Middlefield Canadian Income PCC (the "Company")
Including Middlefield Canadian Income – GBP PC (the “Fund”), a cell of the Company
Registered No: 93546
Legal Entity Identifier: 2138007ENW3JEJXC8658

ANNUAL FINANCIAL REPORT

The information set out in this announcement is the Company’s full unedited annual financial report (audited) for the year ended 31 December, 2020 (the "**AFR**").

The AFR is expected to be printed and posted to all shareholders within April, 2021. The Company will also make the AFR available in the ‘Reports and Filings’ section of the Company’s website at http://www.middlefield.co.uk/mcit.htm in the coming days and the Company will make a further announcement once the AFR has been uploaded to the Company’s website and to the National Storage Mechanism, www.morningstar.co.uk/uk/nsm.

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MIDDLEFIELD CANADIAN INCOME PCC
Including MIDDLEFIELD CANADIAN INCOME – GBP PC,
a cell of the Company

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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Key Information

Middlefield Canadian Income Trust

Targeting high levels of stable income and capital growth, this Trust is primarily focused on Canada's highest quality large cap businesses. This Trust is run by a private and independent asset manager located in Toronto, Canada and has delivered consistent and material income for UK investors for more than a decade.

Objective

The Fund seeks to provide shareholders with high levels of dividend income as well as capital growth over the long term.

Reasons to Buy

Unique
The UK's only listed Canadian equity fund focused on high income –admitted to the FTSE UK All-Share Index in 2011.

Proven
+14 year track record of outperformance since inception, delivered by a private and independent investment manager based in Toronto, Canada.

Diversification
UK investors are underexposed to Canadian equities – Canada is one of the largest investable economies in the developed world.

High Income
Canadian equities offer high yields compared to other developed markets and have a history of growing dividend payments.

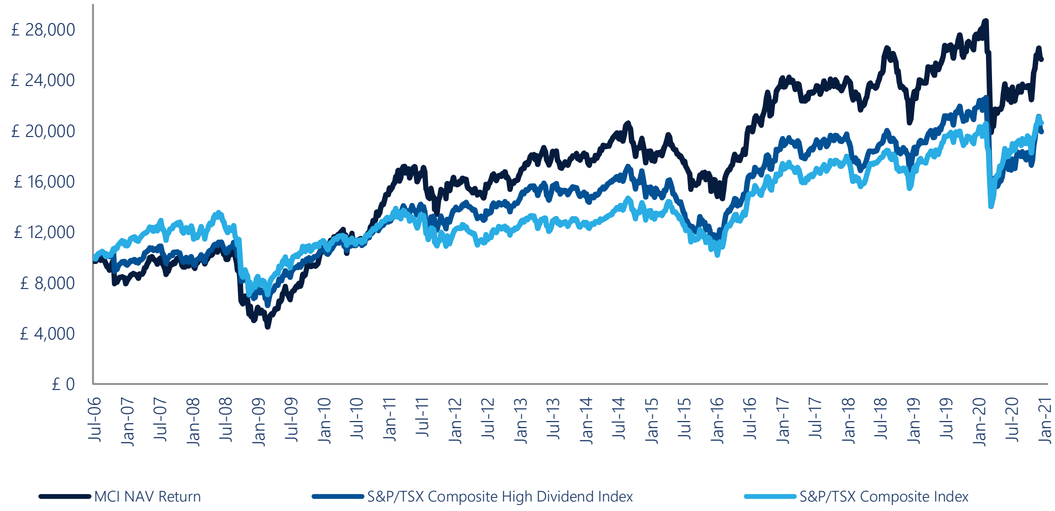
Stability
Canada is a member of the G7 and offers one of the most stable political and financial systems in the world.

Governance
Independent Board of directors re-elected by shareholders annually to protect their interests.

STRATEGIC REPORT

Historical Performance

Performance Since Inception to 31 December 2020



Notes:

1. Net asset value total returns (in Sterling, 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 the Canadian Dollar ("**CAD**") returns from inception to October 2011 (while the Fund was CAD hedged) and Sterling ("**GBP**") returns thereafter.

Recent Performance	1 Mth	3 Mth	6 Mth	YTD	1 Year
Share Price	5.3%	14.7%	16.3%	-2.6%	-2.6%
NAV	0.0%	9.5%	10.3%	-7.2%	-7.2%
Benchmark	-0.6%	12.0%	13.8%	-8.5%	-8.5%
S&P/TSX Composite Index	1.1%	7.4%	10.4%	4.3%	4.3%

Long-Term Performance	3 Year cumulative	3 year annualised	5 year cumulative	5 year annualised	Since Inception
Share Price	7.0%	2.3%	59.5%	9.8%	122.7%
NAV	3.4%	1.1%	51.3%	8.6%	137.2%
Benchmark	1.1%	0.4%	68.0%	10.9%	102.3%
S&P/TSX Composite Index	14.9%	4.7%	82.5%	12.8%	113.0%

Sources: Middlefield, Bloomberg. As at 31 December, 2020.

Past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. All price information is indicative only.

1 Total returns including the reinvestment of dividends for all returns. Fund returns are net of fees.

2 Composite of monthly total returns for the S&P/TSX Income Trust Index from inception to 31 December 2010 and the S&P/TSX Composite High Dividend Index (formerly named the S&P TSX Equity Income Index) thereafter

3 Currency adjusted to reflect CAD$ returns from inception of MCI to Oct 2011 and GBP returns thereafter since MCI was CAD$ hedged from inception to Oct 2011

STRATEGIC REPORT

CHAIRMAN'S REPORT

INTRODUCTION

It is my pleasure to introduce the 2020 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, primarily comprised 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.

INVESTMENT PERFORMANCE

Due to the economic challenges caused by the COVID-19 pandemic and the corresponding negative impact on equity income investments, the Fund's NAV total return declined 7.2% and the share price total return declined 2.6% in 2020. Both outperformed the Benchmark total return of -8.5% for the year, extending the Fund's longstanding track record of relative outperformance. Since inception in 2006, the Fund has generated a cumulative return of 137.2%, which compares favourably to the Benchmark's return of 102.3% and the Canadian S&P/TSX Composite Index's return of 113.0%.

The Fund's investment strategy is well-suited for long-term investors seeking cash flow from a diversified portfolio of stable, profitable businesses. The Board has regular contact with the Investment Manager, Middlefield Limited, to discuss broad strategy and review investment policies, gearing and sector allocations. We remain satisfied that the Investment Manager is applying the strategy consistently and professionally and will continue to deliver good performance.

INVESTMENT MANAGEMENT

The portfolio is actively managed, giving the Investment Manager the ability to tactically shift the Fund's composition as market dynamics change. In response to the pandemic and unprecedented market volatility, we implemented measures to reduce risk and protect the valuation. As market conditions improved in the latter part of the year, portfolio changes were made to position the Fund to participate in the market's recovery. More specifically, the Fund significantly increased its exposure to Financials and Real Estate, two sectors which are highly leveraged to a recovery in economic activity.

Fund Sector Weights Compared to Benchmark as at 31 December 2020

Sector	Fund	Benchmark	Over/Underweight
Real Estate	29.6%	6.5%	23.1%
Financials	28.7%	30.9%	-2.2%
Utilities	15.8%	12.9%	2.9%
Pipelines	8.4%	16.5%	-8.1%
Technology	6.6%	0%	6.6%
Communication Services	5.1%	10.6%	-5.5%
Healthcare	4.0%	0.5%	3.6%
Materials	1.8%	5.1%	-3.3%

STRATEGIC REPORT (continued)

CHAIRMAN'S REPORT (continued)

INVESTMENT MANAGEMENT (continued)

Sector	Fund	Benchmark	Over/Underweight
Consumer Discretionary	0.0%	3.1%	-3.1%
Consumer Staples	0.0%	0.2%	-0.2%
Energy	0.0%	12.1%	-12.1%
Industrials	0.0%	1.5%	-1.5%
Total	100.0%	100.0%	

Source: Middlefield, Bloomberg

The background to the Fund's performance is considered in depth by Mr Dean Orrico in the Investment Manager's accompanying report.

SHAREHOLDER ENGAGEMENT

The Fund's share register remained stable throughout the year, supported by long-term institutional shareholders and a growing base of retail investors. At the beginning of 2020, the shares were trading at a discount to NAV of 14.4%. The discount narrowed to 10.54% by the year end, which was satisfactory considering the extraordinary market volatility faced by the Fund throughout the year. In January 2021, the Fund's Senior Independent Director-designate Richard Hughes and I met with several of our largest investors to receive direct feedback on the Fund and the Investment Manager. In general, our shareholders are happy with the stability of the dividend paid and the Fund's long-term track record of outperformance. They also provided their thoughts on how we can narrow the discount to NAV in order to grow the size of the Fund. I consider this latter issue to be one of our highest priorities.

In order to achieve this objective, we have implemented a strategy to expand the Fund's awareness and profile within the retail investor community. These efforts included several online webinars and events, thought leadership articles highlighting the Fund's concentrations in utilities, financials and real estate as well as exclusive interviews between Dean Orrico and CEOs of a number of our key portfolio holdings, all of which can be found on the Fund's website under Media. In 2021, we are expanding these initiatives through ongoing improvements to the Fund's website as well as implementing a comprehensive digital marketing campaign.

GEARING

The amount of gearing employed by the Fund has been tactically managed and can be a useful tool to control risk. As markets sold off in Q1 2020, net gearing was reduced from 18% at the end of January to a net cash position exceeding 10% by the end of March. Gearing was gradually reintroduced as markets began to recover due to bold measures enacted by governments and central banks to stem the economic impacts of the pandemic and increased further in Q4 2020. At year end, the Fund's net borrowings were equal to 14.9% of net assets.

STRATEGIC REPORT (continued)

CHAIRMAN'S REPORT (continued)

EARNINGS AND DIVIDENDS

The Company's earnings per share totalled 3.61p. Four quarterly interim dividends of 1.275p per share were paid on 30 April 2020, 31 July 2020, 30 October 2020 and 29 January 2021. This is in line with the payments made in the previous financial year. As a result of the pandemic, the Fund adopted a more defensive posture, resulting in lower than typical earnings generation for the year. These actions were taken to preserve capital given the extreme levels of market volatility experienced during the latter part of Q1 2020 and Q2 2020.

During the year, approximately two-thirds of dividend-paying FTSE 350 firms cut or eliminated distributions. The Canadian market, on the other hand, fared significantly better with only approximately 20% of dividend-paying issuers on the Toronto Stock Exchange cutting or eliminating dividends over the same time frame. This demonstrates the resiliency of Canada's leading equity income companies. In fact, only two of MCI's portfolio constituents cut their dividend in 2020. As the Canadian economy moves toward pre-pandemic output, we expect dividend coverage to increase significantly in 2021 and, as a result, the Board considers it appropriate to maintain the current dividend for the new financial year.

BOARD COMPOSITION

As was previously reported, in October 2020 I assumed the role of Chairman following the retirement of Mr Nicholas Villiers after 14 years as a director, the final six years of which were spent as Chairman. We thank Mr Villiers for his wise counsel and contributions through the years and wish him well in all his future endeavours. Furthermore, Thomas Grose will be stepping down from the Board and his role of Audit Committee Chairman in June of this year. I would like to sincerely thank him once more on behalf of shareholders and my fellow Directors for his considerable contribution to the Company and his many years of exemplary service.

Mr Raymond Apsey was appointed as a non-executive director of the Company on an interim basis with effect from 3 September 2020 after Mrs Joanna Dentskevich resigned from the Board with effect from 30 June 2020. Mr. Apsey previously served as a non-executive director of the Company from its incorporation in 2006 until 13 June 2019 and agreed to re-join the Board in order to satisfy the Jersey Financial Services Commission's requirement for the Company to have at least two Jersey-resident directors.

The Company's search for a permanent Jersey-based Director concluded in early 2021. In February, we announced that Ms Kate Anderson had agreed to join the Board as a non-executive subject to receiving approval from the Jersey Financial Services Commission, which approval was received on 12 April 2021. Ms Anderson is a partner of Voisin Law in Jersey and head of the regulatory and collective investment fund and the banking and finance practices. Mr Apsey is scheduled to retire from the Board when Ms Anderson is formally approved by investors at the 2021 Annual General Meeting.

We are also pleased to announce that Mrs Janine Fraser, who was among the leading candidates in our search for a new director, has agreed to join as an apprentice to the Board. Mrs Fraser is resident in Jersey with over 20 years accounting experience and is currently the Financial Controller of West Park Financial Management Services.

STRATEGIC REPORT (continued)

CHAIRMAN'S REPORT (continued)

OUTLOOK

We remain positive on the outlook for the global economy in 2021. Vaccination efforts are gaining momentum globally which should support an ongoing recovery in economic activity and consumer spending. The IMF is projecting the global economy to grow at 5.5% in 2021 and we expect economic growth in Canada to be in line with this estimate.

In addition, given the continuing high level of volatility the market is experiencing, it is comforting to note that the Fund returns exceeded the key indices in both recent periods of market retrenchment in October 2020 and February 2021.

In summary, we believe the portfolio is well positioned to generate much more competitive total returns this year and believe the Fund's current trading price represents excellent value.

The Board joins me in thanking you for your continued support and we look forward to a time later in the year when we can again meet in person.

Michael Phair
Chairman

15 April 2021

STRATEGIC REPORT (continued)

Investment Manager's Report

Global equities performed well in 2020 after rebounding from a steep market sell-off during the first quarter. In GBP, the MSCI World, the S&P 500 and the S&P/TSE Composite (TSX) indices generated total returns of 13%, 14.8% and 4.3%, respectively. While COVID remains a major concern, we are encouraged by the ongoing rollout of approved vaccines and are looking forward to an economic rebound in 2021 and beyond.

The Fund increased its exposure to select Canadian-listed securities during the second half of the year and finished with approximately 85% of its investments allocated to Canada. The Canadian economy entered the pandemic from a position of strength, which has helped support bold policy responses to protect businesses and consumers. In November 2020, the federal government announced it will spend $100 billion to help the nation recover from the pandemic - the largest economic relief package since the Second World War. The wide-ranging plan includes targeted relief for hard-hit business sectors, investments in the healthcare sector and distribution of vaccines. The vaccination rollout is advancing with Johnson & Johnson's becoming the fourth to receive approval from Health Canada, prompting the Province of Ontario to accelerate its timeline for administering at least one dose to all willing citizens by June. The government's fiscal stimulus measures are further supported by the attractive structural characteristics of the Canadian economy. Canada's banking system is well-capitalized and has proven resilient over previous economic crises as well as the COVID-19 pandemic. In addition, Canada possesses a highly educated work force and is home to one of the world's most robust information technology industries. It is also important to note that the TSX has become much more diversified over the past 10 years. For example, Energy and Materials, in aggregate, currently represent 25% of the TSX compared to 47% in 2010. Over the long-term, we believe that Canada will benefit from increased economic diversification and an increase in immigration.

