties Real Estate Investment Trust	295,000	2,046,348	2,153,641	2.55%	2.58%
Primaris Retail Real Estate Investment Trust	85,000	1,045,672	1,113,514	1.32%	1.33%
Pure Industrial Real Estate Trust	465,000	1,056,169	1,230,143	1.46%	1.47%
Utilities:					
Brookfield Renewable Energy Partners LP	85,000	1,304,481	1,467,568	1.74%	1.76%
Northland Power Inc.	170,000	1,627,993	1,923,243	2.28%	2.30%
Total equities:		**66,521,981**	**78,272,611**	**92.75%**	**93.80%**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

19. Schedule of Investments – Securities (at fair value through profit or loss) (continued)

As at 31 December 2011

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Canada - Quoted Investments					
Debt:					
Chemtrade Logisitics Income Fund 5.75% due 31 December 2018	2,000,000	1,163,632	1,217,806	1.44%	1.46%
Gamehost Inc. 6.25% due 31 July 2015	2,000,000	1,172,498	1,329,094	1.58%	1.59%
Mullen Group Ltd. 10.00% due 1 July 2018	1,500,000	1,617,640	1,747,917	2.07%	2.09%
Perpetual Energy Inc. 8.75% due 15 March 2018	1,500,000	890,884	882,353	1.05%	1.06%
Total debt:		**4,844,654**	**5,177,170**	**6.14%**	**6.20%**
Total investments		**71,366,635**	**83,449,781**	**98.89%**	**100.00%**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

19. Schedule of Investments – Securities (at fair value through profit or loss) (continued)

As at 31 December 2010

Description	Rate	Issue Date	Maturity Date	Nominal Holding	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
United Kingdom - Certificates of Deposit								
Bank of Nova Scotia	0.42%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	6,999,867	8.52%	9.09%
Barclays Bank	0.60%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	7,000,005	8.53%	9.09%
BNP Paribas	0.66%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	7,000,051	8.53%	9.09%
Commonwealth Bank of Australia	0.43%	4 Oct 2010	4 Jan 2011	6,600,000	6,600,000	6,599,882	8.04%	8.57%
Crédit Agricole CIB	0.69%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	7,000,074	8.53%	9.10%
Kleinwort Benson	0.44%	4 Oct 2010	4 Jan 2011	322,868	322,868	322,868	0.39%	0.42%
Lloyds TSB Bank	0.71%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	7,000,089	8.53%	9.10%
Nordea Bank	0.50%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	6,999,929	8.53%	9.09%
Rabobank	0.48%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	6,999,913	8.52%	9.09%
Royal Bank of Canada	0.30%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	6,999,775	8.52%	9.09%
Royal Bank of Scotland	0.67%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	7,000,059	8.53%	9.10%
Société Générale	0.65%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	7,000,044	8.53%	9.09%
Sub-total - Certificates of Deposit					**76,922,868**	**76,922,556**	**93.70%**	**99.92%**
Canada - Income Trust								
CIT Trust				10,000	48,804	63,423	0.08%	0.08%
Total investments					**76,971,672**	**76,985,979**	**93.78%**	**100.00%**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2011
with comparatives for the year ended 31 December 2010

20. Post balance sheet events

On 6 January 2012 the Fund declared a quarterly dividend of 1.25 pence per share. The ex-dividend date was 18 January 2012 and the record date was 20 January 2012. On 31 January 2012 the dividend of £1,003,969 was paid.

On 20 January 2012, the Fund issued for cash, 750,000 new redeemable participating preference shares, each of no par value in the Fund. The issue price per share (before expenses) was 104.5 pence.

On 7 February 2012, the Fund issued for cash, 7,280,000 new redeemable participating preference shares, each of no par value in the Fund. The issue price per share (before expenses) was 103 pence.

Following the aforementioned issue of redeemable participating preference shares the Fund's ability to issue shares by way of a 'tap' issue had been fully utilised. Effective from 7 February 2012, the Fund's share capital consists of 88,347,500 redeemable participating preference shares with voting rights.

MIDDLEFIELD CANADIAN INCOME - GBP PC (the "Fund") a cell of MIDDLEFIELD CANADIAN INCOME PCC (the "Company") whose registered office is at Kleinwort Benson House, PO Box 76, Wests Centre, St. Helier, JE4 8PQ.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO WHAT ACTION TO TAKE, YOU SHOULD IMMEDIATELY CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

If you have sold or transferred all of your shares you should pass this document, together with the accompanying form of proxy, to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.

