MIDDLEFIELD CANADIAN INCOME PCC (the "Company")
Including MIDDLEFIELD CANADIAN INCOME – GBP PC
(the "Fund"), a cell of the Company

Announcement of Results

For the year ended 31 December 2012

In accordance with the UK Financial Conduct Authority's Disclosure and Transparency Rule DTR 6.3.5 the Company announces its annual results for the year ended 31 December 2012. The full annual financial report will be made available for inspection at the National Storage Mechanism within April 2013 and sent to all shareholders in due course with the notice of the Company's annual general meeting. The publication of the annual financial report will be announced via a regulated information service.

MIDDLEFIELD CANADIAN INCOME PCC

Chairman's Report

It is my pleasure to introduce the 2012 Annual Financial Report for Middlefield Canadian Income PCC ("MCI" or the "Company"). MCI has established one closed-ended cell known as Middlefield Canadian Income – GBP PC (the "Fund"). The Fund invests in a broadly diversified portfolio comprised primarily of Canadian equity income securities with the objective of providing shareholders with high dividends as well as capital growth over the longer term.

Overall, we are very pleased with the performance of the Fund. Although the net asset value-based, currency adjusted total return of the Fund was 1.0% for the year ended 31 December 2012, the total return since the Company's inception on 6 July 2006 was 57.4%. The latter return compares favourably with our benchmark, as well as the S&P/TSX Composite Index and the FTSE All Share Index, which posted currency adjusted total returns of 45.6%, 28.4% and 3.8%, respectively over the same period. Since year-end, the Fund has continued to outperform, having generated a total return over the first quarter of 2013 of 11.9% relative to a benchmark return of 10.1% over the same period.

Significant initiatives have been undertaken by the Company over the last several quarters in order to reduce the complexity of the Fund's structure. In particular, 2012 marks the first full year since we simplified the Fund by removing the original swap arrangements and began investing the portfolio directly in income producing securities. The response received from shareholders in respect of these changes has been very positive. Among other benefits, the removal of the swap has better enabled existing and potential investors to analyse both the Fund's portfolio and its performance. These benefits have resulted in a significant increase in the Fund's rating, as illustrated in the graph below, as well as the completion of several tap and treasury offerings in recent months. With respect to the latter, we are pleased to report that the Company issued over 24 million shares in 2012, approximately two-thirds of which were issued in the final two months of the year. In order to avoid any potential shareholder dilution, no shares have been or will be issued at a discount to the Fund's net asset value at the time of allotment. As a result of these offerings, the number of shares issued by the Company increased by more than 30 per cent. last year.

Strong investor demand for the Company's shares has continued in the early months of 2013, with over three million shares issued from treasury during the first quarter. As a result, the Fund currently possesses the ability to issue or sell out of treasury approximately 66 million additional shares under its placing programme which was introduced further to the publication of a prospectus on 19 October 2012. The placing programme is set to expire in October 2013. It is our intention to invest the net proceeds from these offerings in accordance with the Fund's published investment policy in order to capitalise on attractive opportunities within the Canadian equity income sector.

Annual General Meeting/Continuation Vote

This year's Annual General Meeting will be held on Thursday, 16 May 2013 at 2 pm at 14 St. George Street, London W1S 1FE. Other than our normal course business, we will be seeking shareholder approval to renew the Fund's authority to continue its placing programme until 18 October 2013. In addition, we will be proposing an ordinary resolution at the meeting to extend the life of the Fund. In this regard, we look forward to the opportunity to continue to provide this investment in Canadian equity income securities to our valued investor base.

Outlook

Going forward, we remain constructive on the outlook for the Fund and for the Canadian equity income sector. We believe that global policy risk has diminished over the last several months and economic growth in the U.S. is expected to be sustained by a combination of on-going improvements in the labour and housing markets as well as a marked reduction in household leverage. Although Europe is likely to experience an economic recession in 2013, we believe growth will resume in 2014 as stress in peripheral countries eases due to lower funding requirements and improved competitiveness. In the meantime, we expect the U.S. and emerging economies to lead global-reacceleration over the next several quarters.

We believe the Canadian economy and equity markets are well positioned to deliver strong performance in 2013. Canada is expected to continue to benefit from a low inflationary, low interest rate environment as well as the strong economic recovery underway in the U.S. Overall, we believe the ongoing demand for yield from an aging population in the developed world will cause companies offering high levels of sustainable income to receive premium valuations. Middlefield remains focused on those issuers in the Canadian equity income sector which are well positioned to grow their businesses, either organically or through accretive acquisitions, and thereby increase cash flows available to pay dividends.

We thank you for your continued support.

Nicholas Villiers

Chairman
Date: 11 April 2013

MIDDLEFIELD CANADIAN INCOME PCC

Investment Manager's Report

In 2012, both U.S. and European policy makers struggled to implement reforms aimed at minimising the economic impact of fiscal imbalances. While volatility is expected to persist in 2013, policy risk has diminished, emerging market inflation has moderated and corporate balance sheets remain strong. U.S. economic growth is accelerating, led by an improved labour market, a recovery in housing and a decline in household leverage. In Europe, the Central Bank took decisive steps in 2012 towards being a lender of last resort. Although Europe will likely experience recession in 2013, economic growth is expected to resume in 2014 as stress in peripheral countries eventually eases due to lower funding requirements and improved competitiveness.

The slower growth currently being experienced by emerging economies has been affected by diminished demand from developed markets as governments, financial institutions and households deleverage as well as deliberate policy decisions designed to curb inflation. We continue to believe that sustainable long-term global growth will require structural reforms to facilitate deleveraging in developed economies and socio-economic improvements that will increase domestic demand in emerging markets, which remain well supported by accommodative fiscal and monetary policies.

In Canada, we believe the economy and equity markets are both well positioned to deliver strong performance in 2013. During the past decade, Canada's weight in the MSCI Index has doubled due to the economy's outperformance relative to other G7 countries and strong demand for natural resources. Canada continues to benefit from relatively low inflation, a moderate fiscal deficit and a large balance-of-payment surplus. The country's large trade surplus with the U.S., which is undergoing a strong economic recovery, should continue to support economic growth and increased corporate profitability.

In 2012, concerns regarding ongoing economic weakness and distribution bottlenecks in North America were the primary causes of a significant decline in oil prices from nearly US$110 per barrel in the first quarter to the mid US$80s in December. This, in turn, contributed to a decline in the S&P/TSX Energy Index of 4.8% over the course of the year. Notwithstanding a substantial reduction in MCI's allocation to energy during the first quarter, the Fund's overweighting in energy in the first half of 2012 still had a negative effect on performance. Looking forward, we remain positive on the outlook for both oil and natural gas. We believe that long-term oil prices will be in the range of US$80 to US$100 per barrel during the next five to ten years as new supply remains expensive to develop. In addition, we believe medium-to-long term natural gas prices will continue to appreciate as production cuts and a slowdown in drilling activity cause excess storage in North America to be absorbed.

During the year, the Fund initiated positions in several financial institutions. According to the World Economic Forum, Canada's banking system has been rated as the world's most sound for five consecutive years. The Canadian banking system operates as an oligopoly, which leads to high profit margins and an implicit promise of government protection. However, profitability during the past few years has been largely driven by personal loan growth, which we anticipate will slow during the next several quarters. As a result, the Fund maintained an underweight allocation to the Canadian financials sector throughout 2012, with an emphasis on high yielding Canadian insurance companies instead of banks.

Throughout 2012, the Fund maintained an overweight position in the real estate sector, which continued to generate strong returns with the S&P/TSX Capped REIT Index outperforming the broader composite by more than 9% on a currency adjusted basis. While Canadian housing activity has slowed, it remains relatively buoyant. Existing home sales and average prices were essentially flat in 2012 as increases in the first half of the year were offset by a softening in the latter half due to a tightening of mortgage rules. Although we anticipate a further softening in both sales and prices in 2013, continued low interest rates, healthy job growth and generally balanced market conditions should prevent a significant correction. Moreover, several important factors differentiate the Canadian housing market from the United States, including: bankruptcy laws that provide full recourse to mortgage lenders, high household affordability and strong debt service ratios.