Joe Biden was elected President in November 2020 and the Democrats won narrow control of the Senate in January 2021, representing a major shift in US politics. The new Administration has made an early impact, passing a U.S.$1.9 trillion coronavirus relief bill which includes extra unemployment benefits, rental assistance, COVID-19 vaccination funds and direct payments. Biden is calling this the "first step in a two-step plan to build a bridge to the other side of the crisis." The second step will involve major investments in infrastructure, with a particular focus on clean energy. While Democrat control raises the possibility of more regulation and higher taxes to fund these initiatives, we expect the presence of a number of independently minded senators on both sides of the aisle will mitigate the risk of sweeping tax and regulatory changes.

In terms of risks, the continued expansion of valuations could increase the risk of equity market volatility over the next several months. In addition, while we do not expect central banks to tighten policy in the short-term, better-than-expected economic growth could lift yields on longer duration government bonds, thereby undercutting equity multiples.

Notwithstanding its focus on high-quality dividend paying entities, the Fund is well-positioned to benefit from a rebound in global economic activity in 2021 while providing some stability against potential market volatility. Sectors and industries that underperformed in 2020 as a result of strict lockdown measures and travel restrictions should perform well as the world moves past the pandemic. Real Estate and Financials, the two largest sector weights in the portfolio, experienced outsized negative impacts from the pandemic in 2020 and significantly lagged the broader market. We view both sectors as attractive in 2021 due to their high dividend yields and potential for substantial capital appreciation.

STRATEGIC REPORT (continued)

Investment Manager's Report (continued)

The Canadian Real Estate sector generated a total return of -8.7% in 2020, reflecting the extremely challenging and unpredictable operating environment for many property owners. However, the returns within the various sub-sectors varied widely. Retail and office REITs generated total returns of -21.3% and -26% due to forced store closures and mandatory work from home orders. In contrast, industrial REITs, whose tenants include logistics and distribution companies, generated a total return of 13.8% during the year as a result of the growth in E-commerce. Industrial REITs should continue to benefit from steady rental rate increases in 2021 and beyond due to the ongoing adoption of E-Commerce and the mounting imbalance between growing demand and limited supply of new warehouse space. While the Fund continues to hold industrial REITs, we have recently increased our exposure to more cyclical real estate issuers. Many well-capitalized, high-quality retail REITs focused on suburban open-air shopping centres continue to trade at significant discounts to their net asset values, despite near-perfect rent collection, robust development pipelines and success in renewing leases at higher prices. Due to the arrival of multiple highly effective vaccines, together with a low interest rate environment and ongoing government stimulus, we expect these companies to outperform with the recovery in economic activity.

In Q2 2020, the Fund began to gradually increase its exposure to Financials as it became apparent that Canadian households would largely emerge from the pandemic on a solid footing. From approximately 10% of the portfolio in April, Financials finished the year representing nearly 30% of the Fund, making it the second largest sector weighting behind Real Estate. In light of their relatively high capital ratios, low payout ratios and discounted valuations, we determined that Financials were an extremely attractive way to leverage the expected growth in economic activity. This thesis began to play out in the latter part of the year as the Canadian Financials sector generated a total return of 16.7% during the fourth quarter, led by core portfolio positions such as Bank of Nova Scotia (+26.4%), Bank of Montreal (+26%) and Toronto Dominion Bank (+18.1%). Canadian banks beat estimates by an average of 17% in the final fiscal quarter of 2020, driven primarily by ongoing performance in their capital markets and wealth management businesses. We remain positive on the sector given the relatively elevated levels of household savings as well as the steepening of the yield curve which should support the profitability of their loan book.

		2008-2009 Global Financial Crisis			2020 COVID-19 Pandemic		
Country	Index	# of Listed Bank Constituents	# of Banks that Cut or Suspended Dividends	% of Cuts or Suspensions	# of Listed Bank Constituents	# of Banks that Cut or Suspended Dividends	% of Cuts or Suspensions
Canada	S&P/TSX	8	0	0%	8	0	0%
U.K.	FTSE350	7	3	43%	11	11	100%
U.S.	S&P500	14	13	93%	18	1	6%

All figures as of 21 December 2020

STRATEGIC REPORT (continued)

Investment Manager's Report (continued)

Utilities finished the year as the Fund's third largest sector weighting. The Fund's exposure to the sector is concentrated in companies focused on renewable power generation, which provides both high levels of income and the potential for capital appreciation. BloombergNEF, a research organization dedicated to the energy industry, expects more than $35 trillion in clean power investments by 2050, making this a very attractive investment sector over the long term. Canada is home to several world-class renewable power producers, including Brookfield Renewables (BEP), which has installed capacity of more than 20 gigawatts ("**GW**") across five continents and is planning to build 1GW of new capacity every year. BEP generated an impressive total return of 79% in 2020 and was one of the Fund's top performing stocks. Northland Power (NPI), one of the Fund's long-held core positions, generated a total return of 73%. NPI is the world's fourth largest offshore wind company by installed capacity and plans to more than triple its generation base by 2025. Notwithstanding risks such as rising interest rates and increasing competition for renewable power projects, the long-term growth prospects for Canadian renewable power producers remains extremely attractive.

The Canadian dollar depreciated 1.03% relative to the British Pound in 2020. The U.S. dollar depreciated 3.00% to the British Pound over the same period. We expect the weakness in the greenback to persist into 2021, especially given the massive infrastructure spending programs on tap for the Biden Administration. Historically, investments in Canadian equities have served as a hedge against a declining U.S. dollar, which has in the past shown a negative correlation to commodity prices.

Top Holdings

The table below shows the largest ten positions held within the Fund's portfolio as at 31 December 2020:

Company	Sector	% of Equities
Canadian Imperial Bank of Commerce CIBC is one of Canada's largest banks, offering asset management, retail brokerage and private wealth management services across Canada and the United States. CIBC is trading at a valuation discount relative to its Canadian Bank peers which we believe could narrow as the firm approaches its goal of generating 25% of earnings from the United States, up from 17% in 2020.	Financials	4.8%
Brookfield Renewables Brookfield Renewable Partners is one of the world's largest publicly traded, pure-play independent power producers focused on renewables. It has installed capacity of more than 20GW across five continents and is planning to build 1GW of new capacity each year. Due to its significant scale, diversification and global footprint, it is well-positioned to benefit from government initiatives to increase infrastructure spending on decarbonization projects.	Utilities	4.4%

STRATEGIC REPORT (continued)

Investment Manager's Report (continued)

Top Holdings (continued)

Company	Sector	% of Equities
Bank of Montreal BMO is the fourth-biggest bank in Canada by assets and the eight-largest in North America. It is pursuing commercial banking growth in the US, mostly in the Midwest, which could lead an expansion in earnings as the economy recovers. It has the lowest relative exposure to Canadian mortgages and is uniquely focused on the mid-cap market niche which supports management's goal of faster growth.	Financials	4.3%
TD Bank TD's retail operations are larger relative to its peers at about 90% of total income. The company has more than 2,300 branches throughout Canada and the Eastern US. As a result, it is the most sensitive to shifts in interest rates among the big Canadian banks and is expected to outperform during periods of a steepening yield curve.	Financials	4.0%
Northland Power Northland is an independent power producer focused on renewables and has the world's fourth largest installed capacity of offshore wind. The company has 2.3 GW of total generating capacity which it plans to expand by 4-5 GW over the next five years through development opportunities. In addition, NPI has a proven track record of achieving growth through acquisitions and international joint ventures.	Utilities	3.8%
Bank of Nova Scotia Scotia provides retail, corporate and investment banking services primarily in Canada and Latin America. Its main operating arm, Scotiabank, has nearly 1,000 Canadian branches and over 1,800 additional offices throughout the world. We believe Scotiabank has the best operating leverage in its peer group due to its focus on strict cost controls. Since completing a significant risk mitigation initiative, management is now focused on growth in Latin America.	Financials	3.8%

STRATEGIC REPORT (continued)

Investment Manager's Report (continued)

Top Holdings (continued)

Company	Sector	% of Equities
Sun Life Financial Sun Life is a leading Canadian financial services company with operations in Canada, the US, the UK and Asia. Its primary business segments are life insurance and wealth management. Its balance sheet is characterized by low leverage and stable capital ratios, providing the company with the ability to pursue new product offerings and international growth.	Financials	3.8%
Enbridge Enbridge operates an extensive network of oil, liquids and natural gas pipelines, gas distribution utilities and renewable power generation facilities. The company pays a safe and robust quarterly dividend which has grown at a compound annual growth rate of 14% since 2012, including a 10% hike in 2020. Despite coronavirus lockdowns and lower throughput on its Mainline pipeline, distributable cash flow was flat in 2020 and management expects it to expand in 2021.	Pipelines	3.6%
SmartCentres REIT SmartCentres owns open-air shopping centres throughout Canada totalling more than 34 million square feet of leasable space with an additional 28 million square feet in various stages of development. Approximately 70% of its centres are anchored by Walmart which drives foot traffic and supports neighbouring businesses.	Real Estate	3.6%

Outlook

We remain very positive on equities in 2021 for a number of reasons. First, the world continues to make progress in the fight against COVID-19. Pfizer, Moderna and AstraZeneca each reported initial efficacy data exceeding 90% and the Johnson & Johnson vaccine proved 85% effective in preventing severe disease. Infections will fall globally as multiple countries implement mass inoculation programs, beginning with their most vulnerable citizens, and production of approved vaccines accelerates.

Second, monetary and fiscal policy are expected to remain highly accommodative for the foreseeable future. The U.S. Federal Reserve is not expected to increase short-term borrowing rates until at least 2023 and we expect other major central banks to maintain accommodative monetary policies. Regarding fiscal stimulus, governments around the world continue to spend in support of both consumers and businesses that have been most negatively impacted by the pandemic.

Last but not least, we expect corporate earnings to improve as the global economy recovers. We believe the eventual reopening of the economy will unleash pent-up consumer demand in areas such as travel and other leisure activities. While secular winners remain well positioned, we could see the biggest contributions from cyclically-oriented sectors such as Financials and Real Estate.

STRATEGIC REPORT (continued)

Investment Manager's Report (continued)

ESG

Middlefield ESG Policy

Our Philosophy

The primary objective of Middlefield's portfolio management team is to provide shareholders with competitive risk-adjusted returns over the long-term. It is our fiduciary responsibility to employ a disciplined investment process that seeks to identify attractive investment opportunities and evaluate all known and unknown risks that could impact portfolio returns. We do this by applying a consistent process to identify investment opportunities and by closely monitoring each of our holdings on an ongoing basis.

Consistent with these objectives, our process integrates Environmental, Social and Governance (ESG) related analysis. ESG has become an important component of a complete and thorough investment analysis. We believe the integration of ESG analysis will result in a more fulsome understanding of a company's strategy, culture and sustainability.

Our Process

We incorporate ESG data/scores in our multi-disciplined investment process to evaluate investments. Our methodology includes a qualitative review and assignment of ESG scores to individual holdings. Each company is analyzed on an absolute basis and measured relative to its peers. The ESG data/scores do not govern investment decisions on their own. They are reviewed and considered alongside our fundamental, quantitative and qualitative research.

The Scoring System

Middlefield's scoring system utilizes the average ESG scores from three reputable third-party data providers. In addition, we cross-reference potential investments with the constituents of leading ESG indexes to assess their eligibility in ESG-focused mandates. The data providers we have chosen to incorporate into our ESG analysis include:

Sustainalytics
A global leader in ESG and Corporate Governance research and ratings, Sustainalytics supports hundreds of the world's leading investors to incorporate ESG and corporate governance insights into their investment processes. Its coverage spans 11,000 companies across 40 industry-specific metrics.

RobecoSAM
Robeco is an asset management firm focused exclusively on sustainable investing. The firm launched the Dow Jones Sustainability Indices in 1999 and has developed expertise in defining and measuring ESG information.

Bloomberg
Bloomberg's proprietary ESG disclosure score measures the amount of ESG data a company reports publicly that is relevant to its industry sector. Its coverage spans more than 11,500 companies in 83 countries. ESG data is fully integrated with all of Bloomberg's analytics and can be compared alongside other key ratios and financial performance indicators.

STRATEGIC REPORT (continued)

Investment Manager's Report (continued)

ESG Case Studies

<u>Bank of Montreal (Top 1% ESG ranking and 4.3% of equities as at 31 December 2020)</u>

BMO

Summary: BMO is the 8th largest bank, by assets, in North America with over 12 million customers across the globe. BMO is aligned with the United Nations Sustainable Development Goals and environmental outcomes that support the transition to a lower carbon economy. Their business model possesses low ESG risk and they rank highly in terms of gender diversity.

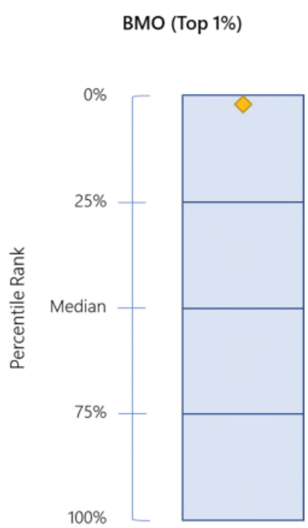
Highlights:

- Women comprise more than 50% of employees
- Director average age has been falling and is below financial services competitors

Top ESG Issues:

- Increasing support for small and medium-sized enterprises, women entrepreneurs and other underrepresented sectors of the economy
- Working toward "zero barriers to inclusion" hiring

ESG Rank Relative to the Fund's Benchmark (TSX High Dividend Index)



Sources: S&P, Sustainalytics, Bloomberg.

ESG materials: https://our-impact.bmo.com/reports/

STRATEGIC REPORT (continued)

Investment Manager's Report (continued)

Northland Power (Top 43% ESG ranking and 3.8% of equities as at 31 December 2020)

Summary: Northland Power is one of Canada's first independent power producers. The company's facilities produce electricity from renewable resources such as wind and solar and they own/operate clean and green global power infrastructure assets in North America, Asia, Europe and Latin America. Northland's ESG score is weighed down by governance issues which we expect to diminish overtime. Independence of Directors and Board Diversity grade lower than peers but are trending in a positive direction. We consider Northland to have medium ESG risk.

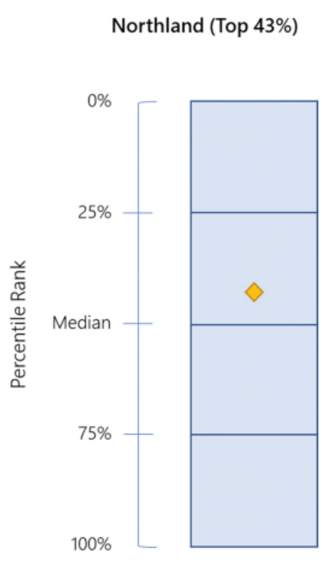
Highlights:

- Commitment to sustainability via global leadership in clean and green power
- Improving social programs that foster employee engagement and diversity

Top ESG Issues:

- Women employees only make up approximately 21% of the company's workforce
- Lack of disclosure related to carbon offsets for greenhouse gas emissions

ESG Rank Relative to the Fund's Benchmark (TSX High Dividend Index)



Sources: S&P, Sustainalytics, Bloomberg.

