

MIDDLEFIELD CANADIAN INCOME TRUSTS

GBP PC A CELL OF MIDDLEFIELD CANADIAN INCOME TRUSTS INVESTMENT COMPANY PCC

Annual Financial Report
For the year ended 31 December 2010



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MANAGEMENT AND ADMINISTRATION

Directors

Raymond Apsey
Philip Bisson
Dean Orrico (resigned 18 March 2010)
W. Garth Jestley (appointed 18 March 2010)
Nicholas Villiers

Manager, Secretary and Administrator

Kleinwort Benson (Channel Islands)
Corporate Services Limited
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Registered Office

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CHAIRMAN'S REPORT

It is my pleasure to introduce the 2010 Annual Financial Report. Middlefield Canadian Income Trusts Investment Company PCC (the "Company") has established one closed-ended Cell known as Middlefield Canadian Income Trusts – GBP PC (the "Fund"). The Fund provides efficient, currency-hedged economic exposure to the Canadian equity income sector through a swap arrangement (the "Swap").

With the end of preferential tax treatment for income trusts in December 2010, most trusts have now converted to corporations and a unique high yielding equity income sector has emerged in Canada. As expected, a significant number of former trusts have announced their intention to continue to pay high dividends and, as a result, it is the intention of the Fund to maintain its current dividend rate of five pence per share in 2011. In addition, in recognition of the growth of the Canadian equity income sector, Standard and Poor's launched the S&P/TSX Equity Income Index in December 2010, which is intended to eventually replace the S&P/TSX Income Trust Index. The S&P/TSX Equity Income Index is well-diversified by both issuer and sector and is designed to track the highest yielding equity securities which are constituents of the broader S&P/TSX Composite Index. It is the view of Middlefield Capital Corporation ("MCC"), the investment adviser of CIT Trust and an affiliate of Middlefield International Limited ("MIL"), the investment adviser to the Fund, that most Canadian investment funds with income and balanced fund mandates will adopt this new index. Accordingly, it is the intention of MCC to adopt the Equity Income Index as its new performance benchmark for CIT Trust going forward.

For the year 2010, the impact of gradual recovery in developed economies together with continued growth of emerging economies resulted in an increase in natural resource prices and a corresponding appreciation in industrial activity and equity prices. Over the year, the Fund generated a total return of 45.7%, which was driven primarily by the return of its reference asset, CIT Trust, and secondarily by an increase in the mark-to-market value of the Cross Currency Margin Differential (the "CCMD Value"), both of which will be explained later in this report. CIT Trust's return was largely attributable to the continued strong performance of the energy and resource sectors as well as the equity markets generally in 2010. The Canadian Income Trust universe outperformed the broader Canadian market on a total return basis by more than 9% in 2010 reflecting, in large part, the positive impact of dividend income on returns and on-going investor demand for yield in our current low interest rate environment. MCC's focus in respect of the CIT Trust portfolio remains on those issuers in the Canadian equity income sector which are well positioned to grow their businesses, either organically or by way of acquisition, and thereby increase cash flows available to pay dividends. Based on the attraction of high dividends, continuing low interest rates and the aging population, demand for higher yielding equity alternatives will continue to grow. Therefore, we believe that companies offering high levels of sustainable income should continue to receive premium valuations.

CHAIRMAN'S REPORT (continued)

The other factor affecting the Fund's net asset value ("NAV") this year has been the CCMD Value, which increased significantly from year-end 2009. The CCMD Value is the direct result of the Company's decision to eliminate the impact of fluctuations in the spread between Canadian and Sterling interest rates on the Company's revenues by locking in the spread from the outset. The CCMD Value is dependent upon changes in both interest rates and C\$/£ exchange rates and may positively or negatively affect the value of the Swap at any given time. All else being equal, the CCMD Value will reduce to zero as the termination date of 28 June 2013 for the Swap is approached.

We thank you for your continued support.



Raymond Apsey

Chairman

Date: 17 March 2011

INVESTMENT ADVISER'S REPORT

On the invitation of the Directors of the Company, this commentary is provided by Middlefield International Limited ("MIL"), which acts as the Investment Adviser to the Fund.

The assets of the Fund primarily comprise: (1) a high quality bond portfolio which is currently invested in 12 bonds issued by international financial institutions; (2) a swap agreement (the "Swap") which provides efficient currency-hedged economic exposure to Canadian equity income securities through its reference asset, CIT Trust; and (3) a direct investment in units of CIT Trust. The Fund's investment in CIT Trust is a nominal amount valued at £63,423 as at 31 December 2010.

Strong growth in emerging economies and a gradual recovery in developed economies provided continued support for natural resource prices and corresponding equity prices in 2010. Over the year, Middlefield Capital Corporation ("MCC"), the investment adviser of CIT Trust and an affiliate of MIL, increased positions in those issuers which it believed would benefit from favourable fundamentals and were well positioned to grow their businesses, either organically or by way of acquisition, in order to increase cash flows. Overall, CIT Trust posted a total return of 31.7% for 2010 relative to 26.7% for the benchmark S&P/TSX Income Trust Index and 17.6% for the broader S&P/TSX Composite Index.

The commencement of 2011 marks the expiration of the preferential tax treatment for income trusts and, as a result, virtually all income trusts have now converted to corporations. However, as expected, a significant number of former trusts have announced their intention to continue to pay high dividends and, as a result, a unique high yielding equity income asset class, comprised of former trusts and other high-dividend paying corporations, has developed in Canada. With the uncertainty regarding the impact of corporate taxation having been addressed, investor demand for Canadian equity income securities has increased substantially. Given the increasing investor preference for yield, we believe companies offering high levels of dividends will continue to attract significant investor interest and achieve premium valuations.

MCC remains very positive on the Canadian energy income sector. Most of the issuers in which CIT Trust invests have accumulated tax pools and will not be taxable for another three to five years. In addition, many of these companies have adopted a model of paying relatively high levels of dividends while reinvesting sufficient levels of cash flow to maintain or grow production. Over the year, MCC has increased positions in natural gas weighted holdings in order to capitalize on the forecast of Groppe, Long & Littell ("GLL"), MCC's Special Adviser on the energy sector, for substantially higher natural gas prices over the next several months. These factors, together with GLL's forecast of stable long-term crude oil prices, is expected to drive strong total return performance from high yielding oil and gas equities. For the year ended 31 December 2010, the S&P/TSX Capped Energy Trust Index generated a total return of 29.6%.

INVESTMENT ADVISER'S REPORT (continued)

Strong fundamentals in the Canadian real estate market, namely stable vacancy rates, relatively limited new supply and low interest rates, continued to underpin the sector in 2010 and have enabled REITs to generate strong performance as the S&P/TSX Capped REIT Index produced a total return of 22.6%. MCC remains constructive on the Canadian real estate market and is poised to accumulate a more sizeable position in this sector in response to any pullback in trading prices.

As a result of the significant number of Canadian equities paying high levels of distributions, Standard and Poor's recently launched the S&P/TSX Equity Income Index, which is intended to eventually replace the S&P/TSX Income Trust Index. The new Canadian Equity Income Index is designed to track a well-diversified basket of high yielding securities, which are also constituents of Canada's broader blue-chip S&P/TSX Composite Index. It offers a yield of approximately 6% per annum, which is well in excess of the average yield on the S&P/TSX Composite of approximately 3%. As we have stated previously, we view this development as very positive since this index is expected to become the new benchmark for the vast majority of Canadian investment funds with income and balanced fund mandates. Given its relatively attractive yield, the new index will likely act as a buying catalyst for incremental domestic and foreign institutional investment in the Canadian equity income sector. Accordingly, it is the intention of MCC to adopt the Equity Income Index as its new performance benchmark for CIT Trust going forward.

The mark-to-market value of the cross currency margin differential (the "CCMD Value") is one of the drivers affecting the value of the Swap. The CCMD Value is dependent upon changes in both Sterling/Canadian dollar exchange rates as well as cross-currency interest rates over time. At inception of the Fund, the CCMD was fixed at -0.05% for the duration of the Swap with a CCMD Value of zero. In October 2006, the CCMD was fixed at -0.572% in respect of new funds raised pursuant to the tap issue of 5.49 million shares, resulting in an adjusted CCMD of -0.098% for the duration of the Swap. Finally, in April 2007, the CCMD was fixed at -0.938% in respect of new funds raised pursuant to the issue of 19.8 million shares, resulting in an adjusted CCMD of -0.286% for the duration of the Swap. As at 31 December 2010, the CCMD Value was 2.66 pence per share.