We believe REITs will remain an attractive asset class due to their ability to offer investors a tax-efficient source of steady income and the potential for stable long-term total returns. Commercial property developers in Canada and abroad are keeping supply well balanced with demand, which has generally been supportive of rising occupancy and rents. Furthermore, life insurance companies and pension funds are expected to increase their allocations to real estate relative to volatile publicly listed equities and low-yielding fixed income alternatives. We expect that continued access to low-cost capital and strong fundamentals will support cash flows and drive dividend increases in 2013.

During the final months of the year, MCI crystallized gains on several high yielding investments that appreciated above our estimation of intrinsic value. The Fund engaged in a process of portfolio rotation as disposition proceeds were prudently reinvested at a measured pace in companies offering better potential for total returns. In addition, a tactical decision was made to increase the Fund's cash position in the fourth quarter of 2012 as a result of the threat of a looming U.S. fiscal cliff, the disruptive effects of Hurricane Sandy and ongoing concerns regarding European financial stability. This tactical asset allocation, which is consistent with our approach to investing on a total return basis, was beneficial to shareholders given the subsequent appreciation of the Fund's net asset value and its outperformance thus far in 2013.

MIDDLEFIELD CANADIAN INCOME PCC

Investment Manager's Report

Top Holdings

The table below shows the largest ten positions held within the Fund's portfolio as at 31 December 2012:

Company	Sector	% of NAV
Brookfield Infrastructure Partners LP Brookfield Infrastructure Partners holds an interest in a portfolio of investments including coal terminals, energy transmission and distribution, rail tracks, toll roads, container ports and timber. These assets are primarily situated in the Americas, Australia and the United Kingdom. Cash flow and distribution growth are expected to materialise as the company executes several organic growth initiatives during the next few years.	**Utilities**	**3.6%**
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. The company is expected to benefit from the increase in conventional and unconventional oil and gas production in North America as it transports hydrocarbon products from producing regions in Western Canada to the refineries through its strategically located terminals, pipelines, tank storage, and truck transportation fleet.	**Energy Producers**	**3.4%**
Peyto Exploration & Development Corp. Peyto Exploration & Development is a Canada-based energy company. The company is engaged in the acquisition, exploration, development and production of oil and natural gas in Western Canada. Peyto is a low cost, liquids rich producer with high recycle ratios, very low FD&A costs and a reserve life exceeding 25 years.	**Energy Producers**	**3.4%**
ARC Resources Ltd. ARC Resources is Canada-based producer of oil and gas that has increased production more than ten-fold during the past decade. The company is well capitalised and its reserve life exceeds 15 years.	**Energy Producers**	**3.2%**
Keyera Corp. Keyera operates natural gas midstream businesses in Canada. The company operates in the oil and gas sector between the upstream sector, which includes oil and gas exploration and production businesses, and the downstream sector, which includes the refining, distribution and retail marketing of finished products. The company is expected to benefit from the increase in conventional and unconventional oil and gas production in North America, which is expected to translate into cash flow and distribution growth.	**Energy Producers**	**3.0%**
Brookfield Office Properties, Inc. Brookfield Office Properties owns, develops, and manages premier quality office properties in high-growth and high-barrier markets. The commercial property portfolio includes >100 commercial properties encompassing 80 million square feet concentrated in central business districts across North America and Australia. The portfolio includes such landmark assets as the World Financial Center and Brookfield Place. Brookfield also trades at a substantial discount to net asset value and holds interests in ~15 million square feet of development properties in its major markets.	**Real Estate**	**3.0%**

MIDDLEFIELD CANADIAN INCOME PCC

Company	Sector	% of NAV
EnerCare Inc. EnerCare indirectly owns a portfolio of waterheaters and other assets, rented to residential and small commercial customers in Ontario. The company also has dominant market share in sub-metering, which provides energy management programs for multi-residential, commercial and residential markets.	**Consumer Discretionary**	**2.9%**
Algonquin Power & Utilities Corp. Algonquin Power & Utilities operates two business divisions: i) Power Generation; and ii) Utilities. Over 80% of the power generated is sold under long-term power purchase agreements (PPAs) with an average term of 13 years. The utilities business owns and operates regulated water utilities and regulated electric and gas utilities in the U.S. The company has a very strong development pipeline and should continue to increase distributions as new projects are completed.	**Utilities**	**2.8%**
Canexus Corp. Canexus is a low-cost producer of sodium chlorate and chlor-alkali products for the pulp and paper and water treatment industries. The company has four plants in Canada and two at one site in Brazil. It also provides fee-for-service hydrocarbon transloading services to the oil and gas industry from its terminal at Bruderheim, Alberta, which has undergone significant expansion and should materially contribute to cash flow and distribution growth during the next few years.	**Materials**	**2.7%**
Labrador Iron Ore Royalty Corporation Labrador Iron Ore Royalty was initially established in 1995. The company owns a 15.1% equity interest in Iron Ore Company of Canada (IOC) and receives a 7% gross overriding royalty and a commission on all iron ore products produced, sold and shipped by IOC. The company is currently expanding production and should continue to benefit from global steel demand, which is expected to double during the next decade.	**Metals and Mining**	**2.5%**
Top Ten Investments		**30.5%**

Outlook

Canada continues to enjoy the second largest level of oil reserves and is the fifth largest energy producer in the world. In addition, Canada is the world's largest source of many minerals including nickel, zinc, and uranium, which should experience stronger prices alongside increased demand from emerging markets. Looking forward, we believe that Canadian corporations will continue to play a prominent role in global economic growth as free-trade agreements are negotiated with Europe, India and other emerging economies.

Given a backdrop of ongoing low interest rates, an aging population in the developed world and strong fundamentals underpinning ongoing growth in the Canadian economy, we remain very constructive on the outlook for equity income securities and believe MCI is well positioned to capitalise on attractive opportunities for total return in 2013.

Middlefield International Limited

Date: 11 April 2013

MIDDLEFIELD CANADIAN INCOME PCC

Directors' Report

On 11 October 2011, Middlefield Canadian Income PCC (the **"Company"**) completed its plan to simplify the structure of Middlefield Canadian Income - GBP PC (the **"Fund"**). On 3 October 2011 the Fund redeemed its entire holding of 10,000 trust units in CIT Trust. On 6 October 2011, the Company's Swap arrangements, including its Canadian dollar currency hedge, were removed and the Fund invested directly in a portfolio of assets comprised predominantly of listed Canadian equity income securities.

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

Although the structure of the Fund was simplified in 2011, its investment objective remains similar. The Fund's previous investment objective was to produce a high income return whilst also seeking to preserve shareholder capital. The Fund's new investment objective and policy are described in further detail below.

Investment objective and policy

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

Investment Portfolio

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

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 10 per cent. of the value of its portfolio assets invested in securities listed on a recognised stock exchange outside Canada; or

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

(e) purchase securities on margin or make short sales of securities or maintain short positions in excess of 10 per cent. of the Fund's NAV.

Hedging

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

Gearing

The Fund has power to borrow up to 25 per cent. of the value of its total assets at the time of drawdown. In the normal course of events, and subject to Board oversight, the Fund is expected to employ gearing in the range of 0 to 20 per cent. of the value of its total assets in order to enhance returns. At year end the Fund's gross borrowings were equal to 13 per cent. of its total assets and net borrowings taking into account cash held were 6 per cent.

Authorised and Issued Share Capital

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 2012, 20,000,000 of the Fund Shares were held in treasury. Since the financial year end, the Fund has sold 3,350,000 Fund Shares from treasury, so there are 124,682,250 Fund Shares in issue, of which 16,650,000 Fund Shares are held in treasury.

Further issues of Shares

The Fund's Articles of Association provide the directors with powers to issue further Fund Shares without seeking further shareholder approval. Unless otherwise authorised by shareholders, Fund Shares must be issued on a pre-emptive basis. However, at a Fund extraordinary general meeting held on 5 December 2012, the Fund Shareholders authorised the allotment and issue of up to 76,970,000 Fund Shares for cash on a non-pre-emptive basis, the allotment and issue of up to 20,000,000 new Fund Shares to Canaccord Genuity Limited at the applicable Placing Price (as determined at the time of such allotment in accordance with the prospectus published by the Company dated 19 October 2012) on terms that all such Fund Shares would be repurchased by the Fund at the same price as the Placing Price and held in treasury, and the sale out of treasury for cash of up to 20,000,000 Fund Shares bought back from Canaccord Genuity Limited on a non-pre-emptive basis.

