Middlefield Canadian Income PCC (the "Company")
Including Middlefield Canadian Income – GBP PC (the "Fund"), a cell of the Company
Registered No: 93546

ANNUAL FINANCIAL REPORT

The Company announces its annual results for the year ended 31 December 2018, as approved by the Board of Directors on 11 April 2019. The complete annual financial report is expected to be sent to all shareholders within April 2019.

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For further information about this announcement please contact:

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

ANNUAL FINANCIAL REPORT

For the year ended 31 December 2018

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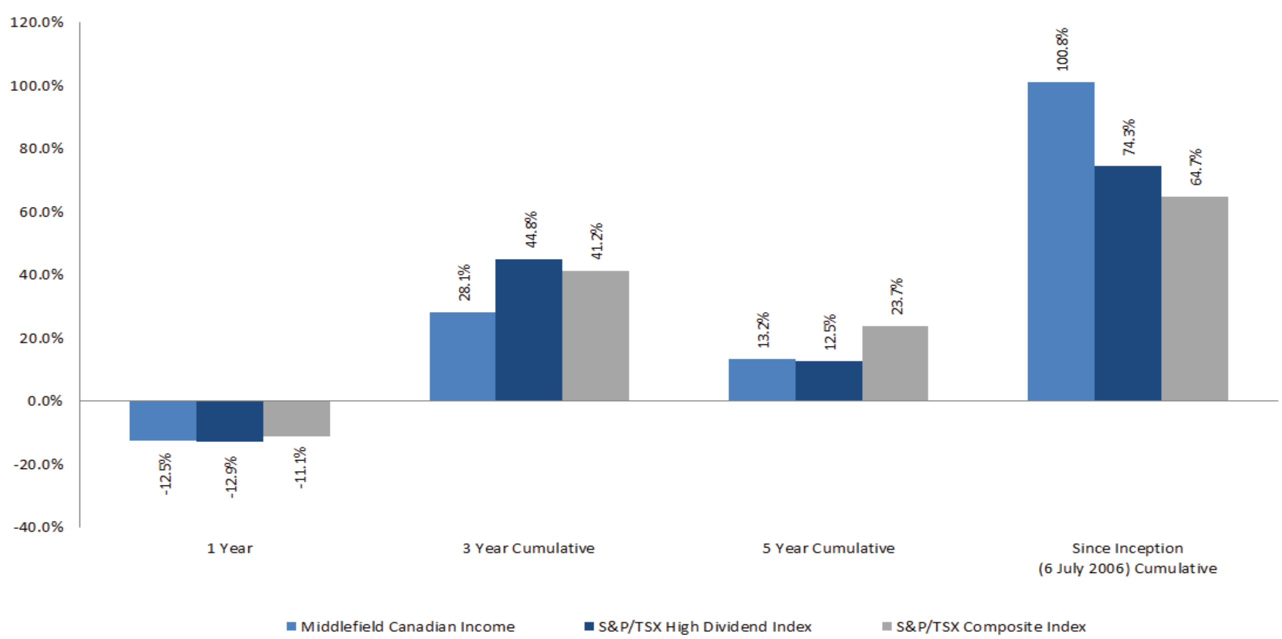
Chairman's Report

It is my pleasure to introduce the 2018 Annual Financial Report for Middlefield Canadian Income PCC ("MCI" or the "Company") and its closed-end cell known as Middlefield Canadian Income – GBP PC (the "Fund"). The Fund invests in a broadly diversified portfolio comprised primarily of Canadian and U.S. equity income securities with the objective of providing shareholders with high dividends as well as capital growth over the longer term.

Due to the broader market correction in the fourth quarter of 2018, the net asset value total return performance for the year was disappointing. At the portfolio level, the Company's positioning resulted in outperformance against the benchmark. However, this outperformance was reduced to a modest 0.4% primarily as a result of the negative contribution from gearing. Since inception in 2006, the Fund has generated a cumulative return of 100.8% in GBP, outperforming its benchmark, the S&P TSX Composite High Dividend Index, as well as the broader S&P/TSX Composite Index, which have generated cumulative period returns of 74.3% and 64.7%, respectively. The Fund remains focused on investing in income-oriented issuers with proven management teams, good balance sheets and growing dividends that are well positioned to benefit from the strength and diversity of the North American economy.

__Performance to 31 December 2018__



Source: Middlefield, Bloomberg, as at 31 December 2018

Notes:

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

The Fund is primarily focused on Canadian companies but also has exposure to U.S. markets with a particular emphasis on sectors that are underrepresented in Canada. During 2018, the Fund had an average weighting of 17% in U.S. listed securities.

Chairman's Report (continued)

Fund Sector Weights Compared to Benchmark

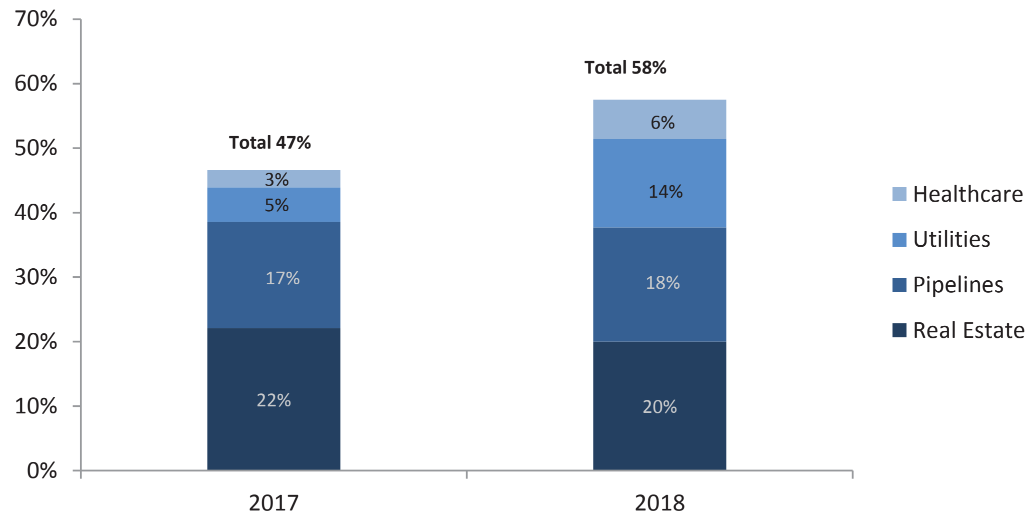
Sector	Fund	Benchmark	Over/Under Weight
Real Estate	20.0%	9.6%	10.4%
Pipelines	17.7%	21.6%	-3.9%
Financials	16.6%	30.3%	-13.7%
Power and Utilities	13.7%	15.2%	-1.5%
Industrials	9.6%	1.2%	8.4%
Energy	8.6%	7.7%	0.9%
Healthcare	6.1%	0.0%	6.1%
Communication Services	3.4%	10.1%	-6.7%
Materials	1.8%	1.3%	0.5%
Bonds/Convertible Debs./Preferreds	2.5%	0.0%	2.5%
Consumer Discretionary	0%	2.5%	-2.5%
Consumer Staples	0%	0.3%	-0.3%
Technology	0%	0.2%	-0.2%

Source: Middlefield, Bloomberg, as at 31 December 2018

In addition, as global economic growth began to slow in the second half of the year, the Fund's asset mix tilted to a more defensive position. The chart below depicts a year over year comparison of the Fund's allocation to more defensive market sectors including real estate, pipelines, utilities and healthcare, which, in aggregate, represented 58% of the portfolio as at 31 December 2018 versus 47% as at 31 December 2017.

Chairman's Report (continued)

Year Over Year Change in Asset Mix – "Shift to More Defensive Positioning"



Source: Middlefield, as at 31 December 2018

The share register remained stable throughout 2018, supported by long term institutional investors and a growing base of retail investors. We view the latter as particularly important to the growth of the Fund over time and are increasing our efforts to broaden the Fund's awareness among retail investors. The Fund's shares traded at an average discount of 12.2% over the year against a backdrop dominated by Brexit uncertainty and slowing global economic growth. The Fund has the authority to conduct share buybacks at a discount to the net asset value. However, given considerations as to the size and liquidity of the Fund, it did not repurchase any of its own shares. The number of shares with voting rights in issue remains at approximately 106.5 million.

We tactically manage the amount of gearing employed in the Fund. Based on the relative strength and stability of the markets up until 30 September 2018 gearing remained in the 15% to 20% range of total assets during this period. As markets became more volatile in the fourth quarter, net gearing was scaled back from approximately 18% at the end of the third quarter to 10% to finish the year. The Fund aims to effectively increase gearing to invest in securities that are attractively valued, and reduce gearing with proceeds from positions that are overvalued.

Dividends

Since July 2017, the Fund has paid dividends on a quarterly basis at a rate of 1.275p per quarter, equating to 5.1p per annum. Total dividends since inception as at the end of 2018 were 66.4p. The Company does not currently intend to make adjustments to the dividend, and continues to generate a healthy level of income.

Board Composition

As discussed in the 2017 Annual Financial Report, the Board has been actively engaged in refreshing its composition. In this regard, Mr. Apsey, a Jersey non-executive director and former Chairman of the Company, has advised the Board of his willingness to retire as a director of the Company and the Fund at the upcoming Company and Cell meeting in June 2019. The Board would like to thank Mr. Apsey for his invaluable contributions during his tenure and wishes him well for the future.

The Board is in the process of identifying a new Jersey-resident director to be appointed in place of Mr. Apsey and further announcements providing details of changes to the Board including the proposed appointment of a new UK resident non-executive director will be released in due course. These changes follow the appointment of UK-resident non-executive director, Mr. Richard Hughes, in July 2018.

Furthermore, as described in the Company's half-yearly report for the six months ended 30 June 2018, the Company has been consulting with certain of its largest shareholders to discuss, *inter alia*, plans for future board succession and measures to be taken by the Company to ensure compliance with the UK standards of good corporate governance.

Chairman's Report (continued)

Board Composition (continued)

The Board has been particularly keen to understand shareholders' views on the continued appointment of Mr. Dean Orrico, President of the investment advisor, Middlefield International Limited, as a director of the Company and the Fund. The Board has always viewed Mr. Orrico as independently minded in his approach in his role as a director of the Company and of the Fund, providing thorough intellectual input to the Board. Furthermore, the Board believes that Mr. Orrico's investment management experience adds considerable value to the Board. All of the shareholders who were consulted expressed their understanding of and support for the continued role of Mr. Orrico on the board. Furthermore, in order to command continued and more widespread shareholder support, Mr. Orrico has agreed to stand down from the Nomination and Remuneration Committee and from the Management Engagement Committee with effect from 1 July 2019. Mr. Orrico will continue to take no part in any board discussions concerning the contractual arrangements between the Company and the investment advisor, or any affiliate thereof, and will continue to be excluded from any decision making which might affect the investment advisor in its role as advisor to the Company. It continues to be the case that neither the investment advisor (nor any affiliate thereof), nor Mr. Orrico himself, receives any remuneration for Mr. Orrico's role as a director of the Company and of the Fund.

In terms of additional measures to be taken by the Company and the Fund to ensure continued compliance with the highest standards of good corporate governance, the Company and Fund will be considering the nomination of a senior independent director following the forthcoming Annual General Meeting and have decided to limit the tenure of any director appointed in 2018 or thereafter to a maximum of nine years before being required to retire from office.

Annual General Meeting

This year's Annual General Meeting will be held on 20 June 2019 at 12:00 p.m., at Green Room 3, The Cumberland Hotel, Great Cumberland Place, Marble Arch, London, W1H 7DL.

Outlook

North American GDP growth is expected to be relatively healthy in the 1.5% to 2.5% range in 2019. While global economic activity is slowing this year, we do not expect a recession in the near term. Canada should benefit from recovering commodity prices, strong labour markets and unprecedented levels of immigration. In the U.S., consumer spending is robust and interest rates, which rose throughout and contributed to the fourth quarter equity market correction, are expected to remain low. NAFTA negotiations have completed and the new United States-Mexico-Canada Agreement ("USMCA") is expected to be ratified by the member countries in the coming months. U.S.-China trade negotiations are also expected to be resolved shortly and this should support investor sentiment.

As a result of a relatively constructive economic and market backdrop, we believe investors should remain exposed to equities with a particular focus on dividend paying stocks. Since we are in the later stages of the current economic cycle, we prefer a portfolio tilt toward more defensive sectors, especially given the expectation of interest rates remaining low for the foreseeable future. In light of the discount to NAV and the favourable outlook for North American equities, we believe the Fund currently represents excellent value for investors. In particular, we are pleased to report that in the first quarter of 2019 the net asset value total return performance has recovered by 15.4%.

We thank you for your continued support.

Nicholas Villiers
Chairman
11 April 2019

Investment Manager's Report

2018 ended on a very turbulent note. Growing concerns about slowing economic growth, falling oil prices and trade wars translated into extreme market volatility in Q4 2018.

The announcement of the United States-Mexico-Canada Agreement, formerly known as NAFTA, alleviated some uncertainty for North American investors but the ongoing negotiations with China dominated the headlines and exacerbated market volatility. On September 20th, the S&P 500 Index closed at an all-time high before declining by some 20% to end the year down 6.2%. Similarly, the S&P/TSX Total Return Index and S&P/TSX Composite High Dividend Index were down 11.1% and 12.9%, respectively. Canadian equities lagged other developed markets partly due to Canada's exposure to the energy sector, which had a negative return of 18.3% and comprises 18% of the S&P/TSX Composite Index.

