ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2013

MIDDLEFIELD CANADIAN

INCOME PCC

INCLUDING MIDDLEFIELD CANADIAN INCOME – GBP PC, A CELL OF THE COMPANY

MCI
MIDDLEFIELD *Canadian Income PCC*

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W. Garth Jestley (resigned 11 December 2013)

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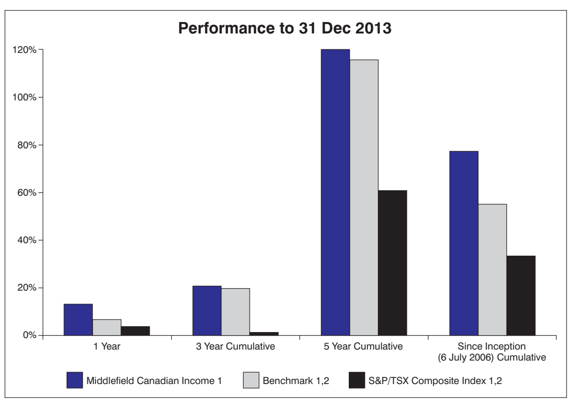
CHAIRMAN'S REPORT

It is my pleasure to introduce the 2013 Annual Financial Report for Middlefield Canadian Income PCC ("MCI" or the "Company"). MCI has established one closed-end cell known as Middlefield Canadian Income – GBP PC (the "Fund"). The Fund invests in a broadly diversified portfolio comprised primarily of Canadian equity income securities with the objective of providing shareholders with high dividends as well as capital growth over the longer term.

Overall, we continue to be very pleased with the performance of the Fund. For the year ended 31 December 2013, the Fund generated a Canadian dollar, net asset value based return of 21% and ranked as one of the best performing 'Dividend & Equity Income Funds' in Canada. In Sterling, the Fund's return in 2013 amounted to 12.7% which reflects the strengthening of Sterling versus the Canadian dollar by approximately 9% over the year to 31 December 2013. This compares favourably with our benchmark, the S&P/TSX Equity Income Index, and the broader S&P/TSX Composite Index, which posted total returns in Sterling of 6.4% and 3.7%, respectively over the same period. Since inception in 2006, the Fund has generated a currency adjusted cumulative return of 77.4%, outpacing its benchmark, as well as the S&P/TSX Composite Index and the FTSE All Share, which generated cumulative period returns of 54.9%, 33.2% and 25.4%, respectively.



Notes:
Source: Bloomberg/Middlefield
1. Total returns (net of fees and including the reinvestment of dividends)
2. The Fund's benchmark, the S&P/TSX Equity Income Index, has been currency adjusted to reflect CAD$ returns from inception to October 2011 (while the Fund was CAD$ hedged) and GBP returns thereafter

At the end of November, the Company announced that Mr. W. Garth Jestley, a non-executive director of the Company and the Fund, was retiring. In his place, the Company welcomed Mr. Dean Orrico, who was appointed as a non-executive director of the Company and the Fund with effect from 11 December 2013. Mr. Orrico was a director of the Company from its inception in July 2006 until March 2010. Mr. Orrico is the President, Chief Executive Officer and Chief Investment Officer of Middlefield Capital Corporation. He brings over 20 years of investing experience to the Company and will be a valued contributor to the Board of Directors.

CHAIRMAN'S REPORT (continued)

Also during the year, after consultation with a number of the Fund's investors, the Company received approval from shareholders to increase the Fund's maximum exposure to non-Canadian securities from 10 per cent. to 20 per cent. The amendment, which was approved on 11 December 2013, has provided the Fund with greater flexibility to invest in the securities of U.S. and other global issuers, thereby enhancing the Fund's ability to achieve further diversification whilst increasing its opportunities to provide a favourable total return to shareholders.

We are pleased to report that, in response to strong investor demand, MCI issued 3,350,000 redeemable participating preference shares from treasury in 2013. In order to avoid any potential shareholder dilution, no shares were issued at a discount to the Fund's net asset value at the time of allotment. As a result of these offerings, the Company's share capital was increased to over 108 million shares by year-end.

Annual General Meeting
This year's Annual General Meeting will be held on Thursday, 29 May 2014 at 12 p.m. at 14 St. George Street, London W1S 1FE.

Corporate Governance
We have complied with all the relevant provisions set out in the UK Corporate Governance Code which is incorporated in the Association of Investment Companies Code of Corporate Governance for Investment Companies (the "AIC Code") and the Corporate Governance Guide for Investment Companies dated February 2013 (the "AIC Guide") as set out on page 14.

Outlook
We believe that the Canadian economy remains underpinned by positive fundamentals and that Canadian equity markets are very well positioned to deliver strong total returns in 2014. Canada remains one of the world's most attractive countries for investment, having recently announced a federal budget that is balanced after adjusting for a $3 billion contingency fund. In addition, the economic recovery underway in the U.S., Europe and other developed economies is supporting global trade and offsetting slower growth in emerging markets. U.S. corporations and consumers have undergone several years of debt reduction, which has driven debt service ratios to their lowest level since 1980. With a renewed capacity to spend, consumer activity and corporate spending should further drive U.S. economic growth in 2014, offsetting the impact of reduced government stimulus spending. As the largest trading partner to the U.S. and a net exporting country, Canada is expected to directly benefit from this improving global trend.

MCI is well positioned to take advantage of investment opportunities in the equity income sector, which will benefit from a reacceleration in global growth and continued demographic demand for income. Historically, dividend-paying companies have generated less volatility and have significantly outperformed non-dividend paying stocks. The Fund remains committed to focusing on and investing in high quality companies with low debt, stable levels of dividends and good growth potential.

We thank you for your continued support.

Nicholas Villiers
Chairman
Date: 10 April 2014

INVESTMENT MANAGER'S REPORT

In 2013, equity markets generated strong performance as accommodative fiscal and monetary policies had a positive impact on global growth. The economic recovery in developed markets, such as the U.S., Europe and Japan is supporting global trade and offsetting slower growth in emerging markets. While U.S. GDP has been increasing during the past few years, Europe only recently emerged from recession after implementing austerity measures and economic reforms. In the U.S., consumers and corporations remain very well positioned to increase spending after enduring several years of debt reduction and reduced government expenditures. As a result, U.S. consumer confidence should continue to increase, supported by a reduction in household leverage, improved employment and rising household wealth. Growth in the U.S. is also expected to have a positive impact on corporate profitability in Canada, which remains America's largest trading partner. Canadian equity valuations are very reasonable and corporate earnings, driven by a recovery in the resource sector, are expected to increase as global demand accelerates.

We remain constructive on the long-term outlook for oil and natural gas and maintain the view that North American natural gas and global oil production have peaked. We believe that long-term oil prices will be in the range of US$80 to US$100 per barrel during the next five to ten years as new supply remains expensive to develop. The spread between WTI and Brent oil prices should continue to narrow as the completion of several energy infrastructure projects alleviates the bottleneck at the Cushing terminus in Oklahoma. In addition, we believe that the prices realised by Canadian producers will increase as improved access to U.S. refineries causes heavy oil differentials to narrow. While unconventional shale oil production continues to increase, we expect it to peak in 2016, which should further support the Canadian energy sector.

The fundamentals in the natural gas sector have improved significantly over the last 12 to 18 months. Increased industrial demand, cold weather and a reduction in supply growth have reduced current storage inventories to 30% below the five-year average and 40% below last year's levels. In addition, the number of U.S. natural gas rigs in operation is near a 13 year low. For these reasons, we expect gas prices to remain strong in 2014. Longer term, the development of LNG export facilities, commencing in 2016, should enable producers to access European and Asian markets where gas sells at a significant premium to North American prices.

An increase in long-term interest rates negatively affected the relative performance of real estate equities in 2013. However, current valuations are very compelling and are supported by strong balance sheets, low payout ratios and dividend growth. Rising interest rates typically reflect strong economic growth and inflation, which should allow REITs to increase rents, largely offsetting the impact of higher debt refinancing costs. Moreover, real estate supply remains relatively low versus prior cycles, indicating that rental growth should accelerate as occupancy and employment continue to improve. Our focus remains on real estate issuers that: 1) have good organic growth potential with low leverage; 2) demonstrate above average cash flow growth; 3) possess strong management teams with a track record of prudent capital allocation; and 4) have shorter lease-terms or an ability to quickly capture rental growth as the economy improves. We continue to believe that REITs will remain an attractive asset class due to their ability to offer investors a tax-efficient source of steady income and the potential for stable long-term total returns.

INVESTMENT MANAGER'S REPORT (continued)

During the year, the Fund increased its holdings of Canadian and U.S.-based financial issuers from 6.5% to 21.0%. Both the S&P/TSX Capped Financials Index and the S&P 500 Financial Sector posted strong returns of 26.7% and 35.6%, respectively in 2013. Since we continue to believe that many financial services companies are attractively valued and offer competitive yields, we expect to maintain the Fund's allocation to this sector over the near term.

Over the course of the year, the Fund capitalised on opportunities to enhance returns and further diversify its portfolio by increasing its allocation to foreign securities from 1.2% at the start of the year to approximately 13% at 31 December 2013, the vast majority of which was invested in the U.S. financial sector. Pursuant to the amendment approved by shareholders in December to increase the Fund's ability to invest in non-Canadian securities from 10 per cent. to 20 per cent. the Fund's allocation to foreign securities has increased subsequent to year-end to approximately 18%.

Top Holdings

The table below shows the largest ten positions held within the Fund's portfolio as at 31 December 2013:

Company	Sector	% of NAV
ARC Resources Ltd. ARC Resources is a Canada-based natural gas-weighted energy company that has achieved a 17% annual growth in 2P reserves since 1996. The company is well capitalised and its reserve life exceeds 15 years.	**Energy Producers**	**3.2%**
Quebecor Inc. Quebecor is one of Canada's largest media companies. Quebecor delivers services such as analog and digital broadcasting; cable and wireless telephone; internet access; newspaper, magazine, and book publishing; and the distribution and retailing of a wide array of cultural products. A subsidiary of the company recently announced it was successful in bidding for additional spectrum operating licenses in Canada's four most populous provinces, positioning the company to expand its wireless network.	**Telecommunications**	**3.1%**
AltaGas Ltd. AltaGas is a geographically diverse energy infrastructure company comprised of three distinct business units: Gas, Power and Utilities. In 2013, the company expanded its U.S. operations by acquiring a 507 MW natural gas-fired plant and a related electric transmission line in southern California.	**Power and Pipeline**	**3.0%**

INVESTMENT MANAGER'S REPORT (continued)

Top Holdings (continued)

