ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2016

MIDDLEFIELD

Canadian Income PCC

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

MCI

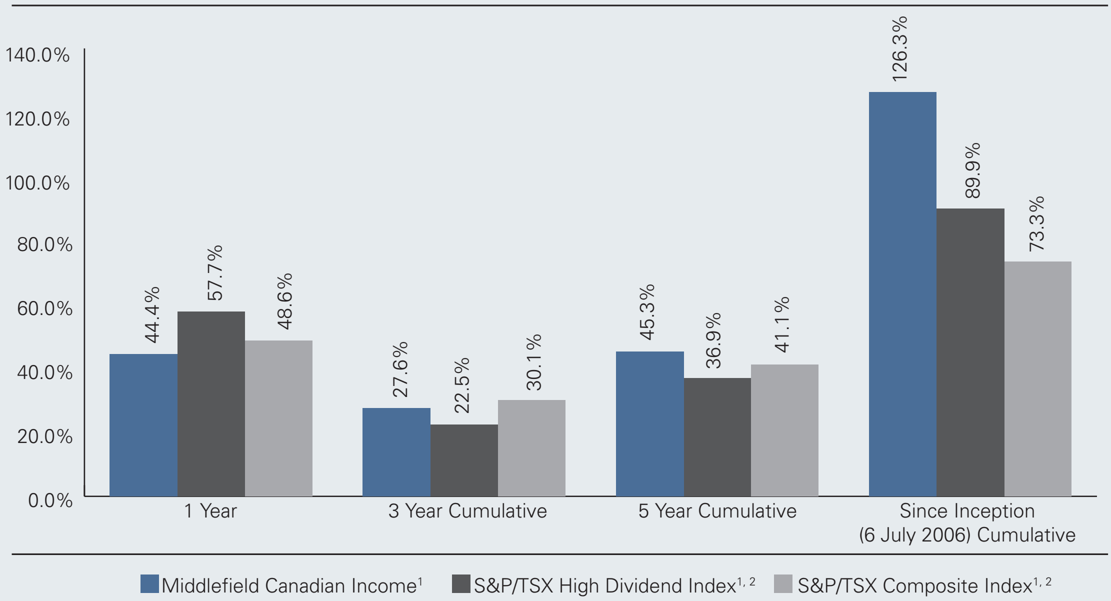
TABLE OF CONTENTS

CHAIRMAN'S REPORT

It is my pleasure to introduce the 2016 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 and U.S. equity income securities with the objective of providing shareholders with high dividends as well as capital growth over the longer term.

We continue to be pleased with the long-term performance of the Fund. Since inception in 2006, the Fund has generated a cumulative return of 126.3%, outpacing its benchmark, the S&P TSX Composite High Dividend Index, as well as the broader S&P/TSX Composite Index, which have generated cumulative returns of 89.9% and 73.3%, respectively, over the same period. In 2016, the Fund's NAV had a strong year with a total return of 44.4% in GBP, benefiting from both underlying stock performance as well as the appreciation in the Canadian dollar versus the British Pound.

Performance to 31 December 2016



Source: Bloomberg, as at 31 December 2016

Notes:

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

The Fund continues to benefit from its exposure to U.S. markets, especially in sectors that are underrepresented in Canada. Over time, given the strength in the U.S. economy, we believe exposure to U.S. equities will enhance total shareholder returns and provide greater diversification. An average of 26% of the portfolio was invested in U.S. listed securities in 2016.

CHAIRMAN'S REPORT

MCI Sector Weights Compared to S&P/TSX Composite High Dividend Index

Sector	Fund	Benchmark	Over/Under Weight
Real Estate	21.0%	15.1%	5.9%
Financials	16.0%	29.6%	-13.6%
Energy	15.5%	6.4%	9.1%
Pipelines	12.2%	21.8%	-9.6%
Power & Utilities	6.6%	8.7%	-2.1%
Materials	5.8%	1.5%	4.3%
Industrials	5.8%	1.4%	4.4%
Health Care	4.9%	0.0%	4.9%
Technology	3.1%	0.8%	2.3%
Consumer Discretionary	2.6%	4.3%	-1.7%
Consumer Staples	0.0%	0.5%	-0.5%
Telecom	0.0%	9.9%	-9.9%
Debt/Other	6.5%	0.0%	6.5%

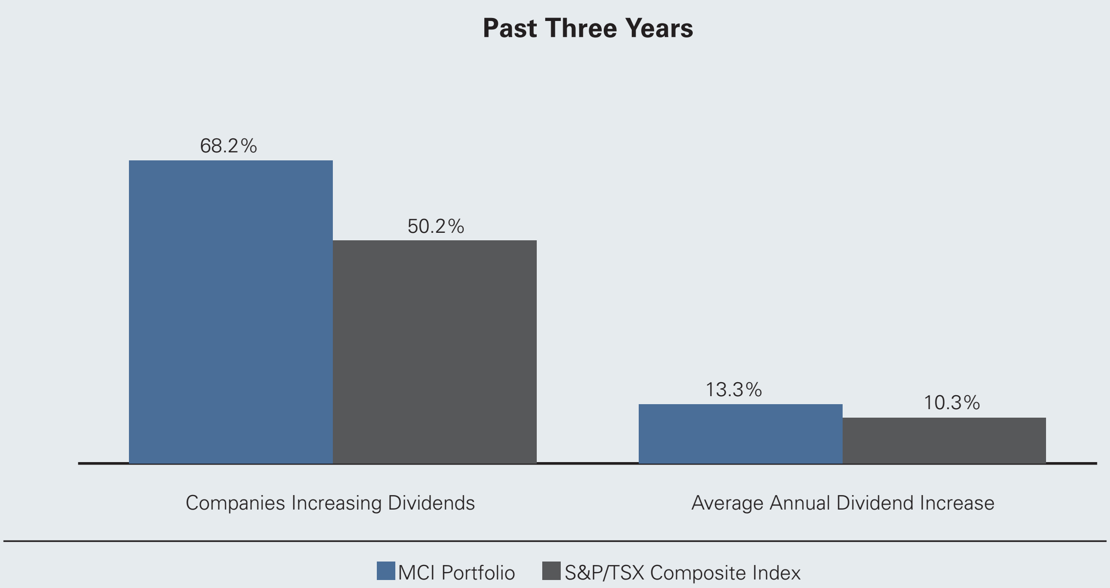
Source: Bloomberg, as at 31 December 2016

Over the course of the year, despite the recovery in commodities and in the Canadian economy, the Fund's discount to NAV widened beyond normal levels. As a result, MCI repurchased a total of 1,225,000 redeemable participating preference shares in eleven separate transactions, at a weighted average price of 80.37 pence. As a result of these transactions, as of 31 December 2016, the number of shares with voting rights in issue is approximately 106.9 million.

We continue to tactically manage the amount of gearing employed in the Fund. In the first few months of the year when the market was the most volatile, gearing bottomed at 5.6%. As markets recovered, gearing was increased to a high of 17.5% by August and averaged 13.3% for the year. Our approach to gearing involves monitoring market conditions to determine the appropriate level for the Fund, effectively increasing gearing to invest in securities that are attractively valued, and reducing gearing with proceeds from positions that are overvalued.

The Fund remains focused on investing in income-oriented issuers with proven management teams, good balance sheets and sustainable dividends that are well positioned to benefit from the relative strength of the North American economy. It is our belief that companies that demonstrate consistent dividend growth will generate superior total returns over time. In fact, nearly 70% of the companies in the portfolio as at 31 December 2016 had increased their dividends over the past three years, with an average annual increase of over 13%.

Focus on Companies that Grow their Dividends



Source: Bloomberg, as at 31 December 2016

CHAIRMAN'S REPORT

DIVIDENDS

Since April 2009, the Fund has paid dividends on a quarterly basis at a rate of 1.25p per quarter, equating to 5p per annum.

In light of the recovery in the Canadian economy over the past several months and the Fund's focus on portfolio constituents anticipating an increase in their level of dividends, the level of income generated by the Fund in the first quarter of 2017 was higher in sterling terms than it was for any quarter of 2016, resulting in a pro forma dividend cover in excess of 120% for that period. In addition, the Fund has also benefited from sterling weakness versus the Canadian dollar over the past 12 months.

The Board has considered the level of income generated in the first quarter of 2017 and the Investment Manager's view as to the sustainability of such level of income over the remainder of the Fund's current financial year (assuming that the Canadian dollar and US dollar exchange rates do not demonstrate a significant weakening relative to sterling over the period). Furthermore, to remain eligible for investment trust status under section 1158 of the Corporation Tax Act 2010 with respect to its tax status, in any accounting period the Fund may retain no more than 15 per cent. of its income.

In light of such factors, the Board is proposing a small increase in the quarterly dividend payable, from 1.25p per share to 1.275p per share, equating to 5.1p per annum. It is proposed that such increase will commence with the quarterly dividend payable in July 2017.

ANNUAL GENERAL MEETING

This year's Annual General Meeting will be held on 25 May 2017 at 12:00 p.m., at the offices of CBPE Capital LLP, 2 George Yard, London EC3V.

OUTLOOK

Looking forward, we are bullish on Canadian equities but challenges to the global macro outlook remain. Accelerating economic data in both Canada and the United States should continue to provide support for equity markets. We believe that Canada, in particular, will benefit from the recovery in energy markets and the relative strength in the U.S. economy. Despite the long-term outperformance of the Fund over its benchmark, the shares currently trade at a discount to net asset value, offering exceptional value for investors looking for exposure to the Canadian economy.

We thank you for your continued support.

Nicholas Villiers
Chairman
Date: 20 April 2017

INVESTMENT MANAGER'S REPORT

After a volatile start to the year, equities recovered with major North American indices finishing 2016 just below their all-time highs. Stock markets were impacted by numerous macro events including currency devaluation in China, a migrant crisis in Europe, a referendum in the U.K on EU membership and a surprise presidential election result in the United States. Ultimately, prospects for improving global growth, led by the United States, pushed stocks higher. For the year, in local currency, Canada was the best performing developed market in the world, with the S&P/TSX Composite Index posting a total return of 21.1% as the sentiment toward Canadian equities improved throughout 2016. We expect this to continue as a result of the economic recovery currently underway in Canada and the instability, both economic and political, being experienced in other developed markets such as Europe and the United Kingdom.

In the United States, contrary to pre-election expectations, investors have embraced President Trump due to his pro-growth policies of lower taxes, increased infrastructure spending and reduced regulation. As a result, investors have been rotating into pro-cyclical sectors such as industrials, financials and materials since early November. Further supporting equity markets is the recent string of positive economic data, allowing the Federal Open Market Committee to raise the overnight lending rate by 25 basis points on December 14th and March 15th, with another two rate hikes anticipated before the end of the year. In addition, U.S. labour markets finished 2016 with their 75th consecutive month of job gains, the longest streak on record. Wages grew by 2.9%, the fastest pace since 2009, and consumer confidence reached its highest level in nine years. Corporate earnings grew in Q3 and Q4, reversing the trend of five straight quarterly declines. With current valuation multiples above historical averages, we are confident that the recent acceleration in earnings will support the next move higher in stock prices.