Although the year end pullback was initially triggered by statements from Fed Chairman Powell regarding continued interest rate increases, it became clearer as year-end approached that the market was being de-rated based on weakening global economic momentum and, by extension, the expectation of lower future earnings. As a result, investors rotated into more defensive sectors such as utilities, real estate and consumer staples as well as U.S. 10-year treasuries, driving yields from a high of 3.24% in November to 2.68% at year end.

The extreme year end volatility notwithstanding, we think the pullback was more an equity valuation correction than a foreshadowing of imminent recession. Employment data remains strong across developed markets. In the U.S., the consumer, representing about two-thirds of economic activity, continues to spend. Sales during the 2018 holiday season averaged $2.1 billion, up 16.5% year over year. In addition, short-term borrowing rates remain at historically low levels.

In late December 2018 and January 2019, central banks across most developed markets adopted a more dovish tone regarding future monetary policy. Specifically, the market is now pricing in zero interest rate hikes in 2019 from the Fed, which has taken its quantitative easing program off autopilot. The European Central Bank has indicated short-term borrowing rates will remain at current levels at least through the summer while the Bank of Japan has decided to leave their stimulus settings unchanged at its final policy meeting of last year. Moreover, the Bank of Canada has followed suit by stating in March that it is in no rush to resume monetary tightening and the path back to a neutral range remains both data dependent and uncertain. As a result, the risk of the sort of monetary policy headwinds which impacted investor sentiment in 2018 has largely dissipated. These developments bode well for dividend paying equities, which offer attractive relative yields compared to fixed income alternatives.

The Bank of Canada expects economic growth of 1.7% in 2019 which is attractive relative to other developed nations. Canadian unemployment is at a multi-decade low of 5.8% and wage growth has been positive in select provinces. The residential real estate market is undergoing a soft landing, which alleviates recent fears of a major housing correction. The resolution of North American trade agreements and recovering commodity prices provide broad-based economic stability.

After a 40% sell-off in oil prices at the end of 2018, there is reason for optimism within the Canadian energy sector and pipelines. Realized pricing for Canadian oil producers has improved significantly due to narrowing differentials and companies have streamlined their operations in the context of a challenging macro environment. Enbridge Inc. received regulatory approval from the Minnesota Public Utilities Commission for their Line 3 expansion project in June 2018 and the company has a strong growth profile with greater clarity on the project's permitting timelines. In addition, the CAD $40 billion LNG Canada project led by Shell Canada received a final investment decision in October 2018 and represents the largest infrastructure project in Canadian history. The LNG terminal will require a 670 km pipeline and approximately 4 bcf per day of natural gas once completed, providing much needed access to international commodity markets for Canadian gas producers.

Canadian real estate investment trusts offer growing levels of income and various sub-groups within the sector possess compelling fundamentals. Specifically, unprecedented levels of immigration into Canada and lagging household formation among millennials has led to a surge in rental demand and low vacancy rates in the multi-unit/apartment sector. Supply is expected to lag demand in major urban centers for several years, which should drive apartment rental rates higher. We are equally constructive on industrial real estate, which is poised to outperform as a result of the secular growth in E-Commerce and the corresponding demand for warehouse space to accommodate logistics and distribution services. This led to Pure Industrial REIT, a long-time core holding and a leading real estate company in Canada, receiving an acquisition offer from Blackstone Property Partners at a 27% premium early in 2018, reflecting the growing demand for industrial properties in Canada among institutional investors. Industrial real estate currently represents the largest sub-sector within the Fund's real estate weighting.

Investment Manager's Report (continued)

The Fund remains exposed to several of Canada's leading banks as well as JP Morgan, who represents one of the highest quality financial institutions globally. Canadian banks operate in an industry with high barriers to entry and strong cash flow margins. In the wake of the financial crisis, Canada's banks were praised by nations around the world for their strong balance sheets and prudent business strategies. They provide diversification benefits through their multi-faceted business units and global operations, in addition to generating attractive income for shareholders. While the recent reduction in long-term interest rates affects sentiment towards the banking sector, we are focused on a select number of financial institutions whose business models are sufficiently diversified away from earnings derived from net interest margins.

Top Holdings

The table below shows the largest ten positions held within the Fund's portfolio as at 31 December 2018:

Company	Sector	% of Portfolio
Enbridge Inc. Enbridge is North America's largest energy infrastructure company with dominant, integrated crude oil and natural gas transportation platforms. The company has been executing on its strategic initiatives of de-leveraging in addition to reaffirming guidance for 10% dividend growth through 2020.	Pipelines	6.4%
JPMorgan Chase & Co. JP Morgan is a leading global financial services firm headquartered in New York. The company is the largest banking institution in the U.S. with $2.5 trillion in assets and over 5,000 branches nationwide. It is among the largest six financial institutions in the world and has operations in more than 60 countries.	Financials	5.0%
Parkland Fuel Corp. Parkland Fuel is one of North America's fastest growing independent marketers of fuel and petroleum products. The company delivers gasoline, diesel, propane, lubricants, heating oil and other petroleum products to motorists, households, businesses and wholesale customers in Canada and the United States.	Industrials	4.9%
Northland Power Northland Power is a diversified independent power producer which develops, owns and operates power generation facilities in Canada, the United States and Europe. The company's facilities produce electricity from clean natural gas and renewable energy sources such as biomass, wind and solar.	Power and Utilities	3.9%
Pembina Pipeline Corporation Pembina Pipeline is a pipeline and midstream company that operates oil and natural gas liquids ("NGL") pipelines, gas gathering and processing facilities and oil and NGL infrastructure and logistics business.	Pipelines	3.7%
Bank of Nova Scotia The Bank of Nova Scotia provides retail, corporate and investment banking services primarily in Canada and Latin America. Its main operating arm, Scotia bank, has nearly 1,000 Canadian branches and over 1,800 additional offices throughout the world.	Financials	3.4%
Canadian Imperial Bank of Commerce CIBC has assets worth more than CAD$ 400 billion and is one of Canada's largest banks. It serves more than 11 million clients globally and has recently increased its footprint in the U.S. through its $5 billion acquisition of PrivateBancorp Inc.	Financials	3.3%
Brookfield Property Partners LP Brookfield Property Partners LP owns, operates and invests in commercial real estate properties. Brookfield focuses on properties located in developed economies throughout North America, Europe, Australia and Brazil.	Real Estate	3.3%

Investment Manager's Report (continued)

Top Holdings (continued)

Bristol-Myers Squibb Bristol-Myers is a global biopharmaceutical company. The company develops, licenses, manufactures and sells pharmaceutical and nutritional products. Bristol is research focused and develops experimental therapies to address critical illnesses such as cancer, heart disease, HIV and AIDS, diabetes and hepatitis.	Healthcare	3.2%
Granite Real Estate Trust Granite REIT is engaged in the acquisition, development, construction, leasing, management and ownership of industrial properties. Granite has a strong balance sheet and is well positioned to diversify its tenant base by actively acquiring new properties and selling non-core assets. The Company's assets are poised to benefit from the secular growth trend in E-commerce.	Real Estate	3.1%
Top Ten Investments		**40.2%**

Outlook

Looking forward, we are positive on North American equities in light of a dovish tone from central banks, recovering commodity prices and stable fundamental data such as employment and inflation rates. The market correction experienced in Q4 2018, in our view, was a valuation correction rather than a fundamental signal of recession. We expect GDP growth in Canada of approximately 1.5%, while growth in the U.S. is expected to be approximately 2.5% in 2019. However, due to the slowdown in economic activity globally over recent months and the corresponding decrease in interest rates, the Fund's portfolio is tilted more defensively to pipelines, REITs and utilities.

Since January 1, 2019, the macro factors overlaying the market have lessened. Specifically, as mentioned earlier, interest rates in the U.S. and E.U. are expected to remain lower for longer and U.S.-China trade negotiations are making significant progress. The markets have reacted positively to these developments, resulting in a meaningful bounce back from the lows in December 2018. As active managers, we believe the current environment provides excellent opportunities for superior total returns. Our continued focus on dividend paying and dividend growing equities provides an effective method for dampening varying levels of economic, trade and political risk. As demonstrated by our longstanding track record, Middlefield is focused on constructing portfolios comprised of high quality issuers with proven management teams, strong balance sheets and a history of dividend growth. We believe the Fund is well positioned to deliver superior risk-adjusted returns in 2019 on a relative and absolute basis.

Middlefield Limited

Date: 11 April 2019

Directors’ Report

The directors present their annual financial report for the year ended 31 December 2018 with comparatives for the year ended 31 December 2017.

Status and Activities
Middlefield Canadian Income – GBP PC is a closed-ended protected cell of Middlefield Canadian Income PCC, a Jersey-incorporated protected cell company.

The Fund is a closed-ended fund which has been admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s Main Market for listed securities.

JTC Fund Solutions (Jersey) Limited acts as the Company's secretary and administrator. JTC Fund Solutions (Guernsey) Limited acts as assistant secretary. The Fund's net asset value ("NAV") is calculated using the closing prices of the securities held within its portfolio. The Company publishes the NAV of a share in the Fund on a daily basis.

Investment Objective and Dividend Policy
The Fund seeks to provide shareholders with a high level of dividends as well as capital growth over the longer term. The Fund intends to pay dividends on a quarterly basis each year. Subject to unforeseen circumstances, the Fund intends to maintain its current dividend rate of at least 5.1 pence per share per annum payable on a quarterly basis in equal instalments. The current dividend rate is expected to be supported by an increase in dividend and interest income earned by the Fund as well as the expected increase in the value of the Canadian dollar versus GBP over time. We believe that Canada will benefit from the increased economic diversification, recovery in energy markets and the relative strength in the U.S. economy.

Investment Portfolio
The Fund seeks to achieve its investment objective by investing predominantly in the securities of companies and REITs domiciled in Canada as well as the U.S. that the Investment Manager believes will provide an attractive level of distributions, together with the prospect for capital growth. It is expected that the Fund’s portfolio will generally comprise between 40-60 investments.

The Fund may also hold cash or cash equivalents.

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

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

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

(a) have more than 10 per cent. of the value of its portfolio assets invested in the securities of any single issuer; or
(b) have more than 50 per cent. of the value of its portfolio assets comprised of its ten largest security investments by value; or
(c) have more than 40 per cent. of the value of its portfolio assets invested in securities listed on a recognised stock exchange outside Canada; or
(d) have more than 10 per cent. of the value of its portfolio assets invested in securities listed on a recognised stock exchange outside Canada and the United States; or
(e) have more than 10 per cent. of the value of its portfolio assets invested in unquoted securities; or
(f) purchase securities on margin or make short sales of securities or maintain short positions in excess of 10 per cent. of the Fund’s net asset value.

Directors' Report (continued)

Investment Objective and Dividend Policy (continued)

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

Gearing
The Fund has the power to borrow up to 25 per cent. of the value of its total assets at the time of drawdown. In the normal course of events, and subject to Board oversight, the Fund is expected to employ gearing in the range of 0 to 20 per cent. of the value of its total assets in order to enhance returns. At year end, the Fund's gross borrowings were equal to 16 per cent. of its total assets.

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

	2018	2017
Key performance indicator	**Value**	**Value**
Net asset value (NAV)	95.94	114.79
NAV total return performance for the year	(12.48%)	1.36%
Share price	85.00	101.00
Discount to NAV	(11.40%)	(12.01%)
Dividend for the year	5.1 pence	5.05 pence
Ongoing charges*	1.14%	1.03%

* refer to page 12

Authorised and Issued Share Capital as at 31 December 2018
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 ("GBP") 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 2018, 18,195,000 (2017: 18,195,000) Fund Shares were held in treasury. Since the financial year end and up to the date of this report, the Fund has not sold any Fund Shares from treasury and has not repurchased any Fund Shares and there remain 18,195,000 Fund Shares held in treasury, which may in future be sold out of treasury to satisfy market demand. Accordingly, the number of Fund Shares in issue and with voting rights attached is currently 106,487,250 (2017: 106,487,250) and this figure may be used by shareholders as the denominator for calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under FCA's Disclosure Guidance and Transparency Rules.

Further issues of Fund Shares
The Fund's Articles of Association provide the Board of directors with authority to issue further Fund Shares without seeking shareholders' approval although, unless otherwise authorised by shareholders, such Fund Shares must be issued on a pre-emptive basis. However, at the Cell Annual General Meeting (the "Cell AGM") held on 14 June 2018, the Fund's shareholders authorised the issue or sale out of treasury of Fund Shares representing up to 10 per cent. of the Fund's issued share capital as at the date of the Cell AGM on a non-pre-emptive basis. Such issues or sales will only be effected in the event of investor demand which cannot be met through the market and will only be conducted at a price equal to or above the prevailing NAV.

The aforementioned authority expires on the earlier of 30 September 2019 or the conclusion of the next Cell AGM. At the next Cell AGM, the notice of which is included at the end of this annual financial report, the Board will be seeking renewal of their authority to issue or sell out of treasury additional Fund Shares and to make market acquisitions of Fund Shares. If the proposed special resolutions are approved, such authorities will remain valid until the earlier of 30 September 2020 or the conclusion of the following Cell AGM.