Company	Sector	% of NAV
Chartwell Retirement Residences Chartwell Retirement Residences is the owner and operator of over 180 retirement communities and long term care facilities across Canada and the United States. Chartwell's aim is to capitalize on the strong demographic trends present in its markets to maximize the value of its existing portfolio of seniors housing facilities, and prudently avail itself of opportunities to grow internally and through accretive acquisitions. In 2013, the company reached agreements to acquire additional facilities in Quebec and British Columbia.	**Real Estate**	**2.9%**
Peyto Exploration & Development Corp. Peyto Exploration & Development is a Canada-based energy company. The company is engaged in the acquisition, exploration, development and production of oil and natural gas in Western Canada. Peyto is a low cost, natural gas-focused liquids rich producer with high recycle ratios and a very low FD&A.	**Energy Producers**	**2.8%**
Magna International Inc. Magna International designs, develops and manufactures automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for sale to OEMs of cars and light trucks worldwide. The company has 312 manufacturing operations and 87 product development, engineering and sales centres in 29 countries on five continents. The company recently announced a joint venture agreement that will supply the growing Chinese automotive market through a new facility in Hangzhou, China.	**Industrials**	**2.8%**
IGM Financial Inc. IGM Financial is a Canadian based personal financial services company, as well as one of the country's largest managers and distributors of mutual funds and other managed asset product, with over $132 billion in total assets under management. The company's activities are carried out principally through Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc.	**Financials**	**2.7%**

INVESTMENT MANAGER’S REPORT (continued)

Top Holdings (continued)

Company	Sector	% of NAV
Trilogy Energy Corporation Trilogy is a growing petroleum and natural gas-focused Canadian energy corporation that actively develops, produces and sells natural gas, crude oil and natural gas liquids. Trilogy’s assets are primarily high working interest properties that provide low-risk infill drilling opportunities and good access to infrastructure and processing facilities, many of which are controlled by the company. Trilogy has announced guidance to finish 2014 with a production rate of 40,000 boe/d, more than a 14% increase from estimated 2013 average production.	**Energy Producers**	**2.7%**
Pembina Pipeline Corporation Pembina is a leading pipeline transportation and midstream service provider, serving North America for nearly 60 years. In December 2013, Pembina announced that it had reached commercial agreements for a $2 billion expansion in its pipeline.	**Power and Pipeline**	**2.6%**
Power Financial Corporation Power Financial is a diversified management and holding company that has interests, directly or indirectly, in companies in the financial services sector in Canada, the United States and Europe. The company owns significant positions in Great-West Lifeco, IGM Financial and Parjointco. In 2013, Great-West Lifeco announced an agreement to acquire all of the shares of Irish Life Group Limited, the largest life and pensions group and investment manager in Ireland.	**Financials**	**2.6%**
Top Ten Investments		**28.4%**

The full portfolio of investments is set out on pages 57 and 61.

Outlook

Supported by a favourably low inflationary and interest rate environment, strengthening energy prices and accelerating global growth, we expect both the Canadian economy and equity capital markets to post strong returns over the next 12 to 18 months. In addition, in light of an aging population in the developed world and a growing investor appetite for yield, we remain very constructive on the outlook for equity income securities and believe the Fund is well positioned to capitalise on attractive opportunities for total returns in 2014.

Middlefield Capital Corporation
Date: 10 April 2014

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 December 2013.

Status and Activities
Middlefield Canadian Income – GBP PC (the "Fund") is a closed-ended protected cell of Middlefield Canadian Income PCC (the "Company"), a Jersey incorporated, protected cell company.

The Fund is a closed-ended fund which has been admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities with a premium listing.

Kleinwort Benson (Channel Islands) Corporate Services Limited acts as the Company's secretary and administrator. The Fund's net asset value ("NAV") is calculated using the closing prices of the securities held within its portfolio. The Company publishes the NAV of a share in the Fund on a daily basis.

An amendment of the Fund's investment policy was approved by shareholders at the extraordinary general meeting held on 11 December 2013, to increase the percentage of the value of portfolio assets which may be invested in securities listed on a recognised stock exchange outside of Canada from 10 per cent. to 20 per cent. The Fund's investment objective and policy are described in further detail below.

Investment Objective and Policy and Dividends
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. 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 in equal instalments.

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.

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.

DIRECTORS' REPORT (continued)

Investment Objective and Policy and Dividends (continued)

Investment restrictions

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

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

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

(c) have more than 20 per cent. of the value of its portfolio assets invested in securities listed on a recognised stock exchange outside Canada; or

(d) have more than 10 per cent. 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 per cent. of the Fund's NAV.

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 per cent. 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 per cent. of the value of its total assets in order to enhance returns. At year end the Fund's gross borrowings were equal to 14 per cent. of its total assets and net borrowings taking into account cash held were 10 per cent.

Key Performance Indicators

The Board reviews performance by reference to a number of key performance indicators, which include the following:

- portfolio performance;
- net asset value (NAV);
- share price;
- premium/discount;
- dividends; and
- ongoing charges.

Authorised and Issued Share Capital as at 31 December 2013

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 in the Company (issued on incorporation) and 2 Management Shares and 124,682,250 redeemable participating preference shares of no par value ("Fund Shares") in the Fund in issue. As at 31 December 2013, 16,650,000 of the Fund Shares were held in treasury. Since the financial year end, the Fund has not sold any Fund Shares from treasury.

DIRECTORS' REPORT (continued)

Further issues of Fund Shares

The Fund's Articles of Association provide the directors with powers to issue further Fund Shares without seeking further shareholder approval. Unless otherwise authorised by shareholders, Fund Shares must be issued on a pre-emptive basis. However, at the annual general meeting of the Fund held on 16 May 2013, the Fund Shareholders authorised the allotment and issue of up to 49,470,000 Fund Shares for cash on a non-pre-emptive basis, which authority was due to expire at midnight on 18 October 2013. On 10 October 2013 the Company announced the closure of its placing programme, but retained the ability to issue (or sell out of treasury) shares representing up to 10 per cent. of its issued share capital in the event of investor demand which could not be met through the market, such issues only to be conducted at a price equal to or above the prevailing NAV.

The aforementioned authority expires on the earlier of 30 June 2014 or the conclusion of the next Fund annual general meeting ("AGM"). For the period to 30 September 2015 or to the conclusion of the next AGM, the board is proposing two special resolutions as follows:

THAT in accordance with Article 2.25 of the Funds Articles of Association (the "Articles") dated 19 September 2011, the directors be authorised to issue Fund Shares and to sell Fund Shares out of treasury, in each case for cash pursuant to Article 2.22 of the Articles up to an amount representing 10 per cent. of the issued share capital of the Fund as at the date of the Fund AGM, as if Article 2.25 did not apply to the allotment or sale out of treasury, provided that such Fund Shares shall be allotted or sold for cash at a price which is not less than the NAV per Fund Share at the time of the issue or sale. This authority shall expire on the earlier of 30 September 2015 or the conclusion of the next AGM of the Fund, 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 or sold out of treasury after such expiry pursuant to any such offer or agreement as if the power conferred hereby had not expired.

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 Fund Shares, provided that,
    (i) the maximum number of Fund Shares authorised to be purchased shall be up to an aggregate of 16,194,000 or such number as shall represent 14.99 per cent. of the issued share capital of the Fund as at the date of the Fund AGM, whichever is less (in each case excluding Fund Shares held in treasury);
    (ii) the minimum price, exclusive of any expenses, which may be paid for a Fund Share is £0.01; and
    (iii) the maximum price, exclusive of any expenses, which may be paid for a Fund Share shall be the higher of:
        a. an amount equal to 105 per cent. of the average middle market quotation for Fund Shares (as taken from the Daily Official List of 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 Fund Shares at a price above the prevailing NAV per Fund Share on the date of purchase; and

DIRECTORS’ REPORT (continued)

Further issues of Fund Shares (continued)

(b) the authority hereby conferred shall expire on the earlier of 30 September 2015 or the conclusion of the next AGM of the Fund, save that the directors shall be entitled to make offers or agreements before the expiry of such power which would or might require the market purchase of Fund Shares after such expiry pursuant to any such offer or agreement as if the power conferred hereby had not expired; and

(c) 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 Fund Shares purchased pursuant to the authority conferred in paragraph (a) of this resolution.

The Board considers that each of the proposed resolutions is in the interests of the Company, the Fund and its shareholders as a whole. The authority to issue additional shares or sell shares out of treasury will permit the directors to grow the Company, thereby reducing the total expense ratio, as costs will be spread across a larger number of issued shares, and will also enable further diversification of the Company’s portfolio. Accordingly, the directors unanimously recommend that you vote in favour of the proposed resolutions, as they intend to do in respect of their own beneficial holdings.

Substantial shareholding in the Fund

At year end and at the date of this report, the following shareholders had declared a notifiable interest of 5 per cent. or more in the Fund’s voting rights:

Name	Redeemable Participating Preference Shares Nominal	Redeemable Participating Preference Shares % of Shares in issue*
Rock (Nominees) Limited	11,709,183	10.84
Harewood Nominees Limited	10,054,324	9.31
Rathbone Nominees Limited	9,219,743	8.53
State Street Nominees Limited	9,107,092	8.43
Smith & Williamson Nominees Limited	7,623,028	7.06
Brewin Nominees Limited	5,608,085	5.19

* As at the date of this report

Shareholder Relations

Shareholder relations are given a high priority by the Board, Investment Manager and Secretary. The primary medium through which the Company communicates with its shareholders is through the annual and half-yearly financial reports, which aim to provide shareholders with a full understanding of the Company’s activities and results. The information is supplemented by the daily publication of the NAV of the Fund Shares, publication of interim management statements, monthly factsheets and information on the Investment Manager’s website. Shareholders have the opportunity to address questions to the Chairman and the Committees of the Board at the AGM. All shareholders are encouraged to attend the AGM.

DIRECTORS' REPORT (continued)

Shareholder Relations (continued)
There is regular dialogue between the Investment Manager and individual major shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help develop a balanced understanding of their issues and concerns. General presentations to both institutional shareholders and analysts follow the publication of the annual financial results. All meetings between the Investment Manager and institutional shareholders are reported to the Board.

Ongoing charges
The Ongoing charges (%) shows the annualised ongoing charges that relate to the management of the Fund as a single percentage of the average NAV over the same year.

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Fund as a collective investment fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs.

	Ongoing charges (%)
31 December 2013	1.22
31 December 2012	1.26

Results and dividends
The results for the year are shown in the Statement of Comprehensive Income on page 37 and related notes on pages 40 to 61. During the year dividends were paid on a quarterly basis (see note 11). 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 2014	1.25p expected
July 2014	1.25p expected
October 2014	1.25p expected
January 2015	1.25p expected

This is not a profit forecast, nor should it be construed as such. This is a target only and should not be treated as an assurance or guarantee of performance.

DIRECTORS' REPORT (continued)

Going concern

The performance of the investments held by the Fund over the reporting year is described in the Statement of Comprehensive Income and in note 9 to the financial statements and the outlook for the future is described in the Chairman's Report and the Investment Manager's Report. The Company's financial position, its cash flows and liquidity position are set out in the financial statements and the Company's financial risk management objectives and policies, details of its financial instruments and its exposures to market price risk, credit risk, liquidity risk, interest rate risk and the risk of leverage are set out at note 16 to the financial statements.

The financial statements have been prepared on a going concern basis, supported by the directors' current assessment of the Fund's position, including the factors set out on page 10 above and:

- ongoing shareholder interest in the continuation of the Fund;
- 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.