After an oil-price induced slowdown, Canadian economic data points have been increasingly positive. In their most recent monetary policy report, the Bank of Canada is forecasting GDP growth of 2.1% in 2017, up significantly from 0.9% in 2015 and 1.3% last year. This forecast is supported by a broad recovery in commodity prices as well as the improved economic outlook for the United States since over 70% of Canada's exports are purchased by the U.S. The increasing economic momentum was also evidenced by Canada posting its second consecutive trade surplus in December after more than two years of lacklustre numbers. In addition, the November jobs report exhibited the biggest monthly gain since 2012.

Although oil prices averaged US$43 per barrel in 2016, they pushed through US$50 after OPEC agreed to cut production by 1.2 million barrels per day in late November. Over the past 30 years, OPEC has never agreed to fewer than two consecutive production cuts with an aggregate reduction of approximately three million barrels per day, further supporting strength in oil prices in the coming months. The Canadian economy will also benefit from the expected approval of the Keystone XL pipeline, providing an outlet for increasing Canadian oil production over the next several years. The Fund's energy exposure is balanced between producers and pipeline companies.

Yields on 10-year U.S. treasury bonds have risen by over 100 basis points since hitting their all-time lows in July. Immediately following the presidential election, bond yields moved sharply higher on the prospects of economic growth due to expected lower taxes and reduced government regulation. The steepening of the yield curve also served to push U.S. financials higher by nearly 20% in the last two months of the year. Looking ahead, we expect U.S. banks will continue to demonstrate growth in earnings, making current valuations increasingly compelling. In light of the slower growth in Canadian banks versus their U.S. peers, we are more cautious on Canadian financials, even though the long-term view for the Canadian banking sector remains positive. Financials are the second largest sector weight in the fund and our exposure remains biased to U.S. issuers.

Real estate is the largest weighting in the Fund at approximately 21%. Real estate investment trusts continue to be attractive as commercial real estate offers stable income and potential for considerable capital appreciation. Fundamentals in the sector are stable and REITs have inflation linked revenues with low correlation to broader equity markets. As users of financial leverage, REITs will experience higher levels of volatility with the movement in interest rates, as seen in the last few months of the year. Given our focus on companies run by strong management teams with a track record of prudent capital allocation, we will take advantage of any short-term corrections to add to our favourite names. Valuations look attractive with Canadian REITs currently trading at discounts to NAV.

In Canadian dollars, MCI's net asset value was up 16.8% for the year. The weakness in the British Pound was a significant contributor to the Fund's total return, as the Pound depreciated by 18.7% against the dollar. The U.S. dollar depreciated by 2.9% against the Canadian dollar in 2016 and finished the year at 14-year highs against a broad basket of currencies.

INVESTMENT MANAGER'S REPORT

Top Holdings

The table below shows the largest ten positions held within the Fund's portfolio as at 31 December 2016:

COMPANY	SECTOR	% OF PORTFOLIO
JPMorgan Chase & Co. JPMorgan Chase & Co. is a leading global financial services firm headquartered in New York, NY, and is the largest banking institution in the U.S. with $2.4 trillion in assets, approximately 5,413 branches nationwide and operations in more than 60 countries.	Financials	3.8%
Vermilion Energy Vermilion Energy's production base is internationally diversified and almost two-thirds oil weighted. With a strategy focused on the execution of full cycle growth via acquisition, exploration, development and optimization of producing properties, Vermilion's production flows from western Canada, France, Australia, Germany and the Netherlands. Vermilion is the only high yield Canadian producer that has never cut its dividend since its inception in 2003.	Energy	3.7%
CF Industries Holdings Inc. CF Industries is North America's largest nitrogen producer, operating seven world-scale nitrogen production facilities near the US Corn Belt along with a significant sales and distribution network and two facilities in the UK.	Materials	3.5%
National Bank of Canada National Bank is a Montreal-based, fully integrated financial services company, which is the smallest of the Big Six Canadian banks. Earnings are typically split between personal and commercial (50%), wealth management (15%) and capital markets (35%).	Financials	3.4%
H&R REIT Canada's second largest REIT, with interests in over 500 high quality assets including office, industrial, retail and industrial properties. Conservatively managed with a strong balance sheet and an average remaining lease term of 10 years, the longest in Canada.	Real Estate	3.2%
Microsoft Corporation Microsoft is the world's largest software maker and a leading provider of operating systems and productivity suites for PCs. Microsoft develops licenses and supports a variety of software products and services, as well as a variety of hardware products.	Technology	3.1%
Gibson Energy Inc. Gibson Energy is a midstream energy company that is engaged in the movement, storage, blending, processing, marketing and distribution of crude oil, condensate, natural gas liquids and refined products along with environmental services for oil and gas producing customers.	Pipelines	2.9%

INVESTMENT MANAGER'S REPORT

Top Holdings (Continued)

COMPANY	SECTOR	% OF PORTFOLIO
AltaGas Ltd. AltaGas is an energy infrastructure company with operations that include natural gas gathering and processing, extraction of ethane and natural gas liquids, transmission, power generation and rate-regulated utilities. The company's operations are primarily based in Western Canada with select businesses throughout North America.	Pipelines	2.8%
Pembina Pipeline Corporation Pembina Pipeline is a pipeline and midstream company that operates oil and NGL pipelines, gas gathering and processing facilities and oil and NGL infrastructure and logistics businesses.	Pipelines	2.8%
Brookfield Property Partners L.P. Brookfield Property Partners L.P. is a global commercial property company that owns, operates and invests in best-in-class office, retail, multifamily and industrial assets.	Real Estate	2.7%
Top Ten Investments		31.9%

OUTLOOK

Looking forward, we are bullish on North American equities but challenges to the global macro outlook remain. While Chinese economic data appears to have turned the corner, Europe still faces a number of headwinds including the possibility of a 'hard' Brexit as well as pivotal elections in France and Germany later this year. President Trump appears adamant on renegotiating trade deals to the benefit of the U.S., potentially impacting global trade or inciting currency wars. While there is talk of renegotiating NAFTA, recent commentary suggests that Canada is not the primary focus of any trade reform and we do not believe there will be any adverse impact on the Canadian economy.

We will continue to actively manage the sector exposure in the Fund, taking advantage of any short-term dislocations in valuations to add to our favourite holdings. Although global yields have risen over the past few months, they are still at historically low levels, thereby supporting demand for stable, income-earning investments such as MCI. As stated previously, we believe that consistent dividend growth will enhance the Fund's ability to provide attractive long-term returns, on both a relative and absolute basis. Given the fundamentals described previously, the Fund maintains a relative overweight position in sectors including real estate, financials, and energy while remaining focused on investing in issuers with proven management teams, good balance sheets and sustainable dividends.

Middlefield Limited
Date: 20 April 2017

DIRECTORS' REPORT

The directors present their annual financial report for the year ended 31 December, 2016 with comparatives for the year ended 31 December 2015. The directors confirm that the annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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 premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Main Market for listed securities.

JTC Fund Solutions (Jersey) Limited (previously known as Kleinwort Benson (Channel Islands) Corporate Services Limited) acts as the Company's secretary and administrator. JTC Fund Solutions (Guernsey) Limited was appointed as assistant secretary with effect from 1 December, 2016. 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 18 February 2015, which increased the percentage of the value of total portfolio assets which may be invested in securities listed on a recognised stock exchange outside of Canada from 20 per cent. to 40 per cent. and which limited the amount which may be invested in securities listed on any recognised stock exchange outside of Canada and the U.S. to 10 per cent. of the value of the Company's portfolio. The Fund's investment objective and policy are described in further detail below.

INVESTMENT OBJECTIVE AND DIVIDEND POLICY

The Fund seeks to provide shareholders with a high level of dividends as well as capital growth over the longer term. The Fund intends to pay dividends on a quarterly basis each year. Subject to unforeseen circumstances, the Fund intends to maintain its current dividend rate of at least five pence per share per annum payable on a quarterly basis in equal instalments. The current dividend rate is expected to be supported by an increase in dividend and interest income earned by the Fund as well as the expected increase in the value of the Canadian dollar versus GBP over time. We believe that Canada will benefit from the recovery in energy markets and the relative strength in the U.S. economy, while Europe still faces a number of headwinds including the possibility of a 'hard' Brexit as well as pivotal elections in France and Germany. The relative stability of Canada's economy should provide ongoing support for the Canadian dollar relative to most other developed currencies.

Investment Portfolio

The Fund seeks to achieve its investment objective by investing predominantly in the securities of companies and REITs domiciled in Canada as well as the U.S. 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 40-70 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.

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 40 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 securities listed on a recognised stock exchange outside Canada and the United States; or

(e) have more than 10 per cent. of the value of its portfolio assets invested in unquoted securities; or

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

Hedging

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

Gearing

The Fund has the 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 19 per cent. of its total assets.

DIRECTORS' REPORT

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 2016

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 2016, 17,745,000 Fund Shares were held in treasury. Since the financial year end and up to the date of this report, the Fund has not sold any Fund Shares from treasury and has repurchased 450,000 Fund Shares, so there are now 18,195,000 Fund Shares held in treasury, which may in future be sold out of treasury to satisfy market demand. Accordingly, the number of Fund Shares in issue and with voting rights attached is currently 106,487,250 and this figure may be used by shareholders as the denominator for calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under FCA's Disclosure Guidance and Transparency Rules.

FURTHER ISSUES OF FUND SHARES

The Fund's Articles of Association provide the Board of directors with authority to issue further Fund Shares without seeking shareholders' approval although, unless otherwise authorised by shareholders, such Fund Shares must be issued on a pre-emptive basis. However, at the Cell Annual General Meeting (the "Cell AGM") held on 26 May 2016, the Fund's shareholders authorised the issue or sale out of treasury of Fund Shares representing up to 10 per cent. of the Fund's issued share capital as at the date of the Cell AGM. Such issues or sales will only be effected in the event of investor demand which cannot be met through the market and will only be conducted at a price equal to or above the prevailing NAV.

The aforementioned authority expires on the earlier of 30 September 2017 or the conclusion of the next Cell AGM. At the next Cell AGM, the notice of which is included at the end of this annual financial report, the Board will be seeking renewal of their authority to issue or sell out of treasury additional Fund Shares and to make market acquisitions of Fund Shares. If the proposed special resolutions are approved, such authorities will remain valid until the earlier of 30 September 2018 or the conclusion of the next Cell AGM.

The full text of the proposed special resolutions is included in the notice of the Cell AGM. The Board considers that each of the proposed special 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 special resolutions, as they intend to do in respect of their own beneficial holdings.

FUTURE TRENDS

Details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Investment Managers' Report on pages 4 to 6. Further details as to the risks affecting the Company are set out on pages 10 and 11.