With respect to the managed money market portfolio, for the period from 01 January 2010 to 31 December 2010, the Fund generated interest income of approximately £0.4 million from investments in short-term near cash instruments. Additionally, the Fund received Swap payments of approximately £4.1 million in the year ended 2010. Swap payments reflect the distributions received on a notional investment in CIT Trust and are net of Swap costs. Swap costs incurred by the Fund include a LIBOR payment, which is adjusted to account for the CCMD, and fees payable to the Canadian Imperial Bank of Commerce, the counterparty to the Swap.

Middlefield International Limited

Date: 17 March 2011

COMMENTARY OF THE DIRECTORS

Incorporation

Middlefield Canadian Income Trusts Investment Company PCC is a closed-ended investment company incorporated in Jersey on 24 May 2006. The Company has initially established one closed-ended Cell known as Middlefield Canadian Income Trusts – GBP PC (referred to as the “Fund” which term includes, where the context permits, the Company acting in respect of Middlefield Canadian Income Trusts - GBP PC). Admission to the official list of the UK Listing Authority and dealing in redeemable participating preference shares (the “shares”) commenced on 6 July 2006.

The Company may, by special resolution, create further Cells each with specific investment objectives and further shares in respect of them at such times as the Directors shall determine.

Investment objective and policy

The Fund’s investment objective is to produce a high income return whilst also seeking to preserve shareholder capital.

To achieve its objectives, the Fund (i) entered into the Swap in order to achieve efficient currency hedged economic exposure to the Canadian equity income securities market and, (ii) also invests its assets in the Money Market and Bond Portfolio.

The Swap

The Fund is, through its exposure to CIT Trust under the Swap, exposed to a portfolio of investments in Canadian equity income securities. The Fund’s performance is therefore affected by the performance of the Canadian economy and the performance of the Canadian equity income securities. The Swap is structured to ensure that its value to the Fund does not exceed 20 percent of the Fund’s net assets at any time through a mechanism requiring the Swap counterparty to transfer cash to the Fund should the value of the Swap exceed certain thresholds under the Swap agreement.

Money Market and Bond Portfolio

The Money Market and Bond Portfolio consists of cash and short term near cash investments (including CDs) and gilts. Up to 20 percent of the Money Market and Bond Portfolio may be invested in AA+ corporate bonds maturing prior to the termination date of the Swap. No single investment will account for more than 10 percent of the Money Market and Bond Portfolio (other than gilts and treasuries) at the time the investment is made. The Money Market and Bond Portfolio acts as collateral for the Fund’s obligations under the Swap.

Gearing

The Fund has power to borrow up to 25 percent of its net asset value (although it has no current intention of doing so). The Fund may in limited circumstances borrow for short term purposes including to fund the redemption of the Fund’s shares. Any borrowing will be short term in nature and will be for the purposes of efficient portfolio management only. The Fund will not utilise this power to make long term investments.

COMMENTARY OF THE DIRECTORS (continued)

Investment objective and policy (continued)

CIT Trust

CIT Trust has a stated investment policy to provide a high income return while also seeking to preserve unitholder capital and is subject to certain investment restrictions contained within the declaration of trust governing CIT Trust (the “Declaration of Trust”).

MCC seeks to accomplish CIT Trust’s investment objective by investing the assets of CIT Trust predominantly in Canadian income trusts that MCC believes will provide a stable level of distributions, together with the prospect of capital growth. CIT Trust is subject to certain investment criteria set out in the Declaration of Trust that, among other things, limit the securities in which CIT Trust may invest. The investment criteria for CIT Trust permit investment in:

- units of oil and gas royalty trusts, business trusts, REITs and pipeline and power trusts in each case which are listed on a Canadian stock exchange or public market;
- common shares (and securities convertible into or exchangeable for common shares) and preferred shares of issuers listed on a Canadian stock exchange (“Eligible Shares”). MCC expects that these shares are likely to be in: (1) issuers listed on such exchanges who have converted from an income trust; and (2) holdings in other dividend paying Canadian issuers which help meet CIT Trust’s investment objective of providing a high income return while also seeking to preserve unitholder capital. Such investments will be limited to a maximum of 40 percent of CIT Trust’s portfolio, however this limit does not apply to former income trusts;
- income deposit securities, securities of issuers in new income trust sectors, securities convertible into income trust units or income deposit securities and units of limited partnerships (to the extent that the limited partnership units are not considered to be units of issuers of oil and gas royalty trusts, business trusts, REITs or pipeline and power trusts (other Income Trust Securities)); and
- cash or cash equivalents as defined by the Declaration of Trust.

CIT Trust has the power to borrow up to 25 percent of the value of its total assets for various purposes, including purchasing additional securities for its portfolio and funding redemptions.

CIT Trust will not engage in any undertaking other than the investment of its assets in accordance with its investment objective, strategy and restrictions contained in the Declaration of Trust.

In particular, CIT Trust will not:

- (a) for a period of more than 90 days:
 - (i) own more than 10 percent of any class of securities of any one issuer or purchase the securities of an issuer for the purpose of exercising control over management of any issuer;
 - (ii) have more than 10 percent of the value of its portfolio assets invested in the securities of any single issuer;
 - (iii) have more than 50 percent of the value of its portfolio assets comprised of the ten largest security investments of CIT Trust by value;

COMMENTARY OF THE DIRECTORS (continued)

Investment objective and policy (continued)

CIT Trust (continued)

- (a) for a period of more than 90 days: (continued)
 - (iv) have less than 60 percent of the value of its portfolio assets comprised of units of oil and gas royalty trusts, business trusts, REITs, pipeline and power trusts, as well as other Canadian income producing securities (including common shares, preferred shares and convertible debentures) of issuers which were previously constituted as income trusts and which, following their conversion, continue to distribute a significant portion of their free cash flow, in each case which are listed on a Canadian stock exchange or public market;
 - (v) have more than 40 percent of the value of its portfolio assets comprised of Eligible Shares which are not former income trusts;
 - (vi) have more than 50 percent of the value of its portfolio assets comprised of units of business trusts which are listed on a Canadian stock exchange or public market;
 - (vii) have more than 50 percent of the value of its portfolio assets comprised of units of oil and gas royalty trusts which are listed on a Canadian stock exchange or public market;
 - (viii) have more than 50 percent of the value of its portfolio assets comprised of units of REITs which are listed on a Canadian stock exchange or public market;
 - (ix) have more than 50 percent of the value of its portfolio assets comprised of units of pipeline and power trusts which are listed on a Canadian stock exchange or public market; or
 - (x) have more than 50 percent of the value of its portfolio assets comprised of Other Income Trust Securities;
- (b) write a call option in respect of any security unless such security is actually held in its portfolio at the time the option is written and provided that CIT Trust shall not write call options on more than one third of the value of the Eligible Shares in its portfolio;
- (c) dispose of any security included in the portfolio that is subject to a call option written by CIT Trust unless such option has either terminated or expired;
- (d) write put options in respect of any security unless (i) CIT Trust is permitted to invest in such security, and (ii) so long as the options are exercisable, CIT Trust continues to hold cash, cash equivalents and cash cover sufficient to acquire the security underlying the options at the aggregate exercise price of such options;
- (e) reduce the total amount of cash, cash equivalents and cash cover held by CIT Trust, unless after any such reduction, the total amount of cash, cash equivalents and cash cover held by it remains an amount not less than the aggregate exercise price of all outstanding put options written by CIT Trust;
- (f) borrow money (other than in connection with CIT Trust's loan facility) or guarantee the obligations of any person other than the managing trustee, or any person appointed as a manager of CIT Trust from time to time, and then only in respect of CIT Trust's activities;
- (g) enter into derivative transactions except as permitted under the Declaration of Trust; or
- (h) purchase securities on margin or make short sales of securities or maintain short positions in excess of 10 percent of CIT Trust NAV.

The above restrictions apply at the time a transaction is effected.

COMMENTARY OF THE DIRECTORS (continued)

Authorised and Issued Share Capital

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

Upon incorporation 2 Management shares of no par value each were issued. Since the launch of the Fund on the London Stock Exchange on 6 July 2006, there have been 80,317,500 redeemable participating preference shares of no par value issued.