**Northland Power is not a Benchmark holding*

ESG materials: NorthlandPower-SustainabilityReport-2019.pdf and Northland Power Green Financing Framework_February_2021

STRATEGIC REPORT (continued)

Investment Manager's Report (continued)

Telus (Top 7% ESG rank and 2.2% of equities as at 31 December 2020)

TELUS

Summary: Telus is a Canadian telecommunications company that provides a wide range of products and services including internet access, voice, entertainment, healthcare, video and television. The company's sustainability efforts focus on giving customers equal access to technology, community donations, applying new communications technologies to healthcare and investing in sustainable innovators through The Telus Pollinator Fund, which is one of the world's largest corporate impact funds. We consider Telus to have low ESG risk.

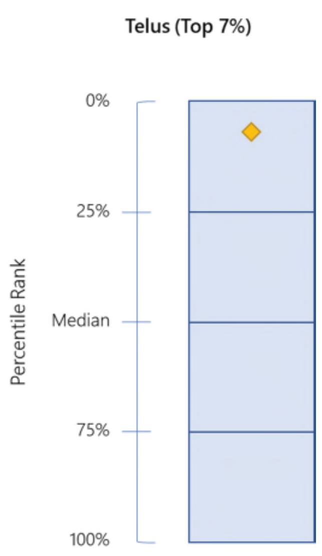
Highlights:

- Independent directors make up >90% of the board
- Rising percentage of board members that are women

Top ESG Issues:

- Increasing efforts toward reducing energy consumption as well as greenhouse gas emissions
- Progressive employee engagement focused on wellness and productivity

ESG Rank Relative to the Fund's Benchmark (TSX High Dividend Index)



Sources: S&P, Sustainalytics, Bloomberg.

ESG materials: https://www.telus.com/en/social-impact/caring-for-the-environment

STRATEGIC REPORT (continued)

BUSINESS MODEL

The Company's Status

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, regulated by the JFSC, whose shares have been admitted to the premium segment of the Official List of the FCA 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 NAV is calculated using the last traded 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 Policy

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

Investment Portfolio

The Fund seeks to achieve its investment objective by investing predominantly in the securities of companies and REITs domiciled in Canada and listed on a Canadian Stock Exchange that the Investment Manager believes will provide an attractive level of distributions, together with the prospect for capital growth. It is expected that the Fund's portfolio will generally comprise between 35 and 70 investments.

The Fund may also hold cash or cash equivalents.

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

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

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

STRATEGIC REPORT (continued)

Investment Objective and Policy (continued)

Investment restrictions (continued)

(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 NAV.

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

Gearing
The Fund has the power to borrow up to 25 per cent. of the value of its total assets at the time of drawdown. In the normal course of events, and subject to Board oversight, the Fund is expected to employ gearing in the range of 0 to 20 per cent. of the value of its total assets in order to enhance returns. At year end, the Fund's gross borrowings were equal to 19 per cent. of its total assets.

Promoting the Company's Success – Section 172 Statement

The AIC Code requires that the Company should understand the views of the Company's key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the UK's Companies Act 2006 have been considered in Board discussions and decision-making.

The Company has no employees and all of the directors are non-executive, so the Board considers that its key stakeholders are its shareholders, its service providers, society, the government and regulators.

The Board's engagement with stakeholders is described in the section "Engagement with Stakeholders" below.

The Board considers that the Company, as an externally-managed investment trust, with no employees, premises nor manufacturing or other physical operations, has no material, direct impact on the community and the environment. However, the Board considers social, community, environmental and human rights matters to be of significant importance and, in this respect, takes soundings from the Investment Manager as to how these matters are taken into consideration in respect of portfolio construction and its ongoing management. The Investment Manager is 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 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 considering 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. Although the Company does not take a controlling stake in its investees, the Board also considers the interests of those stakeholders and oversees the activities of the Investment Manager, as explained in this Section 172 Statement. The Board ascribes to the highest standards of business conduct and has policies in place to ensure compliance with all applicable laws and regulations. In this respect, it also interacts with governmental organisations providing public services for society, and financial services regulators (such as the FCA and JFSC). In addition to monitoring the Company's compliance with its own obligations, the Management Engagement Committee also monitors compliance by its service providers with their own

STRATEGIC REPORT (continued)

Promoting the Company's Success – Section 172 Statement (continued)

obligations and the work of the Management Engagement Committee during the year is explained in more detail later in this report on pages 52 and 53.

The Company has an unlimited life and, as described in detail in the Company's viability statement, the Board considers the prospects of the Company for at least the next three years whenever it considers the Company's long-term sustainability. All strategic decisions are therefore taken with the long-term success of the Company in mind and the Board takes external advice whenever it considers that such would be beneficial to its decision-making process, primarily from its retained service providers (including legal counsel), but also from other external consultants.

The Board encourages openness and transparency and promotes proactive compliance with new regulation. The Company, through its Investment Manager and Administrator, files Jersey regulatory statistics on a quarterly basis and assists the Administrator in collecting data for provision to the JFSC to conduct a national risk assessment of money laundering and terrorist financing threats to Jersey.

ENGAGEMENT WITH STAKEHOLDERS

As regards the Board's engagement with shareholders, all shares in issue rank *pari passu*, all shareholders are treated equally and no shareholder receives preferential treatment. When making decisions of relevance to shareholders, the Board considers first and foremost the likely consequences of their decisions in light of their duty to act in the best interests of the Company. The Board also considers what is likely to be in the best interests of shareholders as a whole, but does not consider individual shareholders' specific circumstances or desires when making its decisions.

In addition to the regular reporting provided by key service providers, the Board's primary formal engagement with its service providers is via the Management Engagement Committee, which issues questionnaires to all of its service providers and considers the detailed feedback received on an annual basis, reporting to the Board on its conclusions. The services provided by the key third party service providers are critical to the ongoing operational performance of the Company. The Board believes that fostering constructive and collaborative relationships with the Company's service providers will assist in their promotion of the success of the Company for the benefit of all shareholders.

During the year under review, Deloitte LLP, having served as the Fund's and Company's auditor since their inception in 2006, retired as the auditor. Following an extensive tender process, the Board appointed RSM Channel Islands (Audit) Limited as its replacement. During its due diligence on the Auditor, the Board considered such factors as the Auditor's employment policies, including its policy on diversity. Although the Auditor is subject to Jersey's employment legislation, not UK, and is not required to report against the UK Code, the Board did note that the Auditor employed a significant number of women and that a number of the Auditor's employees were from outside the UK.

Management

The Company is an Alternative Investment Fund ("AIF") in accordance with the provisions of the AIFMD. For the purposes of the AIFMD, which was implemented into UK law with effect from 22 July 2013, the Company has been classified as a non-EU AIF managed by a non-EU AIFM. As such, the Company is not subject to the full scope of the AIFMD 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.

STRATEGIC REPORT (continued)

ENGAGEMENT WITH STAKEHOLDERS (continued)

Management (continued)

The Board is responsible for setting the Company's Investment Objective and Investment Policy, subject to shareholders' approval 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 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.

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.

Relationship with the Investment Manager and Performance

The Company has no employees, premises, assets other than financial assets or operations. The Board engages reputable third-party suppliers with established track records to deliver day-to-day operations. The most important of these is the Investment Manager, which is responsible for the management of the Company's assets in accordance with its investment objective and policy. The Board maintains a close working relationship with the Investment Manager and holds it to account for the smooth running of the Company's day-to-day business. There is continuous engagement and dialogue between Board meetings, with communication channels remaining open and information, ideas and advice flowing freely between the Board and the Investment Manager.

The Board retains responsibility for decisions over corporate strategy, corporate governance, risk and internal control assessment, determining the overall limits and restrictions of the portfolio and in respect of gearing and asset allocation, investment performance monitoring and setting marketing budgets.

The Investment Manager and Investment Advisor promote the Company with the support of the Corporate Broker and the Board makes additional funds available to support marketing activities aimed at raising the profile of the Company among investors in the UK.

As the Investment Manager holds the overall day-to-day relationship with the Company's other third-party suppliers, the Board places reliance on the Investment Manager in this regard. The Board is confident that the Investment Manager has developed and maintains good working relationships with all of the Company's third-party suppliers. To ensure the chosen service providers continue to deliver the expected level of service, the Board receives regular reports from them, evaluates the control environments in place at each service provider and formally assesses their appointment annually. By doing so, the Board seeks to ensure that the key service providers continue to be appropriately remunerated to deliver the level of service that it demands of them.

STRATEGIC REPORT (continued)

ENGAGEMENT WITH STAKEHOLDERS (continued)

Relationship with the Investment Manager and Performance (continued)

The Company has appointed the Investment Manager as its AIFM. The Investment Manager is regulated by the Alberta Securities Commission. The Company has a formal schedule of the areas of decision making reserved for the Board and those over which the Investment Manager has discretion and it is available for inspection on the Company's website.

A review of the Investment Manager's performance is included in the Chairman's Statement and the Investment Manager's Report. The Board receives regular formal reports from the Investment Manager at each of its regular Board meetings, at which meetings representatives of the Investment Manager are present to answer the Board's questions.

Such reporting and the ensuing discussions cover all areas within the Investment Manager's remit, including portfolio performance, portfolio risk, asset allocation and gearing, compliance with the Company's investment objective and policy and investment restrictions and the outlook for the market and the Company's prospects, as well as a comparison with the Company's peer group provided by the Company's corporate broker. In between meetings, the Investment Manager provides updates to the directors on any material events. The Investment Manager's performance is assessed on an ongoing basis and includes the Fund's performance relative to appropriate benchmarks and its peer groups.

The Board and Investment Manager also discuss the marketing and investor relations work performed by the Investment Manager and Investment Advisor, which is an affiliate of the Investment Manager, in each quarterly Board meeting. The Investment Advisor and the Investment Manager are paid an additional fee for investor relations services totalling the lesser of 15 basis points of the market value of the Fund or £200,000 per annum, with the fee to be calculated daily based on the closing market value of the Fund and payable quarterly in arrears, and its performance is measured by reference to an agreed set of metrics.

In 2020, the Investment Manager was unable to conduct in-person roadshows with potential investors due to the ongoing travel restrictions related to the pandemic. The Company's promotional activities pivoted to various online channels in order to adapt to the circumstances. Over the year, the Investment Manager and Investment Advisor's Investor relations initiatives included the rebranding and updating of various marketing materials, investor meetings, targeted press coverage, numerous online webinar events and interviews, the regular distribution of thought leadership content and a series of investee company CEO video discussions hosted by the Investment Manager. This promotional content can be found in the 'Media' section of the company's website: Middlefield Canadian Income Media. In 2021, the Company will expand on these initiatives through ongoing improvements to the Fund's website as well as implementation of an extensive digital marketing campaign targeting professional and individual investors.

The Board has delegated voting on matters proposed to the Company by its investees and a report on the Investment Manager's institutional voting policy for the Company is included in the Directors' Report. The Board and the Investment Manager also consider social, community, environmental and human rights issues to be important and a report on the Investment Manager's policies for the Company is also included in the Directors' Report.

STRATEGIC REPORT (continued)

ENGAGEMENT WITH STAKEHOLDERS (continued)

Relationship with the Investment Manager and Performance (continued)

As required by the Listing Rules and recommended by the AIC Code, the following additional information is provided:

During the year under review and up to the date of this report, Middlefield Limited has acted as the Company's discretionary investment manager. Middlefield International Limited ("the Investment Advisor") 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 Investment Manager to cover its services and those provided it by the Investment Advisor and the agreement can be terminated by either party on 90 days' written notice.

Having reviewed the investment management and advisory services provided by the Investment Manager and the Investment Advisor 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.

BIOGRAPHIES

Directors

As at 31 December 2020, the Board of directors comprised six non-executive directors, five of whom were independent of the Investment Manager and its affiliates. On 12 April 2021, Advocate Kate Anderson was appointed as an additional director of the Company.

Michael Phair, Chair
Mr Phair has over 30 years' investment banking experience at World Bank Group, Rothschild and UBS with a focus on privatisations, telecoms and media. He has lived and worked in Canada, Latin America, the United States, Europe and is a British citizen and resident in London since 1988. He is the Founder, former CEO and currently director of REG (UK) Ltd. which is a leading software solutions provider for counter-party risk management in the UK and global insurance market. He is the Chair of Children and Families Across Borders, a UK-based charity which is part of the International Social Services Network operating in over 130 countries worldwide. A successful private equity investor, Mr. Phair is the former Managing Member of Boston Capital Management (VP) LLC.

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.

STRATEGIC REPORT (continued)

BIOGRAPHIES (continued)

Directors (continued)

Thomas Grose

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

Dean Orrico

Mr Orrico, 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. He also serves as a non-executive director of Lindsell Train Investment Trust where he chairs the Audit Committee and Edentree Asset Management Limited, where he chairs its Investment Committee and is a member of its Risk and Audit Committee.

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.

STRATEGIC REPORT (continued)

BIOGRAPHIES (continued)

Directors (continued)

Kate Anderson

Ms Anderson is a partner of Voisin Law in Jersey and head of the regulatory and collective investment fund and the banking and finance practices. Her regulatory and funds practice specialises in the legal, regulatory and corporate governance aspects of investment funds, holding companies and managers. In recent years she has joined a number of working groups related to these areas, including the consultation group for the restatement of the Jersey Law of Contract, the working group tasked with updating the Limited Partnership (Jersey) Law to improve its functionality when used with funds and the Jersey Finance Community of Interest group on sustainable investment. Since 2008 Ms Anderson has sat on a number of collective investment fund and fund manager/general partner boards.

CORPORATE INFORMATION

Registered Office

28 Esplanade
St Helier
Jersey JE2 3QA

Service Providers

Administrator and Secretary	JTC Fund Solutions (Jersey) Limited 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** Ashurst LLP London Fruit & Wool Exchange 1 Duval Square London, E1 6PW **In Jersey** Carey Olsen Jersey LLP 47 Esplanade St. Helier Jersey, JE1 0BD **In Canada** Fasken Martineau DuMoulin LLP Bay Adelaide Centre Box 20, Suite 2400 333 Bay Street Toronto, Ontario Canada, M5H 2T6

CORPORATE INFORMATION (continued)

Broker and Corporate Advisor	Investec Bank plc 30 Gresham Street London EC2V 7QP
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
CREST Agent, UK Paying Agent and Transfer Agent	Link Market Services Limited The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU
Independent Auditor	RSM Channel Islands (Audit) Limited (appointed 1 October 2020) 40 Esplanade St Helier Jersey JE4 9RJ Deloitte LLP (resigned 30 September 2020) PO Box 403 Gaspé House 66-72 Esplanade St. Helier Jersey, JE2 3QT

Financial Calendar

Annual Results	Announced April 2021
Dividend Payment Dates	Last Business Day of January, April, July and October
Annual General Meetings	10 June 2021 (expected)
Half-Yearly Results	Announced September 2021

Information Sources

For more information about the Company and Fund, visit the website www.middlefield.co.uk/mcit.htm.