On 14 December 2012 the Fund issued 20,000,000 new Fund Shares to Canaccord Genuity Limited and immediately repurchased such Fund Shares, with both an issue and repurchase price of 101 pence per Fund Share.

The aforementioned authorities expire on the earlier of midnight on 18 October 2013 and the conclusion of the next Fund annual general meeting. For the period to 18 October 2013, the Board intends to seek renewed authority to issue up to 49,470,000 Fund Shares (being 76,970,000 Fund Shares less the 20,000,000 Fund Shares issued to Canaccord Genuity Limited and subsequently repurchased into treasury less the 7,500,000 Fund Shares issued to investors on 14 December 2012), on a non-pre-emptive basis, and the Fund intends to seek authority to sell any Fund Shares held in treasury for cash on a non-pre-emptive basis, both such authorities to expire at midnight on 18 October 2013 in all cases to ensure compliance with the UKLA Listing Rules. For the period from midnight on 18 October 2013, the Fund intends to seek authority to issue or sell out of treasury on a non-pre-emptive basis an additional number of Fund Shares representing an amount equal to 10 per cent. of the issued share capital as at 18 October 2013, such authority to expire on the earlier of 30 June 2014 or the date of the next Fund annual general meeting.

In addition to the aforementioned resolutions and the ordinary business to be transacted at a Fund annual general meeting, the Board will be proposing two additional items as follows:

The Fund's Articles of Association require that a continuation vote be held at the Fund annual general meeting due to occur immediately prior to 6 July 2013. Accordingly, at the forthcoming Fund annual general meeting, Fund Shareholders will be given the opportunity to vote on an ordinary resolution that the Fund continue in its current form. The Fund's NAV performance has been strong, outperforming, to 31 March 2013, its benchmark index and the FTSE All Share Index, on a total return basis, over three and five years and since the Fund's inception. In addition the Fund Shares have generally been trading at a premium to their NAV over the period from 1 January 2012 to 31 March 2013. Additional market demand for the Fund Shares has resulted in the Fund issuing 24,364,750 new Fund Shares during 2012. In addition, in December 2012, 20 million new Fund Shares were issued to Canaccord Genuity Limited and immediately repurchased into treasury for resale to satisfy periodic demand. Since year end, 3,350,000 Fund Shares have been sold out of treasury. Each such issue or sale has been at a premium to the Fund Shares' prevailing NAV. Additionally, the Fund's directors are of the opinion that Canadian equity income securities continue to present attractive investment opportunities.

The Company and Fund Articles of Association are also being updated to remove the prohibition on the distribution of capital profits by way of dividend (further to the flexibility introduced by recent changes in taxation legislation) and also to make some other administrative / corrective amendments. Therefore at the forthcoming Annual General Meetings of the Company and the cell it will be proposed as Company and cell special resolutions to adopt new Company and cell Articles of Association.

The Board considers that each of the proposed resolutions is in the interests of the Company, the Fund and its shareholders as a whole. Accordingly, the directors unanimously recommend that you vote in favour of the proposed resolutions, as they intend to do in respect of their own beneficial holdings.

Substantial shareholding in the Fund

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

Name	Redeemable Participating Preference Shares Nominal	Redeemable Participating Preference Shares % of Shares in issue*
Henderson Global Investors	12,087,562	11.19
HSBC Global Custody Nominee (UK) Limited	7,675,000	7.10
Harewood Nominees Limited	5,553,860	5.14
Charles Stanley Group Plc	5,347,766	4.95
Rathbone Nominees Limited	5,333,589	4.94
State Street Nominees Limited	5,081,877	4.70

* As at the date of this report

Ongoing charges

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

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

	Ongoing charges (%)
31 December 2012	1.26

Results and dividends

The results for the year are shown in the Statement of Comprehensive Income and related. During the year dividends were paid on a quarterly basis (see note 12). Although there is no guarantee, and subject to unforeseen circumstances, dividends are expected to be paid on a quarterly basis at the end of that month as follows:

Payment Month	Gross amount per Share
April 2013	1.25p expected
July 2013	1.25p expected
October 2013	1.25p expected
January 2014	1.25p expected

Shareholders should note that income generated by the Fund could vary over time as a result of the level of dividends received by its portfolio and the translation of those dividends into sterling. The Company is focused on investing in equity income securities with a view to paying dividends out of current year net revenue. However, the investment approach employed by the Fund, which is intended to maximise total returns whilst preserving capital, may from time to time result in a shortfall of net revenue relative to the Fund’s dividend target. In this event, the Fund can utilise reserves to make up the shortfall.

The Directors intend to introduce a progressive dividend policy going forward as the net revenue per share of the Fund grows.

Going concern

The performance of the investments held by the Fund over the reporting year are described in the Statement of Comprehensive Income and in note 10 to the financial statements and the outlook for the future is described in the Chairman’s Report and in the Investment Manager’s Report. The Fund’s financial position, its cash flows and liquidity position are set out in the financial statements and the Fund’s financial risk management objectives and policies, details of its financial instruments and its exposures to market price risk, credit risk, liquidity risk, interest rate risk and the risk of leverage are set out at note 17 to the financial statements.

As set out above, the Fund’s Articles incorporate a provision that requires a continuation vote to be proposed at a meeting of the Fund shareholders (by way of cell ordinary resolution), which resolution will be proposed at the forthcoming Fund annual general meeting. If at that Fund annual general meeting such resolution is not passed, the directors shall within four months of that Fund annual general meeting convene a cell extraordinary general meeting at which alternative proposals will be put to Fund shareholders by the directors. While the directors cannot be certain what the results of this vote will be, the financial statements are prepared on a going concern basis supported by the directors’ current assessment of the Fund’s position, including the factors set out above and:

- ongoing shareholder interest in the continuation of the Fund;
- the Fund having sufficient liquidity to meet all on-going expenses;
- should the need arise, the directors have the option to reduce dividend payments in order to positively affect the Fund’s cash flows; and
- the Fund’s investments in Canadian securities being readily realisable should their realisation be required to meet liquidity requirements.

Based on the above, in the opinion of the directors, there is a reasonable expectation that the Company and Fund have adequate resources to continue in operational existence for the foreseeable future.

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

For this reason the financial statements have been prepared using the going concern basis.

Corporate Governance
The UK Listing Authority's Listing and Disclosure and Transparency Rules require all overseas companies with a premium listing (which includes the Fund) to include a corporate governance statement in its directors' report, which must contain a reference to the UK corporate governance code to which the Fund is subject and / or the corporate governance code which the Fund may have voluntarily decided to apply and / or all relevant information about the corporate governance practices applied beyond the requirements under national law.

The Association of Investment Companies (AIC) (formerly Association of Investment Trust Companies), of which the Fund is a member, has previously published its Code of Corporate Governance for Investment Companies (the "AIC Code") and the Corporate Governance Guide for Investment Companies dated October 2010 (the "AIC Guide"), which incorporates the UK's Financial Reporting Council (FRC), UK Corporate Governance Code, the AIC Code and certain requirements of the UKLA Listing Rules. The UK's 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 Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Fund. The Board considers that reporting against the principles and recommendations of the AIC Code will provide better information to shareholders.

The directors believe that the Fund has complied with the provisions of the AIC Code and the relevant provisions of UK Corporate Governance Code where appropriate, and that it has complied throughout the year with the provisions where the requirements are of a continuing nature. The Board is cognisant of the publication of the updated AIC Code and AIC Guide in February 2013, which apply to accounting periods beginning on or after 1 October 2012. In the case of the Fund, the updated AIC Code and AIC Guide will apply for the year ended 31 December 2013 and the Board is actively working to ensure compliance with the updated AIC Code and AIC Guide for this financial year.

The UK corporate Governance Code includes a provision relating to the role of the chief executive. As all of the directors are non-executives, the Board considers that this provision is not relevant to the position of the Fund, being an externally managed investment fund. 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 Fund has therefore not reported further in respect of these provisions.