Further issues of Shares

The Fund's Articles of Association provide the Directors with wide powers to issue further shares without seeking further Shareholder approval. Shares must be issued on a pre-emptive basis, however, up to 10% of the issued share capital of the Fund may be issued on a non-pre-emptive basis provided that they are issued for cash at a price which is not less than the Fund's adjusted NAV at the time of issue. On 18 April 2007 the Fund successfully completed the launch of a C share offering which raised £17.5 million in gross proceeds. The costs of the issue were 1.75% of the sum raised and were paid out of the proceeds of the new issue.

Substantial shareholding in the Fund

As at the date of this report, the following shareholders had declared a notifiable interest in the Fund's voting rights:

Name	Redeemable Participating Preference Shares Nominal	Redeemable Participating Preference Shares % of Shares in issue
HSBC Global Custody Nominee (UK) Limited	7,675,000	9.56
Rathbone Nominees Limited	5,510,243	6.86
Nortrust Nominees Limited	5,000,000	6.23
The Bank of New York (Nominees) Limited	3,800,000	4.73
Harewood Nominees Limited	3,278,860	4.08
The Bank of New York (Nominees) Limited	3,244,150	4.04
Giltspur Nominees Limited	2,795,242	3.48
Brooks Macdonald Services Limited	2,768,767	3.45
Frank Nominees Limited	2,681,421	3.34
BDS Nominees Limited	2,491,207	3.10

At the date of approval of this report, there has been no other notifiable interest in the Fund's voting rights reported to the Company Secretary.

COMMENTARY OF THE DIRECTORS (continued)

Results and dividends

The results for the year are shown in the income statement on page 22 and related notes on pages 25 to 42. During the year dividends were paid on a quarterly basis (see note 13). Although there is no guarantee, dividends are expected to be paid on a quarterly basis and paid at the end of that month as follows:

Payment Month	Gross amount per Share
April 2011	1.25p expected
July 2011	1.25p expected
October 2011	1.25p expected
January 2012	1.25p expected

Going concern

In the opinion of the Directors, there is a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. For this reason the financial statements have been prepared using the going concern basis.

The Directors have arrived at this opinion by considering, inter alia, the following factors:

- the Fund has sufficient liquidity to meet all on-going expenses;
- CIBC as counterparty to the Swap has not made any indication that it wishes to terminate the Swap nor that any defaults are expected and therefore the Fund expects regular cash flows associated with the Swap for the foreseeable future;
- should the need arise, the Directors have the option to reduce dividend payments further in order to positively affect the Fund's cash flows; and
- assisted by the research of GLL, who are forecasting continued strength in both oil and natural gas prices in 2011, MCC remains positive on the long-term outlook for the oil and gas sector which forms a major portion of the CIT Trust portfolio.

Corporate Governance

Since the Fund has a London Stock Exchange listing, the annual financial report must disclose:

- whether or not it complies with the corporate governance regime of its country of incorporation;
- the significant ways in which its actual corporate governance practices differ from those set out in the Combined Code; and
- the unexpired term of the service contract of any Director proposed for election or re-election at the forthcoming Annual General Meeting and, if any Director for election or re-election does not have a service contract, a statement to that effect.

COMMENTARY OF THE DIRECTORS (continued)

Corporate Governance (continued)

The Fund has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained in the AIC Guide, addresses all the principles set out in the June 2008 Combined Code and its subsequent replacement by the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Fund.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the June 2008 Combined Code and subsequent UK Corporate Governance Code), will provide better information to shareholders.

The Fund has complied with the recommendations of the AIC Code and the relevant provisions of the June 2008 Combined Code and the UK Corporate Governance Code, except as set out below. The establishment of the nomination and remuneration committee and audit committee from May 2010 are also detailed below.

The UK Corporate Governance Code includes provisions relating to:

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Fund, being an externally managed investment fund. The Fund has therefore not reported further in respect of these provisions.

The Board

As at 31 December 2010 the Board of Directors comprised four non-executive Directors of whom three were independent of the Investment Adviser.

The Directors who served on the board during the year, together with their beneficial interests and those of their families at the date of approval of this report were as follows:

	Redeemable Participating Preference Shares
Raymond Apsey (Chairman)	10,000
Philip Bisson	245,000
W. Garth Jestley	200,000
Nicholas Villiers	10,000
Dean Orrico	-

COMMENTARY OF THE DIRECTORS (continued)

Corporate Governance (continued)

The Board (continued)

On 17 January 2011, 65,000 redeemable participating preference shares were purchased for the pension account of Mr Philip Bisson, increasing his holding in the Fund to 245,000 shares.

The Directors are:

Raymond Apsey (Chairman)(67)

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

Philip Bisson (56)

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.

Dean Orrico (40) (resigned 18 March 2010)

Mr Orrico is President, Chief Executive Officer and Chief Investment Officer of Middlefield Capital Corporation and is the Chief Investment Officer for Middlefield Group. Mr Orrico is involved in the creation and ongoing management of all of Middlefield's closed-end funds focused on the income trust sector. Prior to joining Middlefield in 1996, Mr Orrico was employed as a commercial account manager with the Toronto-Dominion Bank. Mr Orrico is an MBA graduate of the Schulich School of Business (York University). Mr Orrico is domiciled in Canada.

W. Garth Jestley (64) (appointed 18 March 2010)

Mr Jestley is President and Chief Executive Officer of Middlefield Group Limited and Deputy Chairman of Middlefield Capital Corporation. Mr Jestley has over 35 years of experience in the financial services sector, including senior roles in investment management, corporate banking, resource project financing and investment banking. Prior to joining Middlefield in 1985, Mr Jestley was employed with Citibank N.A., Bank of Montreal and The Prudential Insurance Company of America. Mr Jestley holds the Chartered Financial Analyst designation.

COMMENTARY OF THE DIRECTORS (continued)

Corporate Governance (continued)

The Board (continued)

The Directors are: (continued)

Nicholas Villiers (71)

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

The Fund does not have any executive Directors nor does it have any employees.

The structure of the Board is such that it is considered unnecessary to identify a senior non-executive Director other than the Chairman. On 26 May 2010, a Nomination and Remuneration Committee was established comprised of all the Directors of the Fund. New Directors will be subject to election by shareholders at the Annual General Meeting following their appointment and, thereafter, at least at every third subsequent Annual General Meeting.

The Board currently has a majority of independent Directors and will continue to have a majority of independent Directors beyond the forthcoming Annual General Meeting. As such, it complies with the UK Corporate Governance Code. It is the Board's view that Mr Jestley, a non-independent Director, continues to provide effective and impartial scrutiny of the performance of the investment adviser and the Fund's advisors and service providers and should therefore remain on the Board. The Board does not consider it appropriate that Directors should be appointed for a specific term.

Although no formal training in Corporate Governance is given to Directors, the Directors are kept up-to-date on Corporate Governance issues through bulletins and training materials provided from time to time by the Company Secretary, the Manager and the AIC.

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

Directors' Remuneration

No Director has a service contract with the Fund and details of the Directors' fees are shown on page 22.

COMMENTARY OF THE DIRECTORS (continued)

Corporate Governance (continued)

Directors' Attendance

There were five scheduled Board meetings held during the 12 month period. All were attended by the relevant Directors, with the exception of Mr Apsey and Mr Villiers who were each unable to attend one meeting.

Internal Control

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

The Fund receives services from the Manager relating to its investment management and administration activities. Documented contractual arrangements are in place with the Manager which define the areas where the Fund has delegated authority to them.

Audit Committee

On 26 May 2010, an Audit Committee was established. Phillip Bisson (Chairman), Raymond Apsey and Nicholas Villiers were appointed as members. The Audit Committee considers the financial reporting by the Fund, the internal controls, and relations with the Fund's external auditors. In addition the Audit Committee reviews the independence and objectivity of the auditors.

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

The Board believes that subject to any exception explained above and the nature of the Fund as an investment fund, that it has complied with the applicable provisions of the June 2008 Combined Code, the UK Corporate Governance Code and with the Turnbull guidance on internal controls throughout the year.

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

- The Manager has been appointed for the duration of the life of the Fund for which it receives a Management fee payable by the Fund quarterly in arrears at a rate of 0.1 percent per annum of the average Fund Net Asset Value calculated over the relevant quarterly period. Management fees for the year ended 31 December 2010 total £67,708 (year ended 31 December 2009: £44,864).