CORPORATE INFORMATION (continued)

Managing Risks

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 and oversight 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 directors consider the principal risks of the Company to be those risks, or a combination thereof, that may materially threaten the Company's ability to meet its investment objectives, its solvency, liquidity or viability. In assessing the principal risks, the directors considered the Company's exposure to and likelihood of factors that they believe would result in significant erosion of value such as the stability of the North American and global economies, the ability of Canada to diversify its reliance on natural resources / energy and the impact of climate risk on investee companies, foreign exchange rates, the implications of Brexit and the impact of the COVID-19 pandemic on the Company and investor sentiment.

At the time of this report, the COVID-19 pandemic and responses by governments and regulatory authorities worldwide are having a significant impact at both macro and micro levels, of which the long-term severity and the impact on the Company's principal risks and viability cannot currently be predicted with any accuracy.

1. Strategy Risks ***RISK***	***MITIGANTS***	***Change from 2019***
Macroeconomic and political environment Unfavourable changes to the macro political and economic environment including global trade tensions, climate risk pressures and BREXIT, causes the investment objective to become obsolete with reduced investor demand.	The Board has established guidelines to ensure that the investment policy 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.	**Unchanged**

CORPORATE INFORMATION (continued)

Managing Risks (continued)

1. Strategy Risks ***RISK***	***MITIGANTS***	***Change from 2019***
Share price discount to NAV Continued trading of the Company's share price at a level below that of its NAV will prevent growing the Company via the issue of additional shares.	The Board, the Investment Manager and the Broker monitor the share price and level of discount on a regular basis. During the year the Investment Manager and Broker have spent considerable time engaging with existing and potential shareholders to understand investors' needs and best interests. The directors also have the ability to buy back shares should this be considered to be in the best interest of the Company.	**Unchanged**
Gearing To pursue its investment objective, the Company may borrow money, utilise derivatives and take short positions in securities. Adverse movements in equity prices or interest rates may mean that the Company has to liquidate positions at inopportune times in order to maintain the correct levels of gearing.	The Company maintains a prudent level of gearing and the loan to value ratio is monitored on a daily basis as part of the valuation process, so that in falling markets the Company will be able to take proactive steps to reduce gearing to avoid breaching its investment policy and any loan to value covenants.	**Unchanged**
Regulatory & Legal Risks The Company is exposed in many countries to regulation and laws, which could change, negatively impacting the efficiency and structure of the Company.	The Investment Manager and the Board are kept abreast of changes to all relevant laws by the Company's legal and tax advisers, Administrator and Auditor.	**Unchanged**

CORPORATE INFORMATION (continued)

Managing Risks (continued)

2. *Portfolio Risks*

RISK	*MITIGANTS*	*Change from 2019*
Income/Dividend The Company sets its target dividend at a rate it expects to earn from the dividends received from its underlying equity investments based upon robust assumptions as to currency movements. Failure by those investments to meet those expectations due to, for example, decreased operating margins, changes in tax treatment of dividends, increased borrowing costs or poor underlying performance may prevent the Company from being able to meet its target dividend.	The Investment Manager's allocation process seeks to select investments capable of producing strong reliable dividends and future capital growth across a diverse range of uncorrelated sectors. Day to day risk management techniques seek to spread the risk and monitor high levels of volatility. The Board monitors the income received on investments and available for distribution prior to the declaration of each dividend.	**Unchanged**

3. *Operational Risks*

RISK	*MITIGANTS*	*Change from 2019*
Service provider performance The Company is reliant on the performance, safe custody of assets and data and internal controls of its service providers for its day to day activities. Poor performance or failure to meet their contractual obligations, including the absence of adequate business continuity plans and data and cyber security, could negatively impact the operations, reputation, governance and cost efficiency of the Company.	Due diligence is carried out on all service providers prior to their appointment, with their level of service monitored continually and assessed formally by the Management Engagement Committee on an annual basis. The Board monitors the performance of the Investment Manager at every Board meeting and otherwise as appropriate.	**Unchanged**
Key man risk The Company is reliant on the Investment Manager and a few of their key people to meet its investment objective and for growing the Company's shareholder base.	The Company's portfolio is managed by a team of investment professionals led by Dean Orrico and Rob Lauzon.	**Unchanged**

CORPORATE INFORMATION (continued)

Managing Risks (continued)

4. Financial Risks		
RISK	***MITIGANTS***	***Change from 2019***
Market Risks The Company may make a loss on its investments at realisation due to adverse movements in their share prices, currency or interest rate movements.	The Investment Manager manages the portfolio and borrowings on an ongoing basis to achieve the best returns. The directors monitor the Investment Manager's compliance with the Company's stated investment policy and review the investment performance.	**Unchanged**
Liquidity Risk The Company may hold positions, long or short, in securities that may not be able to be sold or bought quickly enough so as to prevent or minimise a loss.	The Fund primarily invests in securities that are readily realisable, mainly issued by Canadian and U.S. companies and REITS listed on a Canadian Stock Exchange, and are actively traded.	**Unchanged**

Emerging Risks

The emergence of subsequent waves and variants of coronavirus (COVID-19) has raised the emerging risk of global pandemics. COVID-19 could still potentially pose a significant risk to the Company's portfolio, but the risks are being mitigated as set out in the table above. At the date of this report, the virus has contributed to significant volatility in trading recently. The global reach and disruption to markets of this pandemic is unprecedented.

During the year under review, the Company was able to continue its operations satisfactorily, due to the efficacy of its service providers' disaster recovery and contingency plans. However, should the new variants of the virus spread more aggressively or become more virulent than the experts are predicting, it may present risks to the operations of the Company, its Investment Manager and other major service providers. This could threaten both the ability of the Company and Fund to operate, the ability of investors to transact in the Fund's securities and ultimately the ability of the Fund to pursue its investment objective and purpose.

Emerging risks, along with all other risks the directors have identified the Company to be exposed to, are monitored via the Company's risk register. During the year, as part of their regular review and assessment of risk, the directors have also considered the impact of the emerging risk of climate change on the Company's business model and long term viability and do not consider this to be a material risk to the Company at this time.

CORPORATE INFORMATION (continued)

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 3 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 Fund 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.
- Assuming the Fund represented at least 30% of the average daily trading volume, an excess of 96% of portfolio's holdings can be liquidated in under 5 working days

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 SORP 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. There is no requirement under the Company's and Fund's articles of association to propose any 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

Provision 36 of the AIC Code 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. The Board believes that this three year period remains the appropriate period over which to assess the Company's viability because the Company's shareholders and other stakeholders desire long-term certainty as to the Company's viability. The Board does not consider it feasible to anticipate with any reasonable degree of certainty the viability of the Company for a period longer than three years.

CORPORATE INFORMATION (continued)

Viability Statement (continued)

In considering the Company's viability, the Board considers the Company's current position and the principal and emerging risks to which it is exposed, as set out on pages 29 to 32, the viability of its investment objective and policy, market risks, the ongoing charges ratio, the liquidity of its investments, the ability to use hedging as a portfolio management tool, gearing and the reduction in reliance of the Canadian economy on energy as it diversifies into promising growth industries, such as healthcare and technology.

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 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.

Notwithstanding the uncertainty caused by COVID-19 and its consequences worldwide, if the Company's operating expenses and the rate of dividends paid by the Company remain unchanged during the forecast period and if no further income is received during the forecast period, the Company holds sufficient cash to pay all of its expenses and the current rate of dividends. In addition, the board reviews the liquidity of the Company's investments on a quarterly basis and the Company's investment portfolio remains extremely liquid. The Board is confident, based on its regular monitoring of liquidity, that additional cash can be raised very quickly if needed.

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 this report.

Key Performance Indicators At each Board meeting, the Board considers a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators (KPIs) used to measure the progress and performance of the Company over time and which are comparable to other investment trusts are set out below.

Additionally, the Board regularly reviews the performance of the portfolio, as well as the net asset value and share price of the Company and compares this against various companies and indices. The Board also reviews the performance of the portfolio against the S&P TSX High Dividend Index. Information on the Company's performance is given in the Chairman's Statement and Investment Manager's Report.

	2020	**2019**
Key performance indicator	**Value**	**Value**
NAV per share	102.84 pence	116.80 pence
NAV total return performance for the year*	(7.2%)	27.3%
Benchmark Index**	(8.5%)	26.9%
Share price	92.00 pence	100.00 pence
Discount to NAV	(10.54%)	(14.38%)
Dividend for the year	5.1 pence	5.1 pence
Ongoing charges***	1.14%	1.27%

* refer to page 6
**S&P/TSX High Dividend Index, total return basis.
*** refer to page 45

CORPORATE INFORMATION (continued)

Borrowings

As at 31 December 2020 and as at the date of this report, the Company had the Credit Facility, which has a maximum principal amount of the lesser of CAD 65 million and 25 per cent. of the total net asset value of the Fund. At 31 December 2020, the amount drawn down under the Credit Facility was CAD 45 million (GBP equivalent at amortised cost of £25,775,293). As at 15 March 2021, the amount drawn down under the Credit Facility was CAD 50 million (GBP equivalent at amortised cost of £28,761,929).

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 Banker's Acceptance, a stamping fee of 0.60 per cent. per annum is payable. As at 31 December 2020, the Prime Rate was 2.45%.

Future Developments

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 Manager's Report on pages 10 to 18. Further details as to the risks affecting the Company are set out on pages 29 to 32.

Environmental, Social and Governance Matters ('ESG')

The Board and the Investment Manager believe that companies should act in a socially responsible manner. Day to day decisions in respect of the Company's investment portfolio have been delegated to the Investment Manager. 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 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. The Investment Manager's ESG policy is set out on pages 15 to 18.

Institutional Voting Policy

The Company's policy is that a decision on whether to vote on matters proposed by its investees is to be 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 NAV. In the ordinary course of business, voting decisions have been delegated to the Investment Manager. 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

CORPORATE INFORMATION (continued)

Institutional Voting Policy (continued)

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.

Board Diversity and Experience

The Company's affairs are overseen by a Board comprised of seven non-executive directors, one of whom is female. Their biographies are included on pages 24 to 26 above, demonstrating the diversity of their experience including, but not limited to, investment management, corporate governance, corporate law, banking, accounting and audit and ESG matters.

The directors regularly consider the leadership needs and specific skills required to manage the Company's affairs in the best interests of its shareholders and other stakeholders and take account of diversity recommendations in their succession planning. The Board supports the recommendations of the Hampton-Alexander review on gender diversity on Boards and the Parker Review about ethnic representation on Boards. The Board is not currently fully compliant with all recommendations but will continue to work towards compliance in a structured and orderly manner. Following the changes in Board composition due to take place in June, 2021, the Board of directors will comprise of five directors, one of whom will be female, as well as a female Board apprentice.

CORPORATE REPORT

REPORT OF DIRECTORS

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2020.

Results and Dividend Policy

The results for the year are shown in the Statement of Comprehensive Income on page 68 and related notes on pages 71 to 86. Four interim dividends of 1.275 pence per share were declared and paid on account of the year ended 31 December 2020.

The Board is aware of the current unique circumstances surrounding COVID-19 and its significant impact on economies and financial markets. We will therefore be keeping the future level of dividends under close review. Currently, we remain confident that our dividend can be paid based on the solvency and future viability of the Fund.

Therefore, in accordance with the Fund's dividend policy, 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. These figures are targets only and do not constitute, nor should they be interpreted as, a profit forecast. This is a target only and should not be treated as an assurance or guarantee of performance.

The current dividend rate of 1.275 pence per share per quarter is expected to be supported by capital and dividend and interest income earned by the Fund.

Directors' Conflicts of Interest

A director must avoid a situation where he or she has or might have a direct or indirect interest that either conflicts with 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.

Share Capital

The Fund has the power to issue an unlimited number of shares of no par value which may be issued as redeemable participating preference shares or otherwise and which may be denominated in Sterling or any other currency.

CORPORATE REPORT (continued)

REPORT OF DIRECTORS (continued)

Share Capital (continued)

There are currently 2 Management Shares of no par value in the Company (issued on incorporation) and 2 Management Shares and 124,682,250 Fund Shares in issue. As at 31 December 2020, 18,195,000 (2019: 18,195,000) Fund Shares were held in treasury. Since the financial year end and up to the date of this report, no Fund Shares had been sold out of or repurchased into treasury, 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 (2019: 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 and Repurchases 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 AGM held on 18 June 2020, 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 2021 or the conclusion of the next Cell AGM.

The Fund's Articles of Association also provide the Board of directors with authority to repurchase Fund Shares, provided that such repurchases are made with shareholders' prior approval. At the Cell AGM held on 18 June 2020, the Fund's shareholders authorised the Board to make market purchases of up to 15,962,438 Fund Shares (representing 14.99 per cent. of the Fund's issued share capital as at the date of the Cell AGM), provided that no such purchases may be made at a price above the prevailing net asset value per Fund Share on the date of any such purchase.

The aforementioned authority also expires on the earlier of 30 September 2021 or the conclusion of the next Cell AGM.

At the next Cell AGM, the Board will be seeking renewal of its authority to issue or sell out of treasury additional Fund Shares and to make market acquisitions of Fund Shares.

Notwithstanding the fact that the Fund conducted no share buybacks during 2020, the Board believes that it is important to retain the authority to buyback where appropriate (which, in turn is likely to depend on, inter alia, the prevailing discount rating of the Fund Shares, the financial resources that the Company has at its disposal, liquidity levels in the Fund Shares and the size of the Company). Buybacks can confer several benefits on remaining shareholders: they are accretive to NAV and can provide additional useful liquidity.

CORPORATE REPORT (continued)

REPORT OF DIRECTORS (continued)

Reappointment of Auditor

During the year under review, having served as the Company's auditor since its incorporation, Deloitte LLP retired as the Company's auditor. Following a detailed tender process, RSM Channel Islands (Audit) Limited was appointed to fill the vacancy arising.

RSM Channel Islands (Audit) Limited 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 AGMs.