The Board
As at 31 December 2012 the Board of directors comprised of five non-executive directors of whom four were independent of the Investment Manager.

The directors who served on the Board during the year, together with their beneficial interests and those of their connected persons at the date of approval of this report were as follows:

	2012 Redeemable Participating Preference Shares	**2011 Redeemable Participating Preference Shares**
Raymond Apsey	50,000	50,000
Philip Bisson *	525,000	310,000
Thomas Grose	40,000	20,000
W. Garth Jestley	200,000	200,000
Nicholas Villiers (Chairman)	10,000	10,000

*Philean Trust Company Limited (a company connected with Philip Bisson) own 676,000 Fund Shares (31 December 2011: nil)

The Directors are:

Nicholas Villiers (Chairman) (73)
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 (69)
Mr Apsey is a Fellow of the Institute of Chartered Secretaries and Administrators with extensive experience at management level of the offshore finance industry in the Bahamas, the Channel Islands and the Cayman Islands. He joined the Morgan Grenfell Offshore Group in 1975 to head the Corporate and Trust Division and held various senior appointments including Deputy Managing Director of Jersey, Managing Director of Cayman and Group director before retiring in December 1995. Mr Apsey resides in Jersey and is currently Chairman or director of a number of investment companies listed on the London, Irish and Channel Islands Stock Exchanges.

Philip Bisson (58)
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 (72)
Following service with the United States Army, Mr Grose began his career in finance with Citibank in New York, where he rose to become an Assistant Vice President. After a spell as Vice President - Finance and Chief Financial Officer with Great American Industries, Inc., he joined Bankers Trust Company, where he spent 18 years variously in New York, London and Tunisia. Since 1991, Mr Grose has worked for Stock Market Index International, a company that he established in the UK, which provides proprietary research to asset managers, hedge funds and other financial institutions.

W. Garth Jestley (66)
Mr Jestley is Deputy Chairman of Middlefield Capital Corporation and of Middlefield International Limited. Mr Jestley has over 30 years of experience in the financial services sector, including senior roles in investment management, corporate banking, resource project financing and investment banking. Prior to joining Middlefield in 1985, Mr Jestley was employed with Citibank N.A., Bank of Montreal and The Prudential Insurance Company of America. Mr Jestley holds the Chartered Financial Analyst (CFA) designation and is an MBA graduate of the Richard Ivey School of Business (University of Western Ontario).

The Company and Fund do not have any executive directors nor do they have any employees.

The structure of the Board is such that it is considered unnecessary to identify a senior independent non-executive director other than the Chairman as the board is currently comprised entirely of non-executive directors and will continue to be entirely comprised of non-executive directors beyond the forthcoming Company and Fund annual general meetings. As such, it complies with the UKLA Listing Rules and AIC Code. The Nomination and Remuneration Committee is comprised of all the directors of the Fund. Directors are subject to re-election by shareholders at every third Fund and Company annual meeting.

Although Mr Jestley left the employment of and ceased to be paid by Middlefield Capital Corporation, an affiliate of the Investment Manager, on 31 December 2012, Mr Jestley is in accordance with the provisions of the AIC Guide not considered to be independent. It is the Board's view that Mr Jestley, a non-independent director, continues to provide effective and impartial scrutiny of the performance of the Investment Manager and the Company's other advisors and service providers and should therefore remain on the Board.

Although no formal training in corporate governance is given to directors, the directors are kept up-to-date on corporate governance issues through bulletins and training materials provided from time to time by the Secretary and the AIC.

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

Directors' Remuneration
No director has a service contract with the Company or the Fund and details of the directors' fees are disclosed in Note 14. Mr Jestley waived his entitlement to directors' fees for the year under review. With effect from 1 January 2013, Mr Jestley will be paid a fee of £20,000.

For the year ended 31 December 2012 the independent non-executive directors each received the following:

Director	Fees
Raymond Apsey	£20,000
Philip Bisson	£20,000
Thomas Grose	£20,000
Nicholas Villiers	£25,000

Following a review by the Nomination and Remuneration Committee it was decided to increase the non-executive directors' fees to £20,000 and the Chairman's fee to £25,000 with effect from 1 January 2012.

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

	Board		**Audit Committee**	**Nomination and Remuneration Committee**
	Quarterly	**Ad hoc**		
No. of meetings in the year	4	10	2	1
Raymond Apsey	4	2	2	1
Philip Bisson	4	2	2	1
Thomas Grose	4	8	2	n/a
W Garth Jestley	4	4	n/a	1
Nicholas Villiers	4	8	2	1

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

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

Audit Committee
The Audit Committee is comprised of Thomas Grose (Chairman), Philip Bisson, Raymond Apsey and Nicholas Villiers. 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 Audit Committee is authorised by the Board to investigate any activity within its terms of reference and to consult with outside legal or other independent professional advisers when deemed necessary in order to adequately discharge their duties and responsibilities, which include:

- Considering the appointment, resignation or dismissal of the external auditor and their independence and objectivity, particularly in circumstances where non-audit services have been provided.
- Reviewing the cost effectiveness of the external audit from time to time.
- Reviewing and challenging the half-yearly and annual financial reports, focusing particularly on changes in accounting policies and practice, areas of accounting judgement and estimation, significant adjustments arising from audit or other review and the going concern assumption.
- Reviewing compliance with accounting standards and law and regulations including the Companies (Jersey) Law, 1991, as amended and the UKLA's Listing and Disclosure and Transparency Rules.
- Completing regular risk management reviews of internal controls, which includes the review of the Fund's Risk Register.
- Reviewing the Company's and the Fund's system of internal controls, including financial, operating, compliance and risk management controls and to make and report to the Board any recommendations that may arise.
- Considering the major findings of internal investigations and making recommendations to the Board on appropriate action.

- Ensuring that arrangements exist whereby service providers and management may raise concerns over irregularities in financial reporting or other matters in confidence and that such concerns are independently investigated and remediated with appropriate action.

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

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

- The Committee considers and monitors the level and structure of remuneration of the directors of the Company and Fund.
- The Committee is authorised, in consultation with the Secretary, where necessary to fulfil its duties, to obtain outside legal or other professional advice including the advice of independent remuneration consultants, to secure the attendance of external advisors at its meetings, if it considers this necessary, and to obtain reliable up-to-date information about remuneration in other companies, at the expense of the Company and the Fund.
- The Committee considers the overall levels of insurance cover for the Company and the Fund, 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 Terms of Reference for both the Audit Committee and the Nomination and Remuneration Committee are available for inspection at the Company's and the Fund's registered office during normal business hours.

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

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

- Kleinwort Benson (Channel Islands) Corporate Services Limited ("Kleinwort Benson"), in its capacity as the Administrator receives an Administration fee payable by the Fund quarterly in arrears at a rate of 0.1 per cent. per annum of the average Fund NAV calculated over the relevant quarterly period.

  Administration fees for the year ended 31 December 2012 total £90,381 (Administration and Management fees together for the year ended 31 December 2011: £84,708).

- The agreement dated 19 June 2006 with Middlefield International Limited as Investment Adviser was terminated as at 19 August 2011 (effective 5 October 2011). Middlefield International Limited's role as the Company's Investment Manager became effective 6 October 2011. Prior to this date, the Fund obtained economic exposure to Canadian equity income securities through CIT Trust, the Fund's reference asset under a total return Swap. Middlefield Limited, in its capacity as the manager of CIT Trust, received a management fee out of the property of CIT Trust at a rate of 0.60 per cent. per annum of the average NAV of the trust. In addition, Middlefield International Limited received a fee of 0.10 per cent. of the Fund's NAV for acting as the investment adviser to the Fund. As at 6 October 2011, the fee payable to Middlefield Limited by CIT Trust equated to a rate of 0.767 per cent. of the Fund's NAV, using the value of CIT Trust, the NAV of the Fund and the Sterling/Canadian dollar exchange rate as at close of business that day. The rate of 0.767 per cent. was higher than 0.6 per cent. by virtue of the currency hedge embedded in the Swap, which resulted in the net assets under management in CIT Trust exceeding the NAV of the Fund as at 6 October 2011. The simplification of the Company's structure was not intended to result in a change in the fees paid to Middlefield Group. Accordingly, under the new Investment Management Agreement, from the date of the termination of the Swap until 28 June 2013 (when the Swap would otherwise have expired), Middlefield International will receive a management fee payable by the Fund on the average NAV of the Fund calculated over the relevant quarter period at a rate of 0.867 per cent., which is intended to reflect the fee payable by the Fund (0.10 per cent. per annum) and CIT Trust under the arrangements prior to the termination of the Swap on 6 October 2011. Following 28 June 2013, the management fee will decrease to a rate of 0.70 per cent. per annum of the average NAV of the Fund calculated over the relevant quarter period. Investment Management fees for the year ended 31 December 2012 total £783,603 (31 December 2011: £163,896).