Notice of Annual General Meeting of the Fund

Notice is hereby given that the Annual General Meeting (the "AGM") of the Fund will be held at 14 St. George Street, London W1S 1FE on Thursday, 24 May 2012 at 1.00 p.m. for the following purposes:

ORDINARY BUSINESS

To consider and, if thought fit, pass each of the following resolutions as Fund Ordinary Resolutions:

1. to receive and adopt the Directors' Report, Auditors' Report and Financial Statements for the year ended 31 December 2011;

2. to re-elect Philip Bisson as a Director of the Fund;

3. to re-elect W. Garth Jestley as a Director of the Fund;

4. to re-elect Thomas Grose as a Director of the Fund;

5. to approve the Directors' remuneration as set out on page 13 of the Annual Financial Report for the year ended 31 December 2011;

6. to re-appoint Deloitte LLP as Auditors of the Fund; and

7. to authorise the Directors to determine the Auditors' remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolution as Fund Special Resolutions:

8. THAT in accordance with Article 2.25 of the Fund's Articles dated 19 September 2011 the Directors be authorised to issue or allot Shares for cash pursuant to Article 2.22 up to an amount representing 10 percent of the issued share capital of the Fund as at the date of the AGM as if Article 2.25 did not apply to the allotment, provided that such Shares shall be allotted for cash at a price which is not less than the Net Asset Value per Share at the time of the issue. This authority shall expire on the earlier of 30 September 2013 or the conclusion of the next annual general meeting of the Fund, whichever is the earlier, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry pursuant to any such offer or agreement as if the power conferred hereby had not expired. This power applies in relation to a sale of Shares held in treasury as if all references in this resolution to an issue or allotment included any such sale.

Notice of Annual General Meeting of the Fund (continued)

SPECIAL BUSINESS (continued)

9. **THAT** the directors of the Company be generally and unconditionally authorised:

    (a) pursuant to Article 57 of the Companies (Jersey) Law 1991 (the “Law”) to make market purchases of Shares, provided that,

    (i) the maximum number of Shares authorised to be purchased shall be up to an aggregate of 13,243,500 or such number as shall represent 14.99 percent of the issued share capital of the Fund as at the date of the AGM, whichever is less (in each case excluding Shares held in treasury);

    (ii) the minimum price, exclusive of any expenses, which may be paid for a Share is £0.01;

    (iii) the maximum price, exclusive of any expenses, which may be paid for a Share shall be the higher of:

    a. an amount equal to 105% of the average middle market quotation for Shares (as taken from the Daily Official List of the London Stock Exchange plc) for the five business days immediately preceding the day on which such shares are contracted to be purchased; and

    b. the higher of (i) the price of the last independent trade and (ii) the highest current independent bid on the London Stock Exchange at the time the purchase is carried out, provided that the Company shall not be authorised to acquire Shares at a price above the prevailing net asset value per Share on the date of purchase;

    (b) and that the authority hereby conferred shall expire on the earlier of 30 September 2013 or the conclusion of the next annual general meeting of the Fund, whichever is the earlier, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry pursuant to any such offer or agreement as if the power conferred hereby had not expired.

    (c) and further pursuant to Article 58A of the Law to, if the Directors determine in their absolute discretion that it be appropriate or desirable, hold as treasury shares any Shares purchased pursuant to the authority conferred in paragraph (a) of this Resolution.

By order of the Board
Kleinwort Benson (Channel Islands) Corporate Services Limited
as Company Secretary

4 April 2012

Notes:

(1) A Fund Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Fund Member.

(2) For the convenience of Fund Members who may be unable to attend the Meeting, a reply-paid Form of Proxy accompanies this document. To be valid, the Form of Proxy should be completed in accordance with the instructions printed on it and sent, so as to reach Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours before the time fixed for the Fund Annual General Meeting. The fact that Fund Members may have completed Forms of Proxy will not prevent them from attending and voting in person at the Fund Annual General Meeting should they subsequently decide to do so.

(3) The quorum for the Fund Annual General Meeting is at least two Fund Members present in person or by proxy or by attorney. The majority required for the passing of the Fund's special resolution is two-thirds or more of the total number of votes cast for and against each such resolution. The majority required for the passing of the Fund's ordinary resolutions is a simple majority (or more) of the total number of votes cast for and against the resolution.

(4) If, within half an hour from the appointed time for the Fund Annual General Meeting, a quorum is not present, then the Fund Annual General Meeting will be adjourned to the same day at the same time and address in the next week or if that date is a public holiday in the UK, to the next working day thereafter at the same time and address. At that meeting, if a quorum is not present within half an hour from the time appointed for the holding of the meeting, those Fund Members present in person or by proxy or by attorney will form a quorum whatever their number and the number of shares held by them. Again, a majority of not less than two-thirds of the total number of votes cast is required to pass the Fund special resolution and a simple majority of the total number of votes cast is required to pass the Fund ordinary resolutions.

(5) In the event that a Form of Proxy is returned without an indication as to how the proxy shall vote on the Resolutions, the proxy will exercise his discretion as to whether, and if so how, he votes.