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

Directors' Report (continued)

Future Trends
Details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Investment Managers' Report on pages 7 to 9. Further details as to the risks affecting the Company are set out on pages 15 to 16.

Substantial shareholding in the Fund
As at the year end and as at 31 March 2019, being the most recent practicable date prior to the publication of this annual financial report, the below shareholders were recorded on the Company's share register as holding 5 per cent. or more of the Fund's issued share capital with voting rights attached or had otherwise notified the Company of such notifiable interests.

Name	Redeemable Participating Preference Shares 31 December 2018 Number of Shares	Redeemable Participating Preference Shares 31 December 2018 % of Shares in issue	Redeemable Participating Preference Shares 31 March 2019 Number of Shares
State Street Nominees Limited	14,658,730	13.77%	14,658,495
Nortrust Nominees	13,057,749	12.26%	13,460,962
Brewin Nominees Limited	10,429,756	9.79%	10,108,996
Rock (Nominees) Limited	8,431,795	7.92%	7,701,480
The Bank of New York Nominees	8,170,637	7.67%	8,272,484

Shareholder Relations
Shareholder relations are given a high priority by the Board, Investment Manager and Secretary. The primary medium through which the Company communicates with its shareholders is through the annual and half-yearly financial reports, which aim to provide shareholders with a full understanding of the Company's activities and results. The information is supplemented by the daily publication of the NAV of the Fund Shares, monthly factsheets and information on the Company's website operated by the Investment Manager. Shareholders have the opportunity to address questions to the Chairman and the Committees of the Board at the AGMs and all shareholders are encouraged to attend the AGMs. Shareholders can also write to the Company at its registered office or by e-mail to the assistant secretary at fundservicesgsy@jtcgroup.com.

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

Ongoing charges
The below table shows the annualised ongoing charges that relate to the management of the Fund as a single percentage of the average NAV over the same year. In terms of the AIC (The Association of Investment Companies) methodology, 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 (%)
31 December 2018	1.14
31 December 2017	1.03

The ongoing charges percentage was impacted by decreased average NAV resulting in an increased ongoing charges percentage.

Results and dividends
The results for the year are shown in the Statement of Comprehensive Income on page 36 and related notes on pages 39 to 54. During the year, dividends were paid on a quarterly basis (see note 11). Although there is no guarantee, dividends are expected to be paid on a quarterly basis and paid at the end of that month as follows:

Payment Month	Gross amount per Share
April 2019	1.275p expected
July 2019	1.275p expected
October 2019	1.275p expected
January 2020	1.275p expected

Directors' Report (continued)

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

Going concern and Viability
The performance of the investments held by the Fund over the reporting year is described in the Statement of Comprehensive Income and in note 9 to the financial statements and the outlook for the future is described in the Chairman's Report and the Investment Manager's Report. The Company's financial position, its cash flows and liquidity position are set out in the financial statements and the Company's financial risk management objectives and policies, details of its financial instruments and its exposures to market price risk, credit risk, liquidity risk, interest rate risk, currency risk and country risk are set out at note 16 to the financial statements. The Company's long term viability and assessment of longer term risks to which the Company is exposed are also reported upon in the Company's long term viability statement included below.

The financial statements have been prepared on a going concern basis, supported by the directors' current assessment of the Company's position based on the following factors:

- ongoing shareholder interest in the continuation of the Fund;
- the Company has sufficient liquidity in the form of cash assets to meet all on-going expenses;
- should the need arise, the directors have the option to reduce dividend payments in order to positively affect the Fund's cash flows; and
- the Fund's investments in Canadian and U.S. securities are readily realisable to meet liquidity requirements, if necessary.

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

The directors have also considered the application of the Statement of Recommended Practice for Financial Statements of Investment Trust Companies and Venture Capital Trusts, whereby the going concern basis of preparation of the financial statements is considered appropriate until a vote is passed to discontinue the Fund or Company. At the Fund's Cell AGM held on 16 May 2013 a continuation vote was proposed and passed unanimously by those shareholders voting at the meeting. There is no requirement under the Company's and Fund's articles of association to propose any future continuation vote in respect of either the Company as a whole or the Fund itself and the directors have no intention of proposing any continuation vote in the foreseeable future, subject to unforeseen future events.

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

Viability Statement
Principle 21 of the AIC Code of Corporate Governance includes a recommendation that the directors publish a long term viability statement and this statement is intended to meet that requirement.

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

The Directors have made a robust assessment of these principal risks and, together with the Company's Investment Manager, have adopted procedures and strategies to mitigate these risks. The Fund has an established investment policy, which has been approved and is monitored by the Directors. The Company's Investment Manager seeks to operate within this policy, which limits the various elements of portfolio risk, including exposure to any one particular security, sector, asset class or geographical area. The Investment Manager regularly updates the Directors on the Company's portfolio and the overall status of the market. The Directors perform a solvency and investment trust test (for compliance with the requirement to distribute at least 85% of investment income received) before any dividend is declared. In performing its viability analysis, the Board has made the assumption that global growth will continue over the near term.

Directors' Report (continued)

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

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

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

The Board also has regular communications with the Company's broker to understand local market dynamics and changes in the share register. The Board monitors the discount to the prevailing net asset value at which the Company's shares trade and, when considered necessary or desirable, repurchases its own shares in the market to hold in treasury, which supports the share price and is accretive to the net asset value of the remaining shares in issue. The Company has appointed an experienced corporate secretary, supported by its affiliate, the assistant secretary, which advises the Board on relevant changes to applicable laws and regulations, and the Board may take legal advice on any matter and at any time as it considers to be necessary or desirable. Although the Company can neither anticipate nor control future changes in law or regulation, the Board is confident that its directors and advisors are suitably qualified and experienced and that the Company is unlikely to commit any material offence, whether by action or omission.

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

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

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

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

The Association of Investment Companies (the "AIC"), of which the Company is a member, has published its Code of Corporate Governance for Investment Companies (the "AIC Code") and the Corporate Governance Guide for Investment Companies dated July 2016 (the "AIC Guide"), which incorporates the UK Code, the AIC Code and paragraph 9.8.6 of the FCA's Listing Rules. The FRC has confirmed that "it remains the FRC's view that by following the AIC Corporate Governance Guide, investment company boards should fully meet their obligations in relation to the UK Corporate Governance Code and paragraph LR 9.8.6 of the Listing Rules."

Directors’ Report (continued)

Corporate Governance (continued)
The Board has considered the principles and recommendations of the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code provides better information to shareholders.

The Board has noted the publication by the FRC of the updated UK Corporate Governance Code in July 2018 and by the AIC of its Code of Corporate Governance dated February 2019 (the “**2019 AIC Code**”), which has been endorsed by the FRC and supported by the Jersey Financial Services Commission (the "**JFSC**"), and is updating its policies and procedures, where considered appropriate, to meet the recommendations of the updated AIC code, against which the Board will report in the annual financial report for the year ending 31 December 2019.

The directors believe that the Company has complied with the provisions of the AIC Code, where appropriate, and that it has complied throughout the year with the provisions where the requirements are of a continuing nature. Following the publication of the revised AIC Code dated July 2016, the directors put in place further measures designed to ensure compliance with the revised AIC Code and report against the 2016 AIC Code in this year’s annual financial report.

The UK Code is available for download from the FRC’s web-site www.frc.org.uk and the AIC Code and AIC Guide, together with the AIC Code of Corporate Governance dated February 2019, are available for download from the AIC’s website www.theaic.co.uk. All of these documents can also be provided by the Secretary by e-mail upon request.

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

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

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

Principal Risks and Uncertainties

Investment Policy (incorporating the Investment Objective)
There is no guarantee that the Company’s investment objective will be achieved or provide the returns sought by shareholders. The Board has established guidelines to ensure that the investment policy that has been approved is pursued by the Investment Manager. The Board reviews the Investment Manager’s compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; the portfolio’s risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets. In addition, the Board also performs an annual review of the ongoing suitability of the Investment Manager.

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

Directors' Report (continued)

Principal Risks and Uncertainties (continued)

Market Value of Fund Shares (continued)
reduction in earnings per share and therefore in the Company's ability to pay dividends. Accordingly, the amount of dividends payable by the Company may fluctuate. The Board monitors the income received on investments and available for distribution prior to the declaration of each dividend.

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

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

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

The Board seeks to manage these risks, and others, in a number of ways:

- The Management Engagement Committee monitors the performance of all third party providers in relation to agreed service standards on a regular basis, and any issues and concerns are dealt with and reported to the Board.
- The Board monitors the performance of the Investment Manager at every board meeting and otherwise as appropriate. The Board has the power to replace the Investment Manager.
- The Board has adopted guidelines within which the Investment Manager is permitted discretion. Any proposed variation outside these guidelines is referred to the Board.

Directors
As at 31 December 2018 and as at the date of this report, the Board of directors comprised six non-executive directors, five of whom were independent of the Investment Manager and its affiliates.

The present members of the Board are listed on page 66 and their curriculum vitae are included on pages 17 and 18. In accordance with the provisions of the AIC Code, all directors should submit themselves for re-election at least every three years. In addition, as Mr Orrico is not independent of the Investment Manager, he is required by the FCA's Listing Rules to submit himself for re-election annually. However, in accordance with PIRC's published guidance and the 2019 AIC Code, all directors will continue to offer themselves for annual re-election for the foreseeable future.

As the Fund is a Jersey-regulated entity, any change of director is subject to the consent of the Jersey Financial Services Commission and the resignation of each director will be conditional upon the JFSC's consent to their resignation being obtained. This consent will only be sought if any director retires or is not re-elected at the Company and Cell AGM. Any director who retires or whose re-election is not approved at the Company and Cell AGM will therefore remain in office until such time as the JFSC consents to their resignation (and this consent may itself be conditional upon the appointment of a replacement director acceptable to the JFSC). Any such resigning director will not take part in the management of the Fund pending receipt of such regulatory consent (save as may be required to preserve and protect the Fund's assets and interests or as may be required to comply with applicable regulation or legal obligation).

Directors' Report (continued)

Directors (continued)
As referenced in the Company's half-yearly report for the six months ended 30 June 2018, the board intends to refresh its composition and has been planning for future succession. It has been considering various measures to be taken by the Company to continue to comply with the UK standards of good corporate governance and has been consulting with certain of the Company's largest shareholders. In this regard, Mr Raymond Apsey, a Jersey non-executive director and former Chairman of the Company and the Fund, has advised the board of his willingness to retire as a director of the Company and the Fund at the next Company and Cell Meeting to be held in June 2019. Mr Apsey's retirement is conditional upon the consent of the JFSC and the JFSC's approval of the appointment of a replacement Jersey-resident director. Mr Apsey has served on the board since 24 May 2006, the date of incorporation of the Company.

The interests as at 31 December 2018 and 2017 of the directors who served on the Board and their connected persons during the year were as follows:

	2018 Fund Shares	2017 Fund Shares
Raymond Apsey	75,000	75,000
Philip Bisson	977,000	920,000
Philean Trust Company Limited (a company connected with Philip Bisson)	701,381	581,381
Thomas Grose	62,000	62,000
Dean Orrico	100,000	100,000
Nicholas Villiers (Chairman)	35,000	35,000
Richard Hughes	75,000	-
Cheng Sim Hughes (a person connected to Richard Hughes)	25,000	-

The current directors are:

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

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

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

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

Directors' Report (continued)

Directors (continued)

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

Mr Orrico oversees approximately $4 billion in assets under management at Middlefield and has developed expertise in both equity and fixed income securities. Having spent many years managing equity portfolios and meeting with international companies and investors, Mr Orrico has overseen the diversification of Middlefield's portfolios into global equity income securities.

Richard Hughes
Mr Hughes was previously Director of Equities (Fund Manager) at M&G Investments. He joined M&G in 1986 and managed a number of funds, including M&G Smaller Companies Fund, M&G Recovery Fund, M&G Charifund, M&G Dividend Fund and a number of M&G investment trusts. He was a Board member of M&G Group PLC from 1994 until its take-over by Prudential PLC in 1999. He also served as a non-executive director of an M&G Investment Trust and two M&G investment companies. He is an accountant, (CIPFA), a member of CFA UK (ASIP) and is a Chartered Fellow of the Chartered Institute for Securities and Investment.

The Company and Fund do not have any executive directors or employees.

The structure of the Board is such that it was not previously considered necessary to identify a senior independent non-executive director other than the Chairman, because the Board currently has a majority of independent directors and is expected to continue to have a majority of independent directors after the forthcoming Company and Cell AGM. As such, it complies with the FCA's Listing Rules and the AIC Code. However, in accordance with the recommendations of the 2019 AIC Code the Board will consider nominating a senior independent director following the forthcoming Company and Cell Annual General Meeting. On 26 May 2010, a Nomination and Remuneration Committee was established and comprised of all the directors of the Company and Fund. Following the publication of the 2019 AIC Code, it has been agreed that Dean Orrico, as a result of his role as President of Middlefield International Limited, will no longer be a member of the Nomination and Remuneration Committee or the Management Engagement Committee with effect from 1 July 2019. In accordance with PIRC's published guidance, all directors will continue to offer themselves for annual re-election for the foreseeable future. Although no formal training in corporate governance is given to directors, the directors are kept apprised of corporate governance issues through bulletins and training materials provided from time to time by the Secretary and the AIC.