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

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

Note 20 lists all investments of the Fund's investment portfolio.

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

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

Meetings of Shareholders
The notices (the "Notices") of the next Company and Fund annual general meeting (the "AGM") and the next Fund and Company meeting are included at the back of this annual financial report.

Directors' Responsibilities

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

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

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Fund and 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; and

- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Fund and the Company's financial position and performance.

- Make an assessment of the Fund and 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 Fund and the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law, 1991, as amended. They are also responsible for safeguarding the assets of the Fund and 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.

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 Fund; and

2. the Chairman's Report and Fund Investment Manager's Report incorporated herein by reference, include a fair review of the development, performance and position of the Fund, together with a description of the principal risks and uncertainties that it faces, as required by DTR 4.1.8 of the Disclosure and Transparency Rules.

By order of the Board:

Nicholas Villiers	Thomas Pierpont Grose
Director	**Director**
11 April 2013	11 April 2013

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

We have audited the Fund financial statements (the "financial statements") of Middlefield Canadian Income – GBP PC for the year ended 31st December 2012 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Redeemable Participating Preference Shareholders' Equity, the Cash Flow Statement, and Notes 1 to 20 of the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Fund's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the 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.

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 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 December 2012 and of the Fund's profit for the year then ended;
- 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:

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

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

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

MIDDLEFIELD CANADIAN INCOME PCC

Statement of financial position of the Fund
As at 31 December 2012 with comparatives as at 31 December 2011

	Notes	2012 GBP	2011 GBP
Current assets			
Securities (at fair value through profit or loss)	3 & 20	111,501,935	83,449,781
Accrued bond interest		165,120	84,470
Accrued bank interest		4,252	5,510
Accrued dividend income		437,833	286,752
Other receivables	6	2	2
Prepayments		16,261	10,153
Cash and cash equivalents	4	8,428,599	7,174,709
		120,554,002	91,011,377
Current liabilities			
Other payables and accruals	5	(364,257)	(269,472)
Interest payable		(75,962)	(17,461)
		(440,219)	(286,933)
Net-current assets		120,113,783	90,724,444
Non-current liabilities			
Loan payable	15	(15,372,485)	(6,339,863)
Net assets		104,741,298	84,384,581
Equity attributable to equity holders			
Stated capital account	6	47,110,708	22,628,627
Retained earnings		57,630,590	61,755,954
Total Shareholders' equity		104,741,298	84,384,581
Net asset value per redeemable participating preference share	7	100.06p	105.06p

The financial statements and notes thereto were approved by the directors on 11 April 2013 and signed on behalf of the Board by:

Nicholas Villiers
Director

Thomas Pierpont Grose
Director

The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income of the Fund
For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

	Notes	2012 Revenue GBP	2012 Capital GBP	2012 Total GBP	2011 Total GBP
Revenue					
Dividend and interest income	8	5,149,253	-	5,149,253	1,245,540
Net movement in the fair value of derivative financial instruments	9	-	-	-	(8,551,400)
Net movement in the fair value of securities (at fair value through profit or loss)	10	-	(3,082,057)	(3,082,057)	14,129,040
Net movement on foreign exchange		-	386,739	386,739	(485,792)
Total revenue		5,149,253	(2,695,318)	2,453,935	6,337,388
Expenditure					
Investment management fees	2 o	313,441	470,162	783,603	163,896
Custodian fees	2 l	9,038	-	9,038	21,708
Sponsor’s fees	2 m	180,741	-	180,741	169,536
Directors’ fees and expenses		111,435	-	111,435	83,968
Investment advisory fees	2 o	-	-	-	65,864
Legal and professional fees		22,346	-	22,346	189,424
Audit fees		39,659	-	39,659	26,250
Tax fees		7,800	-	7,800	17,600
Registrar’s fees		33,911	-	33,911	27,942
Administration fees	2 k	90,381	-	90,381	84,708
General expenses		123,050	-	123,050	2,126
Operating expenses		931,802	470,162	1,401,964	853,022
Net operating profit (loss) before finance costs		4,217,451	(3,165,480)	1,051,971	5,484,366
Finance cost		(85,215)	(127,823)	(213,038)	(42,246)
Profit (loss) before tax		4,132,236	(3,293,303)	838,933	5,442,120
Withholding tax expense		(627,863)	-	(627,863)	(138,063)
Net profit (loss)		3,504,373	(3,293,303)	211,070	5,304,057
Profit (loss) per redeemable participating preference share - basic and diluted	11	3.91p	(3.67)p	0.24p	6.60p

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

There are GBP nil (2011: GBP nil) earnings attributable to the management shares.

All activities derive from continuing operations.

The accompanying notes form an integral part of these financial statements.

MIDDLEFIELD CANADIAN INCOME PCC

Statement of Changes in Redeemable Participating Preference Shareholders' Equity of the Fund
For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

	Notes	Stated Capital Account GBP	Retained income GBP	Total GBP
At 1 January 2011		**22,628,627**	**59,463,804**	**82,092,431**
Profit for the year		-	5,304,057	5,304,057
Dividends	12	-	(3,011,907)	(3,011,907)
At 31 December 2011		**22,628,627**	**61,755,954**	**84,384,581**
Issue of shares		24,482,081	-	24,482,081
Profit for the year		-	211,070	211,070
Dividends	12	-	(4,336,434)	(4,336,434)
At 31 December 2012		**47,110,708**	**57,630,590**	**104,741,298**

The accompanying notes form an integral part of these financial statements.

MIDDLEFIELD CANADIAN INCOME PCC

Cash Flow Statement of the Fund
For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

	Notes	2012 GBP	2011 GBP
Cash flows from operating activities			
Net profit		211,070	5,304,057
Adjustments for:			
Net movement in the fair value of securities (at fair value through profit or loss)	10	3,082,057	(14,129,040)
Net movement in derivative financial instruments		-	11,768,356
Realised (gain) loss on foreign exchange		(129,150)	47,094
Unrealised (gain) loss on foreign exchange		(257,589)	438,698
Operating cash flows before movements in working capital		2,906,388	3,429,165
(Increase) decrease in other receivables		(236,581)	754,539
Increase in other payables and accruals		153,287	110,310
Net cash from operating activities		**2,823,094**	**4,294,014**
Cash flows from investing activities			
Payment for purchases of securities		(90,919,628)	(311,437,018)
Proceeds from sale of securities		59,785,417	319,102,255
Final Swap payment		-	(6,746,096)
Net cash (used in)/generated from investing activities		**(31,134,211)**	**919,141**
Cash flows from financing activities			
Repayments of borrowings		(6,100,925)	(6,186,839)
New bank loans raised		15,133,546	12,277,843
Proceeds from issue of shares		24,482,081	-
Dividends paid	12	(4,336,434)	(4,015,875)
Net cash generated from financing activities		**29,178,268**	**2,075,129**
Net increase in cash and cash equivalents		867,151	7,288,284
Cash and cash equivalents at the beginning of the year		7,174,709	105,897
Effect of foreign exchange rate changes		386,739	(219,472)
Cash and cash equivalents at the end of the year		**8,428,599**	**7,174,709**
Cash and cash equivalents made up of:			
Cash at bank	4	8,428,599	7,174,709

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements of the Fund
For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

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

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

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

The Company and Fund have no employees.

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

2. Accounting Policies

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

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

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

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

Adoption of standards and interpretations
In the current year, the Company and the Fund have not adopted any new or revised standards.