(6) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Fund Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

(7) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA10) by the latest time(s) for receipt of proxy appointments specified in Note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Notes: (continued)

(8) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(9) The Fund may treat as invalid a CREST Proxy Instruction in the circumstances set out in Article 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999.

(10) The Fund, pursuant to regulation 40 of the (Companies Uncertificated Securities) (Jersey) Order 1999 (as amended), specifies that only holders of Shares registered in the register of members of the Fund on the close of business on 22 May 2012 shall be entitled to attend or vote at the Fund's Annual General Meeting in respect of the number of Shares registered in their name at that time or in the event that the Fund Annual General Meeting is adjourned, in the register of members at the close of business two days before the date of any adjourned Fund's Annual General Meeting. Changes to entries on the register of members after such time or, in the event that the Fund's Annual General Meeting is adjourned, to entries in the register of members after the close of business two days before the date of the adjourned Fund Annual General Meeting, shall be disregarded in determining the rights of any person to attend or vote at the Fund Annual General Meeting.

(11) As at 26 March 2012, being the last Business Day prior to the printing of this notice, the Fund's issued capital consisted of 88,347,500 Shares carrying one vote each. Therefore, the total voting rights in the Fund as at 26 March 2012 were 88,347,500.

MIDDLEFIELD CANADIAN INCOME PCC (the "Company")
whose registered office is at Kleinwort Benson House, PO Box 76, Wests Centre, St. Helier, JE4 8PQ.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO WHAT ACTION TO TAKE, YOU SHOULD IMMEDIATELY CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

If you have sold or transferred all of your shares you should pass this document, together with the accompanying form of proxy, to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.

Notice of Annual General Meeting of the Company

Notice is hereby given that the Annual General Meeting of the Company will be held at 14 St. George Street, London W1S 1FE on Thursday, 24 May 2012 at 1.30 p.m. for the following purposes:

ORDINARY BUSINESS

To consider and, if thought fit, pass each of the following resolutions as Ordinary Resolutions:

1. to receive and adopt the Directors' Report, Auditors' Report and Financial Statements for the year ended 31 December 2011;

2. to re-elect Philip Bisson as a Director of the Company;

3. to re-elect W. Garth Jestley as a Director of the Company;

4. to re-elect Thomas Grose as a Director of the Company;

5. to re-appoint Deloitte LLP as Auditors of the Company; and

6. to authorise the Directors to determine the Auditors' remuneration.

By order of the Board
Kleinwort Benson (Channel Islands) Corporate Services Limited
as Company Secretary

4 April 2012

Notes:

(1) A holder of Shares entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a holder of Shares.

(2) For the convenience of Shareholders who may be unable to attend the Meeting, a reply-paid Form of Proxy accompanies this document. To be valid, the Form of Proxy should be completed in accordance with the instructions printed on it and sent, so as to reach Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours before the time fixed for the Company's Annual General Meeting. The fact that holders of Shares may have completed Forms of Proxy will not prevent them from attending and voting in person at the Company's Annual General Meeting should they subsequently decide to do so.

(3) The quorum for the Company's Annual General Meeting is at least two Shareholders present in person or by proxy or by attorney holding one tenth in number of the Shares but so that not less than two individuals will constitute a quorum. The majority required for the passing of the Company's ordinary resolutions is a simple majority (or more) of the total number of votes cast for and against the resolution.

(4) If, within half an hour from the appointed time for the Company's Annual General Meeting, a quorum is not present, then the Company's Annual General Meeting will be adjourned to the same day at the same time and address in the next week or if that date is a public holiday in the UK, to the next working day thereafter at the same time and address. At that meeting, if a quorum is not present within half an hour from the time appointed for the holding of the meeting, those Shareholders present in person or by proxy or by attorney will form a quorum whatever their number and the number of shares held by them. Again, a simple majority of the total number of votes cast is required to pass the Company's ordinary resolutions.

(5) In the event that a Form of Proxy is returned without an indication as to how the proxy shall vote on the Resolutions, the proxy will exercise his discretion as to whether, and if so how, he votes.

(6) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Company's Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

(7) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA10) by the latest time(s) for receipt of proxy appointments specified in Note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Notes (continued):

(8) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(9) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Article 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999.

(10) The Company, pursuant to regulation 40 of the (Companies Uncertificated Securities) (Jersey) Order 1999 (as amended), specifies that only holders of Shares registered in the register of members of the Company on the close of business on 22 May 2012 shall be entitled to attend or vote at the Company's Annual General Meeting in respect of the number of Shares registered in their name at that time or in the event that the Company's Annual General Meeting is adjourned, in the register of members at the close of business two days before the date of any adjourned Company's Annual General Meeting. Changes to entries on the register of members after such time or, in the event that the Company's Annual General Meeting is adjourned, to entries in the register of members after the close of business two days before the date of the adjourned Company's Annual General Meeting, shall be disregarded in determining the rights of any person to attend or vote at the Company's Annual General Meeting.