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

A director must avoid a situation where he has or might have a direct or indirect interest that either conflicts or has the potential to conflict with the Company's interests. The Company's and Fund's Articles of Association give the directors authority to authorise potential conflicts of interest and there are safeguards in place which will apply whenever the directors decide that such are necessary or desirable.

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

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

Directors' Report (continued)

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

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

Directors' fees are recommended by the full Board. The non-executive directors were each paid the following in the 2018 and 2017 financial years:

Director	2018 Fees	2017 Fees
Raymond Apsey	£21,000	£20,000
Philip Bisson	£21,000	£20,000
Thomas Grose	£22,000	£20,000
Dean Orrico	-	-
Nicholas Villiers (Chairman)	£26,500	£25,000
Richard Hughes	£11,000	-

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

The Board has considered the remuneration paid to the directors which, following the approval of shareholders in general meeting, was increased with effect from 1 July 2018 to the following amounts:

Director	Fees from 1 July 2018
Raymond Apsey	£22,000
Philip Bisson	£22,000
Thomas Grose	£24,000
Dean Orrico	-
Nicholas Villiers (Chairman)	£28,000
Richard Hughes	£22,000

The above fees represented an increase of £2,000 per annum per director, save that the Chairman's fees were increased by £3,000 per annum, with an additional £2,000 paid to Mr Grose as Chairman of the Audit Committee.

As explained in the Chairman's Report, the Board anticipates that two additional directors will be appointed in the coming months. It is proposed that each new director will also be paid a fee of £22,000 per annum, payable quarterly in arrears.

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

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

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

Directors' Report (continued)

Board, Committee and Directors' Performance Evaluation (continued)
Directors' Attendance
The table below summarises the directors' attendance at each type of meeting held during the year.

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

* Mr Hughes joined the board on 1 July 2018

Independence of Directors
During the first half of the year, the Board consisted of five members, all of whom were non-executive, increasing to six following the appointment of Mr Hughes as an additional non-executive director. Mr Orrico is a director of Middlefield Capital Corporation, an affiliate of the Investment Manager and President of Middlefield International Limited. All the directors, apart from Mr Orrico, are considered to be independent of the Investment Manager and free of any business or other relationship that could influence their ability to exercise independent judgement. The Board believes that Mr Orrico's investment management experience adds considerable value to the Company. During the year under review, the entire Board were members of the Nomination & Remuneration and Management Engagement Committees.

The Board believes that Mr Villiers, Mr Grose, Mr Bisson, Mr Apsey and Mr Hughes are independent in character and judgement and that their experience and knowledge of the specialised sector in which the Company operates adds significant strength to the Board. The directors believe that the Board has a balance of skills and experience which enable it to provide effective strategic leadership and proper governance of the Company. Information about the directors, including their relevant experience, can be found on pages 17 and 18. The Board is of the view that length of service does not automatically compromise the independence or contribution of directors of an investment company, where continuity and experience can be a benefit to the Board. Furthermore, the Board agrees with the view expressed in the AIC Code that long serving directors should not be prevented from forming part of an independent majority or from acting as Chairman. Consequently, no limit had previously been imposed on the directors' overall length of service. However, the Board has noted that the AIC considers that directors who have served on the Board for more than nine years may not be independent and that certain corporate governance advisory bodies believe that directors should not serve more than nine years on an investment company's Board. Therefore, in the spirit of best corporate governance, the Board has decided that any director appointed in 2018 or thereafter shall only serve for a maximum of nine years before being required to retire from office.

Board Composition and Succession
As stated in last year's annual financial report, the Board has recognised the merits of refreshing its composition, as well as planning for future succession. As announced on 19 March 2019, Mr Apsey has indicated his willingness to retire as a director of the Company at the next Company and Cell Meeting, subject to the consent of the JFSC, which itself will be contingent upon the JFSC's approval of a suitable Jersey-resident replacement. The Board thanks Mr Apsey for his loyal service and invaluable contributions to the Board during his tenure and wishes him well for the future.

The Board has identified a shortlist of suitable candidates and anticipates that an additional Jersey director will be appointed at the conclusion of the next Company and Cell Meeting or shortly thereafter once approved by the JFSC. The Board also intends to appoint an additional UK-resident director at the conclusion of the next Company and Cell Meeting, or shortly thereafter, again subject to the approval of the JFSC.

Mr Villiers has served on the board for more than nine years and has spent 6 years as chairman. Throughout his whole time in office, Mr Villiers has proved to be an exemplary director and chair. Whilst being cognisant of the need for stability and experience and recognising Mr Villiers' ongoing invaluable contribution as chair, the board will consider whether Mr. Villiers should continue in this role and, if a change is deemed appropriate, will identify a suitable replacement chair. This determination will be made prior to the Company and Cell Meeting to be held in 2020.

Directors' Report (continued)

Board Composition and Succession (continued)

As required by the FCA's Listing Rules, full biographical details of any additional directors appointed will be announced and he or she will stand for re-election at the next subsequent Company and Cell Meeting convened after their appointment and annually thereafter.

Internal Controls

The directors are responsible for overseeing the effectiveness of the Company's internal financial control systems, which are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded. However, such system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable and not absolute assurance against material misstatement or loss.

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

Audit Committee

On 26 May 2010 an Audit Committee was established. The current members are Thomas Grose (Chairman), Raymond Apsey, Nicholas Villiers, Philip Bisson and Richard Hughes (from 1 July 2018). A separate report from the Audit Committee is included at pages 25 to 27.

Nomination and Remuneration Committee

The Board has also established a Nomination and Remuneration Committee, which meets when necessary. At the present time, the current members are all the directors of the Company, whose summary biographical details are set out on pages 17 and 18. However, with effect from 1 July 2019, it is intended that as a result of his role as President of Middlefield International Limited, Mr Orrico will no longer be a member of the Nomination and Remuneration Committee. The key terms of reference of the Nomination and Remuneration Committee are set out below.

- The Committee oversees the process of identifying and nominating prospective directors.
- The Committee considers and monitors the level and structure of remuneration of the directors of the Company and the Fund.
- The Committee is authorised, in consultation with the Secretary, where necessary to fulfil its duties, to obtain outside legal or other professional advice, including the advice of independent remuneration consultants, to secure the attendance of external advisors at its meetings, if it considers this necessary, and to obtain reliable up-to-date information about remuneration in other companies, all at the expense of the Fund.
- The Committee considers the overall levels of insurance cover for the Company, including directors' and officers' liability insurance.
- The Committee conducts a process annually to evaluate the performance of the Board and its individual directors.
- The Committee considers such other topics as directed by the Board.

The Board believes that, subject to any exception explained above and the nature of the Company as an investment fund, it has complied with the applicable provisions of the AIC Code and AIC Guide throughout the year. The Board has noted the recommendations of the AIC relating to Board diversity. The Board, advised by the Nomination and Remuneration Committee, considers diversity, including the balance of skills, knowledge, diversity (including gender) and experience amongst other factors when reviewing the composition of the Board and appointing new directors, but does not consider it appropriate to establish targets or quotas in this regard. Board diversity is carefully considered and will continue to be considered in the future.

Management Engagement Committee

The Board established a Management Engagement Committee (the "M.E. Committee") at its meeting held on 20 November 2013. The principal function of the M.E. Committee is to monitor the performance and terms of engagement of the Company's key service providers. At the present time, the M.E. Committee's current members are all the directors of the Company. However, with effect from 1 July 2019, it is proposed that as a result of his role as President of Middlefield International Limited, and notwithstanding the fact that Mr Orrico has, to date, not taken part in discussing any contractual arrangements between the Company and the Investment Manager, Mr Orrico will no longer be a member of the Management Engagement Committee. The Chairman of the M.E. Committee is Thomas Grose or, failing him, any UK-resident member of the M.E. Committee other than the Chairman of the Company. For the purposes of transacting business, a quorum of the M.E. Committee is not less than two members of the M.E. Committee and all meetings must take place in the UK.

Directors' Report (continued)

Management Engagement Committee (continued)

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

i) the Administration and Secretarial Agreement;
ii) agreements for the provision of legal advice;
iii) the Investment Management and Advisory Services Agreement, as amended and novated; and
iv) any other agreements for the provision of services the Company has entered into or will in future enter into.

The M.E. Committee meets at least annually to specifically consider the ongoing administrative and secretarial and investment management requirements of the Company. The quality and timeliness of reports to the Board are also taken into account and the overall management of the Company's affairs by the Investment Manager is considered. Based on its recent review of activities, and taking into account the performance of the portfolio, the other services provided by the key service providers, and the risk and governance environment in which the Company operates, the Board believes that the retention of the current key service providers on the current terms of their appointment remains in the best interests of the Company and its shareholders.

The Board regularly reviews the performance of the services provided by these companies. A summary of the terms of the agreements with JTC Fund Solutions (Jersey) Limited ("JTCFSL") and with Middlefield Limited ("ML") and Middlefield International Limited ("MIL") are set out in note 2 to the financial statements. After due consideration of the resources and reputations of JTCFSL, ML and MIL, the Board believes it is in the interests of shareholders to retain the services of all three providers for the foreseeable future. Having reviewed the investment management and advisory services provided by ML and MIL and having regard to the Fund's investment performance since the Fund's launch in May 2006, the directors are of the view that the portfolio should remain managed by the Investment Manager for the foreseeable future.

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

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

For the purposes of the Alternative Investment Fund Managers Directive (the "AIFMD"), which was implemented into UK law with effect from 22 July 2013, the Company has been classified as a non-EU Alternative Investment Fund (an "AIF") managed by a non-EU Alternative Investment Fund Manager (an "AIFM"). As such, the Company is not subject to the full scope of the Directive and therefore does not incur the additional costs, such as those incurred in having to appoint a depositary, that would have been applicable had it been deemed to be managed by an EU AIFM. Note 20 lists all investments in the Fund's investment portfolio. The Terms of Reference of the Audit Committee, the Nomination and Remuneration Committee and the Management Engagement Committee are all available for inspection at the Company's registered office during normal business hours.

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

Directors' Report (continued)

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

Each of the persons who is a director at the date of approval of this annual financial report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all steps that he should have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

In addition to the business usually proposed at each Company Annual General Meeting and Cell Annual General Meeting, the Board of directors also intends to propose to shareholders the replacement of the Company's and the Cell's Articles of Association, which were adopted by shareholders in May 2013, with new Articles of Association. The only material change will be to remove the requirement for shareholders to approve each director's remuneration individually in advance, whilst retaining the existing cap on aggregate directors' fees (which may only be amended with shareholder approval), which will afford the directors greater flexibility in managing the directors' remuneration and facilitate the appointment of new directors as part of the Board's succession planning and refreshment of the composition of the Board. The other changes are immaterial and intended to reflect changes over the last several years to Jersey corporate law and best practice.

Copies of the Company's and Cell's Articles of Association, as proposed to be amended, together with comparisons showing all changes to the existing Articles of Association, have been uploaded to the Company's website http://www.middlefield.co.uk/mcit.htm and will be available for inspection at the Company Annual General Meeting and Cell Annual General Meeting. Electronic copies can also be requested from the Assistant Secretary by e-mail to fundservicesgsy@jtcgroup.com. They will also be available for inspection:

(i) from the date of this notice until the conclusion of the relevant Annual General Meeting at the registered offices of Middlefield International Limited and the Company and the Cell and;
(ii) at the place of the relevant Annual General Meeting for at least 15 minutes before and during the meeting.

Institutional Voting Policy
As a general policy, the Company bases its decision on whether to vote on matters proposed by its investees based on the nature of the matter being proposed. However, it will always vote on matters proposed by issuers which represent more than 4% of the Company's net asset value. For all holdings in issuers representing 4% or less of the Company's net assets at the reference date, the Investment Manager will decide whether to vote on any proposals put to the relevant issuer's shareholders.

Matters to be voted on may be of a routine nature, including the appointment and compensation of auditors or the election of the board of directors. Examples of non-routine matters include, but are not limited to, stock-based compensation, shareholder rights plans, corporate restructuring plans including mergers and acquisitions, or supermajority approval proposals. A decision to invest in an issuer is generally an endorsement of the issuer's management. Therefore, the Company will generally vote with management of the issuer on routine matters and in a manner that will maximize the value of the Company's investment in the issuer for non-routine matters.

Directors' Responsibilities

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

The Companies (Jersey) Law 1991, as amended (the "Companies Law") requires the directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and 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 Company's and Fund's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, directors are also required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Having taken advice from the Audit Committee, the Board considers the report and accounts, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's and Fund's performance, business model and strategy.

Directors' responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and Fund;
2. the Chairman's Report, Investment Manager's Report and Notes to the Financial Statements incorporated herein by reference include a fair review of the development, performance and position of the Company and Fund, together with a description of the principal risks and uncertainties that it faces; and
3. the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's and Fund's position and performance, business model and strategy.