COMMENTARY OF THE DIRECTORS (continued)

Corporate Governance (continued)

- The Management Agreement may be terminated on at least six months written notice following the first anniversary of the Agreement (19 June 2007) given by the Fund to the Manager or by the Manager to the Fund. The Management Agreement may also be terminated with immediate effect by either party if the other: has been declared en desastre or has gone into liquidation or receivership; has committed a material breach of the Management Agreement; or in the event the Manager ceases to be the holder of a permit under the Collective Investment Funds (Jersey) Law 1988, as amended. The Management Agreement contains provisions limiting the liability of the Manager for any damages and claims suffered by the Fund unless such damages and claims arise from the fraud, wilful default, negligence or dishonesty of the Manager.

The independent Directors have reviewed the performance and terms of appointment of Kleinwort Benson (Channel Islands) Corporate Services Limited as the Fund's Manager as detailed above. The Directors believe that it is in the best interest of shareholders for the Fund to continue the appointment of the Manager on its existing terms of appointment. The Manager has extensive experience and a record of good performance for the various funds under its management.

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

Note 18 lists all investments (rather than those with a value greater than 5%) of the Fund's investment portfolio.

Independent Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Secretary

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

Annual General Meeting

The Notice of Annual General Meeting for the Fund is included at the back of the 2010 Annual Financial Report.

By order of the Board

Kleinwort Benson (Channel Islands) Corporate Services Limited
Secretary

Date: 17 March 2011

DIRECTORS' RESPONSIBILITIES

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

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

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Fund's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, directors are also required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Fund and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the 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 Fund's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITIES (continued)

Directors' responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Fund; and
2. the investment adviser's report includes a fair review of the development, performance and position of the Fund, together with a description of the principal risks and uncertainties faced by the Fund.

By order of the Board:



Raymond Apsey

17 March 2011



Philip Bisson

17 March 2011

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MIDDLEFIELD CANADIAN INCOME TRUSTS –GBP PC (“THE FUND”), A CELL OF MIDDLEFIELD CANADIAN INCOME TRUSTS INVESTMENT COMPANY PCC

We have audited the Fund financial statements (the “financial statements”) of Middlefield Canadian Income Trusts - GBP PC for the year ended 31 December 2010 which comprise the Balance Sheet, the Income Statement, the Statement of Changes in Redeemable Participating Preference Shareholders' Equity, the Cash Flow Statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Fund's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 December 2010 and of the Fund's gain for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MIDDLEFIELD CANADIAN INCOME TRUSTS –GBP PC ("THE FUND"), A CELL OF
MIDDLEFIELD CANADIAN INCOME TRUSTS INVESTMENT COMPANY PCC**

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern;
- the part of the Corporate Governance Statement relating to the Fund's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to the shareholders by the Board on directors' remuneration



**Andrew Isham FCA
for and on behalf of Deloitte LLP
Chartered Accountants and Recognized Auditors
Jersey
17 March 2011**

BALANCE SHEET

As at 31 December 2010 with comparatives as at 31 December 2009

	Notes	2010 GBP	2009 GBP
Current assets			
Derivative financial instruments (at fair value through profit or loss)	3	5,022,260	-
Securities (at fair value through profit or loss)	4 & 18	76,985,979	76,668,168
Accrued bond interest		103,043	72,815
Accrued dividend income		558	605
Interest receivable on Swap		1,026,259	1,189,599
Prepayments		11,566	11,566
Cash and cash equivalents	5	105,897	244,545
		<u>83,255,562</u>	<u>78,187,298</u>
Current Liabilities			
Derivative financial instruments (at fair value through profit or loss)	3	-	(17,077,273)
Other payables and accruals	6	(159,162)	(126,435)
Dividends payable	13	(1,003,969)	-
		<u>(1,163,131)</u>	<u>(17,203,708)</u>
Net assets		<u>82,092,431</u>	<u>60,983,590</u>
Equity attributable to equity holders			
Share capital	7	-	-
Stated capital account	7	22,628,627	22,628,627
Other reserve		54,037,500	54,037,500
Retained profit/(deficit)		5,426,304	(15,682,537)
Total Shareholders' equity		<u>82,092,431</u>	<u>60,983,590</u>
Net asset value per redeemable participating preference share	8	<u>102.21p</u>	<u>75.93p</u>

The financial statements on pages 21 to 42 were approved by the Directors on 17 March 2011 and signed on behalf of the Board by:



Raymond Apsey
Director



Phillip Bisson
Director

The accompanying notes on pages 25 to 42 form an integral part of these financial statements.

INCOME STATEMENT

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

	Notes	2010 GBP	2009 GBP
Revenue			
Dividend and interest income	9	397,816	742,066
Net movement in the fair value of derivative financial instruments	10	26,197,146	28,011,469
Net movement in the fair value of securities (at fair value through profit or loss)	11	17,811	(42,871)
Total revenue		26,612,773	28,710,664
Expenditure			
Management fees	2k	67,708	44,864
Custodian fees	2l	20,312	15,531
Sponsor's fees	2m	135,415	89,728
Directors' fees and expenses	2n	97,901	82,477
Investment advisory fees	2o	67,708	44,864
Audit fees		25,000	25,000
Registrar's fees		23,436	21,631
General expenses		46,608	25,008
Total expenditure		484,088	349,103
Net gain		26,128,685	28,361,561
Gain per redeemable participating preference share- basic and diluted	12	32.53p	35.31p

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

There are zero earnings attributable to the management shares.

All activities derive from continuing operations.

The accompanying notes on pages 25 to 42 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN REDEEMABLE
PARTICIPATING PREFERENCE SHAREHOLDERS' EQUITY**

For the year ended 31 December 2010 with comparatives for the year ended 31 December 2009

Notes	Share Capital GBP	Stated Capital Account GBP	Other Reserve GBP	Retained Income GBP	Total GBP
At 1 January 2009	-	22,628,627	54,037,500	(39,628,320)	37,037,807
Gain for the year	-	-	-	28,361,561	28,361,561
Dividends paid	-	-	-	(4,415,778)	(4,415,778)
At 31 December 2009	-	22,628,627	54,037,500	(15,682,537)	60,983,590
Gain for the year	-	-	-	26,128,685	26,128,685
Dividends paid and declared	-	-	-	(5,019,844)	(5,019,844)
At 31 December 2010	-	22,628,627	54,037,500	5,426,304	82,092,431

The accompanying notes on pages 25 to 42 form an integral part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

	2010	2009
	GBP	GBP
Cash flows from operating activities		
Net gain	26,128,685	28,361,561
Adjustments for:		
Net movement in the fair value of securities (at fair value through profit or loss)	(17,811)	42,871
Net movement in derivative financial instruments	(22,099,533)	(24,130,411)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	4,011,341	4,274,021
Decrease/(increase) in other receivables	133,159	(169,074)
Increase in other payables and accruals	32,727	21,549
	<hr/>	<hr/>
Net cash from operating activities	4,177,227	4,126,496
	<hr/>	<hr/>
Cash flows from investing activities		
Payment for purchases of securities	(310,603,378)	(311,126,096)
Proceeds from sale of securities	310,303,378	311,549,296
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(300,000)	423,200
	<hr/>	<hr/>
Cash flows from financing activities		
Dividends paid	(4,015,875)	(4,415,778)
	<hr/>	<hr/>
Net cash used in financing activities	(4,015,875)	(4,415,778)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(138,648)	133,918
Cash and cash equivalents at the beginning of the year	244,545	110,627
	<hr/>	<hr/>
Cash and cash equivalents at the end of year	105,897	244,545
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents made up of:		
Cash at bank	105,897	244,545
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 25 to 42 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

1. General Information

The Company is a closed-ended investment company incorporated in Jersey on 24 May 2006. The Company has established one closed-ended Cell: Middlefield Canadian Income Trusts - GBP PC, also referred to as the “Fund”. The investment objective of the Fund is to produce a high income return whilst also seeking to preserve shareholder capital. The Fund has entered into a Swap with a fixed seven year life to achieve efficient currency hedged economic exposure to the Canadian equity income securities market.

The address of the Fund’s registered office is PO Box 76, Wests Centre, St. Helier, Jersey, JE4 8PQ, Channel Islands.

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

The Fund has no employees.