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

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

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

- IAS 32 (amended) "Offsetting Financial Assets and Financial Liabilities" effective date is 1 January 2014.
- IFRS 13 "Fair Value Measurements" effective date is 1 January 2013.

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

The Statement of Financial Position, Statement of 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.

Notes to the Financial Statements

For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

2. Accounting Policies

Functional currency

These financial statements are presented in British Pounds which is the functional currency of the Company and the Fund.

b. Financial Instruments

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

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Fund had no derivatives outstanding at 31 December 2012 and 2011.

Disclosures about financial instruments to which the Fund is a party are provided in Note 17.

c. Securities

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

Fair value through profit or loss securities are initially recognised at cost, which is the fair value of the consideration given. The securities are subsequently re-measured at fair value based on bid prices quoted at the Statement of Financial Position date. Gains and losses arising from changes in the fair value of these securities are recognised in the Statement of Comprehensive Income as they arise.

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

d. Receivables

Receivables are carried at anticipated realisable value. Anticipated realisable value is the amount that the Fund expects to receive less impairment.

e. Prepayments

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

f. Cash and cash equivalents

Cash includes amounts held in interest bearing accounts. Cash and cash equivalents comprise bank balances and cash held by the Fund. The carrying value of these assets approximates their fair value.

g. Provisions

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

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.

Notes to the Financial Statements
For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

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

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

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

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

n. Going Concern
In the opinion of the directors the Company and the Fund have adequate resources to continue in operational existence for the foreseeable future. For this reason the financial statements have been prepared using the going concern basis.

The Fund's Articles incorporate a provision that requires a continuation vote to be proposed at a meeting of the Fund Shareholders (by way of cell ordinary resolution), which resolution will be proposed at the forthcoming Fund annual general meeting. If at that Fund annual general meeting such resolution is not passed, the directors shall within four months of that Fund annual general meeting convene a Fund extraordinary general meeting at which alternative proposals will be put to Fund Shareholders by the directors. While the directors cannot be certain what the results of this vote will be, the financial statements are prepared on a going concern basis. The directors have arrived at this opinion by considering, inter alia, the following factors:

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

o. Investment management fees
Under the provisions of the Investment Advisory Agreement dated 19 June 2006 between the Fund and Middlefield International Limited as Adviser, the Fund paid the Adviser a quarterly investment advisory fee equal to 0.10 per cent. per annum of the average NAV of the Fund calculated over the relevant quarterly period. The investment advisory fee was payable quarterly, no later than 10 days in arrears. The aforesaid Investment Advisory Agreement ceased with effect 5 October 2011 and was replaced by a revised Investment Management Agreement whereby the Investment Manager's fee was increased from 0.10 per cent. to 0.867 per cent. per annum of the average NAV of the Fund calculated over the relevant quarterly period, payable quarterly, no later than 10 days in arrears. Following 28 June 2013, the management fee will decrease to a rate of 0.70 per cent. per annum of the average NAV of the Fund calculated over the relevant quarter period. Investment Management fees for the year ended 31 December 2012 total £783,603 (31 December 2011: £163,896).

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

p. Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at exchange rates in effect at the date of the financial statements. Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the Statement of Comprehensive Income as foreign currency gains and losses. The cost of investments, and income and expenditure are translated into Sterling based on exchange rates on the date of the transaction. Realised gain on foreign exchange currency transactions totalled £187,145 for the year (2011: loss of £47,094). Realised loss on forward exchange contracts totalled £57,995 (2011: £nil). Unrealised gain on foreign currency transactions totalled £257,589 (2011: loss of £438,698).

Notes to the Financial Statements
For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

q. Revenue recognition
Interest and dividend income comprises bond interest, dividend income and interest on bank deposits and is calculated on an accrual basis. Bond interest is calculated and accounted for on an effective yield basis. Dividend income is shown gross of withholding tax.

r. Loan payable
Loan payable is initially measured at fair value and is subsequently measured at amortised cost using the effective interest rate method. The effective interest 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 to which the Fund is solely exposed and therefore no segmental reporting is provided.

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

	2012 GBP	2011 GBP
Equities	97,544,369	78,272,611
Debentures	13,957,566	5,177,170
	111,501,935	**83,449,781**

Please refer to Note 20 for the Schedule of Investments.

4. Cash and cash equivalents

	2012 GBP	2011 GBP
Cash at bank	**8,428,599**	**7,174,709**

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

5. Other payables and accruals

	2012 GBP	2011 GBP
Investment management fees	214,906	163,896
Sponsor’s fees	49,555	40,157
Audit fees	26,000	26,341
Administration fees	24,787	20,079
Directors’ fees	21,250	-
General expenses	18,554	13,301
Registrar’s fees	7,121	3,808
Custodian fees	2,084	1,890
	364,257	**269,472**

Notes to the Financial Statements
For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

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 2012 and 2011	**2**	**2**
Redeemable participating preference shares issued		
At 24 May 2006	-	-
6 July 2006 55,000,000 shares of no par value issued at 100.00 pence each	55,000,000	55,000,000
6 July 2006 issue costs	-	(962,500)
6 October 2006 reduction of capital- transfer to other reserves	-	(54,037,500)
23 October 2006 5,490,000 shares of no par value issued at 100.00 pence each	5,490,000	5,490,000
23 October 2006 issue costs	-	(55,125)
18 April 2007 19,827,500 shares of no par value issued at 87.00 pence each	19,827,500	17,500,000
18 April 2007 issue costs	-	(306,250)
At 31 December 2011	**80,317,500**	**22,628,625**
17 January 2012 750,000 shares of no par value issued at 104.50 pence each	750,000	783,750
17 January 2012 issue costs	-	(12,869)
2 February 2012 7,280,000 shares of no par value issued at 103.00 pence each	7,280,000	7,498,400
2 February 2012 issue costs	-	(81,776)
19 July 2012 804,750 shares of no par value issued at 100.25 pence each	804,750	806,762
19 July 2012 issue costs	-	(13,575)
5 November 2012 8,030,000 shares of no par value issued at 103.00 pence each	8,030,000	8,270,900
5 November 2012 issue costs	-	(245,327)
14 December 2012 7,500,000 shares of no par value issued at 101.00 pence each	7,500,000	7,575,000
14 December 2012 issue costs	-	(99,184)
At 31 December 2012	**104,682,250**	**47,110,706**
Total		**47,110,708**

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

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

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

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

At year end there were 20,000,000 treasury shares in issue.

Refer to note 18 for information on shares issued post year end.

Notes to the Financial Statements

For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

7. Net asset value per redeemable participating preference share

The NAV per share of 100.06p (31 December 2011: 105.06p) is based on the net assets at the year end of £104,741,298 (31 December 2011: £84,384,581) and on 104,682,250 redeemable participating preference shares, being the number of redeemable participating preference share in issue at the year end (31 December 2011: 80,317,500 shares).

8. Dividend and interest income

	2012			2011
	Revenue GBP	Capital GBP	Total GBP	GBP
Bond and debenture interest	771,202	-	771,202	322,905
Bank interest	120,767	-	120,767	13,731
Dividend income	4,257,284	-	4,257,284	908,904
	5,149,253	**-**	**5,149,253**	**1,245,540**

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

	2012			2011
	Revenue GBP	Capital GBP	Total GBP	GBP
Net movement on Swap	-	-	-	(8,551,400)

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

10. Net movement in the fair value of securities

	2012			2011
	Revenue GBP	Capital GBP	Total GBP	GBP
Gains on sale of securities	-	1,879,602	1,879,602	2,060,200
(Losses) gains on the revaluation of securities at year end	-	(4,961,659)	(4,961,659)	12,068,840
Net movement in the fair value of securities (at fair value through profit or loss)	-	(3,082,057)	(3,082,057)	14,129,040

11. Profit per redeemable participating preference share - basic and diluted

Basic gain per redeemable participating preference share is calculated by dividing the net profit attributable to redeemable participating preference shares of £211,070 (31 December 2011: £5,304,057) by the weighted average number of redeemable participating preference shares outstanding during the year of 89,621,483 shares (31 December 2011: 80,317,500 shares).