By order of the Board:

Thomas Grose	Nicholas Villiers
Director	**Director**

Date: 11 April 2019

Report of the Audit Committee

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

The Audit Committee is chaired by Thomas Grose, a non-executive independent director and its other members are Nicholas Villiers, Raymond Apsey, Philip Bisson and Richard Hughes (from 1 July 2018) who are also independent non-executive directors. Their summary biographical details and relevant sector experience are set out on pages 17 and 18.

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

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

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

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

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

Report of the Audit Committee (continued)

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

The Board also received and considered, together with representatives of the Investment Manager, reports in relation to the operational controls of the Investment Manager, Administrator, Custodian and Registrar. These reviews identified no issues of significance. The risks relating to the Company (including the Fund) are discussed by the directors and documented in detail in the minutes of each meeting. The Audit Committee is also responsible for overseeing the Company's relationship with the external auditor, including making recommendations to the Board on the appointment of the external auditor and its remuneration. The current auditor was appointed in 2006 following an audit tender process and has therefore served the Company for twelve years. The independence of the external auditor is evidenced through its challenge to management. Its independence and objectivity are assured through the rotation of audit partner on a regular basis. The current financial year is the present audit partner's second year of involvement, following the rotation of the previous audit partner after a 5 year tenure. Accordingly the Committee has not considered it necessary to date to undertake another tender process for the audit work, although it considers Deloitte's tenure and appointment on an annual basis. Since the beginning of the financial year, the Audit Committee has undertaken an assessment of the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the audit process. This included consideration of a report on the audit firm`s own quality control procedures and transparency report.

Significant Risks
The significant risks that were subject to specific consideration in 2018 by the Committee and consultation with the auditor where necessary were as follows:

Valuation and ownership of securities
There is a risk that the securities are incorrectly valued due to factors including low volume traded securities and errors in third party prices.

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

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

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

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

Any differences are investigated and commented on.

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

Report of the Audit Committee (continued)

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

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

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

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

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

Thomas Grose

Chairman of the Audit Committee

Date: 11 April 2019

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Middlefield Canadian Income – GBP PC (the 'Fund'), a cell of Middlefield Canadian Income PCC:

- **give a true and fair view of the state of the Fund's affairs as at 31 December 2018 and of its loss for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been properly prepared in accordance with Companies (Jersey) Law, 1991.**

We have audited the financial statements which comprise:

- the Statement of Financial Position of the Fund;
- the Statement of Comprehensive Income of the Fund;
- the Statement of Changes in Redeemable Participating Preference Shareholder's Equity of the Fund;
- the Statement of Cash Flows of the Fund; and
- the related notes 1 to 20.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of investments; and • Ownership of investments. The key audit matters identified are the same as with the prior year.
Materiality	The materiality that we used for the Fund's financial statements was £1.02m which was determined on the basis of approximately 1% (2017: 1%) of the Net Asset Value of the Fund.
Scoping	All audit work for the Fund was performed directly by the audit engagement team.
Significant changes in our approach	Our scope has been consistent with the prior year and there have been no significant changes in our approach.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 2(n) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Fund's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

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

We considered as part of our risk assessment the nature of the Fund, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Fund's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Fund's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 15-16 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on pages 15-16 that they have carried out a robust assessment of the principal risks facing the Fund, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on pages 13 - 14 as to how they have assessed the prospects of the Fund, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Fund will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

We are also required to report whether the directors' statement relating to the prospects of the Fund required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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

Valuation of investments	
Key audit matter description	The Fund's investments (see note 2 and the schedule of investments) included at fair value of £114,095,281 (2017: £148,464,909). The investment portfolio is made up of securities actively traded on recognized markets which are measured at fair value based on market prices and other prices determined with reference to observable inputs. Although substantially all of the securities are listed and have quoted market pricing data available which is used to value the securities, there is a risk of material misstatement that the investments may be incorrectly valued due to stale prices, low trading volumes or errors reported in third party prices. Where securities are not regularly traded there is a greater risk of material misstatement that the quoted price is not reflective of fair value and this should be taken into consideration in management's assessment. Valuation has a significant impact on the net asset value (NAV) which is the most significant Key Performance Indicator (KPI) of the Fund.
How the scope of our audit responded to the key audit matter	Our procedures on the valuation of investments included: • evaluation of the design and implementation of key controls around valuation; • testing 100% of the valuations of investments by agreeing the prices directly to independent third party sources; and • analysing the trading history of securities to determine whether they have been traded frequently and values at which they have been traded to determine that there are no unusual price movements indicating the year end prices are stale.
Key observations	No material differences were identified by our testing which required reporting to those charged with governance.

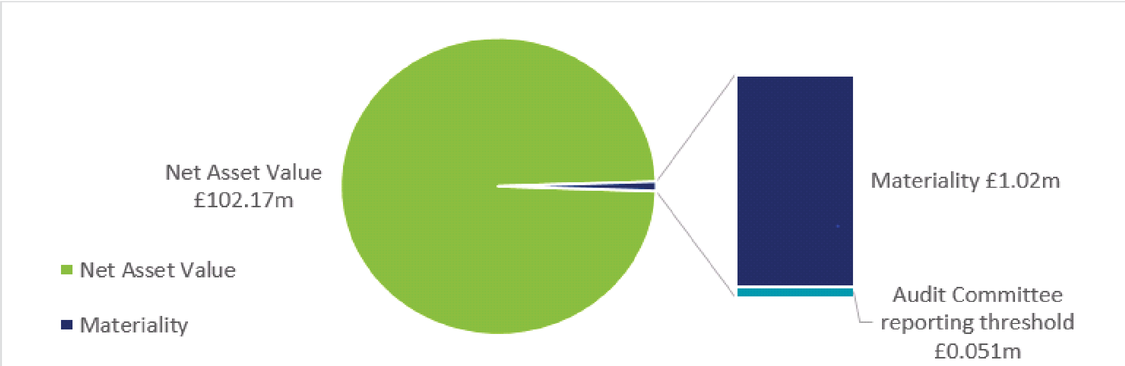
Ownership of investments	
Key audit matter description	There is a risk that securities, a record of which is maintained by a third party custodian, are not directly owned by the Fund. Investments are held with the custodian. Ensuring that the custodian records all the investments correctly under the Fund's name is critical since the investment portfolio represents the principal element of the financial statements being the single largest asset on the balance sheet.
How the scope of our audit responded to the key audit matter	Our procedures on ownership of investments included: • evaluation of the design and implementation of key controls around custody of investments; and • confirm the holdings to independent third party confirmations provided by the Fund's custodian; and • assessment of procedures implemented by management on the depository and custodial function including review of reports received from these service providers as well as their compliance reporting.
Key observations	No material differences were identified by our testing which required reporting to those charged with governance.

Our application of materiality

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

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

Materiality	£1,021,000 (2017: £1,222,000)
Basis for determining materiality	Approximately 1% (2017: 1%) of the Net Asset Value of the Fund.
Rationale for the benchmark applied	The reason for using Net Asset Value is that this is the key performance indicator of the Fund and this benchmark is consistent with the market approach for such entities.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £51,000 (2017: £61,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Our audit scope included the assessment of design and implementation of accounting processes and controls in place at third party accounting service provider. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

We have nothing to report in respect of these matters.

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Fund's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Fund's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Use of our report

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.

Nicola Sarah Paul FCA
For and on behalf of Deloitte LLP
Recognized Auditor
Jersey, Channel Islands
11 April 2019

Statement of Financial Position of the Fund
As at 31 December 2018

	Notes	2018 GBP	2017 GBP
Current assets			
Securities (at fair value through profit or loss)	3 & 20	114,095,281	148,464,909
Accrued bond interest		17,070	16,070
Accrued bank interest		7,541	5,374
Accrued dividend income		570,781	662,645
Other receivables	6	2	2
Prepayments		14,775	15,540
Cash and cash equivalents	4	7,889,488	9,328,518
		122,594,938	158,493,058
Current liabilities			
Other payables and accruals	5	(383,613)	(362,428)
Interest payable		(17,281)	(84,616)
Loan payable	14	(20,025,095)	(35,814,484)
		(20,425,989)	(36,261,528)
Net assets		102,168,949	122,231,530
Equity attributable to equity holders			
Stated capital	6	49,704,414	49,704,414
Retained earnings		52,464,535	72,527,116
Total Shareholders' equity		102,168,949	122,231,530
Net asset value per redeemable participating preference share (pence)	7	95.94	114.79

The financial statements and notes on pages 35 to 54 were approved by the directors on 11 April 2019 and signed on behalf of the Board by:

Thomas Grose
Director

Nicholas Villiers
Director

The accompanying notes on pages 39 to 54 form an integral part of these financial statements.

Statement of Comprehensive Income of the Fund
For the year ended 31 December 2018

	Notes	Revenue GBP	2018 Capital GBP	Total GBP	2017 Total GBP
Revenue					
Dividend income	8	7,518,107	-	7,518,107	7,597,242
Interest Income	8	205,442	-	205,442	454,685
Net movement in the fair value of securities (at fair value through profit or loss)	9	-	(19,171,856)	(19,171,856)	(3,842,301)
Net movement on foreign exchange		-	187,004	187,004	343,580
Total revenue		7,723,549	(18,984,852)	(11,261,303)	4,553,206
Expenditure					
Investment management fees	2 o	330,246	495,369	825,615	860,300
Custodian fees	2 l	13,328	-	13,328	14,906
Sponsor's fees	2 m	235,892	-	235,892	245,800
Directors' fees and expenses		127,852	-	127,852	116,949
Legal and professional fees		29,613	-	29,613	620
Audit fees		30,500	-	30,500	34,074
Tax fees		5,800	-	5,800	5,800
Registrar's fees		45,175	-	45,175	49,238
Administration and secretarial fees	2 k	117,945	-	117,945	122,901
General expenses		166,330	-	166,330	76,384
Operating expenses		1,102,681	495,369	1,598,050	1,526,972
Net operating (loss)/profit before finance costs		6,620,868	(19,480,221)	(12,859,353)	3,026,234
Finance costs	2 r	(289,411)	(434,116)	(723,527)	(580,338)
(Loss)/profit before tax		6,331,457	(19,914,337)	(13,582,880)	2,445,896
Withholding tax expense	12	(1,048,851)	-	(1,048,851)	(1,067,358)
Net (loss)/profit after taxation		5,282,606	(19,914,337)	(14,631,731)	1,378,538
(Loss)/profit per redeemable participating preference share - basic and diluted (pence)	10	4.96	(18.70)	(13.74)	1.29

The total column of this statement represents the Fund's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The (loss)/profit after taxation is the total comprehensive income. The supplementary revenue and capital columns are both prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies as disclosed in note 2a. All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

There are GBP nil (2017: GBP nil) earnings attributable to the management shares.

The accompanying notes on pages 39 to 54 form an integral part of these financial statements.

Statement of Changes in Redeemable Participating Preference Shareholders' Equity of the Fund
For the year ended 31 December 2018

	Notes	Stated Capital Account GBP	Retained Income GBP	Total GBP
At 1 January 2017		**50,174,414**	**76,530,559**	**126,704,973**
Profit for the year		-	1,378,538	1,378,538
Repurchase of shares		(470,000)	-	(470,000)
Dividends	11	-	(5,381,981)	(5,381,981)
At 31 December 2017		**49,704,414**	**72,527,116**	**122,231,530**
Loss for the year		-	(14,631,731)	(14,631,731)
Dividends	11	-	(5,430,850)	(5,430,850)
At 31 December 2018		**49,704,414**	**52,464,535**	**102,168,949**

The accompanying notes on pages 39 to 54 form an integral part of these financial statements.

Statement of Cash Flows of the Fund
For the year ended 31 December 2018

	Notes	2018 GBP	2017 GBP
Cash flows from/(used in) operating activities			
Net (loss)/profit after taxation		(14,631,731)	1,378,538
Adjustments for:			
Net movement in the fair value of securities (at fair value through profit or loss)	9	19,171,856	3,842,301
Realised loss/(gain) on foreign exchange		340,347	(543,033)
Unrealised (gain)/loss on foreign exchange	2p	(527,351)	199,453
Payment for purchases of securities		(71,588,657)	(115,915,107)
Proceeds from sale of securities		86,786,429	109,939,967
Operating cash flows before movements in working capital		19,550,893	(1,097,881)
Decrease/(increase) in receivables		89,462	(197,865)
(Decrease)/increase in payables and accruals		(46,150)	41,016
Net cash from/(used in) operating activities		**19,594,205**	**(1,254,730)**
Cash flows from/(used in) financing activities			
Repayments of borrowings		(196,112,292)	(175,509,910)
New bank loans raised		180,322,903	181,262,983
Payments for repurchase of shares	6	-	(470,000)
Dividends paid	11	(5,430,850)	(5,381,981)
Net cash used in financing activities		**(21,220,239)**	**(98,908)**
Net decrease in cash and cash equivalents		(1,626,034)	(1,353,638)
Cash and cash equivalents at the beginning of the year		9,328,518	10,338,576
Effect of foreign exchange rate changes		187,004	343,580
Cash and cash equivalents at the end of the year		**7,889,488**	**9,328,518**
Cash and cash equivalents made up of:			
Cash at bank	4	7,889,488	9,328,518

The accompanying notes on pages 39 to 54 form an integral part of these financial statements.