The functional and presentation currency of the Fund is expressed in Sterling (“GBP”).

2. Accounting Policies

a. Basis of presentation

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

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are in the valuation of financial instruments, further details of the key components of valuation are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

2. Accounting Policies (continued)

a. Basis of preparation (continued)

Adoption of standards and interpretations

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

- IAS 24 (revised November 2009) Related Party Disclosures effective for annual periods beginning on or after 1 January 2011.
- IFRS 7 Financial Instruments: Disclosures- Amendments enhancing disclosures about transfers of financial assets for annual periods beginning on or after 1 January 2011.
- IFRS 9 (revised April 2009) Financial Instruments: Classification and Measurement effective for annual periods beginning on or after 1 January 2013.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective for annual periods beginning on or after 1 July 2010.
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement effective for annual periods beginning on or after 1 January 2011.

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

b. Financial Instruments

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

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices on active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. Unrealised fair value gains or losses on these derivative financial instruments are included in the Income Statement.

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

c. Securities

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

2. Accounting Policies (continued)

c. Securities (continued)

Fair value through profit or loss securities are initially recognised at cost, which is the fair value of the consideration given. The securities (collectively referred to as the 'Money Market and Bond Portfolio') are subsequently re-measured at fair value based on bid prices quoted at the Balance Sheet date. Gains and losses arising from changes in the fair value of these securities are recognised in the Income Statement as they arise.

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

d. Receivables

Receivables are carried at anticipated realisable value.

e. Prepayments

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

f. Cash and cash equivalents

Cash includes amounts held in interest bearing accounts. Cash and cash equivalents comprise bank balances and cash held by the Fund. The carrying value of these assets approximates their fair value. Deposits held as part of the Money Market and Bond Portfolio are not included within cash and cash equivalents.

g. Provisions

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

h. Share capital

Redeemable participating preference shares are only redeemable at the sole option of the Directors, participate in the net income of the Fund during its life and are classified as equity in line with IAS 32 (see Note 7).

i. Net asset value per redeemable participating preference share

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

2. Accounting Policies (continued)

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. Management, administration and secretarial fees

Under the provisions of the Management Agreement dated 19 June 2006 between the Fund and Kleinwort Benson (Channel Islands) Corporate Services Limited as Manager, the Fund pays the Manager a quarterly fee in respect of management, administration and secretarial services equal to 0.10 percent per annum of the average NAV of the Fund calculated over the relevant quarterly period. The fee is payable quarterly, in arrears.

l. Custodian fees

In accordance with the Custodian Agreement dated 19 June 2006 between the Fund and Kleinwort Benson (Guernsey) Limited as Custodian, the Fund pays the Custodian 0.03 percent per annum of the Fund's NAV, accrued for at each valuation date, subject to an annual minimum fee of £15,000. The minimum fee is subject to review by the Custodian, every three years from the date of the Custodian Agreement.

m. Sponsor's fees

Collins Stewart Europe Limited, the corporate broker, is entitled to ongoing sponsor's fees payable by the Fund quarterly in arrears at a rate of 0.20 percent per annum of the average NAV of the Fund calculated over the relevant quarterly period.

n. Directors' fees

Director's fees amounted to £15,000 per annum and Chairman's fees amounted to £20,000 per annum. W.Garth Jestley has waived his director's fee.

o. Investment advisory fees

Under the provisions of the Investment Advisory Agreement dated 19 June 2006 between the Fund and Middlefield International Limited as Adviser, the Fund pays the Adviser a quarterly investment advisory fee equal to 0.10 percent per annum of the average NAV of the Fund calculated over the relevant quarterly period. The investment advisory fee is payable quarterly, no later than 10 days in arrears.

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 Income Statement 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

2. Accounting Policies (continued)

q. Revenue recognition

Interest income comprises bond interest and interest on bank deposits. Bond interest is calculated and accounted for on an effective yield basis. Gains and losses on derivative financial instruments and on securities are recognised and disclosed in Notes 10 and 11 respectively.

r. 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.

s. Business and geographical segments

The Directors are of the opinion that the Fund is engaged in a single segment of business of investing in the Money Market and Bond Portfolio to swap the returns from this under the Swap. The Swap provides exposure to the Canadian income trust market to which the Fund is solely exposed and therefore no segmental reporting is provided.

3. Derivative financial instruments

	2010	2009
	GBP	GBP
Fair value of derivative financial instruments at 31 December (amount owed to the Fund)		
(2009: amount owed by the Fund)	5,022,260	(17,077,273)
	5,022,260	(17,077,273)

The Fund has entered into a Swap with Canadian Imperial Bank of Commerce (“CIBC”). Under the terms of the Swap, quarterly payments are made that reflect the distributions and other amounts that would be receivable on monies equal to the Canadian Dollar equivalent of the Sterling Reference Investment Amount being notionally invested in CIT Trust, less Swap Costs.

Swap costs comprise:

- The Sterling Reference Investment Amount multiplied by LIBOR (as adjusted to take account of the Cross Currency Margin Differential);
- Margin payments received by the Fund multiplied by the prevailing interest rate for the currency in which the Margin Payment is received; and
- The value of the notional investment in CIT Trust referenced in the Swap multiplied by a rate equivalent to 0.5 percent per annum.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

3. Derivative financial instruments (continued)

If during the quarter the Swap costs exceed the amount receivable by an investor on the notional investment in CIT Trust referenced in the Swap then the Fund will be obliged to pay CIBC the excess. On termination of the Swap CIBC will be obliged to pay the Fund an amount equal to any increase in the value of the notional investment in CIT Trust referenced in the Swap over the term of the Swap. The Fund, however, will be obliged to pay CIBC on termination of the Swap an amount equal to any decrease in the value of the notional investment in CIT Trust referenced in the Swap over the term of the Swap.

CIT Trust consists of a portfolio of Canadian equity income securities that the Canadian Investment Adviser (Middlefield Capital Corporation) believes will provide a secure income stream together with the prospect of capital growth. As at 31 December 2010, CIT Trust's portfolio includes investments in approximately 50 issuers ranging from energy producers to power and pipeline, real estate and industrial enterprises.

The Fund has the discretion to terminate the Swap at any time. CIBC has the discretion to terminate the Swap at any time after two years from the inception of the Swap on 6 July 2006, subject to giving at least six months notice. Due to the termination clause, the derivative financial instrument is classified as a current asset or current liability. CIBC may terminate the Swap on shorter notice on grounds connected with its Swap hedging arrangements. There is also provision for immediate termination by a non-defaulting party following the occurrence of certain events of default.

The Swap contains provisions which hedge the currency risk to the Fund associated with its payment rights and obligations on settlement of the Swap. The currency risk is hedged by embedding a series of three month currency hedges in the terms of the Swap each of which has the effect during any quarter in which the Canadian dollar strengthens against Sterling of resulting in an appropriate decrease in the notional number of CIT Trust units in the Canadian Dollar Notional Reference Investment and during any quarter in which the Canadian dollar weakens against Sterling resulting in an appropriate increase in the notional number of CIT Trust units in the Canadian Dollar Notional Reference Investment.

The Fund is entitled to increase the size of the embedded three month currency hedges with a view to hedging currency risk associated with the Swap being referenced to notional Canadian dollar denominated income produced by CIT Trust.

The Fund provides collateral to CIBC for its obligations under the Swap by granting security in favour of CIBC over the Money Market and Bond Portfolio (See Note 16).

The Swap is structured to ensure its value to the Fund does not exceed 20 percent of the value of the Fund's net assets at any time through a mechanism that requires CIBC in certain circumstances to make margin payments (i.e. transfer cash) to the Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

3. Derivative financial instruments (continued)

The Swap will, in the absence of early termination, terminate and be cash settled on 28 June 2013. If, at termination, the Fund has a liability to CIBC then some of its assets in the Money Market and Bond Portfolio would be sold to settle the transaction.

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

	2010 GBP	2009 GBP
Certificates of deposit	76,922,556	76,621,787
Canadian Income Trust	63,423	46,381
	76,985,979	76,668,168

Please refer to Note 18 for the Schedule of Investments.