SUBSTANTIAL SHAREHOLDING IN THE FUND

As at the year end, 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 31 December 2016* Number of Shares	Redeemable Participating Preference Shares 31 December 2016 % of Shares in issue	Redeemable Participating Preference Shares 31 March 2017* Number of Shares
Brewin Nominees Limited	14,271,007	13.35%	13,074,708
Rock (Nominees) Limited	12,352,038	11.55%	12,459,382
State Street Nominees Limited	12,012,347	11.23%	11,995,170
Vidacos Nominees Limited	9,754,725	9.12%	9,735,263

* As at the year end and as at 31 March, 2017, being the most recent practicable date prior to the publication of this report, the following shareholders were recorded on the Company's share register as holding 5 per cent. or more of the Fund's issued share capital with voting rights attached or had otherwise notified the Company of such notifiable interests.

DIRECTORS' 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, monthly factsheets and information on the Company's website operated by the Investment Manager. Shareholders have the opportunity to address questions to the Chairman and the Committees of the Board at the AGMs and all shareholders are encouraged to attend the AGMs.

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

ONGOING CHARGES

The below table 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 2016	1.02
31 December 2015	1.06

RESULTS AND DIVIDENDS

The results for the year are shown in the Statement of Comprehensive Income on page 28 and related notes on pages 30 to 43. 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 2017	1.25p expected
July 2017	1.275p expected
October 2017	1.275p expected
January 2018	1.275p 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.

GOING CONCERN AND VIABILITY

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, currency risk and country risk are set out at note 16 to the financial statements. The Company's long term viability and assessment of longer term risks to which the Company is exposed are also reported upon in the Company's long term viability statement included at the end of this report.

The financial statements have been prepared on a going concern basis, supported by the directors' current assessment of the Company's position, including the factors set out on page 8 above and:

- ongoing shareholder interest in the continuation of the Fund;
- the Company 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 and U.S. securities are readily realisable to meet liquidity requirements if necessary.

Based on the above, in the opinion of the directors, there is a reasonable expectation that the Company 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 or Company. At the Fund's Cell AGM held on 16 May, 2013 a continuation vote was proposed and passed unanimously by those shareholders voting at the meeting. There is no requirement under the Company's and Fund's articles of association to propose any future continuation vote in respect of either the Company as a whole or the Fund itself and the directors have no intention of proposing any continuation vote in the foreseeable future, subject to unforeseen future events.

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.

DIRECTORS' REPORT

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 Financial Reporting Council's (the "FRC") UK Corporate Governance Code (the "UK 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 (the "AIC"), of which the Company is a member, has published its Code of Corporate Governance for Investment Companies (the "AIC Code") and the Corporate Governance Guide for Investment Companies dated February 2015 (the "AIC Guide"), which incorporates the UK Code, the AIC Code and paragraph 9.8.6 of the FCA's 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 9.8.6 of the Listing Rules."

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 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 provides better information to shareholders.

The directors believe that the Company has complied with the provisions of the AIC Code, where appropriate, and that it has complied throughout the year with the provisions where the requirements are of a continuing nature. Following the publication of the revised AIC Code dated February 2015, the directors put in place further measures designed to ensure compliance with the revised AIC Code and report against the 2015 AIC Code in this year's annual financial report.

The UK Code is available for download from the FRC's web-site www.frc.org.uk and the AIC Code and AIC Guide are available for download from the AIC's website www.theaic.co.uk. All of these documents can also be provided by the Secretary by e-mail upon request.

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 provisions relating to the role of chief executive management. As all of the directors are non-executives, the Board considers that these provisions are not relevant to the Company, which is 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 Company's investment policy, subject to shareholders' approval in general meeting of any proposed material changes, 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 of 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. The Board reviews the Investment Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; the portfolio's risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets. In addition, the Board also performs an annual review of the ongoing suitability of the Investment Manager.

Market Value of 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 of and demand for those Fund Shares, along with wider economic factors and changes in applicable 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 correlate closely with 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. The Board monitors the income received on investments and available for distribution prior to the declaration of each dividend.

The directors have the power to issue and buy back the Company's shares during the year, which can be used to help manage the level of premium or discount. The Board, the Investment Manager and the Company's Broker monitor the share price and level of premium or discount on a regular basis.

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 operations of the Company and could affect the ability of the Company to successfully pursue its investment policy and expose the Company to reputational and financial risk.

The Investment Manager is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, may harm its reputation. Any damage to the reputation of the Investment Manager could result in counterparties and other 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, and others, in a number of ways:

- The Management Engagement Committee monitors the performance of all third party providers in relation to agreed service standards on a regular basis, and any issues and concerns are dealt with and reported to the Board. The Management Engagement Committee formally reviews the performance of all third party providers and reports to the Board on an annual basis.

- The Board monitors the performance of the Investment Manager at every board meeting and otherwise as appropriate. The Board has the power to replace the Investment Manager.

- The Board has adopted guidelines within which the Investment Manager is permitted discretion. Any proposed variation outside these guidelines is referred to the Board.

DIRECTORS

As at 31 December 2016 and as at the date of this report, the Board of directors comprised five non-executive directors, four of whom were independent of the Investment Manager and its affiliates.

The present members of the Board are listed on the inside back cover of this report and on pages 11 to 12. 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 FCA'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 Company and Cell AGM to be held on 25 May 2017, 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 the JFSC's consent to their resignation being obtained. This consent will only be sought if any director is not re-elected at the Company and Cell AGM. Any director whose re-election is not approved at the Company and Cell 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 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 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.

Raymond Apsey
Mr Apsey is a Fellow of the Institute of Chartered Secretaries and Administrators with extensive experience at management level of the offshore

The interests as at 31 December 2016 and 2015 of the directors who served on the Board and their connected persons during the year were as follows:

	2016 Fund Shares	2015 Fund Shares
Raymond Apsey	75,000	50,000
Philip Bisson	845,125	635,826
Philean Trust Company Limited (a company connected with Philip Bisson)	691,381	714,381
Thomas Grose	62,000	50,000
Dean Orrico	100,000	100,000
Nicholas Villiers (Chairman)	35,000	10,000

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 $4 billion in assets under management at Middlefield and has developed expertise in both equity and fixed income securities. 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 income securities.

The Company and Fund do not have any executive directors or 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 because the Board currently has a majority of independent directors and is expected to continue to have a majority of independent directors after the forthcoming Company and Cell AGM. As such, it complies with the FCA's Listing Rules and the AIC Code. On 26 May 2010, a Nomination and Remuneration Committee was established and comprised of all the directors of the Company and Fund. In accordance with PIRC's published guidance, all directors will continue to offer themselves for annual re-election for the foreseeable future.

Although no formal training in corporate governance is given to directors, the directors are kept apprised of 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 objective and policy or, if appropriate, to consider changes to that policy. 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 might have a direct or indirect interest that either conflicts or has the potential to conflict with the Company's interests. The Company's and Fund's Articles of Association give the directors authority to authorise potential conflicts of interest and there are safeguards in place which will apply whenever the directors decide that such are necessary or desirable.

Firstly, only directors who have no interest in the matter being considered are able to vote upon the relevant decision, and secondly, in voting on the decision, the directors must act in a way they consider, in good faith, will be in the best interests of the Company. The directors can impose limits or conditions when giving authorisation if they consider this to be appropriate.

The directors declare any potential conflicts of interest to the Board at each Board meeting. Any actual or potential conflicts of interest are entered into the Company's register of such conflicts, which register is reviewed regularly by the Board. The register of conflicts of interest is kept at the Company's registered office. The directors advise the Secretary as soon as they become aware of any new actual or potential conflicts of interest or any material changes to an existing conflict.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company purchases directors' and officers' liability insurance cover at a level which is considered appropriate for the Company.

DIRECTORS' REMUNERATION

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

Directors' fees are recommended by the full Board. The non-executive directors were each paid the following in the 2016 and 2015 financial years:

Director	2016 Fees	2015 Fees
Raymond Apsey	£20,000	£20,000
Philip Bisson	£20,000	£20,000
Thomas Grose	£20,000	£20,000
Dean Orrico	–	–
Nicholas Villiers	£25,000	£25,000

The figures above represent emoluments earned as directors during the relevant financial year, which are paid quarterly in arrears. Mr Orrico has waived his entitlement for remuneration for acting as a director, because of his employment by the Investment Manager. The directors receive no other remuneration or benefits from the Company other than the fees stated above. The directors are paid out of pocket expenses for attendance at Board meetings and for any other expenditure they incur when acting on the Company's behalf.

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, together with 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 proven 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.

INDEPENDENCE OF DIRECTORS

During the year, the Board consisted of five members, all of whom are non-executive. Mr Orrico is a director of Middlefield Capital Corporation, an affiliate 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. The entire Board are members of the Nomination & Remuneration and Management Engagement Committees, while Mr Orrico does not take part in discussing any contractual arrangements between the Company and the 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 11 to 12. The Board is of the view that length of service does not automatically 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 directors' overall length of service.

INTERNAL CONTROLS

The directors are responsible for overseeing the effectiveness of the Company's internal financial

DIRECTORS' REPORT

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

	Quarterly Board	Ad hoc Board	Audit Committee	Nomination and Remuneration Committee	Dividend Committee	Management Engagement Committee
No. of meetings in the year	4	0	2	1	4	1
Raymond Apsey	4	0	2	1	1	1
Philip Bisson	4	0	2	1	2	1
Thomas Grose	4	0	2	1	3	1
Dean Orrico	4	0	N/A	1	0	1
Nicholas Villiers	4	0	1	1	3	1

control systems, 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. However, such system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore 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 17 to 19.

NOMINATION AND REMUNERATION COMMITTEE

The Board has also established a Nomination and Remuneration Committee, which meets when necessary. The current members are all the directors of the Company, whose summary biographical details are set out on pages 11 to 12. Its key terms of reference are set out below.

- The Committee considers and monitors the level and structure of remuneration of the directors of the Company and the Fund.
- The Committee is authorised, in consultation with the Secretary, where necessary to fulfil its duties, to obtain outside legal or other professional advice, including the advice of independent remuneration consultants, to secure the attendance of external advisors at its meetings, if it considers this necessary, and to obtain reliable up-to-date information about remuneration in other companies, all 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 AIC relating to Board diversity. The Board, advised by the Nomination and Remuneration Committee, 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.

MANAGEMENT ENGAGEMENT COMMITTEE

The Board established a Management Engagement Committee (the "M.E. Committee") at its meeting held on 20 November 2013. The principal function of the M.E. Committee is to monitor the performance and terms of engagement of the Company's key service providers. The M.E. Committee's current members are all the directors of the Company. The Chairman of the M.E. Committee is Thomas Grose or, failing him, any UK-resident member of the M.E. Committee other than the Chairman of the Company. For the purposes of transacting business, a quorum of the M.E. Committee is not less than two members of the M.E. Committee and all meetings must take place in the UK.