Notes to the Financial Statements of the Fund
For the year ended 31 December 2018

1. General Information
The Company is a closed-ended investment company incorporated in Jersey on 24 May 2006. The Company has one closed-ended cell, Middlefield Canadian Income - GBP PC, also referred to as the "Fund". The Fund seeks to provide shareholders with a high level of dividends as well as capital growth over the longer term. The Fund intends to pay dividends on a quarterly basis each year. The Fund seeks to achieve its investment objective by investing predominantly in the securities of companies and REITs domiciled in Canada and the U.S. that the Investment Manager believes will provide an attractive level of distributions, together with the prospect for capital growth. In 2015, shareholders also approved an amendment to the investment policy to increase the percentage of the value of portfolio assets which may be invested in securities listed in recognized stock exchange outside Canada to up to 40 per cent.

The address of the Company's registered office is 28 Esplanade, St. Helier, Jersey JE2 3QA, Channel Islands.

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

The Company and Fund have no employees.

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

2. Principal Accounting Policies

a. Basis of preparation
The financial statements of the Fund (the "Financial Statements") have been prepared on the historical cost basis, except for the measurement at fair value of investments and derivatives, and in accordance with the applicable International Financial Reporting Standards (IFRS) as adopted by the European Union (the "EU") and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC). The preparation of the Financial Statements in conformity with IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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

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

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

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

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

Adoption of new and revised Standards
The following standards, amendments and interpretations which are effective for the financial year beginning 1 January 2018 are material to the Company:

- IFRS 9 Financial Instruments (Effective date for periods beginning on or after 1 January 2018)
  IFRS 9 deals with classification and measurement of financial assets and its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets: amortised cost and fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

2. Principal Accounting Policies (continued)

a. Basis of preparation (continued)

Adoption of new and revised Standards (continued)

flows. All other financial assets are measured at fair value with changes recognised in profit or loss. For an investment in an equity instrument that is not held for trading, an entity may on initial recognition elect to present all fair value changes from the investment in other comprehensive income. IFRS 9 has been applied retrospectively, subject to certain transitional provisions. The standard did not have a significant impact on the Financial Statements since:

- Investments and derivative contracts continue to be classified as fair value through profit or loss, consistent with IAS 39;
- Due to and from brokers, loans payable, accrued income, receivables and payables continue to be classified at amortised cost, consistent with IAS 39;
- No impairment losses resulted from applying the "Expected Credit Losses" ("ECLs") model of IFRS 9 compared to the IAS 39 "Impaired Loss" model; and
- hedge accounting is not applied.

The Fund applies the simplified approach to measuring expected credit losses, as permitted by IFRS 9, which uses a 12 month expected loss allowance for all trade receivables. The Company has completed a high-level analysis as and as credit risk is limited, the expected credit loss on trade receivables will not be material and therefore no impairment adjustments were accounted for the year ended 31 December 2017 and 31 December 2018.

- IFRS 15 Revenue from Contracts with Customers (Effective date for periods beginning on or after 1 January 2018)
IFRS 15 was endorsed on 22 September 2016 and is effective for accounting periods beginning on or after 1 January 2018. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. A five-step model framework is adopted to recognise revenue based on the amount of consideration to which the entity expects to be entitled to in exchange for goods or services promised to customers.

IFRS 15 applies to all contracts with customers except those within the scope of IAS 17 'Leases', IFRS 9 'Financial Instruments', IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IAS 27 'Separate Financial Statements', IAS 28 'Investments in Associates and Joint Ventures', IFRS 4 'Insurance Contracts' and non-monetary exchanges between entities in the same line of business to facilitate sales to customers.

Due to the nature of the revenue earned the adoption of IFRS 15 did not have an impact on the Fund's financial results and did not result in any changes to accounting policies.

At the date of authorisation of these financial statements, there were no standards and interpretations in issue but not yet effective which are relevant to the Company and the Fund that have been applied to these financial statements.

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

b. Financial instruments

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

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value based on stock exchange quoted bid prices quoted at the Statement of Financial Position date. The resulting gain or loss is recognised in the Statement of Comprehensive Income as a capital gain or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Income depends on the nature of the hedge relationship. The Fund had no derivatives outstanding at 31 December 2018 and 2017.

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

2. Principal Accounting Policies (continued)

b. Financial instruments (continued)

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

c. Securities

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

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

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

d. Receivables

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method (except for short term receivables where the recognition of interest would be immaterial) of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

e. Prepayments

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

f. Cash and cash equivalents

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

g. Provisions

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

h. Share capital

Redeemable participating preference shares are only redeemable at the sole option of the directors, participate in the net income of the Fund during its life and are classified as equity in line with IAS 32 (see Note 6).

i. Net asset value per redeemable participating preference share

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

j. Issue costs

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

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

k. Administration and secretarial fees
Under the provisions of the Administration Agreement dated 18 August 2011 between the Fund and JTC Fund Solutions (Jersey) Limited ("JTCFSJL") as Administrator, the Administrator is entitled to a fee for administrative and secretarial services payable by the Fund quarterly in arrears at a rate of 0.10 per cent. per annum of the average net asset value ("NAV") of the Fund calculated over the relevant quarterly period. With effect from 1 December, 2016 JTCFSJL has ceded its fees to JTC Fund Solutions (Guernsey) Limited as assistant secretary.

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

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

n. Going concern
In the opinion of the directors, the Company and the Fund have adequate resources to continue in operational existence for the foreseeable future being at least the next twelve months from the approval of these financial statements. For this reason, the Financial Statements have been prepared using the going concern basis.

The directors considered, *inter alia*, the following factors:
- the Fund has sufficient liquidity to meet all on-going expenses and repayment of external borrowings; and
- the portfolio of investments held by the Fund materially consists of listed investments which are readily realisable and therefore the Fund will have sufficient resources to meet its liquidity requirements.

o. Investment management fees
Middlefield Limited, the Investment Manager, is entitled to a management fee payable by the Fund quarterly in arrears at a rate of 0.70 per cent. per annum of the average NAV of the Fund calculated over the relevant quarterly period.

Investment management fees for the year ended 31 December 2018 total £825,615 (31 December 2017: £860,300). The fee is split between ML and MIL at a ratio of 0.60 per cent : 0.10 per cent of the 0.70 per cent fee.

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 loss on foreign exchange currency transactions totalled £318,070 for the year (2017: gains of £593,450). Realised loss on forward exchange contracts totalled £22,277 (2017: loss of £50,417). Unrealised gain on foreign currency translations totalled £527,351 (2017: loss of £199,453).

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

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

r. Loan payable and finance costs
Loan payable is initially measured at fair value and is subsequently measured at amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

r. Loan payable and finance costs (continued)
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 (see Note 13).

t. Business and geographical segments
The directors are of the opinion that the Fund is engaged in a single segment of business investing predominantly in securities and REITs domiciled in Canada as well as U.S. to which the Fund is solely exposed and therefore no segmental reporting is provided.

3. Securities (at value through profit and loss)

	2018 GBP	2017 GBP
Quoted/listed Equities	112,940,472	147,256,260
Quoted/listed Bonds	1,154,809	1,208,649
	114,095,281	**148,464,909**

Please refer to Note 20 for the Schedule of Investments.

4. Cash and cash equivalents

	2018 GBP	2017 GBP
Cash at bank	**7,889,488**	**9,328,518**

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

5. Other payables and accruals

	2018 GBP	2017 GBP
Investment management fees	205,446	216,571
Sponsor's fees	58,699	61,877
Audit fees	30,500	30,500
Administration fees	29,349	30,938
General expenses	15,465	5,277
Directors' fees	29,500	-
Registrar's fees	8,001	8,506
Tax fees	5,800	5,800
Custodian fees	853	2,959
	383,613	**362,428**

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

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 2018 and 2017	**2**	**2**
Redeemable participating preference shares issued (excluding shares held in treasury)		
At 31 December 2017	**106,487,250**	**49,704,412**
Movement for the year	-	-
At 31 December 2018	**106,487,250**	**49,704,412**
Total		**49,704,414**

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

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

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

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

At the year end, there were 18,195,000 (31 December 2017: 18,195,000) treasury shares in issue. Treasury shares have no value and no voting rights.

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

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

7. Net asset value per redeemable participating preference share
The NAV per share of 95.94p (31 December 2017: 114.79p) is based on the net assets at the year end of £102,168,949 (31 December 2017: £122,231,530) and on 106,487,250 redeemable participating preference shares, being the number of redeemable participating preference share in issue at the year end (31 December 2017: 106,487,250 shares).

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

8. Dividend and interest income

	Revenue GBP	2018 Capital GBP	Total GBP	2017 GBP
Bond and debenture interest	64,694	-	64,694	356,474
Bank and loan interest	140,748	-	140,748	98,211
Dividend income	7,518,107	-	7,518,107	7,597,242
	7,723,549	**-**	**7,723,549**	**8,051,927**

9. Net movement in the fair value of securities

	Revenue GBP	2018 Capital GBP	Total GBP	2017 GBP
Gains on sale of securities	-	2,994,003	2,994,003	15,416,690
Losses on the revaluation of securities at year end	-	(22,165,859)	(22,165,859)	(19,258,991)
Net movement in the fair value of securities (at fair value through profit or loss)	**-**	**(19,171,856)**	**(19,171,856)**	**(3,842,301)**

10. (Loss)/profit per redeemable participating preference share - basic and diluted
Basic (loss)/profit per redeemable participating preference share is calculated by dividing the net loss attributable to redeemable participating preference shares of £14,631,731 (31 December 2017: gain of £1,378,538) by the weighted average number of redeemable participating preference shares outstanding during the year of 106,487,250 shares (31 December 2017: 106,513,003 shares).

11. Dividends
Dividends of 1.275 pence per share were paid on a quarterly basis during the year in the months of January, April, June and October totalling £5,430,850 (31 December 2017: £5,381,981) for the year. On 31 January 2019 a dividend of £1,357,712 was paid. In accordance with the requirements of IFRS, as this was approved on 3 January 2019, being after the Statement of Financial Position date, no accrual was reflected in the 2018 Financial Statements for this amount of £1,357,712 (31 December 2017: £1,357,712).

12. Taxation
The Fund is subject to UK Corporation tax at a rate of 19% (2017: 19%). The Company adopted UK tax residency on 11 October 2011. Since that date the Company has been managed in such a way as to be able to meet the conditions for approval as an investment trust under Section 1158 of the Corporation Tax Act 2010. As an investment trust, all capital gains are exempt from UK Corporation tax. On 7 December 2012, the Company received approval from HM Revenue & Customs to be treated as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 and will seek to remain so approved.

The Fund suffered £1,048,851 (2017: £1,067,358) of withholding tax on foreign dividends during the year and this expense has been included in the Statement of Comprehensive Income.

13. Related party transactions
The directors are regarded as related parties. Total directors' fees paid during the year amounted to £101,500 of which £29,500 was due at year end (2017: £85,000 of which £nil was due at the year end). Each non-executive director, other than Mr. Orrico, was paid a fee of £21,000 in respect of the financial year (2017: £20,000), the Chairman was paid a fee of £26,500 (2017: £25,000) and the Chairman of the Audit Committee £22,000 (2017: £20,000). Mr Orrico waived his fee in 2018 and 2017. The fees payable to the directors were increased on 1 July 2018 as disclosed in the Directors' Report on page 19.

The Investment Manager is also regarded as a related party due to common ownership. Total management fees paid during the year amounted to £825,615 (2017: £860,300).

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

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

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

At 31 December 2018, the Bankers' Acceptance drawn under the Credit Facility totals CAD 35,000,000 (GBP equivalent at amortised cost of £20,025,095) (31 December 2017: CAD 61,000,000 (GBP equivalent at amortised cost of £35,814,484)). The loan value of CAD 35,000,000 was made up of one loan issued on 20 December 2018, maturing on 19 February 2019.

As at 31 December 2018, pre-paid interest and stamping fees of £80,143 (31 December 2017: £90,551) were paid on the Bankers' Acceptance and these costs are being amortised over a period of 61 days for the loan (31 December 2017: between 32 and 92 days). Interest paid on the Bankers' Acceptance totalled £534,814 (31 December 2017: £391,279).

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

15. Security agreement
In connection with entry into the Credit Facility, the Fund has entered into a General Security Agreement with RBC, pursuant to which the Fund has granted RBC interests in respect of collateral, being all present and future personal property, including the securities portfolio, as security for the Fund's obligations under the Credit Facility.

16. Financial instruments

Fair values
The carrying amounts of the investments, accrued income, other receivables, cash and cash equivalents, loan payable and other payables approximate their fair values. In 2015, the percentage of the value of portfolio assets which may be invested in securities listed on a recognized stock exchange outside Canada was increased to up to 40 percent.

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

The capital structure of the Fund consists of proceeds from the issue of preference shares, loans and reserve accounts. The Investment Manager manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. Generally speaking, the Fund will reduce leverage when investments are likely to decrease in value and will increase leverage when investment appreciation is anticipated. In order to maintain or adjust its capital structure, the Fund may borrow or repay debt under its Credit Facility or undertake other activities deemed appropriate under the specific circumstances. The Fund and the Company do not have any externally imposed capital requirements. However, the Fund is subject to bank covenants in respect of leverage and complied with those covenants for the whole of both 2018 and 2017.

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

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

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

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.