Based on the above, 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.

The directors have also considered the application of the Statement of Recommended Practice for Financial Statements of Investment Trust Companies and Venture Capital Trusts, whereby the going concern basis of preparation of the financial statements is considered appropriate until a vote is passed to discontinue the Fund.

For these reasons the financial statements have been prepared using the going concern basis.

Corporate Governance

The Board is committed to achieving and demonstrating high standards of corporate governance.

As an overseas company with a premium listing, the Company is required to include a statement in its annual report as to whether it has complied throughout the accounting period with all relevant provisions set out in the UK Corporate Governance Code or, if not, setting out those provisions with which it has not complied and the reasons for non-compliance.

The Association of Investment Companies, of which the Company is a member, has previously published its Code of Corporate Governance for Investment Companies (the "AIC Code") and the Corporate Governance Guide for Investment Companies dated February 2013 (the "AIC Guide"), which incorporates the Financial Reporting Council's ("FRC") UK Corporate Governance Code, the AIC Code and certain requirements of the UKLA Listing Rules. The FRC has confirmed that "it remains the FRC's view that by following the AIC Corporate Governance Guide investment company Boards should fully meet their obligations in relation to the UK Corporate Governance Code and Paragraph LR 9.8.7 of the Listing Rules."

DIRECTORS' REPORT (continued)

Corporate Governance (continued)
The Code is available for download from the FRC web-site www.frc.org.uk.

The Board has considered the principles and recommendations of the AIC Guide. The AIC Code, as explained by 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 Company. The Board considers that reporting against the principles and recommendations of the AIC Code will provide better information to shareholders.

The directors believe that the Company has complied with the provisions of the AIC Code except as set out in the paragraph below, and that it has complied throughout the year with the provisions where the requirements are of a continuing nature.

The AIC Code includes a provision relating to the role of the chief executive. As all of the directors are non-executives, the Board considers that this provision is not relevant to the position of the Company, being an externally managed investment company. In accordance with UKLA Listing Rule LR 15.6.6, a closed-ended investment fund does not need to comply with the provisions regarding remuneration in the UK Corporate Governance Code. The Company has therefore not reported further in respect of these provisions.

The Company continues to operate a comply or explain approach with shareholders.

The Board is responsible for setting the investment policy and has a schedule of investment matters reserved for the directors' resolution. The Board has contractually delegated to external agencies, the management of the investment portfolio, the custodial services and the day to day accounting and secretarial requirements. Each of these contracts is only entered into after proper consideration by the Board of the quality and services being offered. The Company's risk assessment and the way in which significant risks are managed is a key area for the Board. Work here was driven by the Board's assessment of the risks arising in the Company's operations and identification of the controls exercised by the Board and its delegates, the Investment Manager and other service providers. These are recorded in the Company's business risk matrix, which continues to serve as an effective tool to highlight and monitor the principal risks. The Board also received and considered, together with representatives of the Investment Manager, reports in relation to the operational controls of the Investment Manager, Administrator, Custodian and Registrar. These reviews identified no issues of significance.

Principal Risks and Uncertainties

Investment Policy (incorporating the Investment Objective)
There is no guarantee that the Company's investment objective will be achieved or provide the returns sought by shareholders. The Board has established guidelines to ensure that the investment policy that has been approved is pursued by the Investment Manager.

DIRECTORS' REPORT (continued)

Corporate Governance (continued)

Fund Shares

The market value of the Fund Shares will be affected by a number of factors, including the dividend yield from time to time of the Fund Shares, prevailing interest rates and supply and demand for those Fund Shares, along with wider economic factors and changes in the law, including tax law, and political factors. The market value of, and the income derived from, the Fund Shares can fluctuate and may go down as well as up. The market value of the Fund Shares may not always reflect the NAV per Fund Share. While it is the intention of directors to pay dividends to shareholders on a quarterly basis, the ability to do so will largely depend on the amount of income the Company receives on its investments, the timing of such receipts and costs. Any reduction in income receivable by the Company, or increase in the cost of financing, will lead to a reduction in earnings per share and therefore in the Company's ability to pay dividends. Accordingly, the amount of dividends payable by the Company may fluctuate.

Reliance on External Service Providers

The Company has no employees and the directors have all been appointed on a non-executive basis. The Company is reliant upon the performance of third party service providers for its executive function. The Company's most significant contract is with the Investment Manager, to whom the responsibility for the day-to-day management of the Company's portfolio has been delegated. The Company has other contractual arrangements with third parties to act as administrator, secretary, auditor, registrar, custodian and broker. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy and expose the Company to reputational risk.

The Investment Manager may be exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not it is valid, will harm its reputation. Any damage to the reputation of the Investment Manager could result in counterparties and third parties being unwilling to deal with the Investment Manager and by extension the Company. This could have an adverse impact on the ability of the Company to pursue its investment policy.

The Board seeks to manage these risks by monitoring the performance of all third party providers in relation to agreed service standards on a regular basis. Any issues and concerns are dealt with promptly. The Board formally reviews the performance of all third party providers and reports on an annual basis.

DIRECTORS' REPORT (continued)

Directors

As at 31 December 2013 the Board of directors comprised five non-executive directors, four of whom were independent of the Investment Manager.

The present members of the Board are listed on pages 2 and 17. In accordance with the provisions of the AIC Code, all directors should submit themselves for re-election at least every three years. In addition, as Mr Orrico is not independent of the Investment Manager, he is required by the UKLA's Listing Rules to submit himself for re-election annually. However, in accordance with PIRC's published guidance in relation to the continued appointment of directors, at the forthcoming AGM on 29 May 2014 each of the directors will resign and stand for re-election. As the Fund is a Jersey-regulated entity, any change of director is subject to the consent of the Jersey Financial Services Commission ("JFSC") and the resignation of each director will be conditional upon JFSC consent to their resignation being obtained. This consent will only be sought if the director is not re-elected at the AGM.

Any director whose re-election is not approved at the AGM will therefore remain in office until such time as the JFSC consents to their resignation (and this consent may itself be conditional upon the appointment of a replacement director acceptable to the JFSC). Any such resigning director will not take part in the management of the Fund pending receipt of such regulatory consent (save as may be required to preserve and protect the Fund's assets and interests or as may be required to comply with applicable regulation or legal obligation).

The interests of the directors who held office during the year, as at 31 December 2013 and 2012, are set out below.

	2013 Redeemable Participating Preference Shares	**2012 Redeemable Participating Preference Shares**
Raymond Apsey	50,000	50,000
Philip Bisson	570,500	310,000
Philean Trust Company Limited (a company connected with Philip Bisson)	704,570	676,000
Thomas Grose	40,000	20,000
W. Garth Jestley (resigned 11 December 2013)	200,000	200,000
Dean Orrico (appointed 11 December 2013)	–	–
Nicholas Villiers (Chairman)	10,000	10,000

The current directors are:

Nicholas Villiers (Chairman)

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 RBC Group, 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

DIRECTORS’ REPORT (continued)

Directors (continued)

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.

Raymond Apsey

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.

Philip Bisson

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

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.

Dean Orrico

Mr Orrico is President, Chief Executive Officer and Chief Investment Officer of Middlefield Capital Corporation and has been employed by the firm since 1996. Prior to joining Middlefield, Mr Orrico was a commercial account manager with the Toronto-Dominion Bank. Mr Orrico is currently responsible for overseeing the creation and ongoing management of all of Middlefield’s investment funds including mutual funds, Toronto and London Stock Exchange-listed funds and flow-through funds. He graduated with a Bachelor of Commerce degree from the Rotman School of Management (University of Toronto) and holds an MBA from the Schulich School of Business (York University). Mr Orrico is a registered Portfolio Manager.

Mr Orrico oversees approximately $3 billion in assets under management at Middlefield and has developed expertise in both equity and fixed income securities with an emphasis on oil and gas and mining as well as real estate. Having spent many years managing equity portfolios and meeting with international companies and investors, Mr Orrico has overseen the diversification of Middlefield’s portfolios into global equity and fixed-income securities.

DIRECTORS' REPORT (continued)

Directors (continued)
The Company and Fund do not have any executive directors nor do they have any employees.

The structure of the Board is such that it is considered unnecessary to identify a senior independent non-executive director other than the Chairman as the Board currently has a majority of independent directors and is expected to continue to have a majority of independent directors beyond the forthcoming company and cell annual general meetings. As such, it complies with the UKLA Listing Rules and AIC Code. On 26 May 2010, a Nomination and Remuneration Committee was established comprised of all the directors of the Fund. Going forward, in accordance with PIRC's published guidance, all directors will be subject to annual re-election.

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 Secretary and the AIC.

The Board meets at least quarterly to review the overall business of the Company 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 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 Secretary, which is responsible for guiding the Board on procedures and applicable rules and regulations.

Conflicts of Interest
A director must avoid a situation where he has, or can have a direct or indirect interest that conflicts, or has the potential to conflict, with the Company's interests. The Articles of Association of the Company give the directors authority to authorise potential conflicts of interest and there are safeguards in place which will apply when directors decide whether to do so. Firstly, only directors who have no interest in the matter being considered are able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will most likely be in the best interests of the Company. The directors can impose limits or conditions when giving authorisation if they think this is appropriate.

The directors have declared any potential conflicts of interest to the Company. Any potential conflicts of interest are entered into the Company's register of potential conflicts, which is reviewed regularly by the Board. The register of potential conflicts of interest is kept at the registered office of the Company. The directors will advise the Secretary as soon as they become aware of any potential conflicts of interest.

Directors' and Officers' Liability Insurance
The Company maintains a Directors' and Officers' Liability Insurance policy at a level which is considered appropriate for the Company.

DIRECTORS’ REPORT (continued)

Directors’ Remuneration

No director has a service contract with the Company or Fund and details of the directors’ fees are disclosed in note 13.

For the year ended 31 December 2013 the non-executive directors each received the following:

Director	Fees
Raymond Apsey	£20,000
Philip Bisson	£20,000
Thomas Grose	£20,000
W. Garth Jestley (pro-rated fee to 11 December 2013)	£18,859
Dean Orrico (fee waived)	–
Nicholas Villiers	£25,000

Board, Committee and Directors’ Performance Evaluation

The directors recognise the importance of the AIC Code in terms of evaluating the performance of the Board as a whole, its respective Committees and individual directors. During the year, the performance of the Board, Committees of the Board and individual directors was assessed in terms of:

- attendance at Board and Committee Meetings;
- the independence of individual directors;
- the ability of individual directors to make an effective contribution to the Board and Committees of the Board due to the diversity of skills and experience each director brings to meetings; and
- the Board’s ability to effectively challenge the Investment Manager’s recommendations, suggest areas of debate and fix timetables for debates on the future strategy of the Company.

The directors concluded that the performance evaluation process had proved successful with the Board, the Committees of the Board and the individual directors scoring well in all areas. The Board and the Committees of the Board continued to be effective and the individual directors continued to demonstrate commitment to their respective roles and responsibilities.