Duties
The M.E. Committee's key duty is to review the performance by delegates of their duties and the terms of the following agreements:

i) the Administration and Secretarial Agreement;

ii) agreements for the provision of legal advice;

iii) the Investment Management and Advisory Services Agreement, as amended and novated; and

iv) any other agreements for the provision of services the Company has entered into or will in future enter into.

The M.E. Committee meets at least annually to specifically consider the ongoing administrative and secretarial and investment management requirements

DIRECTORS' REPORT

of the Company. The quality and timeliness of reports to the Board are also taken into account and the overall management 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 retention of the current key service providers on the current terms of their appointment remains in the best interests of the Company and its shareholders.

The Board regularly reviews the performance of the services provided by these companies. A summary of the terms of the agreements with JTC Fund Solutions (Jersey) Limited ("JTCFSL") and with ML and MIL are set out in note 2 to the financial statements. After due consideration of the resources and reputations of JTCFSL, ML and MIL, the Board believes it is in the interests of shareholders to retain the services of all three providers for the foreseeable future. Having reviewed the investment management and advisory services provided by ML 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 managed by the Investment Manager for the foreseeable future.

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

During the year under review and up to the date of this report, Middlefield Limited ("ML") has acted as the Company's discretionary investment manager. Middlefield International Limited ("MIL") provides investment advisory services to the Company and the Investment Manager. The Company pays an annual fee of 0.70 per cent. of NAV to the Manager and the agreement can be terminated by either party on 90 days' written notice.

For the purposes of the Alternative Investment Fund Managers Directive (the "AIFMD"), which was implemented into UK law with effect from 22 July 2013, the Company has been classified as a non-EU Alternative Investment Fund (an "AIF") managed by a non-EU Alternative Investment Fund Manager (an "AIFM"). As such, the Company is not subject to the full scope of the Directive and therefore does 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 AIFM. Note 19 lists all investments in the Fund's investment portfolio. The Terms of Reference of the Audit Committee, the Nomination and Remuneration Committee and the Management Engagement Committee are all available for inspection at the Company's registered office during normal business hours.

SOCIAL, COMMUNITY, ENVIRONMENTAL AND HUMAN RIGHTS

The Investment Manager believes that companies should act in a socially responsible manner. Although the Investment Manager's priority at all times is the best economic interests of its clients, it recognises that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists at the Investment Manager are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to the industry. Their aim is to incorporate environmental, social and governance ("ESG") criteria into the Investment Manager's processes when making stock selection decisions and promoting ESG disclosure. The Investment manager is mindful of the impact which it can have upon shaping the consideration given to ESG matters by the Fund's investee companies. In addition to taking into account ESG matters in portfolio construction decisions, the Investment Manager conducts ongoing investee company monitoring, and this engagement process may include voting and communication with management and company board members.

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 Company's and Cell's forthcoming annual general meetings.

MEETINGS OF SHAREHOLDERS

The notices of the next AGMs are included at the end of this annual financial report.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual financial report in accordance with applicable law and regulations.

The Companies (Jersey) Law 1991, as amended (the "Companies 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 Law. 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
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

Nicholas Villiers
Director

Date: 20 April 2017

REPORT OF THE AUDIT COMMITTEE

This is the report of the Audit Committee and it has been prepared with reference to the 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 11 to 12.

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 Guidance and Transparency Rules.
- Completing regular risk management reviews of internal controls, which include the review of the Fund's Risk Register.
- Reviewing the effectiveness of the Company's system of internal controls, including financial, operating, compliance, fraud 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 ten 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.

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 due to factors including low volume traded securities and errors in third party prices.

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.

There is also the risk that the securities are not directly owned by the Fund, which may be caused by errors in the recording of trade transactions.

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.

Accuracy of Investment Manager's fees

There is a risk that the fees are not calculated in line with the relevant agreements due to errors in calculations as well as in the rates used.

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.

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 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

REPORT OF THE AUDIT COMMITTEE

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: 20 April 2017

VIABILITY STATEMENT

As stated above, C.2.1 and C.2.2 of the Code recommends that companies publish a long term viability statement and this statement is intended to meet that requirement.

The Board of Directors regularly assesses the viability of the Company for at least the three years following the date of that review. In considering the Company's viability, the Board considers the Company's current position and the principal risks to which it is exposed including, but not necessarily limited to, the viability of its investment objective and policy, its exposure to the Canadian and North American economy, foreign exchange risk, gearing risk, hedging risk, interest rate risk, investor demand for equity securities, portfolio performance, liquidity, stability of income generation, taxation risk, dependence on the investment manager, conflicts of interest, and entity/legal risk, such as changes in applicable laws and regulations.

The Directors have made a robust assessment of these principal risks and, together with the Company's Investment Manager, have adopted procedures and strategies to mitigate these risks. The Fund has an established investment management policy and set of procedures, which have been approved and monitored by the Directors, that the Company's Investment Manager has to comply with, which limits the various elements of portfolio risk, including exposure to any one particular security, sector, asset class or geographical area. The Investment Manager regularly updates the Directors on the Company's portfolio and the overall status of the market. The Directors perform a solvency and investment trust test (for compliance with the requirement for distribution of more than 85% of income received) before any dividend is declared. In performing its viability analysis, the Board has made the assumption that global growth will show steady improvement over the foreseeable future and, accordingly, interest rates in most developed economies may begin to rise, but will remain relatively low.

The Board also monitors cash flow and liquidity at each regular meeting, as well as the Company's total expense ratio, to ensure that its operating costs are reasonable in the current market environment and do not materially exceed those of its competitors. The Company is invested in large, liquid issuers, so that it can always realise investments to raise cash, if required, and meet its expenses when they fall due. The Investment Manager maintains the ability to use hedging as a portfolio management tool, if deemed necessary. The Fund uses gearing tactically, which helps to augment returns or reduce portfolio risk as the case may be. The Fund has not been required to pay any U.K. corporate taxes in recent years and does not anticipate paying such taxes in the foreseeable future. The Investment Manager constantly monitors the portfolio and its ratings. The Investment Manager and the Investment Advisor are continuously reviewing the impact of potential changes of various factors including interest rates, energy prices and foreign exchange rates. As a result, the Directors are confident that the Company will be able to continue to operate and has sufficient assets to meet its liabilities as they fall due over the next three years.

It is the Board's opinion that interest rates are expected to remain relatively low for the foreseeable future and equity income should continue to be in demand by both individual and institutional investors. On the advice of the Investment Manager and as suggested by recent economic data, the Board believes that the North American economy will continue to improve over the next three years. Commodity prices, including oil, have recovered from their lows last year and will now act as a tailwind for economic growth, especially in Canada. As a result, the Board believes that the Company's investment strategy of investing in North American companies that offer high and growing levels of dividends remains viable.

Being cognisant of the Company's concentrated exposure to the Canadian and U.S. economy and foreign exchange rates, the Company's investment objective and policy is regularly reviewed and, at the extraordinary general meeting in February 2015, the Company's investment restrictions were changed to permit greater geographical diversification. The Board believes this change is in the best interests of the Company and its members and has resulted in reduced volatility in the Company's net asset value.

The Board also has regular communications with the Company's broker to understand local market dynamics and changes in the share register. The Board monitors the discount to their prevailing net asset value at which the Company's shares trade and, when considered necessary or desirable, repurchases its own shares in the market to hold in treasury, which supports the share price and is accretive to the net asset value of the remaining shares in issue.

The Company has appointed an experienced corporate secretary, which advises the Board on relevant changes to applicable laws and regulations, and the Board may take legal advice on any matter and at any time as it considers to be necessary or desirable. Although the Company can neither anticipate nor control future changes in law or regulation, the Board is confident that its directors and advisors are suitably qualified and experienced and that the Company is unlikely to commit any material offence, whether by action or omission.

Although the Company cannot provide taxation advice and all shareholders are responsible for their own taxation affairs, the Company does monitor relevant developments and takes all necessary action to ensure compliance, including registration under FATCA and the appointment of Capita Asset Services as its agent to collate and report relevant data under FATCA and the OECD's Common Reporting Standard.

In light of the above and following careful consideration and analysis of all material risk factors, the Board therefore confirms its belief that the Company will remain viable as a closed-ended investment company for the three years following the date of that review.

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 2016 and of its 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 that we have audited comprise:

- the Statement of Financial Position;
- the Statement of Comprehensive Income;
- the Statement of Changes in Redeemable Participating Preference Shareholders' Equity;
- the Statement of Cash Flow;
- the Accounting Policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Summary of our audit approach

Key risks

The key risks that we identified in the current year were:

- Valuation of investments;
- Ownership of investments; and
- Accuracy of investment management fees.

Within this report, identified risks are the same as the prior year.

Materiality

The materiality that we used in the current year was £1.71m which was determined on the basis of approximately 1% (2015: 1%) of the Net Asset Value of the Fund. The reason for using Net Asset Value is that this is the key performance indicator for investments in the Fund.

Scoping

All audit work for the Fund was performed directly by the audit engagement team.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Fund

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2(n) to the financial statements and the directors' statement on the longer-term viability of the Fund contained within the strategic report, on page 20.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 20 that they have carried out a robust assessment of the principal risks facing the Fund, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 36 to 40 that describe those risks and explain how they are being managed or mitigated;

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.

- the directors' statement in 2(n) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Fund's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on page 20 as to how they have assessed the prospects of the Fund, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Fund will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Fund and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Fund and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

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.

Valuation of investments

Risk description

As detailed on pages 42 to 43, the schedule of investments at the year-end comprised of investments of £146,332,071 (2015: £109,893,936) which are measured at fair value and fair value is determined based on market prices and accounting policies.

Although the schedule of investments is made up of listed securities which are traded on recognised markets, Investments represent the most significant number on the balance sheet and have a significant impact on the Net Assets Value (NAV) which is the key performance indicator of the Fund.

Refer to pages 17 to 19 (Report of the Audit Committee) and pages 30 to 33 (Accounting Policies).

How the scope of our audit responded to the risk

Our procedures on the valuation of investments included;

- evaluation of the design and implementation of key controls around valuations;
- testing 100% of the valuations of investments by agreeing the prices directly to independent third party sources.

Key observations

No differences were identified by our testing which required reporting to those charged with governance.

Ownership of investments

Risk description

There is a risk that securities, a record of which is maintained by a third party custodian, are not directly owned by the Fund.

Investments are held with the custodian. Ensuring that the custodian records all the investments correctly under the Fund's name is critical since the investment portfolio represents the principal element of the financial statements being the single largest asset on the balance sheet.

How the scope of our audit responded to the risk

Our procedures on ownership of investments included;

- evaluation of the design and implementation of key controls around custody of investments;
- testing 100% ownership of the investments by confirming the holdings at year end with the independent custodian.

Key observations

No differences were identified by our testing which required reporting to those charged with governance.

Accuracy of investment management fees

Risk description

The investment management fee is the single largest administrative expense in the Statement of Comprehensive Income constituting £743,275 (2015: £727,106) and forms part the daily valuation process. It is also a related party transaction, therefore we have identified it as a key risk.