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

16. Financial instruments (continued)

Credit risk (continued)
The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations. Where the Investment Manager makes an investment in debt or corporate securities, the credit rating of the issuer is taken into account to manage the Company's exposure to risk of default. Investments in debt or corporate securities are across a variety of sectors and geographical markets, to avoid concentration of credit risk.

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

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

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

Country risk
On 17 January 2012, the Financial Reporting Council (the "FRC") released "Responding to the increased country and currency risk in financial reports". This update from the FRC included guidance on responding to the increased country and currency risk as a result of funding pressures on certain European countries, the curtailment of capital spending programmes (austerity measures) and regime changes in the Middle East, and the ongoing uncertainty relating to the outcome of Brexit.

The Fund invests primarily in Canadian and U.S. securities. The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis. The Board has reviewed the disclosures and believes that no additional disclosures are required because the Canadian and U.S. economies are stable.

The directors believe that the Fund has sufficient reserves and business controls to address any financial impact of the referendum held on 23 June 2016 in favour of Brexit, and have decided not to make a specific provision in the accounts.

Fair value measurements
IFRS 13 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

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

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

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

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

16. Financial instruments (continued)

Fair value measurements (continued)
The following tables present the Fund's financial instruments by level within the valuation hierarchy as of 31 December 2018 and 2017:

31 December 2018	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities				
(at fair value through profit or loss)	114,095,281	-	-	114,095,281

31 December 2017	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities				
(at fair value through profit or loss)	148,464,909	-	-	148,464,909

The Fund holds securities that are traded in active markets. Such financial instruments are classified as Level 1 of the IFRS 13 fair value hierarchy. There were no transfers between Level 1, 2 and 3 in the year.

Price sensitivity
At 31 December 2018, if the market prices of the securities had been 30% higher with all other variables held constant, the increase in net assets attributable to holders of redeemable participating preference shares for the year would have been £34,228,584 (2017: £44,539,472) higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by £34,228,584 (2017: £44,539,472).

At 31 December 2018, 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 2018 and 2017:

	Fixed and floating rate assets			
	Weighted average interest at year end	**2018 GBP**	**Weighted average interest at year end**	**2017 GBP**
Assets				
Fixed rate assets				
Debt securities	5.75%	1,154,809	5.75%	1,208,649
Floating rate assets				
Cash and cash equivalents	*	7,889,488	*	9,328,518
		9,044,297		**10,537,167**

*Interest on bank balances are not material to the financial statements and are based on prevailing bank base rates.

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

16. Financial instruments (continued)

Interest rate risk (continued)

Floating rate liabilities

	2018 GBP	2017 GBP
Liabilities		
Floating rate liabilities		
Loan payable (see Note 14)	20,025,095	35,814,484
	20,025,095	**35,814,484**

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

Interest rate sensitivity analysis
At 31 December 2018, had interest rates been 50 basis points higher and all other variables were held constant, the Company's net assets attributable to redeemable participating preference shares for the year would have decreased by £77,545 (31 December 2017: £155,794) due to the decrease in market value of listed debt securities, an increase in interest payable on the loan and to a lesser extent an increase in interest earnings on cash and cash equivalents.

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

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

As at 31 December 2018, the Fund's ability to manage liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Securities (at fair value through profit or loss)	114,095,281	-	-	-	114,095,281
Accrued bond interest	-	17,070	-	-	17,070
Accrued dividend income	570,781	-	-	-	570,781
Accrued bank interest	7,541	-	-	-	7,541
Other receivables	2	-	-	-	2
Prepayments	14,775	-	-	-	14,775
Cash and cash equivalents	7,889,488	-	-	-	7,889,488
	122,577,868	**17,070**	**-**	**-**	**122,594,938**
Liabilities					
Other payables and accruals	(383,613)	-	-	-	(383,613)
Interest payable	-	(17,281)	-	-	(17,281)
Loan payable	-	(20,025,095)	-	-	(20,025,095)
	(383,613)	**(20,042,376)**	**-**	**-**	**(20,425,989)**
	122,194,255	**(20,025,306)**	**-**	**-**	**102,168,949**

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

16. Financial instruments (continued)

Liquidity risk (continued)
As at 31 December 2017, the Fund's ability to manage liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Securities (at fair value through profit or loss)	148,464,909	-	-	-	148,464,909
Accrued bond interest	-	16,070	-	-	16,070
Accrued dividend income	662,645	-	-	-	662,645
Accrued bank interest	5,374	-	-	-	5,374
Other receivables	2	-	-	-	2
Prepayments	15,540	-	-	-	15,540
Cash and cash equivalents	9,328,518	-	-	-	9,328,518
	158,476,988	**16,070**	**-**	**-**	**158,493,058**
Liabilities					
Other payables and accruals	(362,428)	-	-	-	(362,428)
Interest payable	(18,458)	(66,158)	-	-	(84,616)
Loan payable	(6,463,156)	(29,351,328)	-	-	(35,814,484)
	(6,844,042)	**(29,417,486)**	**-**	**-**	**(36,261,528)**
	151,632,946	**(29,401,416)**	**-**	**-**	**122,231,530**

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

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

	2018 GBP	2017 GBP
Assets		
Cash and cash equivalents	5,403,831	8,307,610
Canadian equities	93,372,747	126,795,603
Accrued income	566,146	668,019
	99,342,724	**135,771,232**

	2018 GBP	2017 GBP
Liabilities		
Loan payable	20,025,095	35,814,484
Interest payable	17,281	84,616
	20,042,376	**35,899,100**

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

16. Financial instruments (continued)

Currency risk (continued)
The Fund's net exposure to USD currency at the year end was as follows:

	2018 GBP	2017 GBP
Assets		
Cash and cash equivalents	1,994,463	565,196
United States equities	20,722,534	21,669,306
Accrued income	29,245	16,070
	22,746,243	**22,250,572**

Sensitivity analysis
At 31 December 2018, had GBP strengthened against the CAD by 5%, with all other variables held constant, the decrease in net assets attributable to shareholders would amount to approximately £3,965,017 (31 December 2017: £4,993,607). Had GBP weakened against the CAD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £3,965,017 (31 December 2017: £4,993,607).

At 31 December 2018, had GBP strengthened against the USD by 5%, with all other variables held constant, the decrease in net assets attributable to shareholders would amount to approximately £1,137,312 (31 December 2017: £1,112,529). Had GBP weakened against the USD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £1,137,312 (31 December 2017: £1,112,529).

17. Cash Flow statement reconciliation of financing activities
The following table discloses the effects of the amendments to IAS 7 Statement of Cash Flows that require additional disclosures about changes in an entity's financing liabilities arising from both cash flow and non-cash flow items.

	1 January 2018	Cash flows	Non-cash changes			31 December 2018
			Acquisition	Foreign exchange movements	Fair value changes	
	GBP	GBP	GBP	GBP	GBP	GBP
Financial liabilities held at amortised cost	35,814,484	(15,022,643)	-	(766,746)	-	20,025,095
Total	**35,814,484**	**(15,022,643)**	**-**	(766,746)	**-**	**20,025,095**

18. Post year end events
On 3 January 2019, the Company declared a quarterly dividend of 1.275 pence per share. The ex-dividend date was 10 January 2019 and the record date was 11 January 2019. On 31 January 2019, the dividend of £1,357,712 was paid.

No redeemable preference shares were purchased by the Company subsequent to year end.

At 31 December 2018, the Bankers' Acceptance drawn under the Credit Facility totalled CAD 35,000,000 (31 December 2017: CAD 61,000,000). The loan value of CAD 35,000,000 was made up of one loan issued on 20 December 2018, which matured on 19 February 2019.

The loan of CAD 35,000,000 maturing on 19 February 2019, was renewed with a maturity date of 21 March 2019. The loan was subsequently renewed on 21 March 2019, with a amount of CAD 45,000,000 and maturity date of 19 June 2019.

19. Controlling party
There is no ultimate controlling party.

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

20. Schedule of Investments – Securities (at fair value through profit or loss)
As at 31 December 2018

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Equities					
Bermuda – Quoted Investments 5.70% (2017: 2.48%)					
Power and Utilities:					
Brookfield Infrastructure Partners L.P.	100,000	2,893,615	2,710,428	2.65%	2.38%
Real Estate:					
Brookfield Property Partners L.P.	300,000	4,489,492	3,785,608	3.71%	3.32%
Canada - Quoted Investments 78.52% (2017: 82.92%)					
Energy:					
ARC Resources Ltd.	500,000	4,636,659	2,313,906	2.26%	2.03%
Birchcliff Energy - Preferred Shares	40,000	636,779	555,567	0.54%	0.49%
Birchcliff Energy Ltd.	85,000	1,300,141	1,184,979	1.16%	1.04%
Ensign Energy Services Inc.	950,000	4,650,820	2,616,008	2.56%	2.29%
Freehold Royalties Ltd.	500,000	3,668,047	2,362,772	2.31%	2.07%
Vermilion Energy Inc.	150,000	3,919,533	2,471,425	2.42%	2.17%
Financials:					
Canadian Imperial Bank of Commerce	65,000	4,331,765	3,792,047	3.71%	3.32%
The Bank of Nova Scotia	100,000	4,832,372	3,905,759	3.82%	3.42%
The Toronto-Dominion Bank	70,000	2,925,792	2,728,397	2.67%	2.39%
Industrials:					
Chorus Aviation Inc.	850,000	3,813,720	2,746,219	2.69%	2.41%
Morneau Shepell Inc.	185,000	2,213,655	2,647,138	2.59%	2.32%
Parkland Fuel Corporation	275,000	3,674,842	5,564,873	5.45%	4.88%
Materials:					
Chemtrade Logistics Income Fund	350,000	3,595,318	2,108,673	2.06%	1.85%
Pipelines:					
Enbridge Income Fund Holdings Inc.	300,000	7,120,847	7,303,896	7.15%	6.40%
Gibson Energy Inc.	300,000	2,791,939	3,200,952	3.13%	2.81%
Keyera Corp.	200,000	4,378,174	2,956,051	2.89%	2.59%
Pembina Pipeline Corporation	180,000	4,044,863	4,191,936	4.10%	3.67%
TransCanada Corporation	90,000	2,831,411	2,517,645	2.46%	2.21%

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

20. Schedule of Investments – Securities (at fair value through profit or loss) (continued)
As at 31 December 2018

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Power and Utilities:					
Altagas Ltd.	325,000	2,756,368	2,998,736	2.94%	2.63%
Capital Power Corporation	200,000	2,942,443	3,046,883	2.98%	2.67%
Northland Power Inc.	355,000	3,823,830	4,418,412	4.32%	3.87%
Transalta Corp.	750,000	3,029,423	2,401,576	2.35%	2.10%
Real Estate:					
Automotive Properties Real Estate Investment Trust	400,000	2,619,270	2,046,586	2.00%	1.79%
Choice Properties Real Estate Investment Trust	400,000	2,914,393	2,646,764	2.59%	2.32%
Dream Global Real Estate Investment Trust	375,000	2,360,185	2,563,262	2.51%	2.25%
First Capital Realty Inc.	300,000	3,808,779	3,237,169	3.17%	2.84%
Granite Real Estate Investment Trust	115,000	3,216,548	3,502,593	3.43%	3.07%
Pure Multi-Family REIT LP	583,800	2,501,675	2,819,183	2.76%	2.47%
Sienna Senior Living Inc.	250,000	2,597,601	2,259,292	2.21%	1.98%
Telecommunication Services:					
BCE Inc	80,000	2,539,491	2,478,438	2.43%	2.17%
United States - Quoted Investments 14.77% (2017: 13.79%)					
Financials:					
JP Morgan Chase & Co.	75,000	3,158,284	5,754,555	5.63%	5.04%
The Blackstone Group L.P.	120,000	2,972,764	2,807,789	2.75%	2.46%
Healthcare:					
Bristol-Myers Squibb Company	90,000	3,903,996	3,671,797	3.59%	3.22%
Pfizer Inc.	95,000	2,572,792	3,255,183	3.19%	2.85%
Telecommunications Services:					
CenturyLink, Inc.	115,000	1,577,810	1,367,975	1.36%	1.20%
Total Equities		**122,045,436**	**112,940,472**	**110.54%**	**98.99%**

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2018

20. Schedule of Investments – Securities (at fair value through profit or loss) (continued)
As at 31 December 2018

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Debt:					
Canada - Quoted Investments 1.01% (2017: 0.81%)					
Tricon Capital Group 5.75% due 31 March 2022	1,500,000	1,221,200	1,154,809	1.13%	1.01%
Total debt:		**1,221,200**	**1,154,809**	**1.13%**	**1.01%**
Total investments (2018)		**123,266,634**	**114,095,281**	**111.67%**	**100.00%**
Total investments (2017)		**135,470,403**	**148,464,909**	**121.46%**	**100.00%**

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (UNAUDITED)

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

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

For the Gross method, the following has been excluded:
• the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the AIF that are readily convertible to a known amount of cash, subject to an insignificant risk of changes in value;
• cash borrowings that remain in cash or cash equivalent as defined above and where the amounts of that payable are known.
The total amount of leverage calculated as at 31 December 2018 is as follows:

Gross method: 131.3% (31 December 2017: 150.8%)
Commitment method: 131.3% (31 December 2017: 150.8%)

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

Risk management policy note
Please refer to Note 16, Financial instruments, in the Notes to the financial statements on pages 46 to 51 for risk management policies, where the current risk profile of the Company and the risk management systems employed by the Investment Manager to manage those risks, are set out.