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	Placing Committee	Dividend Committee
No. of meetings in the year	7	2	1	6	4
Raymond Apsey	3	2	1	1	0
Philip Bisson	7	2	1	0	2
Thomas Grose	6	2	1	4	3
W Garth Jestley	6	n/a	1	0	0
Nicholas Villiers	7	2	1	2	2

DIRECTORS' REPORT (continued)

Independence of Directors

During the year the Board consisted of five members, all of whom are non-executive. Mr Orrico is a director of the Investment Manager. All the directors, apart from Mr Orrico, are considered to be independent of the Investment Manager and free of any business or other relationship that could influence their ability to exercise independent judgement. The Board believes that Mr Orrico's investment management experience adds considerable value to the Company. Mr Orrico does not take part in discussing any contractual arrangements between the Board and Investment Manager.

The Board believes that Mr Villiers, Mr Grose, Mr Bisson and Mr Apsey are independent in character and judgement and that their experience and knowledge of the specialised sector in which the Company operates adds significant strength to the Board. The directors believe that the Board has a balance of skills and experience which enable it to provide effective strategic leadership and proper governance of the Company. Information about the directors including their relevant experience can be found on pages 17 to 18. The Board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment company, where continuity and experience can be a benefit to the Board. Furthermore, the Board agrees with the view expressed in the AIC Code of Governance that long serving directors should not be prevented from forming part of an independent majority or from acting as Chairman. Consequently, no limit has been imposed on the overall length of service as the Board considers that independence has not been compromised by length of service.

Internal Control

The Directors are responsible for overseeing the effectiveness of the internal financial control systems for the Company, which are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal financial controls can only provide reasonable and not absolute assurance against material misstatement or loss.

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

Audit Committee

On 26 May 2010, an Audit Committee was established. The current members are Thomas Grose (Chairman), Raymond Apsey, Nicholas Villiers and Philip Bisson. A separate report from the Audit Committee is included at pages 27 to 30.

DIRECTORS' REPORT (continued)

Nomination and Remuneration Committee

The Board has also established itself as a Nomination and Remuneration Committee, which meets when necessary. The current members are all the directors of the Company.

- The Committee considers and monitors the level and structure of remuneration of the directors of the Company and 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 considers the overall levels of insurance cover for the Company, including Directors' and Officers' Liability Insurance.
- The Committee conducts a process annually to evaluate the performance of the Board and its individual directors.
- The Committee considers such other topics as directed by the Board.

The Board believes that, subject to any exception explained above and the nature of the Company as an investment fund, it has complied with the applicable provisions of the AIC Code and AIC Guide throughout the year. The Board has noted the recommendations of the Committee relating to Board diversity. The Board as a whole performs the function of a Nomination Committee and considers diversity, including the balance of skills, knowledge, diversity (including gender) and experience amongst other factors when reviewing the composition of the Board and appointing new directors, but does not consider it appropriate to establish targets or quotas in this regard. Board diversity is carefully considered and will continue to be considered in the future. The Board comprises five male non-executive directors and their summary biographical details are set out on pages 17 to 18. The Company has no employees.

Management Engagement Committee

The Board established a committee to be known as the Management Engagement Committee (the "Committee") at its meeting held on 20 November 2013 in accordance with the Articles of Association of the Company. The principal function of the Committee is to monitor the performance and terms of engagement of the Company's key service providers as considered appropriate.

The members of the Committee shall be all the directors of the Company. The Chairman of the Committee shall be Thomas Grose or, failing him, any United Kingdom ("UK") member of the Committee other than the Chairman of the Company. For the purposes of transacting business, a quorum of the Committee shall be not less than two members of the Committee and all meetings must take place in the UK.

DIRECTORS' REPORT (continued)

Management Engagement Committee (continued)
Duties
The Committee duties shall be to review the terms of:

i) the Administration and Secretarial Agreement;
ii) the Legal Services Agreements;
iii) the Investment Management and Advisory Services Agreement; and
iv) any other service agreements the Company has entered into.

The quality and timeliness of reports to the Board is also taken into account and the overall conduct of the Company's affairs by the Investment Manager is considered. Based on its recent review of activities, and taking into account the performance of the portfolio, the other services provided by the key service providers, and the risk and governance environment in which the Company operates, the Board believes that the continuing appointment of the current key service providers remains in the best interests of the Company and its shareholders.

The UKLA's Listing Rules also require the following additional information:

Since the restructuring of the Company in October 2011, which involved the termination of the swap arrangements, through which the Company had gained exposure to the Canadian income trust market and the change of its tax residency to the United Kingdom, Middlefield Capital Corporation ("MCC"), the Canadian affiliate of Middlefield International Limited ("MIL"), has acted as the discretionary investment manager of the Company as a delegate of MIL and MIL has provided investment advisory services to the Company.

For the purposes of the Alternative Investment Fund Managers Directive, which was implemented into UK law with effect from 22 July 2013, if MCC was appointed directly as sole discretionary investment manager of the Company, the Company would be classified as a non-EU Alternative Investment Fund, managed by a non-EU Alternative Investment Fund Manager. As such, the Company would not be subject to the full scope of the Directive and it would not incur the additional costs, such as those incurred in having to appoint a depositary, that would have been applicable had it been deemed to be managed by an EU Alternative Investment Fund Manager.

The Company therefore formalised such an arrangement by entering into a new investment management and advisory services agreement dated 20 November 2013, under which MCC acts as the Company's discretionary investment manager and MIL continues to provide investment advisory services. There was no change in the fees payable by the Company (0.70 per cent. of NAV) or the circumstances, including the notice period (90 days), in which the agreement can be terminated by the parties.

The Board regularly reviews the performance of the services provided by these companies. A summary of the terms of the agreements with Kleinwort Benson (Channel Islands) Corporate Services Limited ("KB(CI)CSL") and with MCC and MIL are set out in note 2 to the financial statements. After due consideration of the resources and reputations of KB(CI)CSL, MCC and MIL, the Board believes it is in the interests of shareholders to retain the services of KB(CI)CSL, MCC and MIL for the foreseeable future.

DIRECTORS’ REPORT (continued)

Management Engagement Committee (continued)

Having reviewed the investment management and advisory services provided by MCC and MIL, 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.

The Terms of Reference for the Audit Committee, the Nomination and Remuneration Committee and the Management Engagement Committee are available for inspection at the Company’s registered office during normal business hours.

Independent Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be proposed at the forthcoming Fund and Company annual general meetings.

Secretary

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

Meetings of Shareholders

The notices (the “Notices”) of the next Fund AGM and the next Fund and Company meeting are included at the back of this annual financial report.

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 Company 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 Company’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;
- 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 Company’s financial position and performance; and
- make an assessment on the Company’s ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law, 1991, as amended. They are also responsible for safeguarding the assets of the Company 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 Company’s website. Legislation in Jersey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Having taken advice from the Audit Committee, the Board considers the report and accounts, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company’s performance, business model and strategy.

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 European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

DIRECTORS' RESPONSIBILITIES (continued)

2. the Chairman's Report, Investment Manager's Report and Notes to the Financial Statements incorporated herein by reference include a fair review of the development, performance and position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board:

Thomas Grose
Director
Date: 10 April 2014

Raymond Apsey
Director

REPORT OF THE AUDIT COMMITTEE

This is the report of the Audit Committee and it has been prepared with reference to the 2013 AIC Code. The Company has an established Audit Committee which has operated since 2010 and which reports formally at least twice each year to the main Board. It has formally delegated duties and responsibilities within written terms of reference which are reviewed and reapproved annually. The function of the Audit Committee is to ensure that the Company maintains high standards of integrity, financial reporting and internal controls.

The Audit Committee is chaired by Thomas Grose, a non-executive independent director and its other members are Nicholas Villiers, Raymond Apsey and Philip Bisson who are also independent non-executive directors. Their summary biographical details are set out on pages 17 to 18.

The members do not have any links with the Company's external auditor. They are also independent of the management teams of the Investment Manager, the Administrator and all other service providers. The Audit Committee meets formally no less than twice a year in London and on an *ad hoc* basis if required. The membership of the Audit Committee and its terms of reference are kept under review.

The Audit Committee considers the financial reporting by the Company and the Fund, the internal controls, and relations with the Company's and the Fund's external auditor. In addition, the Audit Committee reviews the independence and objectivity of the auditor. The Committee meets at least twice a year to review the internal financial and non-financial controls, to approve the contents of the half-yearly and annual financial reports to shareholders and to review accounting policies. Representatives of Deloitte LLP, the Company's auditor, attend the Committee meeting at which the draft annual financial report is reviewed and can speak to Committee members without the presence of representatives of the Investment Manager. The audit programme and timetable are drawn up and agreed with the Company's auditor in advance of the financial year end. Items for audit focus are discussed, agreed and given particular attention during the audit process. The auditor reports to the Committee on these items, among other matters. This report is considered by the Committee and discussed with the auditor and the Investment Manager prior to approval and signature of the annual financial report.

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 Companies (Jersey) Law, 1991, as amended and the UKLA's Listing and Disclosure and Transparency Rules.
- Completing regular risk management reviews of internal controls, which include the review of the Fund's Risk Register.

REPORT OF THE AUDIT COMMITTEE (continued)

- Reviewing the Company'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 on a quarterly basis, and having regard to the role of its external auditor, does not consider that there is a need for the Company or Fund to establish its own internal audit function.

Some of the principal duties of the Audit Committee are to consider the appointment of the external auditor, to discuss and agree with the external auditor the nature and scope of the audit, to review the scope of and to discuss the results and the effectiveness of the audit and the independence and objectivity of the auditor, to review the external auditor's letter of engagement and management letter and to analyse the key procedures adopted by the Company's outsourced service providers including the Administrator and Custodian. The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of the Company's and its service provider's internal control and risk management systems. The Company's risk assessment focus and the way in which significant risks are managed is a key area for the Committee. Work here was driven by the Committee's assessment of the risks arising in the Company's operations and identification of the controls exercised by the Board and its delegates; the Investment Manager and other service providers. These are recorded in the Company's business risk matrix which continues to serve as an effective tool to highlight and monitor the principal risks.

The Board also received and considered, together with representatives of the Investment Manager, reports in relation to the operational controls of the Investment Manager, Administrator, Custodian and Registrar. These reviews identified no issues of significance. The risks relating to the Company are discussed by the directors and documented in detail in the minutes of each meeting. The Audit Committee is also responsible for overseeing the Company's relationship with the external auditor, including making recommendations to the Board on the appointment of the external auditor and its remuneration. The current auditor was appointed in 2006 following an audit tender process and has therefore served the Company for nearly eight years. The independence of the external auditor is evidenced through its challenge to management. Its independence and objectivity are assured through the rotation of audit partner on a regular basis. The present audit Partner's permitted fifth and final year is the year ended 31 December 2016. Accordingly the Committee has not considered it necessary to date to undertake another tender process for the audit work, although it has considered Deloitte's tenure and appointment on an annual basis. Since the beginning of the financial year the Audit Committee has undertaken an assessment of the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the audit process. This included consideration of a report on the audit firm's own quality control procedures and transparency report.