We have identified a potential risk in the calculation of these fees in that the calculation methodology may not be in line with the written agreement as described on page 32 and incorrect inputs (NAV and rates) may be used in the calculation. Refer to pages 17 to 19 (Report of the Audit Committee) and pages 30 to 33 (Accounting Policies).

How the scope of our audit responded to the risk

Our procedures on accuracy of investment management fees included;

- Obtaining the fee agreement relating to the investment management fee, recalculating the fees for the year ended 31 December 2016 in accordance with the agreement and comparing to the recorded amounts.
- reviewing the accuracy of the inputs (NAV) used in the calculation and evaluation of the design and implementation of controls relating to the inputs into the calculation and over the accuracy of the calculation in relation to the written agreement.

Key observations

No differences were identified by our testing which required reporting to those charged with governance.

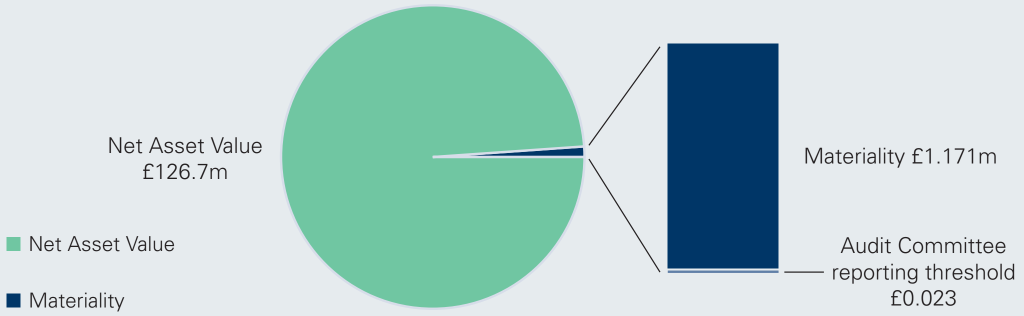
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£1,171,000 (2015: £936,000)
Basis for determining materiality	We determined materiality for the Fund, which is approximately 1% (2015: 1%) of the Net Asset Value of the Fund.
Rationale for the benchmark applied	The reason for using Net Asset Value is that this is the key performance indicator for investments in the Fund.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £23,000 (2015: £18,000), 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. Our audit scope included the assessment of design and implementation of accounting processes and controls in place at third party accounting service provider. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

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
- adequate accounting records have not been kept by the Fund; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Fund's compliance with certain 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

We confirm that we have not identified any such inconsistencies or misleading statements.

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

- 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.

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). 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.

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 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.

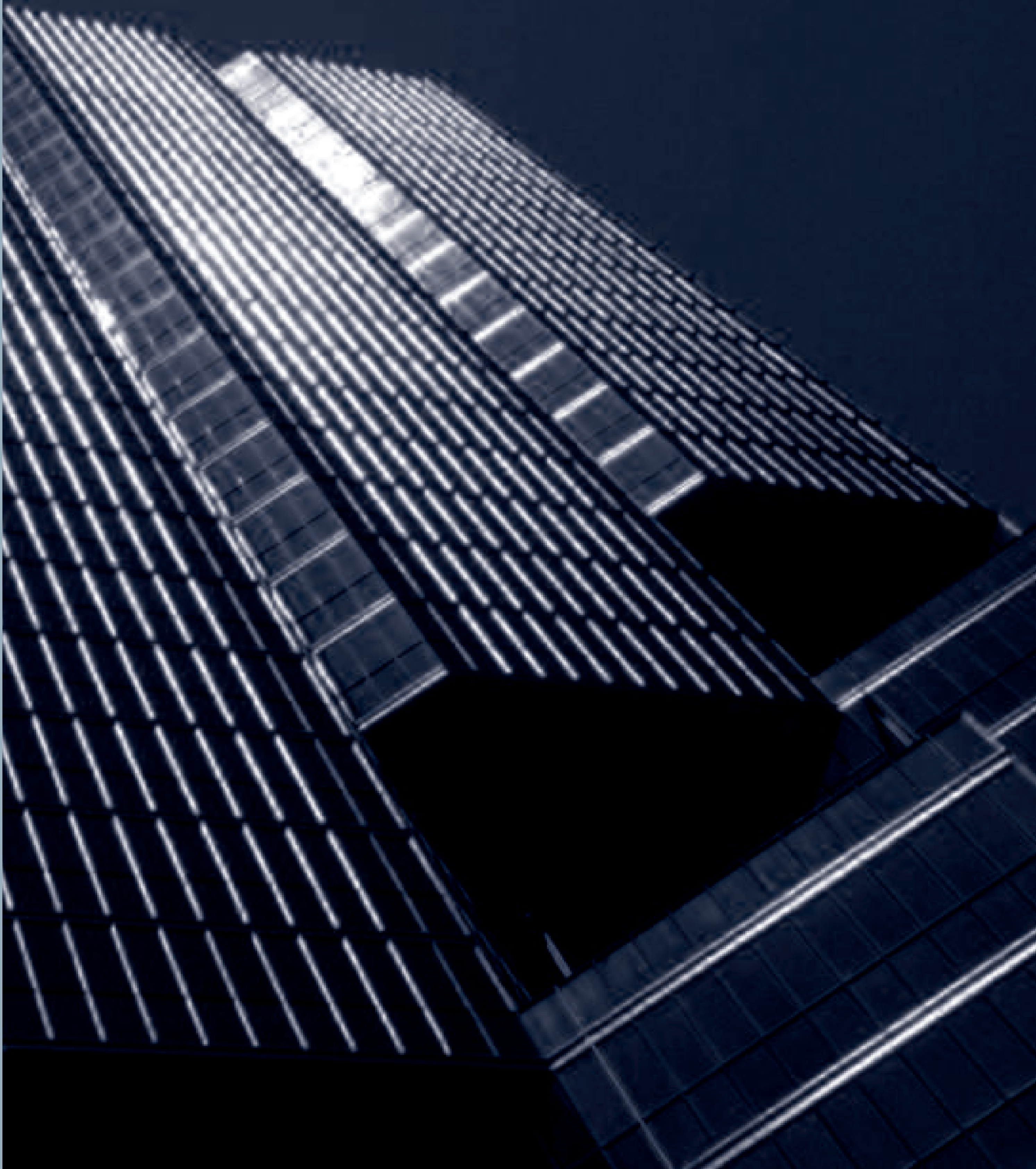
Scope of the audit of the financial statements

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, B.Sc., FCA
for and on behalf of Deloitte LLP
Chartered Accountants and Recognized Auditor
St. Helier, Jersey, UK

20 April 2017

Financial Statements



FINANCIAL STATEMENTS

Statement of Financial Position of the Fund

AS AT 31 DECEMBER 2016

	Notes	2016 GBP	2015 GBP
Current assets			
Securities (at fair value through profit or loss)	3 & 19	146,332,071	109,893,936
Accrued bond interest		92,472	57,494
Accrued bank interest		1,421	983
Accrued dividend income		373,488	237,508
Other receivables	6	2	2
Prepayments		34,383	30,549
Cash and cash equivalents	4	10,338,576	7,883,230
		157,172,413	118,103,702
Current liabilities			
Other payables and accruals	5	(359,108)	(290,681)
Interest payable		(46,920)	(1,951)
Loan payable	14	(30,061,412)	(24,363,649)
		(30,467,440)	(24,656,281)
Net assets		126,704,973	93,447,421
Equity attributable to equity holders			
Stated capital	6	50,174,414	51,158,937
Retained earnings		76,530,559	42,288,484
Total Shareholders' equity		126,704,973	93,447,421
Net asset value per redeemable participating preference share	7	118.49	86.40p

The financial statements and notes on pages 27 to 43 were approved by the directors on 20 April 2017 and signed on behalf of the Board by:

Thomas Grose
Director

Nicholas Villiers
Director

The accompanying notes on pages 30 to 43 form an integral part of these financial statements.

Statement of Comprehensive Income of the Fund

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Revenue GBP	2016 Capital GBP	Total GBP	2015 Total GBP
Revenue					
Dividend income	8	4,689,372	–	4,689,372	4,058,329
Interest income		506,682	–	506,682	665,182
Net movement in the fair value of securities (at fair value through profit or loss)	9	–	40,039,753	40,039,753	(18,101,131)
Net movement on foreign exchange		–	(3,213,670)	(3,213,670)	2,652,953
Total revenue		**5,196,054**	**36,826,083**	**42,022,137**	**(10,724,667)**
Expenditure					
Investment management fees	2 o	297,310	445,965	743,275	727,106
Custodian fees	2 l	14,446	–	14,446	12,052
Sponsor's fees	2 m	212,364	–	212,364	207,745
Directors' fees and expenses		117,051	–	117,051	116,737
Legal and professional fees		4,243	–	4,243	8,546
Audit fees		27,928	–	27,928	26,000
Tax fees		5,800	–	5,800	5,800
Registrar's fees		47,739	–	47,739	39,769
Administration and secretarial fees	2 k	106,182	–	106,182	103,872
General expenses		69,988	–	69,988	57,909
Operating expenses		**903,051**	**445,965**	**1,349,016**	**1,305,536**
Net operating profit/loss before finance costs		4,293,003	36,380,118	40,673,121	(12,030,203)
Finance costs	2 r	(165,256)	(247,885)	(413,141)	(418,609)
Profit/(loss) before tax		4,127,747	36,132,233	40,259,980	(12,448,812)
Withholding tax expense	12	(640,730)	–	(640,730)	(445,103)
Net Profit/(loss) after taxation		**3,487,017**	**36,132,233**	**39,619,250**	**(12,893,915)**
Profit/(loss) per redeemable participating preference share – basic and diluted	**10**	**3.25**	**33.64**	**36.89**	**(11.87)**

The total column of this statement represents the Fund's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards. The profit/(loss) after taxation is the total comprehensive income. The supplementary revenue and capital columns are both prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

There are GBP nil (2015: GBP nil) earnings attributable to the management shares.

The accompanying notes on pages 30 to 43 form an integral part of these financial statements.

FINANCIAL STATEMENTS

Statement of Changes in Redeemable Participating Preference Shareholders' Equity of the Fund

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Stated Capital Account GBP	Retained Income GBP	Total GBP
At 1 January 2015		51,778,312	60,617,886	112,396,198
Loss for the year		–	(12,893,915)	(12,893,915)
Repurchase of shares		(619,375)	–	(619,375)
Dividends	11	–	(5,435,487)	(5,435,487)
At 31 December 2015		**51,158,937**	**42,288,484**	**93,447,421**
Profit for the year		–	39,619,250	39,619,250
Repurchase of shares		(984,523)	–	(984,523)
Dividends	11	–	(5,377,175)	(5,377,175)
At 31 December 2016		**50,174,414**	**76,530,559**	**126,704,973**

The accompanying notes on pages 30 to 43 form an integral part of these financial statements.