Remuneration
The total remuneration paid for the management of the AIFM amounted to approximately £98,000 for the year ended 31 December 2018. This amount was paid to a total of five beneficiaries including senior management and other staff.

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

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Middlefield Canadian Income PCC (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance the Companies (Jersey) Law 1991.

We have audited the financial statements which comprise:

- the Statement of Financial Position of the Company; and
- the related notes 1 to 3.

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception
Under the Companies (Jersey) Law 1991 we are required to report in respect of the following matters if, in our opinion:

- proper accounting records have not been kept by the Company, or proper returns adequate for our audit have not been received from branches not visited by us; 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.

We have nothing to report in respect of these matters.

Use of our report
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.

Nicola Sarah Paul FCA
For and on behalf of Deloitte LLP
Jersey, Channel Islands
11 April 2019

Statement of Financial Position of the Company
As at 31 December 2018

	Notes	2018 GBP	2017 GBP
Current assets			
Other receivables		2	2
Net assets		**2**	**2**
Equity attributable to equity holders			
Stated capital	2	2	2
Total Shareholders' equity		**2**	**2**

The financial statements and notes on pages 58 and 59 were approved by the directors on 11 April 2019 and signed on behalf of the Board by:

Thomas Grose
Director

Nicholas Villiers
Director

Notes to the Financial Statements of the Company
For the year ended 31 December 2018

1. Basis of accounting

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

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

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

Judgements and estimates used by the directors

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

2. The Company's stated capital

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

	No. of shares	GBP
Management shares issued		
At 31 December 2018 and 2017	2	2

3. Taxation

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

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

Middlefield Canadian Income - GBP PC (the "Cell")
whose registered office is at 28 Esplanade, St Helier, Jersey JE2 3QA

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

If you have sold or transferred all of your shares you should pass this document, together with the accompanying form of proxy, to the person through whom the sale or transfer was made for transmission to the purchaser or transferee. If you have sold any part of your holding of shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

Notice of Cell Annual General Meeting
Notice is hereby given that the Cell Annual General Meeting will be held at Green Room 3, The Cumberland Hotel, Great Cumberland Place, Marble Arch, London, W1H 7DL on Thursday, 20 June, 2019 at 12.00 p.m. for the following purposes:

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

1. **THAT** in accordance with Article 2.25 of the Cell's Articles of Association (the "**Articles**") dated 16 May 2013, the Directors be authorised to issue and allot redeemable participating preference shares ("**Shares**") and to sell Shares out of treasury, in each case for cash, pursuant to Article 2.22 of the Articles up to an amount representing 10 per cent of the issued share capital of the Cell as at the date of the Cell Annual General Meeting, as if Article 2.25 did not apply to the allotment or sale out of treasury, provided that such shares shall be allotted or sold for cash at a price which is not less than the net asset value per Share at the time of the issue or sale. This authority shall expire on the earlier of 30 September, 2020 or the conclusion of the next annual general meeting of the Cell, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted or sold out of treasury after such expiry pursuant to any such offer or agreement as if the power conferred hereby had not expired;

2. **THAT** the Directors of the Company be generally and unconditionally authorised:

   a) pursuant to Article 57 of the Companies (Jersey) Law (the "Law") to make market purchases of Shares, provided that:

      i) The maximum number of Shares authorised to be purchased shall be up to an aggregate of 15,962,438 or such number as shall represent 14.99 per cent of the issued share capital of the Cell as at the date of the Cell Annual General Meeting, whichever is less (in each case excluding Shares held in treasury);

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

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

      An amount equal to 105 per cent of the average middle market quotation for Shares (as taken from the Daily Official List of London Stock Exchange plc) for the five business days immediately preceding the day on which such Shares are contracted to be purchased; and the higher of (i) the price of the last independent trade and (ii) the highest current independent bid on the London Stock Exchange at the time the purchase is carried out, provided that the Company shall not be authorised to acquire Shares at a price above the prevailing net asset value per Share on the date of purchase; and

   b) The authority hereby conferred shall expire on the earlier of 30 September 2020 or the conclusion of the next annual general meeting of the Cell, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require the market purchase of Shares after such expiry pursuant to any such offer or agreement as if the power conferred hereby had not expired; and

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

3. **THAT** the new Cell Articles of Association published on the Cell's website and tabled at the meeting be adopted as the Cell's Articles of Association in substitution for the Cell's existing Articles of Association with effect from the date of this Annual General Meeting.

ORDINARY BUSINESS

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

1. To receive and adopt the Directors' Report, Auditor's Report and Financial Statements for the year ended 31 December 2018.
2. To re-appoint Deloitte LLP as Auditor of the Cell.
3. To authorise the Directors to determine the Auditor's remuneration.
4. To approve the Directors' remuneration as set out on page 19 of the Annual Audited Financial Report for the year ended 31 December 2018.
5. To approve the dividend policy of the Company as set out on page 10 of the Annual Audited Financial Report for the year ended 31 December 2018.

By order of the Board
JTC Fund Solutions (Guernsey) Limited
as Assistant Secretary
11 April 2019

Notes:

(1) A holder of redeemable participating preference shares of no par value in the capital of the Cell ("Shares") entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a holder of Shares. For the convenience of Shareholders who may be unable to attend the Meeting, a form of proxy accompanies this document. To be valid, the form of proxy should be completed in accordance with the instructions printed on it and sent, so as to reach Link Asset Services Limited, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours before the time fixed for the Meeting. The fact that holders of Shares may have completed forms of proxy will not prevent them from attending and voting in person at the Meeting should they subsequently decide to do so.

(2) The quorum for the Meeting is at least two Shareholders present in person or by proxy or by attorney. The majority required for the passing of the Cell ordinary resolutions is a simple majority (or more) and for the Cell special resolutions is two thirds (or more) of the total number of votes cast for and against the resolution.

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

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

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

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

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

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

(9) The Cell, pursuant to regulation 40 of the (Companies Uncertificated Securities) (Jersey) Order 1999 (as amended), specifies that only holders of Shares registered in the register of members of the Cell on the close of business on 18 June 2019 shall be entitled to attend or vote at the Meeting in respect of the number of Shares registered in their name at that time or in the event that the Meeting is adjourned, in the register of members at the close of business two days before the date of the adjourned Meeting. Changes to entries on the register of members after such time or, in the event that the Meeting is adjourned, to entries in the register of members after the close of business two days before the date of the adjourned Meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

(10) A copy of the Cell Articles of Association, as proposed to be amended, together with a comparison showing all changes to the existing Cell Articles of Association, have been uploaded to the Cell's website http://www.middlefield.co.uk/mcit.htm and will be available for inspection at the Cell Annual General Meeting. Electronic copies can also be requested from the Assistant Secretary by e-mail to fundservicesgsy@jtcgroup.com. They will also be available for inspection (i) from the date of this notice until the conclusion of the Cell Annual General Meeting at the registered offices of Middlefield International Limited and the Company and Cell and (ii) at the place of the Cell Annual General Meeting for at least 15 minutes before and during the meeting.

Middlefield Canadian Income PCC (the "Company") and Middlefield Canadian Income – GBP PC (the "Cell") whose registered office is at 28 Esplanade, St Helier, Jersey JE2 3QA

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If you have sold or transferred all of your shares you should pass this document, together with the accompanying form of proxy, to the person through whom the sale or transfer was made for transmission to the purchaser or transferee. If you have sold any part of your holding of shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

Notice of Company and Cell Meeting

Notice is hereby given that a Company and Cell Meeting will be held at Green Room 3, The Cumberland Hotel, Great Cumberland Place, Marble Arch, London, W1H 7DL on Thursday 20 June, 2019 at 12.30 p.m. for the following purposes:

ORDINARY BUSINESS

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

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

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

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

4. To re-elect Richard Hughes as a Director of the Company and the Cell.

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

JTC Fund Solutions (Guernsey) Limited
As Assistant Secretary

11 April 2019

NOTES:

(1) A holder of management shares in the capital of the Company and/or of redeemable participating preference shares of no par value in the capital of the Cell ("Shares") entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a holder of Shares.

(2) For the convenience of Shareholders who may be unable to attend the Meeting, a form of proxy accompanies this document. To be valid, the form of proxy should be completed in accordance with the instructions printed on it and sent, so as to reach Link Asset Services Limited, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours before the time fixed for the Meeting. The fact that holders of Shares may have completed forms of proxy will not prevent them from attending and voting in person at the Meeting should they subsequently decide to do so.

(3) The quorum for the Meeting is at least two Shareholders present in person or by proxy or by attorney. The majority required for the passing of the Company and Cell ordinary resolutions is a simple majority (or more) of the total number of votes cast for and against the resolution.

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

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

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

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

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

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

(10) The Cell, pursuant to regulation 40 of the (Companies Uncertificated Securities) (Jersey) Order 1999 (as amended), specifies that only holders of redeemable participating preference shares of no par value in the capital of the Cell registered in the register of members of the Cell on the close of business on Tuesday, 18 June, 2019 shall be entitled to attend or vote at the Meeting in respect of the number of such shares registered in their name at that time or in the event that the Meeting is adjourned, in the register of members at the close of business two days before the date of the adjourned Meeting. Changes to entries on the register of members of the Cell after such time or, in the event that the Meeting is adjourned, to entries in the register of members of the Cell after the close of business two days before the date of the adjourned Meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

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

Middlefield Canadian Income PCC (the "Company")
whose registered office is at 28 Esplanade, St Helier, Jersey JE2 3QA

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

Notice of Annual General Meeting of the Company

Notice is hereby given that the Annual General Meeting of the Company will be held at Green Room 3, The Cumberland Hotel, Great Cumberland Place, Marble Arch, London, W1H 7DL on Thursday, 20 June, 2019 at 12.45 p.m. for the following purposes:

SPECIAL BUSINESS
To consider and, if thought fit, pass the following resolution as a Special Resolution:

1. **THAT** the new Company Articles of Association published on the Company's website and tabled at the meeting be adopted as the Company's Articles of Association in substitution for the Company's existing Articles of Association with effect from the date of this Annual General Meeting.

ORDINARY BUSINESS

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

1. To receive and adopt the Company's annual financial report for the year ended 31 December, 2018.
2. To re-appoint Deloitte LLP as Auditor of the Company.
3. To authorise the Directors to determine the Auditor's remuneration.
4. To approve the Directors' remuneration as set out on page 19 of the Annual Audited Financial Report for the year ended 31 December, 2018.
5. To approve the dividend policy of the Company as set out on page 10 of the Annual Audited Financial Report for the year ended 31 December, 2018.

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

11 April 2019

Notes:

(1) Only holders of management shares are entitled to attend and vote at the Company Annual General Meeting. A holder of management shares is entitled to appoint one or more proxies to attend and vote at the Company Annual General Meeting instead of him. A proxy need not be a holder of management shares.
(2) The proposed new Articles of Association have been uploaded to the Company's website http://www.middlefield.co.uk/mcit.htm and will be available for inspection at the Annual General Meeting. Electronic copies can also be requested from the Assistant Secretary by e-mail to fundservicesgsy@jtcgroup.com.

Management and Administration

Directors	Nicholas Villiers (Chairman) Raymond Apsey Philip Bisson Thomas Grose Dean Orrico Richard Hughes (appointed 1 July 2018)
Administrator and Secretary	JTC Fund Solutions (Jersey) Limited 28 Esplanade St. Helier Jersey, JE2 3QA
Registered Office	28 Esplanade St. Helier Jersey, JE2 3QA
Assistant Secretary	JTC Fund Solutions (Guernsey) Limited Ground Floor, Dorey Court Admiral Park St. Peter Port Guernsey, GY1 2HT
Investment Advisor	Middlefield International Limited 288 Bishopsgate London, EC2M 4QP
Investment Manager	Middlefield Limited 812 Memorial Drive NW Calgary, Alberta Canada, T2N 3C8
Legal Advisers:	**In England** Norton Rose Fulbright LLP 3 More London Riverside London, SE1 2AQ Ashurst LLP Broadwalk House 5 Appold Street London, EC2A 2HA **In Jersey** Carey Olsen Jersey Partnership 47 Esplanade St. Helier Jersey, JE1 0BD

Management and Administration (continued)

Legal Advisers (continued):	**In Canada** Fasken Martineau DuMoulin LLP Bay Adelaide Centre Box 20, Suite 2400 333 Bay Street Toronto, Ontario Canada, M5H 2T6
Broker and Adviser	Canaccord Genuity Limited 9th Floor 88 Wood Street London, EC2V 7QR
Custodian	RBC Investor Services Trust 335 - 8th Avenue SW 23rd Floor Calgary, Alberta Canada, T2P 1C9
Registrar	Link Market Services (Jersey) Limited 12 Castle Street St. Helier Jersey, JE2 3RT
Auditor	Deloitte LLP P O Box 403 Gaspé House Esplanade 66-72 St. Helier Jersey, JE2 3QT
CREST Agent, UK Paying Agent and Transfer Agent	Link Market Services Limited The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU

END OF ANNOUNCEMENT

E&OE – in transmission