5. Cash and cash equivalents

	2010 GBP	2009 GBP
Cash at bank	105,897	244,545

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

6. Other payables and accruals

	2010 GBP	2009 GBP
Audit fees	25,000	25,000
Custodian fees	5,737	4,541
Directors' fees	342	959
General expenses	49,064	32,711
Investment advisory fees	19,124	15,135
Management fees	19,124	15,135
Registrar's fees	2,521	2,684
Sponsor's fees	38,250	30,270
	159,162	126,435

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

7. Share capital and stated capital account

The authorised share capital of the Fund is divided into 2 management shares of no par value and an unlimited number of redeemable participating preference shares of no par value.

	No. of shares	GBP
Management shares issued		
At 24 May 2006	-	-
2 management shares of no par value issued at £1 each	2	2
	<hr/>	<hr/>
At 31 December 2009 and 2010	2	2
<hr/>		
Redeemable participating preference shares issued		
At 24 May 2006	-	-
6 July 2006 55,000,000 shares of no par value issued at £1 each	55,000,000	55,000,000
6 July 2006 issue costs	-	(962,500)
6 October 2006 reduction of capital- transfer to other reserve	-	(54,037,500)
23 October 2006 5,490,000 shares of no par value issued at £1 each	5,490,000	5,490,000
23 October 2006 issue costs	-	(55,125)
18 April 2007 19,827,500 shares of no par value issued at 87 pence each	19,827,500	17,500,000
18 April 2007 issue costs	-	(306,250)
	<hr/>	<hr/>
At 31 December 2009 and 2010	80,317,500	22,628,625
<hr/>		

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 percent of the shares then in issue, or such lesser percentage as the Directors may decide.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

7. Share capital and stated capital account (continued)

On 6 October 2006, the Royal Court of Jersey confirmed the reduction of capital by way of a cancellation of the stated capital account of the Fund. The £54,037,500 cancelled has been credited as a distributable reserve established in the Fund's books of account and is available as distributable profits to be used for all purposes permitted under Jersey Law, including purchase back of shares and the payment of dividends.

8. Net asset value per redeemable participating preference share

The net asset value per share of 102.21p (31 December 2009: 75.93p) is based on the net assets at the year end of £82,092,429 (31 December 2009: £60,983,588) and on 80,317,500 redeemable participating preference shares, being the number of redeemable participating preference share in issue at the year end (31 December 2009: 80,317,500 shares). The net asset value per share of 102.21p reported in these financial statements differs from the net asset value per share of 103.21p announced to the London Stock Exchange on 6 January 2011 due to the requirement to value the Swap, as disclosed in note 3, at the bid price as opposed to the mid market price used in the announced valuation and the IFRS requirement to accrue for the dividend declared and approved 22 December 2010, as disclosed in note 13. The aforementioned requirement has led to the net asset value per share reported in these financial statements being 1.00p, or 0.97% (2009: 0.36p or 0.47%), lower than that announced to the London Stock Exchange.

9. Dividend and interest income

	2010 GBP	2009 GBP
Bond interest	394,333	738,520
Bank interest	569	423
Dividend income	2,914	3,123
	397,816	742,066

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

	2010 GBP	2009 GBP
Net movement on CIBC Swap	26,197,146	28,011,469

The movement in the year on the CIBC Swap comprised amounts received and accrued under the quarterly payments of the Swap of £4,097,613 (2009: £3,881,058) and an increase in Swap value of £22,099,533 (2009: £24,130,411).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

11. Net movement in the fair value of securities

	2010	2009
	GBP	GBP
Net movement in the fair value of securities (at fair value through profit or loss)	17,811	(42,871)

12. Gain per redeemable participating preference share - basic and diluted

Basic gain per redeemable participating preference share is calculated by dividing the net gain attributable to redeemable participating preference shares of £26,128,685 (31 December 2009: £28,361,561) by the weighted average number of redeemable participating preference shares outstanding during the year of 80,317,500 shares (31 December 2009: 80,317,500 shares).

13. Dividends

Dividends were paid on a quarterly basis during the year in the months of January, April, July and October totalling £4,015,875 (2009: January, April, July and October, £4,415,778).

On 31 January 2011, a further dividend of 1.25p per share was paid amounting to £1,003,969. In accordance with the requirements of IFRS, as this was approved on 22 December 2010, being before the balance sheet date, an accrual has been reflected in these financial statements for this amount.

14. Taxation

The Fund is subject to Jersey income tax at 0% (2009: 0%).

15. Related party transactions

Kleinwort Benson (Channel Islands) Corporate Services Limited (the “Manager”, “Secretary” and “Administrator”), Kleinwort Benson (Guernsey) Limited (the “Custodian”) and the Directors are regarded as related parties. Both the Manager and the Custodian are wholly-owned subsidiaries of Kleinwort Benson Channel Islands Holdings Limited, whose ultimate parent company is RHJ International, a company incorporated in Belgium.

Fees payable to the Directors are explained in Note 2n. Total directors’ fees paid during the year amounted to £50,000 of which £342 was due at the year end (2009: £50,000 of which £959 was due at the year end). Dean Orrico and W. Garth Jestley have waived their entitlement to directors’ fees. Redeemable participating preference shares purchased by Mr Phillip Bisson during the year are disclosed on p12 in the Commentary of the Directors.

The fees for the above are all arms length transactions. The fees payable to the Manager and Custodian are explained in Notes 2k and 2l respectively. The balances due to the Manager and Custodian at the period end are disclosed in Note 6 “Other payables and accruals”.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

16. CIBC as Counterparty to the Swap

In conjunction with entering into the Swap, the Fund has entered into a Guernsey Security Interest Agreement (the “Guernsey SIA”) with CIBC as Swap Counterparty, the Manager and the Custodian. Pursuant to the terms of the Guernsey SIA the Fund has assigned by way of security all of its rights, title and interest under the Bond and Money Market Portfolio Custodian Agreement dated 6 July 2006 to CIBC as security for the Fund’s obligations under the Swap Agreement.

17. Financial instruments

Fair values

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

Management of Capital

The Manager manages the capital of the Fund in accordance with the Fund’s investment objectives and policies. The Fund’s overall strategy remains unchanged from 2009.

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

Investment and trading activities

It is intended that the Fund will continue throughout its life to be invested in a Money Market and Bond Portfolio and the Swap.

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 credit risk, market price risk and interest rate risk.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet commitments it has entered into with the Fund. If the Fund does not receive a scheduled interest payment from a Bond when that payment is due, this may result in the Fund being unable to meet a corresponding payment under the Swap. Such a failure would entitle CIBC under the terms of the Guernsey SIA (Note 16) to enforce its rights to cause one or more securities to be sold in order to satisfy such payment obligation of the Fund. Additionally or alternatively, CIBC as Swap counterparty would be entitled to terminate the Swap and this may result in a termination payment being owed by the Fund to CIBC. Any sale of securities in these circumstances might not realise their full market value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

17. Financial instruments (continued)

Credit risk (continued)

Additionally, the Fund has to consider the risk that CIBC as Swap counterparty may not be able to meet their commitments under the Swap. To mitigate this risk, the Investment Adviser completed due diligence on CIBC and reviewed CIBC's credit history and credit rating to ensure that it would be a suitable counterparty. CIBC currently has a Standard and Poor's rating of A+/Stable/A-1.

The Fund's credit risk concentration risk is spread between the Money Market and Bond Portfolio and the Swap. Concentration risk is mitigated since no individual debt security (other than gilts or treasuries) makes up more than 10 percent of the total portfolio, and the Investment Adviser assesses the risk associated with investments by performing financial analysis on the issuing companies as part of its normal scrutiny of prospective investments.

At 31 December 2010, all of the debt instruments held in the portfolio were graded by various credit rating agencies as follows: AA- or better by Standard & Poor's or Aa3 or better by Moody's or AA- or better by Fitch. (2009: All AA- or better by Standard & Poor's).

The Fund's maximum exposure to credit risk is the carry value of the assets on the balance sheet.

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.

Fair value measurements

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

17. Financial instruments (continued)*Fair value measurements (continued)*

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

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

The following table presents the Fund’s financial assets and liabilities by level within the valuation hierarchy as of 31 December 2010

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities				
(at fair value through profit or loss)	76,985,979	-	-	76,985,979
Derivative financial instruments				
(at fair value through profit or loss)	-	5,022,260	-	5,022,260

The following table presents the Fund’s financial assets and liabilities by level within the valuation hierarchy as of 31 December 2009

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities				
(at fair value through profit or loss)	76,668,168	-	-	76,668,168
Financial liabilities				
Derivative financial instruments				
(at fair value through profit or loss)	-	(17,077,273)	-	(17,077,273)

The Fund holds securities that trade in active markets. Such financial instruments are classified as Level 1 of the IFRS 7 fair value hierarchy. The fair value of the Swap is derived indirectly from observable market data and as such is classified as Level 2 of the IFRS fair value hierarchy.