Statement of Cash Flow of the Fund

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 GBP	2015 GBP
Cash flows from/(used in) operating activities			
Net profit/(loss)		39,619,250	(12,893,915)
Adjustments for:			
Net movement in the fair value of securities (at fair value through profit or loss)	9	(40,039,753)	18,101,131
Realised loss/(gain) on foreign exchange		3,324,777	(1,896,393)
Unrealised gain on foreign exchange		(111,107)	(756,559)
Payment for purchases of securities		(105,274,256)	(63,036,244)
Proceeds from sale of securities		108,875,872	58,032,895
Operating cash flows before movements in working capital		**6,394,783**	**(2,449,085)**
(Increase)/decrease in receivables		(175,230)	114,700
Increase/(decrease) in payables and accruals		113,396	(204,828)
Net cash from/(used in) operating activities		**6,332,949**	**(2,539,213)**
Cash flows used in financing activities			
Repayments of borrowings		(120,649,278)	(163,118,873)
New bank loans raised		126,347,043	157,204,369
Payments for repurchase of shares		(984,523)	(619,375)
Dividends paid	11	(5,377,175)	(5,435,487)
Net cash used in financing activities		**(663,933)**	**(11,969,366)**
Net increase/(decrease) in cash and cash equivalents		5,669,016	(14,508,579)
Cash and cash equivalents at the beginning of the year		7,883,230	19,738,857
Effect of foreign exchange rate changes		(3,213,670)	2,652,952
Cash and cash equivalents at the end of the year		**10,338,576**	**7,883,230**
Cash and cash equivalents made up of:			
Cash at bank	4	10,338,576	7,883,230

The accompanying notes on pages 30 to 43 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND

FOR THE YEAR ENDED 31 DECEMBER 2016

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 the U.S. that the Investment Manager believes will provide an attractive level of distributions, together with the prospect for capital growth. In 2015, shareholders also approved an amendment to the investment policy to increase the percentage of the value of portfolio assets which may be invested in securities listed in recognized stock exchange outside Canada to up to 40 per cent.

The address of the Company's registered office is Elizabeth House, 9 Castle Street, St. Helier, Jersey JE2 3RT, Channel Islands.

The Fund's shares have been admitted to the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities.

The Company and Fund have no employees.

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

2. Principal Accounting Policies

a. Basis of preparation

The financial statements of the Company and the Fund (the "Financial Statements") have been prepared on the historical cost basis, except for the measurement at fair value of investments and derivatives, and in accordance with the applicable International Financial Reporting Standards (IFRS) as adopted by the European Union (the "EU") and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC). The preparation of the 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.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued by the Association of Investment Companies is consistent with the requirements of IFRS, the Directors have prepared the Financial Statements on a basis compliant with the recommendations of the SORP. The supplementary information which analyses the statement of comprehensive income between items of a revenue and a capital nature is presented in accordance with the SORP.

Critical accounting estimates and judgements

The preparation of the 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.

The following are the critical judgements that the directors have made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Expenses have been charged to the Statement of Comprehensive Income and shown in the revenue column. Management fees and finance costs have been allocated 60% to capital and 40% to revenue. This is in accordance with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio.

Fair value of investments require judgement to apply, however all investments are quoted. Therefore no judgement is involved.

Adoption of new and revised Standards

The following relevant Standards and Interpretations have been issued by the International Accounting Standards Board (IASB) and are approved by the EU and therefore have been adopted by the Company and the Fund:

– Amendments to IAS 1: Presentation of Financial Statements (effective 1 January 2016)

  Disclosure Initiative (Amendments to IAS 1) was issued on 18 December 2014. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. There are no material changes to the Financial Statements as a result of the amendments of IAS 1.

2. Principal Accounting Policies (Continued)

Adoption of new and revised Standards (Continued)

a. Basis of preparation (Continued)

At the date of authorisation of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements were in issue but not yet effective:

– IFRS 9 Financial Instruments (Effective date for periods beginning on or after 1 January 2018)

IFRS 9 deals with classification and measurement of financial assets and its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets: amortised cost and fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows. All other financial assets are measured at fair value with changes recognised in profit or loss. For an investment in an equity instrument that is not held for trading, an entity may on initial recognition elect to present all fair value changes from the investment in other comprehensive income. Once adopted, IFRS 9 will be applied retrospectively, subject to certain transitional provisions. The standard is not expected to have a significant impact on the Financial Statements since all of the Company's financial assets are designated at fair value through profit and loss.

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 in future periods.

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 based on stock exchange quoted bid prices quoted at the Statement of Financial Position date. The resulting gain or loss is recognised in the Statement of Comprehensive Income as a capital gain or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Income depends on the nature of the hedge relationship. The Fund had no derivatives outstanding at 31 December 2016 and 2015.

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

c. Securities

Investments in listed 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 taken to be the cost. The securities are subsequently re-measured at fair value based on stock exchange quoted 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 the 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 the settlement date. Any change in fair value of the asset to be received is recognised between the trade date and the settlement date.

Transaction costs are included in the costs of the investment.

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 including, but not limited to, payments for insurance, listing fees and AIC membership fees. Payments are expensed to the Statement of Comprehensive Income over the period for which the Fund is receiving the benefit of these expenditures.

2. Principal Accounting Policies (Continued)

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.

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 JTC Fund Solutions (Jersey) Limited ("JTCFSJL") 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. With effect from 1 December, 2016 JTCFSJL has ceded its fees to JTC Fund Solutions (Guernsey) Limited as assistant secretary.

l. Custodian fees

RBC Investor Services Trust (the "Custodian") was appointed as Custodian of the Fund's assets 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
- 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 Limited, the Investment Manager, is entitled to a management fee payable by the Fund quarterly in arrears at a rate of 0.70 per cent. per annum of the average NAV of the Fund calculated over the relevant quarterly period. Prior to 28 June 2013, the management fee was at a rate of 0.867 per cent. per annum of the average NAV of the Fund calculated over the relevant quarterly period and prior to 9 July 2014, the investment manager was Middlefield Capital Corporation.

Investment management fees for the year ended 31 December 2016 total £743,275 (31 December 2015: £727,106). The fee is split between ML and MIL at a ratio of 0.60: 0.10.

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

2. Principal Accounting Policies (Continued)

p. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at exchange rates in effect at the date of the Financial Statements. Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the Statement of Comprehensive Income as foreign currency gains and losses. The cost of investments, and income and expenditure are translated into Sterling based on exchange rates on the date of the transaction. Realised loss on foreign exchange currency transactions totalled £3,520,578 for the year (2015: gain of £1,929,284). Realised gain on forward exchange contracts totalled £195,801 (2015: loss of £32,891). Unrealised gains on foreign currency transactions totalled £111,108 (2015: gain of £756,559).

q. Revenue recognition

Interest income arises from cash and cash equivalents and quoted Bonds and is recognised in the Statement of Comprehensive Income using the effective interest method. Dividend income arises from equity investments held and is recognised on the date investments are marked ‘ex-dividend’. Where the Company elects to receive dividends in the form of additional shares rather than cash, the equivalent to the cash dividend is recognised as income in revenue and any excess in value of the shares received over this is recognised in capital. Dividend income is shown gross of withholding tax.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. Amounts recognised as capital are included in realised gains. The tax accounting treatment follows the treatment of the principal amount.

r. Loan payable and finance costs

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.

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 as well as U.S. to which the Fund is solely exposed and therefore no segmental reporting is provided.

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

	2016 GBP	2015 GBP
Quoted/listed Equities	138,878,770	102,969,575
Quoted/listed Bonds	7,453,301	6,924,361
	146,332,071	**109,893,936**

Please refer to Note 19 for the Schedule of Investments.

4. Cash and cash equivalents

	2016 GBP	2015 GBP
Cash at bank	**10,338,576**	**7,883,230**

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

5. Other payables and accruals

	2016 GBP	2015 GBP
Investment management fees	212,389	167,034
Sponsor's fees	60,683	47,724
Audit fees	26,926	26,000
Administration fees	30,341	23,862
General expenses	15,867	17,535
Registrar's fees	9,901	6,695
Custodian fees	3,001	1,831
	359,108	**290,681**

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 2016 and 2015	**2**	**2**
Redeemable participating preference shares issued		
At 31 December 2015	**108,162,250**	**51,158,935**
19 February 2016 100,000 shares of no par value repurchased at 71.25 pence each	(100,000)	(71,250)
1 March 2016 100,000 shares of no par value repurchased at 73.00 pence each	(100,000)	(73,000)
8 March 2016 100,000 shares of no par value repurchased at 74.50 pence each	(100,000)	(74,500)
28 April 2016 250,000 shares of no par value repurchased at 80.00 pence each	(250,000)	(200,000)
13 May 2016 100,000 shares of no par value repurchased at 80.25 pence each	(100,000)	(80,250)
20 May 2016 100,0000 shares of no par value repurchased at 78.75 pence each	(100,000)	(78,750)
26 May 2016 100,000 shares of no par value repurchased at 78.50 pence each	(100,000)	(78,500)
1 June 2016 100,000 shares of no par value repurchased at 78.25 pence each	(100,000)	(78,250)
10 June 2016 100,000 shares of no par value repurchased at 81.46 pence each	(100,000)	(81,460)
1 September 2016 75,000 shares of no par value repurchased at 92.75 pence each	(75,000)	(69,563)
29 November 2016 100,000 shares of no par value repurchased at 99.00 pence each	(100,000)	(99,000)
At 31 December 2016	**106,937,250**	**50,174,412**
Total		**50,174,414**

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 the year end, there were 17,745,000 (31 December 2015: 16,520,000) treasury shares in issue. Treasury shares have no value and no voting rights.

6. Stated capital account (Continued)

FCA regulation of 'non-mainstream pooled investments'

On 1 January 2014, the UK's Financial Conduct Authority (the "FCA") introduced rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes (non-mainstream pooled investments). UK investment trusts are excluded from these restrictions, as are other "excluded securities" as defined by the FCA.

As reported in last year's annual report, the Board believes that the Company's shares are "excluded securities" under the FCA's definitions of such and, as a result, the FCA's restrictions on retail distribution do not apply. This status is reviewed regularly and the Board intends to conduct the Company's affairs to retain such status for the foreseeable future.

7. Net asset value per redeemable participating preference share

The NAV per share of 118.49p (31 December 2015: 86.40p) is based on the net assets at the year end of £126,704,973 (31 December 2015: £93,447,421) and on 106,937,250 redeemable participating preference shares, being the number of redeemable participating preference share in issue at the year end (31 December 2015: 108,162,250 shares).