REPORT OF THE AUDIT COMMITTEE (continued)

Significant Risks

During the year, the significant risks that were subject to specific consideration by the Committee and consultation with the auditor where necessary were as follows:

Valuation and ownership of securities

There is a risk that the securities are incorrectly valued and that they are not directly owned by the Fund.

Ownership of securities – at each valuation point a stock reconciliation is performed, which entails tracing and agreeing the stock holding at valuation point to the Custodian records.

Any differences are investigated and commented on.

All new trades are traced and agreed to the contract note.

Valuation of securities – at each valuation point a price tolerance check is run. A comparison is done between the prices per two different financial data vendors, namely, Bloomberg and Interactive Data Services. The following exceptions require further investigation:

- Prices outside the stated tolerance levels: Price movements need to be justified to underlying support
- Static prices: These need to be traced and agreed to support to ensure prices are not static. Static prices are escalated as per the pricing policy after being static for more than 7 days
- Zero prices: Prices for these securities need to be investigated and added if applicable
- >1% difference between Bloomberg and Interactive Data Services price: Both prices need to be supported to ensure they are correct. Support and justification needs to be provided in respect of the price selected.

Accuracy and cut-off of Investment Manager's fees

There is a risk that the fees are not calculated in line with the relevant agreements.

The calculation of variable expenses forms part of the procedures performed in the daily valuation process. The fees are calculated using the variable expense calculator which is automated. The setup of the calculator is done utilising the rates per the relevant agreements. Accuracy and cut-off is checked using the variable fee check. The accuracy of variable fees is also reviewed as part of the valuation procedures.

Recognition of revenue regarding the cut-off of dividend income

There is a risk that dividend income is not recorded in the correct period.

Dividends are automatically posted in the financial records on the relevant ex-dividend date through a data feed from Investment Data Services. New dividends are traced and agreed to support received from Bloomberg and recalculated for accuracy. At each valuation point a cash and stock reconciliation is performed.

REPORT OF THE AUDIT COMMITTEE (continued)

Auditor and Audit

The Audit Committee considers the nature, scope and results of the auditor’s work and monitors the independence of the external auditor. Formal reports are received at Board meetings from the auditor on an interim and annual basis relating to the extent of their work, the accuracy of accounting and the correctness of valuation of assets. The work of the auditor in respect of any significant audit issues and consideration of the adequacy of that work is discussed.

The Audit Committee assesses the effectiveness of the audit process. The Audit Committee received a report from the auditors which covers the principal matters that have arisen from the audit.

The Chairman of the Audit Committee meets with the Investment Manager and Administrator to discuss the extent of audit work completed to ensure all matters of risk are covered while the Committee assesses the quality of the draft financial statements prepared by the Administrator and examines the interaction between the Investment Manager and auditor to resolve any potential audit issues. It also reviews, develops and implements policy on the supply of non-audit services. All non-audit services, if any, which are sourced from the audit firm would need to be pre-approved by the Audit Committee after they have been satisfied that the relevant safeguards are in place to protect the auditor’s objectivity and independence.

The Audit Committee has an active involvement and oversight of the preparation of both half yearly and annual financial reports and recommends for the purposes of the production of these financial reports that valuations are prepared by the management team of the Administrator. These valuations are a critical element in the Company’s financial reporting and the Audit Committee questions them thoroughly.

Ultimate responsibility for reviewing and approving the annual financial report remains with the Board.

Thomas Grose
Chairman of the Audit Committee
Date: 10 April 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MIDDLEFIELD CANADIAN INCOME – GBP PC (THE "FUND"),
A CELL OF MIDDLEFIELD CANADIAN INCOME PCC

Opinion on financial statements of Middlefield Canadian Income – GBP PC

In our opinion the financial statements:

- **give a true and fair view of the state of the Fund's affairs as at 31 December 2013 and of the Fund's profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been properly prepared in accordance with the Companies (Jersey) Law, 1991.**

The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Redeemable Participating Preference Shareholders' Equity, the Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs adopted by the European Union.

Going concern

We have reviewed the directors' statement on page 14 that the Fund is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MIDDLEFIELD CANADIAN INCOME – GBP PC (THE "FUND"),
A CELL OF MIDDLEFIELD CANADIAN INCOME PCC (continued)

Risk	How the scope of our audit responded to the risk
Ownership of Securities The investment portfolio is the single largest asset on the balance sheet. A custodian maintains custody of the securities and there is a risk that they are not directly owned by the Fund.	We agreed the holdings to independent third party confirmations provided by the Fund's custodian and investigated any material differences. We reviewed the design and implementation of controls at the Fund in relation to services provided by the custodian.
Valuation of Securities The portfolio of investments is made up of listed securities which are measured at fair value and fair value is determined based on market prices. There is a risk that the incorrect market price is used and any small difference in price could result in a material impact on the financial statements.	We assessed the prices used to value the securities using independent third party sources for a sample of securities.
Accuracy and cut-off of investment management fees The investment management fee is the single largest administrative expense in the Statement of Comprehensive Income. We have identified a potential risk in the calculation of these fees in that the calculation applied may not be in line with the written agreement and the inputs used in the calculation may be incorrect.	The fee agreement relating to the investment management fee was obtained and the fees for the year ended 31 December 2013 were recalculated in accordance with the agreement and compared to the recorded amounts.

The Audit Committee's consideration of these risks is set out on page 29.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDDLEFIELD CANADIAN INCOME – GBP PC (THE "FUND"), A CELL OF MIDDLEFIELD CANADIAN INCOME PCC (continued)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Fund to be £2,330,000, which is below 2% of the Net Asset Value of the Fund. The reason for using Net Asset Value is that this is the KPI for investors in the Fund.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £47,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

In obtaining an understanding of the entity, we assessed the control environment of the service organisation that maintains the books and records of the entity.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Fund; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDDLEFIELD CANADIAN INCOME – GBP PC (THE "FUND"), A CELL OF MIDDLEFIELD CANADIAN INCOME PCC (continued)

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Fund's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Fund acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

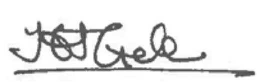
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF
MIDDLEFIELD CANADIAN INCOME – GBP PC (THE “FUND”),
A CELL OF MIDDLEFIELD CANADIAN INCOME PCC (continued)

Respective responsibilities of directors and auditor (continued)

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 Fund’s members those matters we are required to state to them in an auditor’s report and/or those further matters we have expressly agreed to report to them on in our engagement letter 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.

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 Fund’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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Helen Gale, BSc, FCA
for and on behalf of Deloitte LLP
Chartered Accountants and Recognized Auditor
Jersey, UK
10 April 2014

STATEMENT OF FINANCIAL POSITION OF THE FUND

As at 31 December 2013 with comparatives as at 31 December 2012

	Notes	2013 GBP	2012 GBP
Current assets			
Securities (at fair value through profit or loss)	3 & 19	129,529,929	111,501,935
Accrued bond interest		171,091	165,120
Accrued bank interest		3,003	4,252
Accrued dividend income		382,768	437,833
Other receivables	6	2	2
Prepayments		31,503	16,261
Cash and cash equivalents	4	6,656,549	8,428,599
		136,774,845	120,554,002
Current liabilities			
Other payables and accruals	5	(390,422)	(364,257)
Interest payable		(1,989)	(75,962)
Loan payable	14	(19,795,302)	(15,372,485)
		(20,187,713)	(15,812,704)
Net assets		**116,587,132**	**104,741,298**
Equity attributable to equity holders			
Stated capital	6	50,796,973	47,110,708
Retained earnings		65,790,159	57,630,590
Total Shareholders' equity		**116,587,132**	**104,741,298**
Net asset value per redeemable participating preference share	7	**107.92p**	**100.06p**

The financial statements and notes on pages 36 to 61 were approved by the directors on 10 April 2014 and signed on behalf of the Board by:

Thomas Grose

Director

Raymond Apsey

Director

The accompanying notes on pages 40 to 61 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME OF THE FUND

For the year ended 31 December 2013 with comparatives for the year ended 31 December 2012

	Notes	2013 Revenue GBP	2013 Capital GBP	2013 Total GBP	2012 Total GBP
Revenue					
Dividend and interest income	8	6,403,116	–	6,403,116	5,149,253
Net movement in the fair of securities (at fair value through profit or loss)	9	–	8,552,600	8,552,600	(3,082,057)
Net movement on foreign exchange		–	1,307,905	1,307,905	386,739
Total revenue		**6,403,116**	**9,860,505**	**16,263,621**	**2,453,935**
Expenditure					
Investment management fees	2o	360,137	540,205	900,342	783,603
Custodian fees	2l	11,513	–	11,513	9,038
Sponsor's fees	2m	230,285	–	230,285	180,741
Directors' fees and expenses		127,575	–	127,575	111,435
Legal and professional fees		49,237	–	49,237	22,346
Audit fees		26,000	–	26,000	39,659
Tax fees		7,800	–	7,800	7,800
Registrar's fees		38,204	–	38,204	33,911
Administration fees	2k	115,133	–	115,133	90,381
General expenses		83,043	–	83,043	123,050
Operating expenses		**1,048,927**	**540,205**	**1,589,132**	**1,401,964**
Net operating profit before finance costs		5,354,189	9,320,300	14,674,489	1,051,971
Finance cost		(153,178)	(229,768)	(382,946)	(213,038)
Profit before tax		5,201,011	9,090,532	14,291,543	838,933
Withholding tax expense		(784,736)	–	(784,736)	(627,863)
Net profit		**4,416,275**	**9,090,532**	**13,506,807**	**211,070**
Profit per redeemable participating preference share – basic and diluted	10	**4.12p**	**8.47p**	**12.59p**	**0.24p**

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

There are GBP nil (2012: GBP nil) earnings attributable to the management shares.

All activities derive from continuing operations.

The accompanying notes on pages 40 to 61 form an integral part of these financial statements.

STATEMENT OF CHANGES IN REDEEMABLE PARTICIPATING PREFERENCE SHAREHOLDERS' EQUITY OF THE FUND

For the year ended 31 December 2013 with comparatives for the year ended 31 December 2012

	Notes	Stated Capital Account GBP	Retained Income GBP	Total GBP
At 1 January 2012		22,628,627	61,755,954	84,384,581
Issue of shares		24,482,081	–	24,482,081
Profit for the year		–	211,070	211,070
Dividends	11	–	(4,336,434)	(4,336,434)
At 31 December 2012		**47,110,708**	**57,630,590**	**104,741,298**
Issue of shares		3,686,265	–	3,686,265
Profit for the year		–	13,506,807	13,506,807
Dividends	11	–	(5,347,238)	(5,347,238)
At 31 December 2013		**50,796,973**	**65,790,159**	**116,587,132**

The accompanying notes on pages 40 to 61 form an integral part of these financial statements.