12. Dividends

Dividends of 1.25 pence per share were paid on a quarterly basis during the year in the months of January, April, July and October totalling £4,336,434 (31 December 2011: £4,015,875). On 31 January 2013 a dividend of £1,308,528 was paid. In accordance with the requirements of IFRS, as this was approved on 9 January 2013, being after the Statement of Financial Position date, no accrual was reflected in the 2012 financial statements for this amount (31 December 2011: £nil).

13. Taxation

The Company adopted UK tax residency from 11 October 2011 onwards. Since that date the Company has been managed in such a way as to be able to meet the conditions for approval as an investment trust under Section 1158 of the Corporation Tax Act 2010. Accordingly, no UK tax has been provided for. On 7 December 2012 the Company received approval from HM Revenue & Customs to be treated as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 and will seek to remain so approved.

Notes to the Financial Statements
For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

14. Related party transactions

The directors are regarded as related parties.

Total directors' fees paid during the year amounted to £85,000 of which £21,250 was due at the year end (2011: £53,000 of which £nil was due at the year end). Each independent director was paid a fee of £20,000 in respect of the financial year and the Chairman was paid a fee of £25,000. Mr W. Garth Jestley waived his entitlement to directors' fees for the year under review. With effect from 1 January 2013, Mr Jestley will be entitled to a fee of £20,000.

The fees for the above are all arms length transactions.

15. Loan payable

The Fund entered into a Credit Agreement with Royal Bank of Canada ("RBC") on 6 October 2011, whereby RBC provides a 364-day Revolving Term Credit Facility (the "Credit Facility"), with a maximum principal amount of the lesser of CAD50,000,000 and 25 per cent. of the Total Asset Value of the Fund. The Credit Facility was renewed on 5 October 2012 as an On Demand facility.

At 31 December 2012 the Bankers' Acceptance drawn under the Credit Facility totals CAD25,000,000 (GBP equivalent of £15,372,485) (31 December 2011: CAD9,968,915 (GBP equivalent £6,339,863)).

At 31 December 2012 pre-paid interest and stamping fees of £73,375 (31 December 2011: £19,229) were paid on the Bankers' Acceptance and these costs are being amortised over 90 days (31 December 2011: 60 days). Interest paid on the Bankers' Acceptance totalled £141,188 (31 December 2011: £28,891).

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.

16. Security Agreement

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

17. Financial instruments

Fair values

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

Management of Capital

The Investment Manager manages the capital of the Fund in accordance with the Fund's investment objectives and policies.

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

Investment and trading activities

It is intended that the Fund will continue throughout its life to be primarily invested in a Canadian equities portfolio.

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

Notes to the Financial Statements

For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

17. Financial instruments

Credit risk

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

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

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

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

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

Market price risk

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

Country risk

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

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

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

Fair value measurements

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

17. Financial instruments

The following table presents the Fund's financial assets and liabilities by level within the valuation hierarchy as of 31 December 2012

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

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

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

The Fund holds securities that trade in active markets. Such financial instruments are classified as Level 1 of the IFRS 7 fair value hierarchy. There were no transfers between Level 1 and 2 in the year.

Price sensitivity

At 31 December 2012, if the market prices of the securities had been 30% higher with all other variables held constant, the increase in net assets attributable to holders of redeemable shares for the year would have been £33,450,580 (2011: £25,034,934) higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by £33,450,580 (2011: £25,034,934).

At 31 December 2012, 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	
	2012 GBP	**2011 GBP**
Assets		
Debt securities	13,957,566	5,177,170
Cash and cash equivalents	8,428,599	7,174,709
	22,386,165	**12,351,879**
Liabilities		
Loan payable	15,372,485	6,339,863
	15,372,485	**6,339,863**

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

Notes to the Financial Statements

For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

17. Financial instruments

Interest rate sensitivity analysis

At 31 December 2012, had interest rates had been 50 basis points higher and all other variables were held constant, the Company's net assets attributable to redeemable shares for the year would have increased by £238,660 (31 December 2011: £95,346) due to the increase in market value of listed debt securities and to a lesser extent due to an increase in interest payable on the loan.

Liquidity risk

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

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

As at 31 December 2012, the Fund's exposure to liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Securities (at fair value through profit or loss)	111,501,935	-	-	-	111,501,935
Accrued bond interest	165,120	-	-	-	165,120
Accrued dividend income	437,833	-	-	-	437,833
Accrued bank interest	4,252	-	-	-	4,252
Other receivables	2	-	-	-	2
Prepayments	16,261	-	-	-	16,261
Cash and cash equivalents	8,428,599	-	-	-	8,428,599
	120,554,002	**-**	**-**	**-**	**120,554,002**
Liabilities					
Other payables and accruals	(440,219)	-	-	-	(440,219)
Loan payable	-	-	(15,372,485)	-	(15,372,485)
	(440,219)	**-**	**(15,372,485)**	**-**	**(15,812,704)**
	120,113,783	**-**	**(15,372,485)**	**-**	**104,741,298**

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

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Securities (at fair value through profit or loss)	83,449,781	-	-	-	83,449,781
Accrued bond interest	84,470	-	-	-	84,470
Accrued bank interest	5,510	-	-	-	5,510
Accrued dividend income	286,752	-	-	-	286,752
Other receivables	2	-	-	-	2
Prepayments	10,153	-	-	-	10,153
Cash and cash equivalents	7,174,709	-	-	-	7,174,709
	91,011,377	**-**	**-**	**-**	**91,011,377**
Liabilities					
Other payables and accruals	(286,933)	-	-	-	(286,933)
Loan payable	-	-	(6,339,863)	-	(6,339,863)
	(286,933)	**-**	**(6,339,863)**	**-**	**(6,626,796)**
	90,724,444	**-**	**(6,339,863)**	**-**	**84,384,581**

Notes to the Financial Statements
For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

17. Financial instruments

Currency risk

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

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

	2012 GBP	2011 GBP
Assets		
Cash and cash equivalents	941,341	7,093,106
Canadian equities	97,544,369	78,272,611
Canadian debt	12,613,738	5,177,170
Accrued income	598,234	376,732
	111,697,682	**90,919,619**

	2012 GBP	2011 GBP
Liabilities		
Loan payable	15,372,485	6,339,863
Interest payable	75,962	17,461
	15,372,485	**6,357,324**

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

	2012 GBP	2011 GBP
Assets		
United States debt	1,343,828	-
Accrued income	8,972	-
	1,352,800	**-**

Sensitivity analysis

At 31 December 2012, had GBP strengthened against the CAD by 5%, with all other variables held constant, the increase in net assets attributable to shareholders would amount to approximately £4,586,914 (31 December 2011: £4,026,776). Had GBP weakened against the CAD by 5%, this would amount to a decrease in net assets attributable to shareholders of approximately £ 5,069,747 (31 December 2011: £4,450,647).

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

18. Post year end events

On 9 January 2013 the Company declared a quarterly dividend of 1.25 pence per Fund Share. The ex-dividend date was 16 January 2013 and the record date was 18 January 2013. On 31 January 2013 the dividend of £1,308,528 was paid. On 4 April 2013 the Company declared a dividend of 1.25 pence per Fund Share. The ex-dividend date was 10 April 2013 and the record date is 12 April 2013. The dividend will be paid on 30 April 2013.

The following Fund Share issues have taken place out of treasury after year end:

Date	Number of shares	Share price
26 February 2013	350,000	108.50p
08 March 2013	500,000	112.75p
19 March 2013	500,000	112.75p
25 March 2013	500,000	111.50p
28 March 2013	500,000	112.75p
10 April 2013	1,000,000	109.50p

19. Controlling party

There is no ultimate controlling party.