8. Dividend and interest income

		2016		2015
	Revenue GBP	Capital GBP	Total GBP	GBP
Bond and debenture interest	436,079	–	436,079	599,852
Bank and loan interest	70,603	–	70,603	65,330
Dividend income	4,689,372	–	4,689,372	4,058,329
	5,196,054	–	**5,196,054**	**4,723,511**

9. Net movement in the fair value of securities

		2016		2015
	Revenue GBP	Capital GBP	Total GBP	GBP
Gains/(losses) on sale of securities	–	9,912,290	9,912,290	(8,534,602)
Gains/(losses) on the revaluation of securities at year end	–	30,127,463	30,127,463	(9,566,529)
Net movement in the fair value of securities (at fair value through profit or loss)	–	**40,039,753**	**40,039,753**	**(18,101,131)**

10. Profit per redeemable participating preference share – basic and diluted

Basic profit per redeemable participating preference share is calculated by dividing the net gains attributable to redeemable participating preference shares of £39,619,250 (31 December 2015: Loss £12,893,915) by the weighted average number of redeemable participating preference shares outstanding during the year of 107,410,269 shares (31 December 2015: 108,662,798 shares).

11. Dividends

Dividends of 1.25 pence per share and totalling £5,377,175 (31 December 2015: £5,435,487) were paid on a quarterly basis during the year in the months of January, April, July and October. On 31 January 2017 a dividend of £1,335,466 was paid. In accordance with the requirements of IFRS, as this was approved on 5 January 2017, being after the Statement of Financial Position date, no accrual was reflected in the 2016 Financial Statements for this amount of £1,335,466 (31 December 2015: £1,352,028).

12. Taxation

The Fund is subject to UK Corporation tax at a rate of 20% (2015: 20.25%). The Company adopted UK tax residency on 11 October 2011. 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.

The Fund suffered £640,730 (2015: £445,103) of withholding tax on foreign dividends during the year and this expense has been included in the Statement of Comprehensive Income.

13. Related party transactions

The directors are regarded as related parties. Total directors' fees paid during the year amounted to £85,000 of which zero was due at year end (2015: £85,000 of which £Nil was due at the year end). Each non-executive director, other than Mr. Orrico, was paid a fee of £20,000 in respect of the financial year and the Chairman was paid a fee of £25,000 (2015: £25,000). Mr Orrico waived his fee in 2016.

The Investment Manager is also regarded as a related party due to common ownership. Total management fees paid during the year amounted to £743,275 (2015: £727,106).

The fees for the above are all arm's length transactions.

14. Loan payable

The Fund has a Credit Facility Agreement with Royal Bank of Canada ("RBC") whereby RBC provides an on Demand Credit Facility (the "Credit Facility"), with a maximum principal amount of the lesser of CAD 65,000,000 and 25 per cent. of the total asset value of the Fund.

At 31 December 2016, the Bankers' Acceptance drawn under the Credit Facility totals CAD 50,000,000 (GBP equivalent at amortised cost of £30,061,412) (31 December 2015: CAD 50,000,000 (GBP equivalent at amortised cost of £24,363,649)). The loan was renewed on 22 November 2016 with a maturity date of 21 February 2017.

As at 31 December 2016, pre-paid interest and stamping fees of £63,822 (31 December 2015: £55,653) were paid on the Bankers' Acceptance and these costs are being amortised over 91 days (31 December 2015: 59 days). Interest paid on the Bankers' Acceptance totalled £263,417 (31 December 2015: £246,118).

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.

15. Security Agreement

In connection with entry into the Credit Facility, the Fund has entered into a General Security Agreement with RBC, pursuant to which the Fund has granted RBC interests in respect of collateral, being all present and future 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. In 2015, the percentage of the value of portfolio assets which may be invested in securities listed on a recognized stock exchange outside Canada was increased to up to 40 percent.

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, loans and reserve accounts. The Investment Manager manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. Generally speaking, the Fund will reduce leverage when investments are likely to decrease in value and will increase leverage when investment appreciation is anticipated. In order to maintain or adjust its capital structure, the Fund may borrow or repay debt under its Credit Facility or undertake other activities deemed appropriate under the specific circumstances. The Fund and the Company do not have any externally imposed capital requirements. However, the Fund is subject to bank covenants in respect of leverage and complied with those covenants for the whole of both 2016 and 2015.

Investment and trading activities

It is intended that the Fund will continue throughout its life to be primarily invested in Canadian and U.S. 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.

16. Financial instruments (Continued)

Credit risk (Continued)

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. Where the Investment Manager makes an investment in debt or corporate securities, the credit rating of the issuer is taken into account to manage the Company's exposure to risk of default. Investments in debt or corporate securities are across a variety of sectors and geographical markets, to avoid concentration of credit risk.

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.

It is the business of the Investment Manager to manage the portfolio and borrowings to achieve the best returns. The Directors manage the risk inherent in the portfolio by monitoring, on a formal basis, the Investment Manager's compliance with the Company's stated investment policy and reviewing investment performance.

Country risk

On 17 January 2012, the Financial Reporting Council (the "FRC") released "Responding to the increased country and currency risk in financial reports". This update from the FRC included 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 invests primarily in Canadian and U.S. securities. The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis. The Board has reviewed the disclosures and believes that no additional disclosures are required because the Canadian and U.S. economies are stable.

Fair value measurements

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; or
- 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); or
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

16. Financial instruments (Continued)

Fair value measurements (Continued)

The following tables present the Fund's financial assets and liabilities by level within the valuation hierarchy as of 31 December 2016 and 2015:

31 December 2016	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities (at fair value through profit or loss)	146,332,071	–	–	146,332,071

31 December 2015	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities (at fair value through profit or loss)	109,893,936	–	–	109,893,936

The Fund holds securities that are traded 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 2016, 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 £43,899,621 (2015: £32,968,180) higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by £43,899,621 (2015: £32,968,180).

At 31 December 2016, 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 2016 GBP	2015 GBP
Assets		
Debt securities	7,453,301	6,924,361
Cash and cash equivalents	10,338,576	7,883,230
	17,791,877	**14,807,591**
Liabilities		
Loan payable	30,061,412	24,363,649
	30,061,412	**24,363,649**

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

Interest rate sensitivity analysis

At 31 December 2016, had interest rates 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 decreased by £245,372 (31 December 2015: 190,340) due to the decrease in market value of listed debt securities, an increase in interest payable on the loan and to a lesser extent an increase in interest earnings on cash and cash equivalents.

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

As at 31 December 2016, the Fund's ability to manage 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)	146,332,071	–	–	–	146,332,071
Accrued bond interest	92,472	–	–	–	92,472
Accrued dividend income	373,488	–	–	–	373,488
Accrued bank interest	1,421	–	–	–	1,421
Other receivables	2	–	–	–	2
Prepayments	34,383	–	–	–	34,383
Cash and cash equivalents	10,338,576	–	–	–	10,338,576
	157,172,413	–	–	–	157,172,413
Liabilities					
Other payables and accruals	(359,108)	–	–	–	(359,108)
Interest payable	(46,920)	–	–	–	(46,920)
Loan payable	–	(30,061,412)	–	–	(30,061,412)
	(406,028)	(30,061,412)	–	–	(30,467,440)
	156,766,385	(30,061,412)	–	–	126,704,973

As at 31 December 2015, the Fund's ability to manage 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)	109,893,936	–	–	–	109,893,936
Accrued bond interest	57,494	–	–	–	57,494
Accrued dividend income	237,508	–	–	–	237,508
Accrued bank interest	983	–	–	–	983
Other receivables	2	–	–	–	2
Prepayments	30,549	–	–	–	30,549
Cash and cash equivalents	7,883,230	–	–	–	7,883,230
	118,103,702	–	–	–	118,103,702
Liabilities					
Other payables and accruals	(290,681)	–	–	–	(290,681)
Interest payable	(1,951)	–	–	–	(1,951)
Loan payable	–	(24,363,649)	–	–	(24,363,649)
	(292,632)	(24,363,649)	–	–	(24,656,281)
	117,811,070	(24,363,649)	–	–	93,447,421

16. Financial instruments (Continued)

Currency risk

The Fund is denominated in GBP, whereas the Fund's principal investments are denominated in CAD and USD. 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.

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

	2016 GBP	2015 GBP
Assets		
Cash and cash equivalents	1,557,425	1,332,963
Canadian equities	106,270,008	60,605,094
Canadian debt	7,453,301	6,924,361
Accrued income	467,381	251,072
	115,748,115	69,113,490

	2016 GBP	2015 GBP
Liabilities		
Loan payable	30,061,412	24,363,649
Interest payable	46,920	1,951
	30,108,332	24,365,600

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

	2016 GBP	2015 GBP
Assets		
Cash and cash equivalents	8,438,759	4,315,117
United States equities	32,608,762	35,455,081
Accrued income	–	44,911
	41,047,521	39,815,109

Sensitivity analysis

At 31 December 2016, had GBP strengthened against the CAD by 5%, with all other variables held constant, the decrease in net assets attributable to shareholders would amount to approximately £4,281,989 (31 December 2015: £2,237,394). Had GBP weakened against the CAD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £4,281,989 (31 December 2015: £2,237,394).

At 31 December 2016, had GBP strengthened against the USD by 5%, with all other variables held constant, the decrease in net assets attributable to shareholders would amount to approximately £2,052,376 (31 December 2015: £1,990,755). Had GBP weakened against the USD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £2,052,376 (31 December 2015: £1,990,755).

17. Post year end events

On 5 January 2017, the Company declared a quarterly dividend of 1.25 pence per share. The ex-dividend date was 12 January 2017 and the record date was 13 January 2017. On 31 January 2017, the dividend of £1,335,466 was paid.

On 6 January 2017, the Company purchased 50,000 redeemable participating preference shares at a price of 105.50 pence a share. The shares will be held in treasury.

On 11 January 2017, the Company purchased 50,000 redeemable participating preference shares at a price of 107.00 pence a share. The shares will be held in treasury.

On 17 January 2017, the Company purchased 50,000 redeemable participating preference shares at a price of 106.00 pence a share. The shares will be held in treasury.

On 19 January 2017, the Company purchased 100,000 redeemable participating preference shares at a price of 104.75 pence a share. The shares will be held in treasury.

On 20 January 2017, the Company purchased 100,000 redeemable participating preference shares at a price of 103.50 pence a share. The shares will be held in treasury.

On 7 February 2017, the Company purchased 100,000 redeemable participating preference shares at a price of 102.50 pence a share. The shares will be held in treasury.

The RBC Loan of CAD 50,000,000 was renewed on 22 November 2016 with a maturity date of 21 February in early 2017 as described in note 14. This loan was subsequently renewed on 21 February 2017 with a maturity date of 23 May 2017.

An additional RBC Loan of CAD 5,000,000 was issued on 10 February 2017 with a maturity date of 13 March 2017. This loan was subsequently renewed on 13 March 2017 and later on 13 April 2017 with a maturity date of 15 May 2017. Another RBC Loan of CAD 5,000,000 was issued on 29 March 2017 with a maturity date of 28 April 2017.