CASH FLOW STATEMENT OF THE FUND

For the year ended 31 December 2013 with comparatives for the year ended 31 December 2012

	Notes	2013 GBP	2012 GBP
Cash flows from operating activities			
Net profit		13,506,807	211,070
Adjustments for:			
Net movement in the fair value of securities (at fair value through profit or loss)	9	(8,552,600)	3,082,057
Realised gain on foreign exchange		(2,306,576)	(129,150)
Unrealised loss (gain) on foreign exchange		998,671	(257,589)
Operating cash flows before movements in working capital		3,646,302	2,906,388
Decrease (increase) in other receivables		35,101	(236,581)
(Decrease) increase in other payables and accruals		(47,808)	153,287
Net cash from operating activities		**3,633,595**	**2,823,094**
Cash flows used in investing activities			
Payment for purchases of securities		(117,092,886)	(90,919,628)
Proceeds from sale of securities		107,617,492	59,785,417
Net cash used in investing activities		**(9,475,394)**	**(31,134,211)**
Cash flows from financing activities			
Repayments of borrowings		(6,042,477)	(6,100,925)
New bank loans raised		10,465,294	15,133,546
Proceeds from issue of shares		3,686,265	24,482,081
Dividends paid	11	(5,347,238)	(4,336,434)
Net cash generated from financing activities		**2,761,844**	**29,178,268**
Net (decrease) increase in cash and cash equivalents		(3,079,955)	867,151
Cash and cash equivalents at the beginning of the year		8,428,599	7,174,709
Effect of foreign exchange rate changes		1,307,905	386,739
Cash and cash equivalents at the end of the year		**6,656,549**	**8,428,599**
Cash and cash equivalents made up of:			
Cash at bank	4	6,656,549	8,428,599

The accompanying notes on pages 40 to 61 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

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 Company’s registered office is Wests Centre, St. Helier, Jersey, JE4 8PQ, Channel Islands.

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

The Company and Fund have no employees.

The functional and presentational currency of the Company and the Fund is Sterling (“GBP”).

2. Accounting Policies

a. Basis of presentation

The financial statements of the Company and the Fund (the “financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (the “EU”). 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 accounting policies.

Expenses have been charged to the Statement of Comprehensive Income and shown in the revenue column except as in line with the Board’s expected long-term split of returns in the form of capital gains and income for the portfolio, management fees and finance costs have been allocated 60% to capital and 40% to revenue.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

2. Accounting Policies (continued)

a. Basis of presentation (continued)

Adoption of standards and interpretations (only those relevant to the Fund have been included)
IFRS 13 "Fair Value Measurements" which became effective on 1 January 2013 was adopted.

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 Company and the Fund:

– IFRS 9 (revised April 2009) Financial Instruments: Classification and Measurement.

The following relevant 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 Company and the Fund:

– IAS 32 (amended) "Offsetting Financial Assets and Financial Liabilities" effective date is 1 January 2014

– IAS 39 (amended) "Novation of Derivatives and Continuation of Hedge Accounting" 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 Company and the Fund.

The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Redeemable Participating Preference Shareholders' Equity and Cash Flow Statement refer solely to the Fund. The non-cellular assets comprise two management shares. However, there has been no trading activity with regards to the non-cellular assets.

b. Financial Instruments

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

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Fund had no derivatives outstanding at 31 December 2013 and 2012.

2. Accounting Policies (continued)

b. Financial Instruments (continued)

Disclosures about financial instruments to which the Fund is a party are provided in Note 16.

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.

Fair value through profit or loss securities are initially recognised at fair value, which is the fair value of the consideration given. The securities are subsequently re-measured at fair value based on bid prices quoted at the Statement of Financial Position 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. Anticipated realisable value is the amount that the Fund expects to receive less impairment.

e. Prepayments

Prepayments comprise amounts paid in advance for insurance, listing fees and AIC membership fees. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

2. Accounting Policies (continued)

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 6).

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 Statement of Financial Position 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 Administrator is entitled to a fee for administrative and secretarial services payable by the Fund quarterly in arrears at a rate of 0.10 per cent. per annum of the average net asset value (“NAV”) of the Fund calculated over the relevant quarterly period.

l. Custodian fees

RBC Investor Services Trust (the “Custodian”) was appointed as Custodian to the Fund on 6 October 2011. The Fund pays the Custodian 0.01 per cent. per annum of the Fund’s NAV, accrued for at each valuation date.

m. Sponsor’s fees

Canaccord 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 per cent. per annum of the average NAV of the Fund calculated over the relevant quarterly period.

n. Going Concern

In the opinion of the directors the Company and the Fund have 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 considered, inter alia, the following factors:

- the Fund has sufficient liquidity to meet all on-going expenses and repayment of external borrowings; and

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

2. Accounting Policies (continued)

n. Going Concern (continued)

- 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

Middlefield Capital Corporation, the Investment Manager, is entitled to a management fee payable by the Fund quarterly in arrears at a rate of 0.867 per cent. per annum of the average NAV of the Fund calculated over the relevant quarterly period. Following 28 June 2013, the management fee was decreased to a rate of 0.70 per cent. per annum of the average NAV of the Fund calculated over the relevant quarterly period. Investment management fees for the year ended 31 December 2013 total £900,342 (31 December 2012: £783,603). The fee is split between MCC and MIL at a ratio of 0.767: 0.10.

Management fees have been split 60% to capital and 40% to revenue.

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 gain on foreign exchange currency transactions totalled £2,365,902 for the year (2012: £187,145). Realised loss on forward exchange contracts totalled £59,326 (2012: £57,995). Unrealised loss on foreign currency transactions totalled £998,671 (2012: gain of £257,589).

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.

r. Loan payable

Loan payable is initially measured at fair value and is subsequently measured at amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

2. Accounting Policies (continued)

s. 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.

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

	2013 GBP	2012 GBP
Equities	111,575,690	97,544,369
Debentures	17,954,239	13,957,566
	129,529,929	**111,501,935**

Please refer to Note 19 for the Schedule of Investments.

4. Cash and cash equivalents

	2013 GBP	2012 GBP
Cash at bank	6,656,549	8,428,599

Cash and cash equivalents comprise cash held by the Fund and bank balances with an original maturity of three months or less, net of outstanding overdrafts. The carrying value of these assets approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

5. Other payables and accruals

	2013 GBP	2012 GBP
Investment management fees	203,047	214,906
Sponsor's fees	58,013	49,555
Audit fees	26,000	26,000
Administration fees	29,007	24,787
Directors' fees	26,250	21,250
General expenses	36,693	18,554
Registrar's fees	7,334	7,121
Custodian fees	4,078	2,084
	390,422	364,257

6. Stated capital account

The authorised share capital of the Fund is split into two management shares of no par value and an unlimited number of redeemable participating preference shares of no par value, the latter of which are attributable solely to the Fund.

	No. of shares	GBP
Management shares issued		
At 24 May 2006	–	–
2 management shares of no par value issued at 100.00 pence each	2	2
At 31 December 2013 and 2012	**2**	**2**

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

6. Stated capital account (continued)

	No. of shares	GBP
Redeemable participating preference shares issued		
At 31 December 2012	**104,682,250**	**47,110,706**
26 February 2013 350,000 shares of no par value issued at 108.50 pence each	350,000	379,750
26 February 2013 issue costs		(3,798)
8 March 2013 500,000 shares of no par value issued at 112.75 pence each	500,000	563,750
8 March 2013 issue costs		(5,637)
19 March 2013 500,000 shares of no par value issued at 112.75 pence each	500,000	563,750
19 March 2013 issue costs		(5,638)
25 March 2013 500,000 shares of no par value issued at 111.50 pence each	500,000	557,500
25 March 2013 issue costs		(5,575)
28 March 2013 500,000 shares of no par value issued at 112.75 pence each	500,000	563,750
28 March 2013 issue costs		(5,637)
10 April 2013 1,000,000 shares of no par value issued at 109.50 pence each	1,000,000	1,095,000
10 April 2013 issue costs		(10,950)
At 31 December 2013	**108,032,250**	**50,796,971**
Total		**50,796,973**

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 per cent. of the shares then in issue, or such lesser percentage as the directors may decide.

At year end there were 16,650,000 (31 December 2012: 20,000,000) treasury shares in issue.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)
For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

7. Net asset value per redeemable participating preference share
The NAV per share of 107.92p (31 December 2012: 100.06p) is based on the net assets at the year end of £116,587,132 (31 December 2012: £104,741,298) and on 108,032,250 redeemable participating preference shares, being the number of redeemable participating preference share in issue at the year end (31 December 2012: 104,682,250 shares).

8. Dividend and interest income

	Revenue	2013 Capital	Total	2012
	GBP	GBP	GBP	GBP
Bond and debenture interest	1,154,516	–	1,154,516	771,202
Bank and loan interest	112,360	–	112,360	120,767
Dividend income	5,136,240	–	5,136,240	4,257,284
	6,403,116	**–**	**6,403,116**	**5,149,253**

9. Net movement in the fair value of securities

	Revenue	2013 Capital	Total	2012
	GBP	GBP	GBP	GBP
Gains on sale of securities	–	5,714,799	5,714,799	1,879,602
Gains (losses) on the revaluation of securities at year end	–	2,837,801	2,837,801	(4,961,659)
Net movement in the fair value of securities (at fair value through profit or loss)	**–**	**8,552,600**	**8,552,600**	**(3,082,057)**

10. Profit per redeemable participating preference share – basic and diluted
Basic gain per redeemable participating preference share is calculated by dividing the net profit attributable to redeemable participating preference shares of £13,506,807 (31 December 2012: £211,070) by the weighted average number of redeemable participating preference shares outstanding during the year of 107,270,743 shares (31 December 2012: 89,621,483 shares).

11. Dividends
Dividends of 1.25 pence per share were paid on a quarterly basis during the year in the months of January, April, July and October totalling £5,347,238 (31 December 2012: £4,336,434). On 31 January 2014 a dividend of £1,350,403 was paid. In accordance with the requirements of IFRS, as this was approved on 9 January 2014, being after the Statement of Financial Position date, no accrual was reflected in the 2013 financial statements for this amount (31 December 2012: £1,308,528).

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

12. Taxation

The Fund is subject to UK Corporation tax at a rate of 23.25% (2012: 24.50%). 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. As an investment trust, all capital gains are exempt from UK Corporation tax. On 7 December 2012 the Company received approval from HM Revenue & Customs to be treated as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 and will seek to remain so approved.

13. Related party transactions

The directors are regarded as related parties.

Total directors' fees paid during the year amounted to £105,000 of which £26,250 was due at the year end (2012: £85,000 of which £21,250 was due at the year end). Each non-executive director was paid a fee of £20,000 in respect of the financial year and the Chairman was paid a fee of £25,000.

The fees for the above are all arms length transactions.

14. 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 CAD50,000,000 and 25 per cent. of the Total Asset Value of the Fund. The Credit Facility was renewed on 5 October 2012 as an On Demand facility.

At 31 December 2013 the Bankers' Acceptance drawn under the Credit Facility totals CAD35,000,000 (GBP equivalent of £19,795,302) (31 December 2012: CAD25,000,000 (GBP equivalent £15,372,485)). The loan was renewed on 30 December 2013 with a maturity date of 1 April 2014.