Holdings in the Company's Shares

As at the year end and as at 31 March 2021, 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 2020 Number of Shares	Redeemable Participating Preference Shares 31 December 2020 % of Shares in issue	Redeemable Participating Preference Shares 31 March 2021 Number of Shares
State Street Nominees Limited	15,690,643	14.73%	15,691,066
Nortrust Nominees Limited	13,116,713	12.32%	11,629,951
Halb (Nominees) Limited	8,386,286	7.88%	7,111,741
Brewin Nominees Limited	8,077,802	7.59%	7,767,922
The Bank of New York (Nominees) Limited	7,441,361	6.99%	8,770,661
Hargreaves Lansdown (Nominees) Limited	6,228,684	5.85%	6,737,725

Preference shares are redeemable at the sole option of the directors and therefore classified as equity in the Statement of Financial Position.

Related Party Transactions

The Company's related parties are its directors and the Investment Manager. There were no related party transactions during the year under review, nor up to the date of this report. Details of the remuneration paid to the directors and the Investment Manager during the year under review are shown in note 13.

Annual General Meetings ('AGMs')

It is hoped that this year's AGMs will be held in June 2021. However, in light of the current market circumstances and measures taken to limit the spread of COVID-19 and based on advice from governments, regulators and industry bodies, the Board may defer the AGMs until a later date. Separate notices of the AGMs will be sent to shareholders and made public in due course. Shareholders can also write to the Company at its registered office or by e-mail to the Assistant Secretary at fundservicesgsy@jtcgroup.com.

CORPORATE REPORT (continued)

REPORT OF DIRECTORS (continued)

Directors' Statement as to Disclosure of Information to the Auditor

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.

Approval

This Strategic Report was approved by the Board on 15 April 2021 and is signed on their behalf by:

Michael Phair	Richard Hughes
Director	**Director**

STATEMENT OF DIRECTORS RESPONSIBILITIES

Directors' Responsibility Statement

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 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 www.middlefield.co.uk/mcit.htm.

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.

STATEMENT OF DIRECTORS RESPONSIBILITIES (continued)

Directors' Responsibility Statement (continued)

We confirm that to the best of our knowledge:

1. the Financial Statements, prepared in accordance with IFRS as adopted by the EU, 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:

Michael Phair	Richard Hughes
Director	**Director**

Date**:** 15 April 2021

DIRECTORS' REMUNERATION REPORT

Remuneration Report

Remuneration policy

The Company's remuneration policy is designed to ensure that the remuneration of directors is set at a reasonable level commensurate with the duties and responsibilities of each director and the time commitment required to carry out their roles effectively. Remuneration will be such that the Company and Fund are able to attract and retain directors of appropriate experience and quality. The fees paid to directors will reflect the experience of the Board as a whole, will be fair, and will take account of the responsibilities attaching to each role given the nature of the Company's interests, as well as the level of fees paid by comparable investment trusts and companies.

Directors will be reimbursed for travel and subsistence expenses incurred in attending meetings or in carrying out any other duties incumbent upon them as directors of the Company or Fund. The level of directors' fees paid will not exceed the limit set out in the Company's and Fund's Articles of Association.

Directors' Remuneration

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

The non-executive directors each earned the following fees in the 2020 and 2019 financial years:

Director	2020 Fees	2019 Fees
Raymond Apsey (resigned 13 June 2019, re-appointed 3 September 2020)	£7,174	£9,960
Philip Bisson	£22,000	£22,000
Thomas Grose	£24,000	£24,000
Dean Orrico	-	-
Nicholas Villiers (Chairman until resignation on 30 September 2020)	£21,000	£28,000
Richard Hughes	£22,000	£22,000
Michael Phair (Appointed 13 June 2019, Chairman since 1 October 2020)	£23,500	£12,085
Joanna Dentskevich (resigned 30 June 2020)	£11,000	£12,085

The figures above represent emoluments earned as directors during the relevant financial year, which were payable quarterly in arrears. During the year under review, the Board decided that directors' fees will henceforth be paid annually. 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.

DIRECTORS' REMUNERATION REPORT (continued)

Remuneration Report (continued)

Directors' Remuneration (continued)

The remuneration of each director is determined by the Nomination and Remuneration Committee, with each director abstaining from discussion of and voting upon their own remuneration. When the directors' remuneration is being considered, the Nomination and Remuneration Committee takes into account various factors including, but not limited to, the Company's and individual directors' performance, as well as each director's time commitment to their role. To date, no external remuneration consultant has been appointed.

Shareholders' Views

The Board welcomes the opportunity to discuss matters of remuneration with shareholders at the Company's and Fund's AGM or at any investor forum that may be held during the year.

Letters of Appointment

All directors are non-executive. Every director has a letter of appointment and the letters of appointment are available for inspection on the Company's website.

Directors' Interests in Shares (audited)

The interests as at 31 December 2020 and 2019 of the directors who served on the Board and their connected persons during the year were as follows:

	31 March 2021	31 December 2020 Fund Shares	31 December 2019 Fund Shares
Raymond Apsey (appointed 3 September 2020)	75,000	75,000	75,000
Philip Bisson	-	-	-
Philean Trust Company Limited (a company connected with Philip Bisson)	671,200	671,200	671,200
Beg Kaleh Services Limited (a company connected with Philip Bisson)	137,000	124,000	1,019,800
Beg Kaleh Pension Limited (a company connected with Philip Bisson)	1,023,000	983,500	0
Thomas Grose	62,000	62,000	62,000
Dean Orrico	100,000	100,000	100,000
Nicholas Villiers (resigned 30 September 2020)	35,000	35,000	35,000
Richard Hughes	101,413	100,000	75,000
Cheng Sim Hughes (a person connected to Richard Hughes)	25,000	25,000	25,000
Michael Phair (current Chairman)	50,000	30,000	30,000

DIRECTORS' REMUNERATION REPORT (continued)

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's 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 2020	1.14
31 December 2019	1.27

CORPORATE GOVERNANCE STATEMENT

Applicable Corporate Governance Codes

The Board is committed to achieving and demonstrating high standards of corporate governance. The Board is advised on all governance matters by the Secretary and Assistant Secretary and has access to independent professional advice at the Company's expense where it is judged necessary.

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 Code or, if not, setting out those provisions with which it has not complied and the reasons for non-compliance.

The AIC, of which the Company is a member, has published the AIC Code, which has been endorsed by the FRC and supported by the JFSC. The FRC has confirmed that, by following the AIC Code, investment company boards should fully meet their obligations in relation to the UK Code and paragraph LR 9.8.6 of the Listing Rules.

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

Statement of Compliance

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

The directors believe that the Company has complied with the provisions of the AIC Code, where appropriate, and that it has complied throughout the year with the provisions where the requirements are of a continuing nature. Following the publication of the revised AIC Code dated February 2019, the directors put in place further measures designed to ensure compliance with the revised AIC Code and report against the 2019 AIC Code in this year's Annual Financial Report.

CORPORATE GOVERNANCE STATEMENT (continued)

Responsibilities of the Board

The Board is responsible for setting the Company's Investment Objective and Investment Policy, subject to shareholders' approval 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.

Internal Controls

The directors are responsible for overseeing the effectiveness of the Company's risk management and internal 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 a 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.

Having reviewed the Company's risk management and internal control systems and on the advice of the Audit Committee, the Board believes that they continue to be effective and that no changes thereto are necessary or desirable at this juncture. Because the Company delegates its day to day operations to third parties and has no employees, 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, the Board does not consider that there is a need for the Company to establish its own internal audit function.

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. The Secretary ensures that the directors receive accurate, timely and clear information from all service providers.

Directors

Appointment, Retirement and Tenure

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. In addition, in accordance with the provisions of the AIC Code, and PIRC's published guidance, all directors will continue to offer themselves for annual re-election for the foreseeable future.

As the Company is a Jersey-regulated entity, the appointment of any new director is subject to the JFSC's confirmation that they have no objection to such director's appointment. It is also a regulatory requirement that the Company have at least two Jersey resident directors. Therefore, for so long as there are only two Jersey resident directors in office, any Jersey resident director who retires or whose re-election is not approved at a Company and Cell AGM will therefore remain in office until such time as a replacement Jersey-resident director acceptable to the JFSC has been appointed.

CORPORATE GOVERNANCE STATEMENT (continued)

Directors (continued)

Appointment, Retirement and Tenure (continued)

On 3 September 2020, Mr Raymond Apsey was appointed as a director of the Company and the Fund on an interim basis to meet the JFSC's requirement that the Company have at least two Jersey-resident directors due to the resignation of Ms Joanna Dentskevich. Following the appointment of Advocate Kate Anderson on 12 April 2021, Mr Apsey will retire at the commencement of the Company's and Fund's forthcoming annual general meetings, which are hoped to be held in June 2021.

As previously reported, having served nine years on the Board, Mr Thomas Grose will retire from the Board at the commencement of the forthcoming annual general meetings.

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.

As stated in previous annual financial reports, the Board has recognised the merits of refreshing its composition as well as planning for future succession. The Board intends to continue evolving its composition on a periodic basis and has agreed a succession plan for the directors with over nine years of service. The Board's advance planning for the retirement of directors ensures an orderly transition process that maintains an appropriate balance of skills and relevant experience. The Board has considered whether open advertising and / or an external search consultancy should be used for the appointment of the Chairman and non-executive directors. The Board has to date been successful in identifying and appointing strong candidates without incurring such additional expenses and has a pipeline of strong candidates for the future. However, in seeking a Jersey-resident replacement for Mr Apsey, the Board made use of open advertising in the Jersey press.

Nicholas Villiers had served on the Board for fourteen years, for the final six of which he had served as Chairman. While leading the Board, Mr Villiers demonstrated independent and objective judgement while promoting a culture of openness and debate. Mr Villiers resigned as Chairman and retired from the Board as of 30 September 2020. We thank him for providing exemplary leadership and wish him well in his future endeavours. Michael Phair was selected by the Board as a suitable successor to Mr Villiers as Chairman.

Furthermore, Thomas Grose will be stepping down from the Board and his role of Audit Committee Chairman in June of this year. The Board thanks him for his considerable contribution to the Company and his many years of exemplary service.

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.

CORPORATE GOVERNANCE STATEMENT (continued)

Independence

For the period 1 January to 30 June 2020, the Board consisted of seven members, all of whom were non-executive, the number of directors was six at the end of the financial year following the resignation of Ms Dentskevich as at 30 June 2020, the appointment of Mr Apsey on 3 September 2020 and resignation of Mr Villiers on 30 September 2020. Mr Orrico is a director of Middlefield Capital Corporation, an affiliate of the Investment Manager and President of the Investment Advisor. All the directors, apart from Mr Orrico, are considered to be independent of the Investment Manager and free of any business or other relationship that could influence their ability to exercise independent judgement. The Board believes that Mr Orrico's investment management experience adds considerable value to the Company.

The Board believes that Mr Grose, Mr Bisson, Mr Phair, 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. Mr Phair was also considered to be independent upon his appointment as Chairman. 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 24 to 26.

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. One of the principal rationales is that the Board includes a majority of independent directors, which is expected to continue 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 AIC Code, the Board will be nominating Richard Hughes as Senior Independent Director, effective June 2021. In-line with the AIC recommendation, Mr Hughes will provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. He will be responsible for coordinating a regular meeting, at least annually and on other occasions as necessary, of the non-executive directors (excluding the chair), to appraise the chair's performance.

Induction and Ongoing Training

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

Directors' Insurance

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

CORPORATE GOVERNANCE STATEMENT (continued)

Meeting Attendance

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.

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.

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	Management Engagement Committee	Dividend Committee *****
No. of meetings in the year	4	2	4	1	1	4
Raymond Apsey*	1	0	1	0	0	0
Philip Bisson	3	2	4	1	1	0
Thomas Grose	3	1	3	1	1	3
Dean Orrico**	3	1	3	1	1	1
Nicholas Villiers***	2	1	3	1	1	1
Richard Hughes	4	2	4	1	1	4
Michael Phair	4	2	4	1	1	3
Joanna Dentskevich****	2	1	2	1	1	0

* Mr Apsey was appointed on 3 September 2020.
** Mr Orrico attended meetings of the Committees as an observer, not a member or participant.
*** Mr Villiers resigned effective 30 September 2020.
**** Mrs Dentskevich resigned effective 30 June 2020.
***** The quorum for a meeting of the Dividend Committee is one director physically present in the UK.

Due to the requirement for the Company to maintain UK tax resident status, directors' meetings are required to be held in the UK, with a majority of the directors present in the UK at the time of the relevant meeting. With lockdowns and travel restrictions imposed by governments worldwide due to COVID-19, several of the directors were unable to attend some Board and Committee meetings in 2020. In order to ensure that a majority of directors were present in the UK at the time of the relevant meeting, certain of those directors located outside of the UK were prohibited from participating by telephone as directors in the meeting.

CORPORATE GOVERNANCE STATEMENT (continued)

The Board's Committees

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;
- 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; and
- the Board's diversity in terms of gender, social and ethnic backgrounds and cognitive and personal strengths and weaknesses.

The directors concluded that the performance evaluation process had proven successful, with the Board, the chairman, 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, each director's behaviour continued to be aligned to the Company's purpose, values and strategy and the individual directors continued to demonstrate commitment to their respective roles and responsibilities. Although the Board did not procure an externally facilitated Board evaluation during the year under review, the directors will consider doing so at the appropriate time in the future.

The Board also reviews its own policies and procedures on a periodic basis, as well as the terms of reference of its committees, to ensure that they serve to further the Company's purpose and that they are aligned with the Company's values and strategy. The Board with the support of the Assistant Secretary reviewed all of their policies, procedures and the terms of reference, all of which were updated (as applicable) to meet the recommendations of the AIC Code, and concluded that they continued to be in a satisfactory form. The terms of reference of the Board's Audit Committee, Management Engagement Committee and Nomination and Remuneration Committee are all available on the Company's website.

Committees of the Board

Audit Committee

On 26 May 2010 an Audit Committee was established. The current members are Thomas Grose (Chairman), Philip Bisson, Richard Hughes, Michael Phair and Raymond Apsey, although Mr Grose will retire from the Audit Committee and the Board at the commencement of the forthcoming AGMs, at which time he will be succeeded by Mr Hughes as Chairman. The Board believes it is appropriate for all members of the Board (excluding Mr Orrico) to be on the Audit Committee, because the directors work together collegiately and each brings a different perspective to the Audit Committee's discussions. In addition, with the pending retirement of Mr Grose and Mr Apsey, the Board will be smaller and the number of members will be more appropriate for a company of this size. A separate report from the Audit Committee is included at pages 55 to 57.

CORPORATE GOVERNANCE STATEMENT (continued)

Committees of the Board (continued)

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 bar Mr Orrico and their summary biographical details are set out on pages 24 to 26.

Thomas Grose chaired the Nomination and Remuneration Committee until 30 September 2020. The Chairman of the Nomination and Remuneration Committee is now Richard Hughes or, failing him, any UK-resident member of the Nomination and Remuneration Committee other than the Chairman of the Company. The Board believes it is appropriate for all members of the Board (excluding Mr Orrico) to be on the Nomination and Remuneration Committee, because the directors work together collegiately and each brings a different perspective to the Nomination and Remuneration Committee's discussions. In addition, with the pending retirements of Mr Grose, the Board will be smaller and the number of members will be more appropriate for a company of this size.