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 2016

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Equities					
Bermuda – Quoted Investments 4.93% (2015: 5.80%)					
Power and Utilities:					
Brookfield Infrastructure Partners LP	120,000	1,743,330	3,244,285	2.56%	2.22%
Real Estate:					
Brookfield Property Partners LP	225,000	2,564,219	3,971,624	3.14%	2.71%
Canada – Quoted Investments 67.71% (2015: 49.33%)					
Consumer Discretionary:					
EnerCare Inc.	350,000	1,663,856	3,763,878	2.97%	2.57%
Energy:					
ARC Resources Ltd	130,000	1,425,025	1,812,237	1.43%	1.24%
Birchcliff Energy – Preferred Shares	40,000	636,779	607,096	0.48%	0.41%
Birchcliff Energy Ltd	85,000	1,300,141	1,295,210	1.02%	0.89%
Canadian Natural Resources Limited	90,000	2,063,471	2,323,502	1.83%	1.59%
Crescent Point Energy Corp.	250,000	2,618,106	2,753,358	2.17%	1.88%
Freehold Royalties Ltd.	260,000	1,786,134	2,209,204	1.74%	1.51%
Peyto Exploration & Development Corp.	175,000	3,163,445	3,498,801	2.76%	2.39%
Suncor Energy Inc.	110,000	2,091,379	2,914,184	2.30%	1.99%
Torc Oil & Gas Ltd.	350,000	1,313,227	1,744,648	1.38%	1.19%
Vermilion Energy Inc.	160,000	4,008,864	5,451,557	4.30%	3.73%
Financials:					
Canadian Imperial Bank of Commerce	40,000	2,691,045	2,644,672	2.09%	1.81%
National Bank of Canada	150,000	4,168,974	4,930,698	3.89%	3.37%
Royal Bank of Canada	35,000	1,172,417	1,919,324	1.52%	1.31%
Industrials:					
Cargojet Inc.	120,000	1,650,330	3,309,460	2.61%	2.26%
Morneau Shepell Inc.	150,000	1,791,708	1,727,147	1.36%	1.18%
Parkland Fuel Corporation	200,000	2,261,642	3,389,119	2.68%	2.32%
Materials:					
Chemtrade Logistics Income Fund	150,000	1,401,074	1,712,664	1.35%	1.17%
Pipelines:					
AltaGas Ltd.	200,000	4,191,478	4,091,565	3.23%	2.80%
Gibson Energy Inc.	375,000	3,489,924	4,281,660	3.38%	2.93%
Pembina Pipeline Corporation	160,000	3,199,688	4,044,735	3.19%	2.76%
Transcanada Corporation	75,000	2,584,356	2,738,723	2.16%	1.87%
Veresen Inc.	350,000	2,066,369	2,764,824	2.18%	1.89%
Power and Utilities:					
Capital Power Corporation	200,000	2,868,375	2,795,299	2.21%	1.91%
Northland Power Inc.	255,000	2,554,483	3,577,856	2.82%	2.45%

19. Schedule of Investments – Securities (at fair value through profit or loss) (Continued)
As at 31 December 2016

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Real Estate:					
American Hotel Income Properties REIT LP	400,000	2,433,235	2,524,942	1.99%	1.73%
Chartwell Retirement Residences	450,000	2,876,233	3,959,404	3.13%	2.71%
Crombie Real Estate Investment Trust	350,000	2,742,883	2,857,759	2.26%	1.95%
CT Real Estate Investment Trust	200,000	1,557,288	1,798,357	1.42%	1.23%
Extendicare Inc.	465,000	2,388,054	2,772,488	2.19%	1.89%
First Capital Realty Inc.	150,000	1,866,146	1,865,645	1.47%	1.27%
H&R Real Estate Investment Trust	350,000	4,280,865	4,722,800	3.73%	3.23%
Pure Industrial Real Estate Trust	950,000	2,528,057	3,199,024	2.53%	2.19%
RioCan Real Estate Investment Trust	190,000	3,031,341	3,052,259	2.41%	2.09%
Netherlands – Quoted Investments 1.19% (2015: 2.41%)					
Materials:					
Lyondellbasell Industries N.V. Class A	25,000	977,927	1,735,525	1.37%	1.19%
United States – Quoted Investments 21.09% (2015: 29.86%)					
Financials:					
Bank of America Corporation	150,000	2,226,785	2,687,655	2.12%	1.84%
Capital One Financial Corporation	40,000	1,528,537	2,824,102	2.23%	1.93%
Discover Financial Services, Inc.	50,000	1,426,454	2,917,089	2.30%	1.99%
JP Morgan Chase & Co.	80,000	2,459,642	5,589,287	4.41%	3.82%
Healthcare:					
Bristol-Myers Squibb Company	45,000	2,161,098	2,128,273	1.68%	1.45%
Johnson & Johnson	35,000	2,203,400	3,264,194	2.58%	2.23%
Pfizer Inc.	70,000	1,875,683	1,840,571	1.45%	1.26%
Materials:					
CF Industries Holdings, Inc.	200,000	3,663,014	5,095,296	4.02%	3.48%
Technology:					
Microsoft Corporation	90,000	2,556,329	4,526,770	3.57%	3.09%
Total equities:		**107,252,810**	**138,878,770**	**109.61%**	**94.92%**
Debt:					
Canada – Quoted Investments 5.08% (2015: 6.32%)					
Chemtrade Logistics Income Fund 5.75% due 31 December 2018	2,000,000	1,163,631	1,267,299	1.00%	0.86%
Great Canadian Gaming Corp 6.625% due 25 July 2022	2,000,000	1,272,795	1,262,773	1.00%	0.86%
Kelt Exploration Ltd. 5% 31 May 2021	2,000,000	1,072,226	1,701,801	1.34%	1.16%
Quebecor Inc 6.625% due 15 January 2023	3,500,000	2,355,635	2,225,693	1.76%	1.52%
Tricon Capital Group 5.6% due 31 March 2020	1,500,000	961,477	995,735	0.78%	0.68%
Total debt:		**6,825,764**	**7,453,301**	**5.88%**	**5.08%**
Total investments (2016)		**114,078,574**	**146,332,071**	**115.49%**	**100.00%**
Total investments (2015)		**107,767,902**	**109,893,936**	**117.56%**	**100.00%**

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

(UNAUDITED)

In accordance with the Alternative Investment Fund Managers Directive (the 'AIFMD'), Middlefield Limited in its capacity as Alternative Investment Fund Manager ('AIFM') is required to disclose specific information in relation to the following aspects of the Company's management:

LEVERAGE AND BORROWING

Leverage is defined as any method by which the Company increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways – 'gross method' and 'commitment method' – and the Company must not exceed maximum exposures under both methods. 'Gross method' exposure is calculated as the sum of all positions of the Company (both positive and negative), that is, all eligible assets, liabilities and derivatives, including derivatives held for risk reduction purposes. 'Commitment method' exposure is also calculated as the sum of all positions of the Company (both positive and negative), but after netting off derivative and security positions as specified by the Directive.

For the Gross method, the following has been excluded:

- the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the AIF that are readily convertible to a known amount of cash, subject to an insignificant risk of changes in value;
- cash borrowings that remain in cash or cash equivalent as defined above and where the amounts of that payable are known. The total amount of leverage calculated as at 31 December 2016 is as follows:

Gross method: 139% (31 December 2015: 144%)

Commitment method: 139% (31 December 2015: 144%)

LIQUIDITY

The Investment Manager's policy is that the Company should normally be close to fully invested (i.e. with liquidity of 5% or less) but this is subject to the need to retain liquidity for the purpose of effecting the cancellation of Units, and the efficient management of the Company in accordance with its objectives. There may therefore be occasions when there will be higher levels of liquidity, for example following the issue of shares or the realisation of investments. This policy has been applied consistently throughout the review period and as a result the Investment Manager has not introduced any new arrangements for managing the Company's liquidity.

RISK MANAGEMENT POLICY NOTE

Please refer to Note 16, Risk management policies, in the Notes to the financial statements on pages 36 to 40, where the current risk profile of the Company and the risk management systems employed by the Investment Manager to manage those risks, are set out.

REMUNERATION

The total remuneration paid for the management of the AIFM amounted to approximately £110,000 for the year ended 31 December 2016. This amount was paid to a total of five beneficiaries including senior management and other staff.

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 31 December 2016 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 2016;
- 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.

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

20 April 2017

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2016

	Notes	2016 GBP	2015 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 page 47 were approved by the directors on 20 April 2017 and signed on behalf of the Board by:

Thomas Grose
Director

Nicholas Villiers
Director

NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2016

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 note 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 believe would or might 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 2016 and 2015	2	2

3. Taxation

The Company adopted UK tax residency on 11 October 2011. 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 ELIZABETH HOUSE,
9 CASTLE STREET, ST HELIER, JERSEY JE4 8PQ

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

If you have sold or transferred all of your 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 Cell Annual General Meeting

Notice is hereby given that the Cell Annual General Meeting will be held at the offices of CBPE Capital LLP, 2 George Yard, London EC3V 9DH on 25 May, 2017 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 16 May 2013, 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, 2018 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 (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 15,962,438 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

   (b) The authority hereby conferred shall expire on the earlier of 30 September 2018 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 and Shares purchased pursuant to the authority conferred in paragraph (a) of this resolution.

MIDDLEFIELD CANADIAN INCOME – GBP PC (THE "CELL")
WHOSE REGISTERED OFFICE IS AT ELIZABETH HOUSE,
9 CASTLE STREET, ST HELIER, JERSEY JE4 8PQ

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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, Auditor's Report and Financial Statements for the year ended 31 December 2016.
2. To re-appoint Deloitte LLP as Auditor of the Cell.
3. To authorise the Directors to determine the Auditor's remuneration.
4. To approve the Directors' remuneration as set out on page 13 of the Annual Audited Financial Report for the year ended 31 December 2016.
5. To approve the dividend policy of the Company as set out on page 7 of the Annual Audited Financial Report for the year ended 31 December 2016.

By order of the Board
JTC Fund Solutions (Guernsey) Limited as Assistant Secretary
20 April 2017

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. 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.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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 23 May 2017 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 ELIZABETH HOUSE,
9 CASTLE STREET, ST HELIER, JERSEY JE4 8PQ

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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 the offices of CBPE Capital LLP, 2 George Yard, London EC3V 9DH on 25 May, 2017 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, 2016.
2. To re-appoint Deloitte LLP as Auditor of the Company.
3. To authorise the Directors to determine the Auditor's remuneration.
4. To approve the Directors' remuneration as set out on page 13 of the Annual Audited Financial Report for the year ended 31 December, 2016.
5. To approve the dividend policy of the Company as set out on page 7 of the Annual Audited Financial Report for the year ended 31 December, 2016.

By order of the Board
JTC Fund Solutions (Guernsey) Limited as Assistant Secretary
20 April, 2017

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 ELIZABETH HOUSE,
9 CASTLE STREET, ST HELIER, JERSEY JE2 3RT

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

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

Notice of Company and Cell Meeting

Notice is hereby given that a Company and Cell Meeting will be held at the offices of CBPE Capital LLP, 2 George Yard, London EC3V 9DH on Thursday 25 May, 2017 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.

By Order of the Board
JTC Fund Solutions (Guernsey) Limited as Assistant Secretary
20 April 2017

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.

(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 23 May, 2017 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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