At 31 December 2013 pre-paid interest and stamping fees of £102,378 (31 December 2012: £73,375) were paid on the Bankers' Acceptance and these costs are being amortised over 90 days (31 December 2012: 90 days). Interest paid on the Bankers' Acceptance totalled £343,812 (31 December 2012: £141,188).

Interest is calculated at an annual percentage equal to, in the case of Prime Loans, the Prime Rate minus 0.35 per cent. In the case of a Bankers' Acceptance, a stamping fee of 0.60 per cent. per annum is payable.

The loan is reclassified from non-current liability to current liability in the prior year as the Credit Facility is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

15. 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.

16. Financial instruments

Fair values

The carrying amounts of the investments, accrued income, 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 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 and the Company do not have any externally imposed capital requirements.

Investment and trading activities

It is intended that the Fund will continue throughout its life to be primarily 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 Statement of Financial Position 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.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

16. Financial instruments (continued)

The Fund's maximum exposure to credit risk is the carry value of the assets on the Statement of Financial Position.

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.

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 Fund mainly invests in Canadian securities. 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 13, effective 1 January 2013. IFRS 13 establishes a fair value hierarchy that prioritises 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 IFRS 13 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)

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

16. Financial instruments (continued)

Fair value measurements (continued)

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.

The following tables present the Fund's financial assets and liabilities by level within the valuation hierarchy as of 31 December 2013 and 2012:

31 December 2013	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities				
(at fair value through profit or loss)	129,529,929	–	–	129,529,929

31 December 2012	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities				
(at fair value through profit or loss)	111,501,935	–	–	111,501,935

The Fund holds securities that trade in active markets. Such financial instruments are classified as Level 1 of the IFRS 13 fair value hierarchy. There were no transfers between Level 1 and 2 in the year.

Price sensitivity

At 31 December 2013, 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 participating preference shares for the year would have been £38,858,978 (2012: £33,450,580) higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by £38,858,978 (2012: £33,450,580).

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

16. Financial instruments (continued)

Price sensitivity (continued)

At 31 December 2013, 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.

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, debt securities and loan payable. 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.

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

	Floating rate assets	
	2013 GBP	2012 GBP
Assets		
Debt securities	17,954,239	13,957,566
Cash and cash equivalents	6,656,549	8,428,599
	24,610,788	**22,386,165**
Liabilities		
Loan payable	19,795,302	15,372,485
	19,795,302	**15,372,485**

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

Interest rate sensitivity analysis

At 31 December 2013, had interest rates had been 50 basis points higher and all other variables were held constant, the Company's net assets attributable to redeemable shares for the year would have increased by £173,390 (31 December 2012: £238,660) due to the increase in market value of listed debt securities and to a lesser extent due to an increase in interest payable on the loan.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

16. Financial instruments (continued)

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 REITs listed on a Canadian Stock Exchange and are actively traded.

As at 31 December 2013, 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)	129,529,929	–	–	–	129,529,929
Accrued bond interest	171,091	–	–	–	171,091
Accrued dividend income	382,768	–	–	–	382,768
Accrued bank interest	3,003	–	–	–	3,003
Other receivables	2	–	–	–	2
Prepayments	31,503	–	–	–	31,503
Cash and cash equivalents	6,656,549	–	–	–	6,656,549
	136,774,845	**–**	**–**	**–**	**136,774,845**
Liabilities					
Other payables and accruals	(390,422)	–	–	–	(390,422)
Interest payable	(1,989)	–	–	–	(1,989)
Loan payable	(19,795,302)	–	–	–	(19,795,302)
	(20,187,713)	**–**	**–**	**–**	**(20,187,713)**
	116,587,132	**–**	**–**	**–**	**116,587,132**

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

16. Financial instruments (continued)

As at 31 December 2012, 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)	111,501,935	–	–	–	111,501,935
Accrued bond interest	165,120	–	–	–	165,120
Accrued dividend income	437,833	–	–	–	437,833
Accrued bank interest	4,252	–	–	–	4,252
Other receivables	2	–	–	–	2
Prepayments	16,261	–	–	–	16,261
Cash and cash equivalents	8,428,599	–	–	–	8,428,599
	120,554,002	**–**	**–**	**–**	**120,554,002**
Liabilities					
Other payables and accruals	(364,257)	–	–	–	(364,257)
Interest payable	(75,962)	–	–	–	(75,962)
Loan payable	(15,372,485)	–	–	–	(15,372,485)
	(15,812,704)	**–**	**–**	**–**	**(15,812,704)**
	104,741,298	**–**	**–**	**–**	**104,741,298**

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.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

16. Financial instruments (continued)

The Fund’s net exposure to CAD currency at the year end was as follows:

	2013 GBP	2012 GBP
Assets		
Cash and cash equivalents	6,574,575	941,341
Canadian equities	97,715,786	97,544,369
Canadian debt	16,645,559	12,613,738
Accrued income	532,435	598,234
	121,468,355	**111,697,682**
Liabilities		
Loan payable	19,795,302	15,372,485
Interest payable	1,989	75,962
	19,797,291	**15,448,447**

The Fund’s net exposure to USD currency at the year end was as follows:

	2013 GBP	2012 GBP
Assets		
Cash and cash equivalents	67,109	–
United States equities	13,859,904	–
United States debt	1,308,680	1,343,828
Accrued income	22,390	8,972
	15,258,083	**1,352,800**

Sensitivity analysis

At 31 December 2013, 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 £4,841,574 (31 December 2012: £4,586,914). Had GBP weakened against the CAD by 5%, this would amount to a decrease in net assets attributable to shareholders of approximately £5,351,213 (31 December 2012: £5,069,747).

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

17. Post year end events

On 9 January 2014 the Company declared a quarterly dividend of 1.25 pence per share. The ex-dividend date was 15 January 2014 and the record date was 17 January 2014. On 31 January 2014 the dividend of £1,350,403 was paid. On 3 April 2014 the Company declared a quarterly dividend of 1.25 pence per share. The ex-dividend date was 9 April 2014 and record date was 11 April 2014.

The RBC Loan was renewed on 1 April 2014 with a maturity date of 29 September 2014.

18. Controlling party

There is no ultimate controlling party.

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

As at 31 December 2013

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Equities					
Bermuda – Quoted Investments 1.46% (2012: 3.36%)					
Utilities					
Brookfield Infrastructure Partners LP	80,000	1,743,330	1,892,526	1.62%	1.46%
Canada Quoted Investments 73.99% (2012: 84.12%)					
Consumer Discretionary:					
Enercare Inc	400,000	1,901,550	2,266,212	1.94%	1.75%
Consumer Staples:					
Alimentation Couche-Tard Inc – Class B	20,000	775,100	903,644	0.78%	0.70%

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

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

As at 31 December 2013

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Energy:					
AltaGas Ltd	150,000	3,029,240	3,475,181	2.98%	2.68%
ARC Resources Ltd	220,000	2,931,983	3,690,494	3.17%	2.85%
Birchcliff Energy – Preferred Shares	43,000	684,538	616,986	0.53%	0.48%
Birchcliff Energy Ltd	60,000	948,146	815,564	0.70%	0.63%
Birchcliff Energy Warrants	129,000	–	40,318	0.03%	0.03%
Bonavista Energy Corporation	250,000	1,801,701	1,973,275	1.69%	1.52%
Bonterra Energy Corporation	58,000	1,566,605	1,784,398	1.53%	1.38%
Canyon Services Group Inc	210,000	1,160,221	1,430,817	1.23%	1.10%
Crescent Point Energy Corp	125,000	3,075,252	2,927,949	2.51%	2.26%
Enerplus Corporation	200,000	2,023,262	2,191,202	1.88%	1.69%
Keyera Corporation	75,000	2,062,683	2,713,147	2.33%	2.09%
Pembina Pipeline Corporation	145,000	2,943,059	3,081,662	2.64%	2.38%
Peyto Exploration & Development Corporation	175,000	2,121,700	3,222,022	2.76%	2.49%
TORC Oil & Gas Ltd	400,000	1,857,170	2,393,502	2.05%	1.85%
Trilogy Energy Corp	200,000	3,253,955	3,136,784	2.69%	2.42%
Twin Butte Energy Ltd	1,750,000	2,208,883	2,247,460	1.93%	1.74%
Whitecap Resources Inc	250,000	1,496,288	1,792,854	1.54%	1.38%
Financials:					
Canadian Western Bank	125,000	2,247,348	2,743,975	2.35%	2.12%
Gluskin Sheff Associates Inc	130,000	1,714,853	1,897,072	1.63%	1.46%
IGM Financial Inc	100,000	2,817,187	3,185,654	2.73%	2.46%
Intact Financial Corporation	60,000	2,269,714	2,362,816	2.03%	1.82%
Manulife Financial Corp	200,000	1,679,629	2,381,001	2.04%	1.84%
Power Financial Corporation	150,000	2,655,322	3,065,183	2.63%	2.37%
Industrials:					
Bombardier Inc – Class B	300,000	675,278	785,901	0.67%	0.61%
Magna International Inc	65,000	1,957,300	3,216,084	2.76%	2.48%
Materials:					
Agrium Inc	30,000	1,807,516	1,656,188	1.42%	1.28%
Canexus Corporation	165,000	641,522	671,340	0.58%	0.52%
Chemtrade Logistics Income Fund	200,000	1,796,857	2,210,523	1.90%	1.71%
Norbord Inc	55,000	1,184,299	1,056,704	0.91%	0.82%

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

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

As at 31 December 2013

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Metals and Mining:					
Labrador Iron Ore Royalty Corporation	125,000	2,455,494	2,416,517	2.07%	1.87%
Real Estate:					
Allied Properties Real Estate Investment Trust	70,000	1,511,065	1,301,936	1.12%	1.01%
Brookfield Office Properties Inc	200,000	1,971,960	2,323,038	1.99%	1.79%
Canadian Apartment Properties Real Estate Investment Trust	140,000	1,740,048	1,688,181	1.45%	1.30%
Chartwell Retirement Residences	600,000	3,553,598	3,406,138	2.92%	2.63%
H&R Real Estate Investment Trust	200,000	3,003,347	2,426,461	2.08%	1.87%
Northern Property Real Estate Investment Trust	85,000	1,773,457	1,337,963	1.15%	1.03%
Pure Industrial Real Estate Trust	950,000	2,492,913	2,558,865	2.19%	1.98%
Telecommunications:					
Manitoba Telecom Services Inc	140,000	2,317,628	2,361,225	2.03%	1.82%
Quebecor Inc – Class B	240,000	3,554,722	3,601,846	3.09%	2.78%
Utilities:					
Algonquin Power & Utilities Corporation	350,000	1,375,220	1,457,866	1.25%	1.13%
Capstone Infrastructure Corp	364,800	918,767	735,917	0.63%	0.57%
Innergex Renewable Energy Inc	375,000	2,441,347	2,248,170	1.93%	1.74%
Northland Power Inc	230,000	2,338,043	2,023,225	1.74%	1.56%
Netherlands – Quoted Investments 1.68% (2012: 0%)					
Materials:					
Lyondellbasell Industries	45,000	1,760,268	2,180,922	1.87%	1.68%