MIDDLEFIELD CANADIAN INCOME PCC

Notes to the Financial Statements
For the year ended 31 December 2012

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

As at 31 December 2012

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Canada - Quoted Investments (2011: 93.80%)					
Consumer Discretionary:					
Cineplex Inc	45,000	696,133	884,146	0.84%	0.79%
Enercare Inc	595,000	2,828,555	2,996,118	2.86%	2.69%
Consumer Staples:					
Agrimarine Holdings Warrants 19 April 2013	625,000	17,123	-	0.00%	0.00%
Shoppers Drug Mart Corporation	60,000	1,534,205	1,583,307	1.51%	1.42%
Energy:					
AltaGas Ltd	100,000	1,885,064	2,069,803	1.98%	1.86%
ARC Resources Ltd	220,000	2,931,983	3,298,958	3.15%	2.96%
Birchcliff Energy Ltd Warrants 8 August 2014	129,000	-	111,584	0.11%	0.10%
Bonavista Energy Corp	260,000	3,238,424	2,371,068	2.26%	2.13%
Bonterra Energy Corporation	58,000	1,566,605	1,624,419	1.55%	1.46%
Canyon Services Group Inc	210,000	1,160,221	1,464,865	1.40%	1.31%
Crescent Point Energy Corp	55,000	1,375,587	1,274,319	1.22%	1.14%
Enerplus Corporation	200,000	2,023,262	1,581,701	1.51%	1.42%
Gibson Energy Inc	240,000	3,479,630	3,554,378	3.39%	3.19%
Keyera Corporation	105,000	2,887,756	3,182,091	3.04%	2.85%
Peyto Exploration & Development Corp	250,000	3,031,001	3,538,746	3.38%	3.17%
Renegade Petroleum Ltd	900,000	1,328,556	1,356,803	1.30%	1.22%
Trilogy Energy Corp	140,000	2,288,643	2,505,019	2.39%	2.25%
Financials:					
Intact Financial Corporation	35,000	1,310,286	1,398,260	1.33%	1.25%
Manulife Financial Corp	225,000	1,723,954	1,873,945	1.79%	1.68%
Power Financial Corporation	85,000	1,375,130	1,428,473	1.36%	1.28%
Toronto-Dominion Bank	50,000	2,536,905	2,584,165	2.47%	2.32%
Gold:					
Primero Mining Corporation Warrants 20 July 2015	128,000	36,145	95,693	0.09%	0.09%
Industrials:					
Ag Growth International Inc	65,000	1,291,046	1,253,003	1.20%	1.12%
Bombardier Inc – Class B	1,100,000	2,476,018	2,548,639	2.43%	2.29%
Magna International Inc	65,000	1,957,300	1,987,536	1.90%	1.78%
Progressive Waste Solutions Ltd	150,000	1,917,281	1,987,012	1.90%	1.78%
TransForce Inc	175,000	2,092,551	2,145,181	2.05%	1.92%
Wajax Corporation	30,000	762,352	752,543	0.72%	0.67%
Westshore Terminals Investment Corporation	150,000	2,127,454	2,544,932	2.43%	2.28%
Materials:					
Canexus Corporation	540,000	2,099,526	2,819,258	2.69%	2.53%
Chemtrade Logistics Income Fund	250,000	2,062,820	2,508,478	2.39%	2.25%
Methanex Corporation	90,000	1,543,172	1,753,278	1.67%	1.57%
Metals and Mining:					
Labrador Iron Ore Royalty Corporation	125,000	2,455,494	2,650,584	2.53%	2.38%
Major Drilling Group International Inc	220,000	1,411,462	1,326,651	1.27%	1.19%
Preferred Shares:					
Birchcliff Energy Ltd	43,000	684,538	698,994	0.67%	0.63%
Real Estate:					
Brookfield Office Properties Canada	90,000	1,209,392	1,627,051	1.55%	1.46%
Brookfield Office Properties Inc	300,000	2,957,940	3,126,948	2.99%	2.80%
Killam Properties Incorporated	320,000	2,445,457	2,461,521	2.35%	2.21%
Northern Property Real Estate Investment Trust	85,000	1,773,457	1,620,162	1.55%	1.45%
Northwest Healthcare Properties Real Estate Investment Fund	200,000	1,387,354	1,542,158	1.47%	1.38%
Pure Industrial Real Estate Trust	700,000	1,686,366	2,158,156	2.06%	1.94%

Notes to the Financial Statements
For the year ended 31 December 2012

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

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Canada - Quoted Investments					
Telecommunications:					
Manitoba Telecom Services Inc	100,000	2,112,371	2,005,547	1.91%	1.80%
Rogers Communications Inc	70,000	1,574,846	1,952,288	1.86%	1.75%
Shaw Communications Inc	165,000	2,027,677	2,325,378	2.22%	2.09%
Utilities:					
Algonquin Power & Utilities Corporation	700,000	2,750,440	2,953,949	2.82%	2.65%
Brookfield Infrastructure Partners LP	175,000	3,391,875	3,748,661	3.58%	3.36%
Capstone Infrastructure Corp	800,000	2,014,839	1,987,011	1.90%	1.78%
Northland Power Inc	170,000	1,627,993	1,959,949	1.87%	1.76%
Transcanada Corporation	80,000	2,162,447	2,321,640	2.22%	2.08%
Total equities:		**91,258,636**	**97,544,369**	**93.13%**	**87.48%**
Debt: (2011: 6.20%)					
Chartwell Seniors Housing Real Estate Investment Trust 5.70% due 31 March 2018	2,000,000	1,269,722	1,331,471	1.27%	1.19%
Innvest Real Estate Investment Trust 5.85% due 1 August 2014	251,000	157,163	155,080	0.15%	0.14%
Gamehost Inc. 6.25% due 31 July 2015	2,000,000	1,172,498	1,421,059	1.36%	1.27%
Paramount Resources Limited 8.25% due 13 December 2017	3,000,000	1,914,576	1,920,747	1.83%	1.72%
Perpetual Energy Inc. 8.75% due 15 March 2018	3,000,000	1,703,916	1,790,998	1.71%	1.61%
Savanna Energy Services Corp 7.00% due 25 May 2018	1,325,000	842,150	836,050	0.80%	0.75%
Mullen Group Ltd 10.00% due 1 July 2018	1,500,000	1,617,640	1,805,252	1.72%	1.62%
Chemtrade Logistics Income Fund 5.75% due 31 December 2018	2,000,000	1,163,632	1,270,921	1.21%	1.14%
Allied Nevada Gold Corp 8.75% due 1 June 2019	1,250,000	766,945	803,207	0.77%	0.72%
Great Canadian Gaming Corp 6.625% due 25 July 2022	2,000,000	1,272,795	1,278,953	1.22%	1.15%
		11,881,037	**12,613,738**	**12.04%**	**11.31%**
United States - Quoted Investments					
Debt: (2011: 0.00%)					
Inmet Mining Corp 8.75% due 1 June 2020	2,000,000	1,240,772	1,343,828	1.28%	**1.21%**
		1,240,772	**1,343,828**	**1.28%**	**1.21%**
Total debt:		**13,121,809**	**13,957,566**	**13.32%**	**12.52%**
Total investments (2012)		**104,380,445**	**111,501,935**	**106.45%**	**100.00%**
Total investments (2011)		**71,366,635**	**83,449,781**	**98.89%**	**100.00%**

MIDDLEFIELD CANADIAN INCOME PCC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDDLEFIELD CANADIAN INCOME PCC (THE "COMPANY")

We have audited the Company financial statements (the "financial statements") of Middlefield Canadian Income PCC for the year ended 31st December 2012 which comprise the Statement of Financial Position and Notes 1 to 3 of the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the 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. 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 2012;
- 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:

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

- proper accounting records have not been kept by the Company; 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
11 April 2013

MIDDLEFIELD CANADIAN INCOME PCC

Statement of Financial Position of the Company
As at 31 December 2012

	Notes	2012 GBP	2011 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 thereto were approved by the directors on 11 April 2013 and signed on behalf of the Board by:

Nicholas Villiers
Director

Thomas Pierpont Grose
Director

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements of the Company
For the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

1. **Basis of accounting**

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

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

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

Judgements and estimates used by the directors

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

2. **The Company's stated capital**

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

Management shares issued	No. of shares	GBP
	2	2
At 31 December 2012 and 31 December 2011	2	2

3. **Taxation**

The Company adopted UK tax residency from 11 October 2011 onwards. Since that date the Company has been managed in such a way as to be able to meet the conditions for approval as an investment trust under Section 1158 of the Corporation Tax Act 2010. Accordingly, no UK tax has been provided for. On 7 December 2012 the Company received approval from HM Revenue & Customs to be treated as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 and will seek to remain so approved.