There were no transfers between Level 1 and 2 in the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

17. Financial instruments (continued)*Price sensitivity*

At 31 December 2010, if the market prices of the Swap and securities had been 30% higher with all other variables held constant, the increase in net assets attributable to holders of redeemable shares for the year would have been £24,602,472 (2009: £17,877,268) higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by £24,602,472 (2009: £23,000,450) offset by the increase in fair value of the financial liabilities at fair value through profit or loss by £0 (2009: £5,123,182).

At 31 December 2010, if the market prices of the Swap and securities had been 30% lower with all other variables held constant, the decrease in net assets attributable to holders of redeemable shares for the year would have been equal, but opposite, to the figures stated above.

Interest rate risk

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

The Fund holds only short term (three months or less) fixed rate securities that re-price quarterly as they mature and are re-invested. Details of positions and rates at 31 December 2010 are provided in Note 18. Under the terms of the derivatives held by the Fund, and as set out in Note 3, the Fund swaps interest received on the securities with CIBC as Swap transaction counterparty, based on LIBOR rates.

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

	Floating rate assets/(liabilities)	
	2010	2009
	GBP	GBP
Assets		
Derivative financial instruments	5,022,260	-
Money market and bond portfolio	76,985,979	76,668,168
Cash and equivalents	105,897	244,545
	82,114,136	76,912,713
Liabilities		
Derivative financial instruments	-	(17,077,273)
	-	(17,077,273)

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

As explained in note 3 the return on the fixed rate assets held by the Fund are offset by the Swap arrangements in place. The notional value of the Swap of £76,661,637 (2009: £76,661,637) is not included in the above table but is required to consider the overall exposure.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives

for the year ended 31 December 2009

17. Financial instruments (continued)*Liquidity risk*

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

The Fund's investments are considered to be readily realisable, are issued by approved financial institutions or government entities and are relatively short term in nature.

As at 31 December 2010, the Fund's exposure to liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Derivative financial instruments (at fair value through profit or loss)	-	-	-	5,022,260	5,022,260
Securities (at fair value through profit or loss)	76,922,556	-	-	63,423	76,985,979
Accrued bond interest	103,043	-	-	-	103,043
Accrued dividend income	558	-	-	-	558
Interest receivable on Swap	1,026,259	-	-	-	1,026,259
Prepayments	1,918	4,315	5,333	-	11,566
Cash and cash equivalents	105,897	-	-	-	105,897
	78,160,231	4,315	5,333	5,085,683	83,255,562
Liabilities					
Other payables and accruals	(159,162)	-	-	-	(159,162)
Dividends payable	(1,003,969)	-	-	-	(1,003,969)
	(1,163,131)	-	-	-	(1,163,131)
	76,997,100	4,315	5,333	5,085,683	82,092,431

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

17. Financial instruments (continued)*Liquidity risk (continued)*

As at 31 December 2009, the Fund's exposure to liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Securities (at fair value through profit or loss)	76,621,787	-	-	46,381	76,668,168
Cash and cash equivalents	244,545	-	-	-	244,545
Accrued bond interest	72,815	-	-	-	72,815
Accrued dividend income	605	-	-	-	605
Interest receivable on Swap	1,189,599	-	-	-	1,189,599
Prepayments	1,918	4,315	5,333	-	11,566
	78,131,269	4,315	5,333	46,381	78,187,298
Liabilities					
Derivative financial instruments (at fair value through profit or loss)	-	-	-	(17,077,273)	(17,077,273)
Other payables and accruals	(126,435)	-	-	-	(126,435)
	(126,435)	-	-	(17,077,273)	(17,203,708)
	78,004,834	4,315	5,333	(17,030,892)	60,983,590

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

17. Financial instruments (continued)

The Directors believe the Fund is not or is immaterially exposed to the following risk:

Currency risk

Aside from the nominal investment in CIT Trust, the Fund does not invest in securities that are denominated in currencies other than the currency in which the shares are denominated. Accordingly, the value of the Fund's assets are minimally affected by fluctuations in currency rates and therefore not subject to material foreign exchange risks. The Fund's exposure to the Canadian dollar is explained in Note 3.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010 with comparatives
for the year ended 31 December 2009

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

Description	Rate	Issue Date	Maturity Date	Nominal Holding	Book Cost GBP	Bid-Market Value GBP	Net Assets	% of Portfolio
United Kingdom - Certificates of Deposit								
Bank of Nova Scotia	0.42%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	6,999,867	8.52%	9.09%
Barclays Bank	0.60%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	7,000,005	8.53%	9.09%
BNP Paribas	0.66%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	7,000,051	8.53%	9.09%
Commonwealth Bank of Australia	0.43%	4 Oct 2010	4 Jan 2011	6,600,000	6,600,000	6,599,882	8.04%	8.57%
Crédit Agricole CIB	0.69%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	7,000,074	8.53%	9.10%
Kleinwort Benson	0.44%	4 Oct 2010	4 Jan 2011	322,868	322,868	322,868	0.39%	0.42%
Lloyds TSB Bank	0.71%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	7,000,089	8.53%	9.10%
Nordea Bank	0.50%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	6,999,929	8.53%	9.09%
Rabobank	0.48%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	6,999,913	8.52%	9.09%
Royal Bank of Canada	0.30%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	6,999,775	8.52%	9.09%
Royal Bank of Scotland	0.67%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	7,000,059	8.53%	9.10%
Société Générale	0.65%	4 Oct 2010	4 Jan 2011	7,000,000	7,000,000	7,000,044	8.53%	9.09%
Sub-total - Certificate of Deposit					76,922,868	76,922,556	93.70%	99.92%
Canada - Income Trust								
CIT Trust				10,000	48,804	63,423	0.08%	0.08%
Total investments					76,971,672	76,985,979	93.78%	100.00%

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

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

Notice of Annual General Meeting of the Fund

Notice is hereby given that the Cell Annual General Meeting of the Fund will be held at Wests Centre, St. Helier, Jersey, JE4 8PQ, Channel Islands on 1 June 2011 at 12.30pm for the following purposes:

ORDINARY BUSINESS

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

1. to receive and adopt the Directors' Commentary, Auditors' Report and Financial Statements for the year ended 31 December 2010;
2. to re-elect Raymond Apsey as a Director of the Fund;
3. to re-elect W Garth Jestley as a Director of the Fund; and
4. to re-appoint Deloitte LLP as Auditors of the Fund.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolution as Cell Special Resolutions:

1. THAT in accordance with Article 2.25 of the Fund Articles dated 26 May 2010 the Directors be empowered to allot Shares for cash up to an amount representing 10 per cent of the issued share capital of the Fund on 1 June 2011 as if Article 2.25.1 of the Articles did not apply to the allotment for the period expiring on the date falling 18 months after the passing of this Resolution or the conclusion of the next annual general meeting of the Fund, whichever is the earlier, and provided that such Shares shall be allotted for cash at a price which is not less than the Fund's adjusted Net Asset Value at the time of the issue.
2. **THAT** the name of the Fund be changed from Middlefield Canadian Income Trusts – GBP PC to Middlefield Canadian Income - GBP PC.