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 considers the need to appoint external remuneration consultants.
- 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 in this report and the nature of the Company as an investment fund, it has complied with the applicable provisions of the AIC Code throughout the year. The Board has noted the recommendations of the AIC relating to Board diversity. Although the Board does not have a formal written policy in diversity and inclusion, 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.

CORPORATE GOVERNANCE STATEMENT (continued)

Committees of the Board (continued)

Nomination and Remuneration Committee (continued)

When considering the proposed appointment of new directors, the Nomination and Remuneration Committee receives full biographical information on all candidates and considers all matters which it considers relevant, including their experience and ability to devote sufficient time to the Company's business. The process also takes into account numerous other factors including, but not limited to, each candidate's experience, gender, social and ethnic background and personal strengths and weaknesses. Each director is interviewed by the Nomination and Remuneration Committee as part of the Board's evaluation of prospective candidates. After their appointment, each director seeks the Board's consent before taking on any other significant external appointments.

Management Engagement Committee

The Board established a Management Engagement Committee at its meeting held on 20 November 2013. In addition to regular reporting and engagement at Board meetings with its service providers, the Board formally reviews all service providers via the Management Engagement Committee. At the present time, the Management Engagement Committee's members are all the directors of the Company bar Mr Orrico, who does not sit on the Management Engagement Committee because of the perceived conflict that his role as President of the Investment Advisor could present.

Thomas Grose chaired the Management Engagement Committee until 30 September 2020. The Chairman of the Management Engagement Committee is now Richard Hughes or, failing him, any UK-resident member of the Management Engagement Committee other than the Chairman of the Company. For the purposes of transacting business, a quorum of the Management Engagement Committee is not less than two members of the Management Engagement Committee and all meetings must take place in the UK.

The Board believes it is appropriate for all independent members of the Board to be on the Management Engagement Committee, because the directors work together collegiately and each brings a different perspective to the Management Engagement Committee's discussions. In addition, with the pending retirement of Mr Grose and Mr Apsey, the Board will be smaller and the number of members will be more appropriate for a company of this size.

Duties

The Management Engagement Committee's key duty is to review the performance by service providers of their duties and the terms of all agreements for the provision of services that the Company has entered into or will in future enter into.

The Management Engagement Committee meets at least annually to specifically consider the ongoing management, administrative and secretarial and investment management requirements of the Company. The Management Engagement Committee receives self-evaluation questionnaires provided by all service providers, which include reporting on each service provider's opinion of the quality of services provided by the Company's other service providers, and the Board also receives detailed compliance reporting from the Company's compliance officer, which the Management Engagement Committee takes into account when reviewing the services provided. 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

CORPORATE GOVERNANCE STATEMENT (continued)

Committees of the Board (continued)

Management Engagement Committee (continued)

Duties (continued)

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 the Secretary, the Investment Manager and the Investment Advisor are set out in note 13 to the financial statements. After due consideration of the resources and reputations of those parties, the Board believes it is in the interests of shareholders to retain the services of all three providers for the foreseeable future.

Terms of Reference of Committees

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

Bribery Act 2010

The Company has no employees. The Board has considered the Bribery Act 2010 and confirmed its zero tolerance of bribery and corruption in its business activities. It has received assurances from the Company's main service providers that they will maintain adequate safeguards to protect against any form of bribery and corruption by their employees and agents.

Criminal Finances Act 2017

The Board has also considered the Criminal Finances Act 2017 and has received assurances from the Company's main service providers that they will maintain adequate safeguards to protect against any form of illegal activities under this legislation, including the facilitation of tax evasion.

Relations with Shareholders

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 each year. Shareholders can also write to the Company at its registered office or by e-mail to the Assistant Secretary at fundservicesgsy@jtcgroup.com.

CORPORATE GOVERNANCE STATEMENT (continued)

Committees of the Board (continued)

Relations with Shareholders (continued)

Upon replacing Mr Villiers as Chairman, Mr Phair offered the Company's largest shareholders an introductory meeting. In early 2021, those meetings with shareholders occurred with the Company being represented by Mr Phair and Senior Independent Director-designate, Mr Hughes. The Fund's largest investors had the opportunity to discuss their perspectives on various issues including the Investment Manager's performance, the challenges facing the Fund as well as the overall North American investment landscape.

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.

In June 2020, the Investment Manager and Corporate Broker met with shareholders holding approximately 37% of the Company's issued share capital to discuss the impact of the global pandemic on the Fund. Subsequent follow up updates were delivered to major shareholders in Q4 2020, delivered solely by the investment manager.

REPORT OF THE AUDIT COMMITTEE

This report of the Audit Committee has been prepared with reference to the AIC Code. Established in 2010, the Audit Committee reports formally to the main Board at least twice each year. In accordance with written terms of reference, its delegated duties and responsibilities 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 members do not have any links with the Company's 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 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 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 interim and annual reports and financial statements and to review accounting policies. Representatives of the Auditor attend the Committee meeting at which the draft Annual Financial Reports are 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 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 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.
- Providing advice to the Board on whether the Annual Financial Report, taken as a whole, is fair balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.
- Reviewing compliance with accounting standards and law and regulations including the Companies Law 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 making and reporting to the Board any recommendations that may arise.
- Considering the major findings of internal investigations and making recommendations to the Board on appropriate action.
- Ensuring that arrangements exist whereby service providers and management may raise concerns over irregularities in financial reporting or other matters in confidence and that such concerns are independently investigated and remediated with appropriate action.

REPORT OF THE AUDIT COMMITTEE (continued)

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 the Auditor, does not consider that there is a need for the Company or Fund to establish its own internal audit function.

Some of the principal duties of the Audit Committee are to consider the appointment of the Auditor, to discuss and agree with the 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 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 Auditor, including making recommendations to the Board on the appointment of the Auditor and its remuneration. The previous auditor was appointed in 2006 and had therefore served the Company for thirteen years. Following an audit tender RSM Channel Islands (Audit) Limited was appointed. A description of the tender process to replace the previous auditor in the fourth calendar quarter of 2020 is included above in the section headed "Engagement with Stakeholders" on page 21.

Significant Risks

The significant risks that were subject to specific consideration in 2020 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.
- Stale prices: These need to be traced and agreed to support to ensure prices are not stale. Stale 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.

REPORT OF THE AUDIT COMMITTEE (continued)

Significant Risks (continued)

Valuation and ownership of securities (continued)

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.

Auditor and Audit

The Audit Committee considers the nature, scope and results of the Auditor's work and monitors the independence of the 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. As the Auditor was replaced during the year under review and their first audit was of this annual financial report, the Audit Committee will be considering their performance in the coming months and will report on its consideration of the Auditor's work and independence in the Company's next annual financial report.

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

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 and assesses the quality of the draft financial statements prepared by the Administrator and examines the interaction between the Investment Manager and the Auditor to resolve any potential audit issues.

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.

Richard Hughes

Director

Date: 15 April 2021

GENERAL SHAREHOLDER INFORMATION

AIFMD Disclosures

In accordance with the AIFMD, the 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 2020 is as follows:

Gross method: 141.8% (31 December 2019: 136.8%)

Commitment method: 141.8% (31 December 2019: 136.8%)

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 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 71 to 86 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.

AIFM Remuneration

The total remuneration paid by the AIFM to its 4 staff amounted to approximately £300,000 for the year ended 31 December 2020. This amount was paid to a total of 4 beneficiaries including senior management and other staff.

GENERAL DATA KEY INVESTOR DOCUMENT AND RELATED DATA

The Company has produced a Key Information Document (the "**KID**"), as required by the Packaged Retail Insurance-Based Investment Products Regulations (the "**PRIIPs Regulations**"), together with a European PRIIPs Template and a European MiFID Template, all of which are available on the Company's website.

The PRIIPs Regulations require the preparation and publication of the KID. Investors should note that the methodology for calculating the risks, costs and potential returns cited in the KID are prescribed by the PRIIPs Regulations. However, the methodology is considered by many market participants, including the AIC, to be flawed and future risks and returns may not transpire to be as cited in the KID. The Board therefore recommends that investors not make any investment or divestment decision based on the information contained in the KID.

Non-Mainstream Pooled Investment ('NMPI') Status

The Company currently conducts its affairs to maintain its status as an "excluded security" for the purposes of the FCA's rules on "non-mainstream pooled investments" and intends to continue to do so. The Fund Shares are therefore excluded from the FCA's restrictions which apply to non-mainstream pooled investments.

Performance Details/Share Price Information

Details of the Company's share price and the net asset value per Fund Share can be found the London Stock Exchange's website. The net asset value is calculated and published daily.

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

Opinion

We have audited the financial statements of Middlefield Canadian Income – GBP PC (the "Fund"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in redeemable participating preference shareholder's equity and statement of cash flows for the year then ended, and notes 1 to 20 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ('EU IFRS').

In our opinion the financial statements of Middlefield Canadian Income – GBP PC, 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the Companies (Jersey) Law, 1991.

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 Jersey, including 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Fund's ability to continue to adopt the going concern basis of accounting included our review of the directors' statement in note 2(n) and their identification of any material uncertainties to the Fund's ability to continue over a period of at least twelve months from the date of approval of the financial statements.

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 the Covid-19 pandemic, 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

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. We confirm that we have nothing to report in connection with this matter.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONTINUED)

Our approach to the audit

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

Our consideration of the control environment

The Fund has appointed JTC Fund Solution (Jersey) Limited to provide the accounting function. The accounting function has been subcontracted to JTC Fund Solutions (RSA) Pty Ltd ("JTC SA"). We have obtained JTC SA's ISAE 3402 controls assurance report for the period 1 April 2019 to 31 March 2020 which summarises the suitability of design and implementation and operating effectiveness of controls. We have reviewed the report and considered the controls relevant to the accounting functions undertaken by JTC SA for the Fund in order to rely on controls. As the reporting date of the Fund is 31 December 2020 we have obtained correspondence issued by JTC SA confirming that there have not been any material changes to the internal control environment nor any material deficiencies in the internal controls to this date.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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. In arriving at our audit opinion, the key audit matter was as follows:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONTINUED)

Key Audit Matter	How our scope addressed this matter
<u>Ownership and valuation of Investments</u> The Fund's investments (see note 3 and the schedule of investments) are included at fair value of £129,564,819 (2019: £144,075,929). The portfolio is made up of investments actively traded on recognised 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 investments are listed and have quoted market pricing data available which is used to value the investments, 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 investments 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 NAV. There is a risk that investments, a record of which is maintained by a third party custodian, are not directly owned by the Fund. Investments are held by 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 statement of financial position.	Our procedures on the valuation of investments included: • understanding the relevant controls around valuation; • testing 100% of the valuations of investments by agreeing the prices directly to independent third party sources; • considering the trading history of investments to determine whether they have been frequently traded, and values at which they have been traded to consider whether the year end prices are stale. Our procedures on ownership of investments included: • obtaining an understanding of the relevant controls around custody of investments; • agreeing the holdings to independent third party confirmations provided by the Fund's custodian; and • reviewing the ISAE 3402 controls assurance report of the custodian to consider the controls relevant to the custodial function. <u>Key observations</u> Based on the procedures, we concluded that the ownership and valuation of investments is appropriate.

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 (all 2019 materiality information relate our predecessor's assessments using their methodology):

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONTINUED)

Our application of materiality (continued)

Materiality £1,980,000 (2019: £1,243,700)

Basis for determining materiality - Approximately 1.4% of the Fund's total assets (2019: 0.8%).

Rationale for the benchmark applied - The reason for using total assets is that the key users of the financial statements are primarily focused on the valuation of the Fund's assets.

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered our understanding of the entity, including our assessment of the overall control environment.

Error reporting threshold

We agreed with the Audit Committee that we would report to them all audit differences in excess of £99,000 (2019: £62,100), 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.

Other information

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

Matters on which we are required to report by exception

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

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

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Fund's compliance with the provisions of the Listing Rule 9.8.10R(2) specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement and Corporate Information is materially consistent with the financial statements or our knowledge obtained during the audit:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONTINUED)

Corporate governance statement (continued)

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 33 to 34;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate set out on pages 33 to 34;
- Directors' statement on fair, balanced and understandable set out on page 42;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page pages 29 to 32;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 46; and;
- The section describing the work of the audit committee set out on pages 55 to 57.

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, we:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the Fund operates in and how the Fund is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected, or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

We also obtained an understanding of the legal and regulatory frameworks that the Fund operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included IFRS and Companies (Jersey) Law, 1991, Codes of Practice for Certified Funds, Listing and Disclosure Transparency Rules and the AIC Code of Corporate Governance. The audit procedures performed included:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONTINUED)

The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

- a review of the financial statement disclosures and testing to supporting documentation;
- completion of disclosure checklists to identify areas of non-compliance; and
- review of the financial statement disclosures by a specialist in the Listing and Disclosure Transparency Rules.

The area that we identified as being susceptible to material misstatement due to fraud was management override of controls. The audit procedures performed included:

- testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in determining accounting estimates, in particular in respect of the fair value of investments and the split between capital and revenue, are indicative of a potential bias; and
- evaluation of the business rationale of any significant transactions that are unusual or outside the normal course of business.

Owing to the inherent limitations of an audit there is an unavoidable risk that some material misstatement of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK). However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with the directors who should not rely on the audit to discharge those functions.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of directors on 1 October 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 6 months.

We have not audited the financial statements for the year ended 31 December 2019, which were audited by Deloitte LLP who issued an unqualified audit opinion, and form the comparative period for the year ended 31 December 2020.

No non-audit services have been provided to the Fund and we remain independent of the Fund in conducting our audit.

Our audit opinion is consistent with our reporting to the audit committee we are required to provide in accordance with ISAs (UK).

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.

Philip J Crosby
For & on behalf of
RSM Channel Islands (Audit) Limited
Chartered Accountants and Recognized Auditors
Jersey, C.I.

Date: 15 April 2021

Statement of Financial Position of the Fund
As at 31 December 2020

	Notes	2020 GBP	2019 GBP
Current assets			
Securities (at fair value through profit or loss)	3 & 20	129,564,819	144,075,929
Accrued bond interest		-	27,940
Accrued bank interest		-	6,908
Accrued dividend income		419,004	513,405
Other receivables	6	2,125	2
Prepayments		20,124	17,659
Cash and cash equivalents	4	5,621,538	6,198,999
		135,627,610	150,840,842
Current liabilities			
Other payables and accruals	5	(318,742)	(413,763)
Interest payable		(21,776)	(24,327)
Loan payable	14	(25,775,293)	(26,026,802)
		(26,115,811)	(26,464,892)
Net assets		109,511,799	124,375,950
Equity attributable to equity holders			
Stated capital	6	49,704,414	49,704,414
Retained earnings		59,807,385	74,671,536
Total Shareholders' equity		109,511,799	124,375,950
Net asset value per redeemable participating preference share (pence)	7	102.84	116.80

The financial statements and notes on pages 67 to 86 were approved by the directors on 15 April 2021 and signed on behalf of the Board by:

Michael Phair
Director

Richard Hughes
Director

The accompanying notes on pages 71 to 86 form an integral part of these financial statements.