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

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

As at 31 December 2013

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
United States – Quoted Investments 9.02% (2012: 0%)					
Financials:					
Capital One Financial Corp	55,000	1,968,380	2,544,032	2.18%	1.96%
Citigroup Inc	60,000	1,837,780	1,887,760	1.62%	1.46%
Discover Financial Services	65,000	1,656,186	2,195,775	1.88%	1.70%
JP Morgan Chase & Co	80,000	2,459,642	2,824,213	2.42%	2.18%
Prudential Financial Inc	40,000	1,508,121	2,227,202	1.91%	1.72%
Total equities:		**101,669,477**	**111,575,690**	**95.70%**	**86.15%**
Debt:					
Canada – Quoted Investments 12.84% (2012: 11.31%)					
Chartwell Seniors Housing Real Estate Investment Trust 5.70% due 31 March 2018	2,000,000	1,269,722	1,205,843	1.03%	0.93%
Chemtrade Logistics Income Fund 5.75% due 31 December 2018	2,000,000	1,163,632	1,221,754	1.05%	0.94%
Gamehost Inc. 6.25% due 31 July 2015	2,000,000	1,172,498	1,588,985	1.36%	1.23%
Great Canadian Gaming Corp 6.625% due 25 July 2022	2,000,000	1,272,795	1,190,500	1.02%	0.92%
Innvest Real Estate Investment Trust 6.75% due 31 March 2016	1,000,000	664,078	578,373	0.50%	0.45%
Mullen Group Ltd 10.00% due 1 July 2018	1,500,000	1,617,640	2,255,373	1.93%	1.74%
Paramount Resources Limited 8.25% due 13 December 2017	3,000,000	1,848,026	1,764,441	1.51%	1.36%
Perpetual Energy Inc. 8.75% due 15 March 2018	3,000,000	1,703,916	1,623,797	1.39%	1.25%
Quebecor Inc 6.625% due 15 January 2023	3,500,000	2,355,635	1,991,389	1.71%	1.54%
Savanna Energy Services Corp 7.00% due 25 May 2018	1,325,000	842,150	760,471	0.65%	0.59%

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (continued)

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

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

As at 31 December 2013

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Superior Plus Corp 6% due 30 June 2018	2,650,000	1,788,822	1,569,883	1.35%	1.21%
Tricon Capital Group 5.6% due 31 March 2020	1,500,000	961,477	894,750	0.77%	0.68%
United States – Quoted Investments 1.01% (2012: 1.21%)					
Inmet Mining Corp 8.75% due 1 June 2020	2,000,000	1,240,772	1,308,680	1.12%	1.01%
Total debt:		**17,901,163**	**17,954,239**	**15.39%**	**13.85%**
Total investments (2013)		**119,570,640**	**129,529,929**	**111.09%**	**100.00%**
Total investments (2012)		**104,380,445**	**111,501,935**	**106.45%**	**100.00%**

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF MIDDLEFIELD CANADIAN INCOME PCC (THE “COMPANY”)

We have audited the Company financial statements (the “financial statements”) of Middlefield Canadian Income PCC for the year ended 31st December 2013 which comprise the Statement of Financial Position and Notes 1 to 3 to 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 Company’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 Company and the Company’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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Company’s affairs as at 31 December 2013;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF MIDDLEFIELD CANADIAN INCOME PCC (THE “COMPANY”)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; 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.

Helen Gale, BSc, FCA
for and on behalf of Deloitte LLP
Chartered Accountants
Jersey, UK
10 April 2014

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2013 with comparatives as at 31 December 2012

	Notes	2013 GBP	2012 GBP
Current assets			
Other receivables		2	2
Net assets		**2**	**2**
Equity attributable to equity holders			
Stated capital	2	2	2
Total Shareholders' equity		**2**	**2**

The financial statements and notes on pages 64 to 65 were approved by the directors on 10 April 2014 and signed on behalf of the Board by:

Thomas Grose
Director

Raymond Apsey
Director

NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

For the year ended 31 December 2013
with comparatives for the year ended 31 December 2012

1. Basis of accounting

The separate financial statements of the Company have been prepared showing results of the Company only. They have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union in accordance with the accounting policies set out in notes 1 and 2 to the financial statements of the Fund.

A separate Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement have not been prepared as there have been no results or cash flows for the Company for this year or the preceding year.

There are no standards and interpretations in issue but not effective that the directors feel will have a material impact on the financial statements of the Company.

Judgements and estimates used by the directors

The preparation of financial statements in compliance with IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated liabilities are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent. For the purposes of these financial statements there were no specific areas in which judgement was exercised or any estimation was required by the directors.

2. The Company's stated capital

The authorised share capital of the Company is split into two management shares of no par value.

	No. of shares	GBP
Management shares issued		
At 31 December 2013 and 2012	2	2

3. 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. On 7 December 2012 the Company received approval from HM Revenue & Customs to be treated as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 and will seek to remain so approved.

MIDDLEFIELD CANADIAN INCOME – GBP PC (the "Cell")
whose registered office is at Kleinwort Benson House, PO Box 76, Wests Centre, St Helier, Jersey JE4 8PQ

THIS DOCUMENT IS IMPORTANT REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU 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 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 Cell Annual General Meeting
Notice is hereby given that the Cell Annual General Meeting will be held at 14 St. George Street, London W1S 1FE on 29 May 2014 at 12.00 p.m. for the following purposes:

SPECIAL BUSINESS

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

1. **THAT** in accordance with Article 2.25 of the Cell's Articles of Association (the "**Articles**") dated 19 September 2011, the Directors be authorised to issue and allot redeemable participating preference shares ("**Shares**") and to sell Shares out of treasury, in each case for cash pursuant to Article 2.22 of the Articles up to an amount representing 10 per cent. of the issued share capital of the Cell as at the date of the Cell Annual General Meeting, as if Article 2.25 did not apply to the allotment or sale out of treasury, provided that such Shares shall be allotted or sold for cash at a price which is not less than the net asset value per Share at the time of the issue or sale. This authority shall expire on the earlier of 30 September 2015 or the conclusion of the next annual general meeting of the Cell, 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 or sold out of treasury after such expiry pursuant to any such offer or agreement as if the power conferred hereby had not expired.

2. **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 16,194,000 or such number as shall represent 14.99 per cent. of the issued share capital of the Cell as at the date of the Cell Annual General Meeting, 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; and
      (iii) the maximum price, exclusive of any expenses, which may be paid for a Share shall be the higher of: an amount equal to 105 per cent. of the average middle market quotation for Shares (as taken from the Daily Official List of London Stock Exchange plc) for the five business days immediately preceding the day on which such shares are contracted to be purchased; and
      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; and

SPECIAL BUSINESS (continued)

(b) the authority hereby conferred shall expire on the earlier of 30 September 2015 or the conclusion of the next annual general meeting of the Cell, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require the market purchase of Shares after such expiry pursuant to any such offer or agreement as if the power conferred hereby had not expired; and

(c) 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.

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 2013.

2. To re-appoint Deloitte LLP as Auditors of the Cell.

3. To authorise the Directors to determine the Auditors' remuneration.

4. To approve the Directors' remuneration as set out on page 20 of the Annual Audited Financial Report for the year ended 31 December 2013.

5. To approve the dividend policy of the Company as set out on page 9 of the Annual Audited Financial Report for the year ended 31 December 2013.

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

10 April 2014

Notes:

(1) A holder of redeemable participating preference shares of no par value in the capital of the Cell ("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 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 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 Meeting should they subsequently decide to do so.

(3) The quorum for the Meeting is at least two Shareholders present in person or by proxy or by attorney. The majority required for the passing of the Cell ordinary resolutions is a simple majority (or more) and for the Cell special resolutions is two thirds (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 Meeting, a quorum is not present, then the 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 adjourned 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, the majority required for the passing of the Cell ordinary resolutions is a simple majority (or more) and for the Cell special resolutions two thirds (or more) of the total number of votes cast for and against the resolution.

(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 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 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 Cell 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 Cell, 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 Cell on the close of business on 27 May 2014 shall be entitled to attend or vote at the Meeting in respect of the number of Shares registered in their name at that time or in the event that the Meeting is adjourned, in the register of members at the close of business two days before the date of the adjourned Meeting. Changes to entries on the register of members after such time or, in the event that the Meeting is adjourned, to entries in the register of members after the close of business two days before the date of the adjourned Meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

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

THIS DOCUMENT IS IMPORTANT REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU 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 MARKETS ACT 2000.

If you have sold or transferred all of your management 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 29 May 2014 at 12.45 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 Company's annual financial report for the year ended 31 December 2013.

(2) To re-appoint Deloitte LLP as Auditors of the Company.

(3) To authorise the Directors to determine the Auditors' remuneration.

(4) To approve the Directors' remuneration as set out on page 20 of the Annual Audited Financial Report for the year ended 31 December 2013.

(5) To approve the dividend policy of the Company as set out on page 9 of the Annual Audited Financial Report for the year ended 31 December 2013.

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

10 April 2014

Notes:

(1) Only holders of management shares are entitled to attend and vote at the Company Annual General Meeting. A holder of management shares is entitled to appoint one or more proxies to attend and vote at the Company Annual General Meeting instead of him. A proxy need not be a holder of management shares.

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

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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 Company and Cell Meeting

Notice is hereby given that a Company and Cell Meeting will be held at 14 St. George Street, London W1S 1FE on Thursday 29 May 2014 at 12.30 p.m. for the following purposes:

ORDINARY BUSINESS

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

(1) To re-elect Philip Bisson as a Director of the Company and the Cell.

(2) To re-elect Thomas Grose as a Director of the Company and the Cell.

(3) To re-elect Nicholas Villiers as a Director of the Company and the Cell.

(4) To re-elect Raymond Apsey as a Director of the Company and the Cell.

(5) To re-elect Dean Orrico as a Director of the Company and the Cell.

Kleinwort Benson (Channel Islands) Corporate Services Limited
As Company Secretary

10 April 2014

Notes:

(1) A holder of management shares in the capital of the Company and/or of redeemable participating preference shares of no par value in the capital of the Cell ("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 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 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 Meeting should they subsequently decide to do so.

(3) The quorum for the Meeting is at least two Shareholders present in person or by proxy or by attorney. The majority required for the passing of the Company and Cell 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 Meeting, a quorum is not present, then the 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 adjourned 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 and Cell 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 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 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 Cell 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 Cell, pursuant to regulation 40 of the (Companies Uncertificated Securities) (Jersey) Order 1999 (as amended), specifies that only holders of redeemable participating preference shares of no par value in the capital of the Cell registered in the register of members of the Cell on the close of business on 27 May, 2014 shall be entitled to attend or vote at the Meeting in respect of the number of such shares registered in their name at that time or in the event that the Meeting is adjourned, in the register of members at the close of business two days before the date of the adjourned Meeting. Changes to entries on the register of members of the Cell after such time or, in the event that the Meeting is adjourned, to entries in the register of members of the Cell after the close of business two days before the date of the adjourned Meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

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