Statement of Comprehensive Income of the Fund
For the year ended 31 December 2020

	Notes	Revenue GBP	2020 Capital GBP	Total GBP	2019 Total GBP
Revenue					
Dividend income	8	5,498,315	-	5,498,315	6,655,619
Interest Income	8	185,950	-	185,950	296,402
Net movement in the fair value of securities (at fair value through profit or loss)	9	-	(13,554,835)	(13,554,835)	25,084,009
Net movement on foreign exchange		-	917,328	917,328	(1,128,978)
Total revenue / (loss)		5,684,265	(12,637,507)	(6,953,242)	30,907,052
Expenditure					
Investment management fees	2 o	297,613	446,419	744,032	837,344
Custodian fees	2 l	11,381	-	11,381	17,678
Sponsor's fees	2 m	53,146	-	53,146	140,103
Directors' fees and expenses		151,607	-	151,607	177,939
Legal and professional fees		34,705	-	34,705	12,827
Audit fees		25,000	-	25,000	23,700
Tax fees		4,674	-	4,674	5,800
Registrar's fees		36,902	-	36,902	40,355
Administration and secretarial fees	2 k	106,290	-	106,290	119,621
General expenses		85,562	-	85,562	128,177
Investor relations fee	2 u	137,757	-	137,757	77,844
Operating expenses		944,637	446,419	1,391,056	1,581,388
Net operating profit/(loss) before finance costs		4,739,628	(13,083,926)	(8,344,298)	29,325,664
Finance costs	2 r	(127,826)	(191,739)	(319,565)	(662,327)
Profit/(loss) before tax		4,611,802	(13,275,665)	(8,663,863)	28,663,337
Withholding tax expense	12	(769,438)	-	(769,438)	(1,025,486)
Net profit/(loss) after taxation		3,842,364	(13,275,665)	(9,433,301)	27,637,851
Profit/(loss) per redeemable participating preference share - basic and diluted (pence)	10	3.61	(12.47)	(8.86)	25.95

The total column of this statement represents the Fund's Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the EU. There are no items of other comprehensive income, therefore profit/(loss) after taxation is the total comprehensive income. The supplementary revenue and capital columns are both prepared in accordance with the Statement of Recommended Practice issued by the AIC 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 (2019: GBP nil) earnings attributable to the management shares.

The accompanying notes on pages 71 to 86 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 2020

	Notes	Stated Capital Account GBP	Retained Income GBP	Total GBP
At 1 January 2019		**49,704,414**	**52,464,535**	**102,168,949**
Profit for the year		-	27,637,851	27,637,851
Dividends	11	-	(5,430,850)	(5,430,850)
At 31 December 2019		**49,704,414**	**74,671,536**	**124,375,950**
Loss for the year		-	(9,433,301)	(9,433,301)
Dividends	11	-	(5,430,850)	(5,430,850)
At 31 December 2020		**49,704,414**	**59,807,385**	**109,511,799**

The accompanying notes on pages 71 to 86 form an integral part of these financial statements.

Statement of Cash Flows of the Fund
For the year ended 31 December 2020

	Notes	2020 GBP	2019 GBP
Cash flows from/(used in) operating activities			
Net (loss)/profit after taxation		(9,433,301)	27,637,851
Adjustments for:			
Net movement in the fair value of securities (at fair value through profit or loss)	9	13,554,835	(25,084,009)
Realised (gain)/loss on foreign exchange		(863,673)	598,158
Unrealised (gain)/loss on foreign exchange	2p	(53,655)	530,820
Payment for purchases of securities		(157,086,351)	(47,861,535)
Proceeds from sale of securities		158,042,626	42,964,896
Operating cash flows before movements in working capital		4,160,481	(1,213,819)
Decrease in receivables		124,661	44,255
(Decrease)/increase in payables and accruals		(97,572)	37,196
Net cash from/(used in) operating activities		**4,187,570**	**(1,132,368)**
Cash flows (used in)/from financing activities			
Repayments of borrowings		(69,877,236)	(172,251,640)
New bank loans raised		69,625,727	178,253,347
Dividends paid	11	(5,430,850)	(5,430,850)
Net cash (used in)/from financing activities		**(5,682,359)**	**570,857**
Net decrease in cash and cash equivalents		(1,494,789)	(561,511)
Cash and cash equivalents at the beginning of the year		6,198,999	7,889,488
Effect of foreign exchange rate changes		917,328	(1,128,978)
Cash and cash equivalents at the end of the year		**5,621,538**	**6,198,999**
Cash and cash equivalents made up of:			
Cash at bank	4	5,621,538	6,198,999

The accompanying notes on pages 71 to 86 form an integral part of these financial statements.

Notes to the Financial Statements of the Fund
For the year ended 31 December 2020

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 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 IFRS as adopted by the EU and interpretations issued by the IFRSIC. 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 SORP Financial Statements of Investment Trust Companies and Venture Capital Trusts (2019) issued by the AIC 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.

There were no judgements made in relation to the fair value of the investments, as all investments are quoted.

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

2. Principal Accounting Policies (continued)

a. Basis of preparation (continued)

Adoption of new standards and interpretations

The following amendments were effective for annual periods commencing on or after 1 January 2020:

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes In Accounting Estimates and Errors' on the definition of material effective for annual periods beginning on or after 1 January 2020.These amendments i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immateriality information.

The directors have considered the above amendments and are of the opinion that these have no material impact on the financial statements of the Company and as such no further analysis is included in these financial statements.

New standards and interpretations not yet effective and have not been adopted early by the Company

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 not been applied to these financial statements.

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 reporting 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 2020 and 2019.

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 reporting 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.

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

2. Principal Accounting Policies (continued)

d. Receivables
Trade and other receivables are recognised when the Fund 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 Financial Instruments: Presentation (see Note 6).

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

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

k. Administration and secretarial fees
Under the provisions of the Administration Agreement dated 18 August 2011 between the Fund and JTC Fund Solutions (Jersey) Limited 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 NAV of the Fund calculated over the relevant quarterly period. With effect from 1 December 2016 the Administrator and Secretary ceded its fees to the Assistant Secretary.

l. Custodian fees
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
The Fund pays the Sponsor quarterly in arrears at a rate of 0.05 per cent. per annum of the average NAV of the Fund calculated over the relevant period.

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

2. Principal Accounting Policies (continued)

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.

Since the outbreak of the COVID-19 pandemic, financial markets have experienced significant volatility and continue to experience volatility. The Directors appreciate the severity of the current economic environment and continue to assess, in conjunction with the Investment Manager and the Investment Advisor, the situation and how it may impact the Company. The Directors consider the Company to be well placed to withstand any significant adverse shocks and assume the going concern basis to be appropriate.

o. Investment management fees

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 2020 total £744,032 (31 December 2019: £837,344). The fee is split between the Investment Manager and the Investment Advisor 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. (See Note 2a for further details regarding the allocation of the management fees).

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 gains on foreign exchange currency transactions totalled £917,799 for the year (2019: loss of £577,289). Realised losses on forward exchange contracts totalled £54,126 (2019: loss of £20,869). Unrealised profit on foreign currency translations totalled £53,655 (2019: loss of £530,820).

q. Revenue recognition

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. 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.

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

r. Loan payable and finance costs

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

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

2. Principal Accounting Policies (continued)

s. Related parties
Related parties are individuals and companies where the individuals or companies have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions (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 and the U.S. to which the Fund is solely exposed and therefore no segmental reporting is provided.

u. Investor relations fee
The Investment Advisor and Investment Manager, are paid an additional fee for investor relations services totalling as the lesser of 15 basis points of the market value of the Fund or £200,000 per annum, with the fee to be calculated daily based on the closing market value of the Fund and payable quarterly in arrears.

Investor relations fee for the year ended 31 December 2020 total £137,757 (31 December 2019: £77,844).

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

	2020 GBP	2019 GBP
Quoted/listed Equities	129,564,819	140,523,906
Quoted/listed Bonds	-	3,552,023
	129,564,819	**144,075,929**

Please refer to Note 20 for the Schedule of Investments.

4. Cash and cash equivalents

	2020 GBP	2019 GBP
Cash at bank	**5,621,538**	**6,198,999**

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

	2020 GBP	2019 GBP
Investment management fees (Note 13)	187,303	217,204
Sponsor's fees	13,379	15,515
Audit fees	25,000	30,000
Administration fees	26,758	31,029
General expenses	16,049	19,563
Directors' fees	1,500	35,000
Registrar's fees	7,257	7,371
Tax service fees	4,500	5,800
Custodian fees	2,676	3,103
Marketing fees	-	7,500
Investor relations fee (Note 13)	34,320	41,678
	318,742	**413,763**

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

6. Stated capital
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 2020 and 2019	**2**	**2**
Redeemable participating preference shares issued (excluding shares held in treasury)		
At 31 December 2019	**106,487,250**	**49,704,412**
Movement for the year	-	-
At 31 December 2020	**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 2019: 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 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.

Retained Earnings
This reserve records all net gains and losses and transactions with owners not recorded elsewhere. This reserve is available for distribution to the shareholders. Dividends paid to shareholders are recognised directly in this reserve.

7. Net asset value per redeemable participating preference share
The NAV per share of 102.84p (31 December 2019: 116.80p) is based on the net assets at the year end of £109,511,799 (31 December 2019: £124,375,950) 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 2019: 106,487,250 shares).

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

8. Dividend and interest income

	2020			2019
	Revenue GBP	Capital GBP	Total GBP	GBP
Bond and debenture interest	89,388	-	89,388	140,647
Bank and loan interest	96,562	-	96,562	155,755
Dividend income	5,498,315	-	5,498,315	6,655,619
	5,684,265	**-**	**5,684,265**	**6,952,021**

9. Net movement in the fair value of securities

	2020			2019
	Revenue GBP	Capital GBP	Total GBP	GBP
(Losses)/gains on sale of securities	-	(11,271,475)	(11,271,475)	1,769,788
(Losses)/gains on the revaluation of securities at year end	-	(2,283,360)	(2,286,360)	23,314,221
Net movement in the fair value of securities (at fair value through profit or loss)	**-**	**(13,554,835)**	**(13,554,835)**	**25,084,009**

10. Profit/(loss) per redeemable participating preference share - basic and diluted

Basic profit/(loss) per redeemable participating preference share is calculated by dividing the net loss attributable to redeemable participating preference shares of £9,433,301 (31 December 2019: £27,637,851 profit) by the weighted average number of redeemable participating preference shares outstanding during the year of 106,487,250 shares (31 December 2019: 106,487,250 shares). The allocation between revenue and capital can be found on the Statement of Comprehensive Income of the Fund on page 68.

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 2019: £5,430,850) for the year. On 29 January 2021 a dividend of £1,357,712 was paid. In accordance with the requirements of IFRS, as this was approved on 2 January 2020, being after the reporting date, no accrual was reflected in the 2020 Financial Statements for this amount of £1,357,712 (31 December 2019: £1,357,712).

12. Taxation

The Fund is subject to UK corporation tax at a rate of 19% (2019: 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 £769,438 (2019: £1,025,486) of withholding tax on foreign dividends during the year and this expense has been included in the Statement of Comprehensive Income.

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

13. Related party transactions

The directors are regarded as related parties. Total directors' fees earned during the year amounted to £130,674 of which £1,500 was due at year end (2019: £130,130 of which £35,000 was due at the year end). Each non-executive director, other than Mr. Orrico, earned a fee of £22,000 in respect of the financial year (2019: £22,000), the Chairman earned a fee of £28,000 (2019: £28,000) and the Chairman of the Audit Committee £24,000 (2019: £24,000). Mr Orrico waived his fee in 2020 and 2019.

Subsequent to the year end, it was identified that, due to an administrative error, Mr Nicholas Villiers, who had resigned effective 30 September, 2020 had been overpaid in the amount of £7,000, being his fee for the final calendar quarter of 2020. The Board is currently discussing with Mr Villiers how best to deal with this overpayment.

The Investment Manager is also regarded as a related party due to common ownership. Total management fees paid during the year amounted to £744,032 (2019: £837,344), of which £187,303 (2019: £217,204) was outstanding at 31 December 2020.

The Investment Advisor and Investment Manager are also paid an additional fee for investor relations services. The fee for the year ended 31 December 2020 amounted to £137,757 (31 December 2019: £77,844), of which £34,320 (2019: £41,678) was outstanding at 31 December 2020.

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

14. Loan payable

The Fund has a Credit Facility Agreement with RBC whereby RBC provides 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 2020, the amount drawn down under the Credit Facility was CAD 45,000,000 (GBP equivalent at amortised cost of £25,775,293) (31 December 2019: CAD 45,000,000 (GBP equivalent at amortised cost of £26,026,802)). The loan value of CAD 45,000,000 was made up of three loans of CAD 10,000,000, CAD 10,000,000 and CAD 25,000,000 issued on 13 November 2020, 24 November 2020 and 14 December 2020 respectively, maturing on 12 January 2021, 22 February 2021 and 15 March 2021 respectively.

As at 31 December 2020, pre-paid interest and stamping fees of £42,821 (31 December 2019: £144,093) were paid on the Banker's Acceptance of which of £2,037 is amortised over a period of 60 days, £9,089 is amortised over a period of 90 days and £31,695 is amortised over a period of 91 days (31 December 2019: 90 days). Interest paid on the Banker's Acceptance totalled £116,710 (31 December 2019: £550,886).

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 Banker's Acceptance, a stamping fee of 0.60 per cent. per annum is payable.

15. Security agreement

In connection with entry into the Credit Facility Agreement, 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 Agreement.

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 Policy.

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

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

16. Financial instruments (continued)

Management of capital (continued)
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 2020 and 2019.

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 A- to AA- assigned by Standard and Poor's rating agency. All transactions in listed securities are settled upon delivery using approved brokers.

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

The Fund's maximum exposure to credit risk is the carrying 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 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 from 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 Brexit, and have decided not to make a specific provision in the accounts.

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

16. Financial instruments (continued)

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.

The following tables present the Fund's financial instruments by level within the valuation hierarchy as of 31 December 2020 and 2019:

31 December 2020	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities (at fair value through profit or loss)	129,564,819	-	-	129,564,819

31 December 2019	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities (at fair value through profit or loss)	144,075,929	-	-	144,075,929

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 2020, if the market prices of the securities had been 30% higher with all other variables held constant, the increase in net assets attributable to holders of redeemable participating preference shares for the year would have been £38,869,446 (2019: £43,222,779) higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by £38,869,446 (2019: £43,222,779).

At 31 December 2020, if the market prices of the securities had been 30% lower with all other variables held constant, the decrease in net assets attributable to holders of redeemable shares for the year would have been equal, but opposite, to the figures stated above.

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

16. Financial instruments (continued)

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

The Fund's interest rate sensitive assets and liabilities mainly comprise cash and cash equivalents, 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 2020 and 2019:

	Fixed and floating rate assets			
	Weighted average interest at year end	2020 GBP	Weighted average interest at year end	2019 GBP
Assets				
Fixed rate assets				
Debt securities		-	5.75%	3,552,023
Floating rate assets				
Cash and cash equivalents	*	5,621,538	*	6,198,999
		5,621,538		**9,751,022**

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

	Floating rate liabilities	
	2020 GBP	2019 GBP
Liabilities		
Floating rate liabilities		
Loan payable (See Note 14)	25,775,293	26,026,802
	25,775,293	**26,026,802**

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

Interest rate sensitivity analysis
At 31 December 2020, 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 £100,769 (31 December 2019: £178,894) due to 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 actively traded.

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

16. Financial instruments (continued)

Liquidity risk (continued)

As at 31 December 2020, 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)	129,564,819	-	-	-	129,564,819
Accrued dividend income	419,004	-	-	-	419,004
Other receivables	2,125	-	-	-	2,125
Prepayments	20,124	-	-	-	20,124
Cash and cash equivalents	5,621,538	-	-	-	5,621,538
	135,627,610	**-**	**-**	**-**	**135,627,610**
Liabilities					
Other payables and accruals	(318,742)	-	-	-	(318,742)
Interest payable	(21,776)	-	-	-	(21,776)
Loan payable	(5,732,010)	(20,043,283)	-	-	(25,775,293)
	(6,072,528)	**(20,043,283)**	**-**	**-**	**(26,115,811)**
	129,555,082	**(20,043,283)**	**-**	**-**	**109,511,799**

As at 31 December 2019, 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)	144,075,929	-	-	-	144,075,929
Accrued bond interest	-	16,410	11,530	-	27,940
Accrued dividend income	513,405	-	-	-	513,405
Accrued bank interest	6,908	-	-	-	6,908
Other receivables	2	-	-	-	2
Prepayments	17,659	-	-	-	17,659
Cash and cash equivalents	6,198,999	-	-	-	6,198,999
	150,812,902	**16,410**	**11,530**	**-**	**150,840,842**
Liabilities					
Other payables and accruals	(413,763)	-	-	-	(413,762)
Interest payable	-	(24,327)	-	-	(24,328)
Loan payable	-	(26,026,802)	-	-	(26,026,802)
	(413,763)	**(26,051,129)**	**-**	**-**	**(26,464,892)**
	150,399,139	**(26,034,719)**	**11,530**	**-**	**124,375,950**

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

16. Financial instruments (continued)

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

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

	2020 GBP	2019 GBP
Assets		
Cash and cash equivalents	1,218,141	5,877,323
Canadian equities	106,962,043	105,676,675
Canadian debt	-	2,394,937
Accrued income	407,659	519,132
	108,587,843	**114,468,067**

	2020 GBP	2019 GBP
Liabilities		
Loan payable	25,775,293	26,026,802
Interest payable	21,776	24,327
General expenses	31	-
	25,797,100	**26,051,129**

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

	2020 GBP	2019 GBP
Assets		
Cash and cash equivalents	4,228,455	105,048
United States equities	22,602,776	34,847,230
United States bonds	-	1,157,087
Accrued income	11,345	29,121
	26,842,576	**36,138,486**

Sensitivity analysis
At 31 December 2020, had GBP strengthened against the CAD by 5%, with all other variables held constant, the decrease in net assets attributable to shareholders would amount to approximately £4,139,537 (31 December 2019: £4,420,847). Had GBP weakened against the CAD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £4,139,537 (31 December 2019: £4,420,847).

At 31 December 2020, 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 £1,342,129 (31 December 2019: £1,806,924). Had GBP weakened against the USD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £1,342,129 (31 December 2019: £1,806,924).

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

17. Cash Flow statement reconciliation of financing activities

	1 January 2020	Cash flows	Non-cash changes			31 December 2020
			Acquisition	Foreign exchange movements	Fair value changes	
	GBP	GBP	GBP	GBP	GBP	GBP
Financial liabilities held at amortised cost	26,026,802	(115,946)	-	(135,563)	-	25,775,293
Total	**26,026,802**	**(115,946)**	**-**	**(135,563)**	**-**	**25,775,293**

18. Post year end events

On 7 January 2021, the Company declared a quarterly dividend of 1.275 pence per share. The ex-dividend date was 14 January 2021 and the record date was 15 January 2021. On 29 January 2021, the dividend of £1,357,712 was paid.

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

The loan of CAD 10,000,000 maturing on 12 January 2021, was renewed with a maturity date of 12 April 2021. This loan was subsequently renewed on 12 April 2021 with a maturity date of 12 July 2021.

A new loan was issued of CAD 5,000,000 on 5 February 2021 with a maturity date on 6 May 2021.

The loan of CAD 10,000,000 maturing on 22 February 2021, was renewed with a maturity date of 25 May 2021.

The loan of CAD 25,000,000 maturing on 15 March 2021, was renewed with a maturity date of 14 June 2021.

19. Controlling party

In the directors opinion there is no ultimate controlling party.

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

20. Schedule of Investments – Securities (at fair value through profit or loss)
As at 31 December 2020

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Equities					
Bermuda – Quoted Investments 8.91% (2019: 5.51%)					
Energy:					
Brookfield Renewable Partners L.P.	180,000	4,584,605	5,664,104	5.17%	4.37%
Power and Utilities:					
Brookfield Infrastructure Partners L.P.	75,000	2,518,535	2,704,575	2.47%	2.09%
Real Estate:					
Brookfield Property Partners L.P.	300,000	3,232,812	3,171,416	2.90%	2.45%
Canada - Quoted Investments 73.68% (2019: 70.48%)					
Energy:					
Keyera Corp.	250,000	3,228,624	3,245,777	2.96%	2.51%
Financials:					
Bank of Montreal	100,000	5,292,404	5,549,834	5.07%	4.28%
The Bank of Nova Scotia	125,000	4,943,449	4,931,112	4.50%	3.81%
Canadian Imperial Bank of Commerce	100,000	5,929,237	6,242,917	5.70%	4.82%
Manulife Financial Corporation	300,000	3,525,250	3,898,378	3.56%	3.01%
The National Bank of Canada	80,000	2,981,438	3,285,456	3.00%	2.54%
Sun Life Financial Inc.	150,000	3,989,325	4,868,235	4.44%	3.76%
The Toronto-Dominion Bank	125,000	4,642,688	5,147,880	4.70%	3.97%
Materials:					
Nutrien Ltd.	65,000	1,794,094	2,284,246	2.09%	1.76%
Pipelines:					
Enbridge Income Fund Holdings Inc.	200,000	4,813,499	4,669,555	4.26%	3.60%
Pembina Pipeline Corporation	170,000	3,678,192	2,936,330	2.68%	2.27%
Power and Utilities:					
AltaGas Ltd.	370,000	3,743,836	3,973,027	3.63%	3.07%
Capital Power Corporation	160,000	2,518,862	3,207,362	2.93%	2.48%
Northland Power Inc.	190,000	2,046,557	4,959,766	4.53%	3.83%

Notes to the Financial Statements of the Fund (continued)
For the year ended 31 December 2020

20. Schedule of Investments – Securities (at fair value through profit or loss) (continued)
As at 31 December 2020

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Real Estate:					
Canadian Apartment Properties Real Estate Investment Trust	100,000	2,972,899	2,870,525	2.62%	2.22%
Choice Properties Real Estate Investment Trust	400,000	2,914,393	2,974,458	2.72%	2.30%
CT Real Estate Investment Trust	250,000	2,095,677	2,236,586	2.04%	1.73%
Crombie REIT	475,000	4,116,437	3,903,115	3.56%	3.01%
Dream Industrial Real Estate Investment Trust	375,000	2,474,015	2,820,855	2.58%	2.18%
Granite Real Estate Investment Trust	100,000	3,283,283	4,458,242	4.07%	3.44%
Northwest Healthcare Properties Real Estate Investment Trust	350,000	2,318,780	2,524,270	2.30%	1.95%
RioCan Real Estate Investment Trust	525,000	4,801,127	5,043,516	4.60%	3.89%
SmartCentres Estate Investment Trust	350,000	4,578,115	4,624,479	4.22%	3.57%
Telecommunication Services:					
BCE Inc.	60,000	1,967,217	1,874,253	1.71%	1.45%
Telus Corporation	200,000	2,738,835	2,891,771	2.64%	2.23%
United States - Quoted Investments 17.41% (2019: 21.55%)					
Financials:					
JP Morgan Chase & Co.	35,000	1,804,302	3,250,742	2.97%	2.51%
Healthcare:					
AbbVie Inc.	30,000	2,303,134	2,348,734	2.14%	1.81%
Johnson & Johnson	25,000	3,040,950	2,875,564	2.63%	2.22%
Information Technology:					
Broadcom Inc.	14,000	3,883,845	4,484,365	4.09%	3.46%
Microsoft Corporation	25,000	3,250,932	4,063,428	3.71%	3.14%
Real Estate:					
WPT Industrial Real Estate Investment Trust	350,000	3,616,048	3,687,042	3.37%	2.85%
Telecommunication Services:					
AT&T Inc.	90,000	2,081,917	1,892,904	1.73%	1.42%
Total Equities		**117,705,313**	**129,564,819**	**118.29%**	**100.00%**
Total investments (2020)		**117,705,313**	**129,564,819**	**118.29%**	**100.00%**
Total investments (2019)		**129,933,059**	**144,075,929**	**115.86%**	**100.00%**

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MIDDLEFIELD CANADIAN INCOME PCC (the "Company")

Opinion

We have audited the financial statements of Middlefield Canadian Income PCC (the "Company"), which comprise the statement of financial position as at 31 December 2020, and notes 1 to 4 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Company as at 31 December 2020 and of its results for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been prepared in accordance with the Companies (Jersey) Law 1991.

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 this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Jersey, including 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusions 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 of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MIDDLEFIELD CANADIAN INCOME PCC (the "Company") (continued)

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is explained below.

We identify and assess the risks of material misstatement of the financial statements as a whole, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is in our professional judgement sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MIDDLEFIELD CANADIAN INCOME PCC (the "Company") (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

We consider the company's susceptibility to fraud and other irregularities, taking account of the business and control environment established and maintained by the directors, and the nature of transactions, assets and liabilities recorded in the accounting records. We enquire whether management have any knowledge of any actual or suspected fraud. The engagement team discuss potential indicators of fraud and how and where fraud might occur in the financial statements.

Owing to the inherent limitations of an audit there is an unavoidable risk that some material misstatement of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK). However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with the directors who should not rely on the audit to discharge those functions.

Other matters

The financial statements for the year ended 31 December 2019 were audited by Deloitte LLP who expressed an unqualified audit opinion dated 16 April 2020.

Use of our report

This report is made solely to the Company's shareholders 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Philip J Crosby
For & on behalf of
RSM Channel Islands (Audit) Limited
Chartered Accountants and Recognised Auditors
Jersey, C.I.

Date: 15 April 2021

Statement of Financial Position of the Company
As at 31 December 2020

	Notes	2020 GBP	2019 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 90 and 91 were approved by the directors on 15 April 2021 and signed on behalf of the Board by:

Michael Phair
Director

Richard Hughes
Director

Notes to the Financial Statements of the Company
For the year ended 31 December 2020

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 IFRS as adopted by the EU 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 2020 and 2019	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.

4. **Ultimate holding company**

The ultimate holding company is Middlefield Limited.

Definitions

AGM	Annual general meeting
AIC	The Association of Investment Companies
AIC Code	The AIC Code of Corporate Governance
AIF	Alternative investment fund
AIFM	Alternative investment fund manager
AIFMD	Alternative Investment Fund Managers Directive
Annual Financial Report	Annual report and financial statements
Auditor	RSM Channel Islands (Audit) Limited
Banker's Acceptance	The amount drawn under the Credit Facility Agreement
Benchmark	The S&P TSX Composite High Dividend Index
CAD	Canadian Dollar
Cell or Fund	Middlefield Canadian Income – GBP PC
Cell AGM	An annual general meeting of the holders of Fund Shares
Company or MCI	Middlefield Canadian Income PCC
Credit Facility	The on demand credit facility with RBC
ESG	Environmental, Social and Governance
EU	European Union
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
Fund	Middlefield Canadian Income - GBP PC
Fund Shares	The redeemable participating preference shares of no par value in the Fund
GBP	Sterling
GDP	Gross domestic product
IFRSIC	International Financial Reporting Standards Interpretations Committee
IFRS	International Financial Reporting Standards
JFSC	Jersey Financial Services Commission
Listing Rules	The listing rules made by the FCA under Part VI of the Financial Services and Market Authority
NAFTA	North American Free Trade Agreement
NAV	Net Asset Value
Prime Loan	Loans to which the Prime Rate can be applied
Prime Rate	Annual interest rate set by Canada's major banks and financial institutions
RBC	Royal Bank of Canada
REIT	Real estate investment trust
SORP	Statement of recommended practice
UK Code	The UK Corporate Governance Code published by the FRC in July 2018
USMCA	United States Mexico Canada Agreement

ALTERNATIVE PERFORMANCE MEASURES

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. The Company's APMs are set out below and are cross-referenced where relevant to the financial inputs used to derive them as contained in other sections of the Annual Report.

Benchmark

The Company's benchmark index, used for performance comparative purposes, is the TSX High Dividend Index calculated in sterling terms with dividends reinvested.

Discount or Premium

Investment trust shares can frequently trade at a discount to NAV. This occurs when the share price (based on the mid-market share price) is less than the NAV and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV

Net Asset Value (NAV) per Ordinary Share

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing 'equity shareholders' funds' by the total number of ordinary shares in issue (excluding treasury shares).

Gearing/(Net Cash)

Investment companies can borrow to purchase additional investments. This is called 'gearing'. It allows investment companies to take advantage of a long-term view on a sector or to take advantage of a favourable situation or a particularly attractive stock without having to sell existing investments. Gearing works by magnifying a company's performance. If a company 'gears up' and then markets rise and returns on the investments outstrip the costs of borrowing, the overall returns to investors will be even greater. But if markets fall and the performance of the assets in the portfolio is poor, then losses suffered by the investor will also be magnified. The Company may achieve gearing through borrowings or the effect of gearing through an appropriate balance of equity capital and borrowings.

Ongoing Charges

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 investment company as a collective fund. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management charge.

Yield

The yield is the amount of cash (in percentage terms) that is returned to the owners of the security, in the form of interest or dividends received from it. Normally, it does not include price variations, distinguishing it from performance (with dividends reinvested).