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

17 March 2011

Notes:

- (1) A holder of Shares entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a holder of Shares.
- (2) For the convenience of Shareholders who may be unable to attend the Meeting, a reply-paid Form of Proxy accompanies this document. To be valid, the Form of Proxy should be completed in accordance with the instructions printed on it and sent, so as to reach Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours before the time fixed for the Cell's Annual General Meeting. The fact that holders of Shares may have completed Forms of Proxy will not prevent them from attending and voting in person at the Cell's Annual General Meeting should they subsequently decide to do so.
- (3) The quorum for the Cell's Annual General Meeting is at least two Shareholders present in person or by proxy or by attorney holding one tenth in number of the Shares but so that not less than two individuals will constitute a quorum. The majority required for the passing of the Fund's special resolutions is two-thirds or more of the total number of votes cast for and against each such resolution. The majority required for the passing of the Fund's ordinary resolutions is a simple majority (or more) of the total number of votes cast for and against the resolution.
- (4) If, within half an hour from the appointed time for the Cell's Annual General Meeting, a quorum is not present, then the Fund Annual General Meeting will be adjourned to the same day at the same time in the next week (or if that date is a public holiday in the Island of Jersey) to the next working day thereafter at the same time and address. At that meeting, if a quorum is not present within half an hour from the time appointed for the holding of the meeting, those Shareholders present in person or by proxy or by attorney will form a quorum whatever their number and the number of shares held by them. Again, a majority of not less than two-thirds of the total number of votes cast is required to pass the Cell special resolution and a simple majority of the total number of votes cast is required to pass the Cell ordinary resolutions.
- (5) In the event that a Form of Proxy is returned without an indication as to how the proxy shall vote on the Resolutions, the proxy will exercise his discretion as to whether, and if so how, he votes.
- (6) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Cell's Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (7) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA10) by the latest time(s) for receipt of proxy appointments specified in Note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Notes: (continued)

- (8) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (9) The Cell may treat as invalid a CREST Proxy Instruction in the circumstances set out in Article 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999.
- (10) The Cell, pursuant to regulation 40 of the (Companies Uncertificated Securities) (Jersey) Order 1999 (as amended), specifies that only holders of Shares registered in the register of members of the Fund on the close of business on 30 May 2011 shall be entitled to attend or vote at the Cell's Annual General Meeting in respect of the number of Shares registered in their name at that time or in the event that the Cell's Annual General Meeting is adjourned, in the register of members at the close of business two days before the date of any adjourned Cell's Annual General Meeting. Changes to entries on the register of members after such time or, in the event that the Cell's Annual General Meeting is adjourned, to entries in the register of members after the close of business two days before the date of the adjourned the Cell's Annual General Meeting, shall be disregarded in determining the rights of any person to attend or vote at the Cell's Annual General Meeting.
- (11) As at 17 March 2011, being the last Business Day prior to the printing of this notice, the Cell's issued capital consisted of 80,317,500 Shares carrying one vote each. Therefore, the total voting rights in the Fund as at 17 March 2011 were 80,317,500.

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

Notice of Annual General Meeting of the Company

Notice is hereby given that the Annual General Meeting of the Company will be held at Wests Centre, St. Helier, Jersey, JE4 8PQ, Channel Islands on 1 June 2011 at 12.00pm for the following purposes:

ORDINARY BUSINESS

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

1. to receive and adopt the Directors’ Commentary, Auditors’ Report and Financial Statements for the year ended 31 December 2010;
2. to re-elect Raymond Apsey as a Director of the Company;
3. to re-elect W Garth Jestley as a Director of the Company; and
4. to re-appoint Deloitte LLP as Auditors of the Company.

SPECIAL BUSINESS

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

1. **THAT** the name of the Company be changed from Middlefield Canadian Income Trusts Investment Company PCC to Middlefield Canadian Income PCC.

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

17 March 2011

Notes:

- (1) A holder of Shares entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a holder of Shares.
- (2) For the convenience of Shareholders who may be unable to attend the Meeting, a reply-paid Form of Proxy accompanies this document. To be valid, the Form of Proxy should be completed in accordance with the instructions printed on it and sent, so as to reach Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours before the time fixed for the Company’s Annual General Meeting. The fact that holders of Shares may have completed Forms of Proxy will not prevent them from attending and voting in person at the Company’s Annual General Meeting should they subsequently decide to do so.
- (3) The quorum for the Company’s Annual General Meeting is at least two Shareholders present in person or by proxy or by attorney holding one tenth in number of the Shares but so that not less than two individuals will constitute a quorum. The majority required for the passing of the Company’s ordinary resolutions is a simple majority (or more) of the total number of votes cast for and against the resolution.
- (4) If, within half an hour from the appointed time for the Company’s Annual General Meeting, a quorum is not present, then the Company’s Annual General Meeting will be adjourned to the same day at the same time in the next week (or if that date is a public holiday in the Island of Jersey) to the next working day thereafter at the same time and address. At that meeting, if a quorum is not present within half an hour from the time appointed for the holding of the meeting, those Shareholders present in person or by proxy or by attorney will form a quorum whatever their number and the number of shares held by them. Again, a simple majority of the total number of votes cast is required to pass the Company’s ordinary resolutions.
- (5) In the event that a Form of Proxy is returned without an indication as to how the proxy shall vote on the Resolutions, the proxy will exercise his discretion as to whether, and if so how, he votes.
- (6) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Company’s Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (7) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA10) by the latest time(s) for receipt of proxy appointments specified in Note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Notes (continued):

- (8) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (9) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Article 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999.
- (10) The Company, pursuant to regulation 40 of the (Companies Uncertificated Securities) (Jersey) Order 1999 (as amended), specifies that only holders of Shares registered in the register of members of the Company on the close of business on 30 May 2011 shall be entitled to attend or vote at the Company's Annual General Meeting in respect of the number of Shares registered in their name at that time or in the event that the Company's Annual General Meeting is adjourned, in the register of members at the close of business two days before the date of any adjourned Company's Annual General Meeting. Changes to entries on the register of members after such time or, in the event that the Company's Annual General Meeting is adjourned, to entries in the register of members after the close of business two days before the date of the adjourned the Company's Annual General Meeting, shall be disregarded in determining the rights of any person to attend or vote at the Company's Annual General Meeting.

Middlefield Canadian Income Trusts Investment Company PCC (the “Company”)
and
Middlefield Canadian Income Trusts – GBP PC a cell of
Middlefield Canadian Income Trusts Investment Company PCC (the “Fund”)

FORM OF PROXY for the Annual General Meeting of the Company to be held at 12.00pm on Thursday Wednesday 1 June 2011 at Wests Centre, St Helier, Jersey, JE4 8PQ; and the

FORM OF PROXY for the Cell’s Annual General Meeting of the Fund to be held at 12.30pm on Wednesday 1 June 2011 at Wests Centre, St Helier, Jersey, JE4 8PQ.

I/We _____ being a Member/Members of the above-mentioned Company and Fund hereby appoint _____ as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company and the Cell Annual General Meeting of the Fund to be held on Wednesday 1 June 2011 or at any adjournment thereof.

Signed this day of 2011.

This form is to be used for the following resolutions:-

ORDINARY BUSINESS – ORDINARY RESOLUTIONS OF THE COMPANY To consider and, if thought fit, pass each of the following resolutions as Ordinary Resolutions:	FOR	AGAINST	WITHHELD
1. to receive and adopt the Directors' Commentary, Auditors Report and Financial Statements for the year ending 31 December 2010;			
2. to re-elect Raymond Apsey as a Director of the Company;			
3. to re-elect Garth Jestley as a Director of the Company;			
4. to re-appoint Deloitte LLP as Auditors of the Company.			
SPECIAL BUSINESS – SPECIAL RESOLUTION OF THE COMPANY To consider and, if thought fit, pass each of the following resolutions as a Special Resolution:			
1. THAT the name of the Company be changed from Middlefield Canadian Income Trusts Investment Company PCC to Middlefield Canadian Income PCC.			

ORDINARY BUSINESS – ORDINARY RESOLUTIONS OF THE FUND To consider and, if thought fit, pass each of the following resolutions as Ordinary Resolutions:	FOR	AGAINST	WITHHELD
1. to receive and adopt the Directors' Commentary, Auditors Report and Financial Statements for the year ending 31 December 2010;			
2. to re-elect Raymond Apsey as a Director of the Fund;			
3. to re- elect Garth Jestley as a Director of the Fund;			
4. to re-appoint Deloitte LLP as Auditors of the Fund.			
SPECIAL BUSINESS – SPECIAL RESOLUTIONS OF THE FUND To consider and, if thought fit, pass each of the following resolution as Special Resolutions:			
1. THAT in accordance with Article 2.25 of the Fund Articles dated 26 May 2010 the Directors be empowered to allot Shares for cash up to an amount representing 10 per cent of the issued share capital of the Fund on 1 June 2011 as if Article 2.25.1 of the Articles did not apply to the allotment for the period expiring on the date falling 18 months after the passing of this Resolution or the conclusion of the next annual general meeting of the Fund, whichever is the earlier, and provided that such Shares shall be allotted for cash at a price which is not less than the Fund's adjusted Net Asset Value at the time of the issue.			
2. THAT the name of the Fund be changed from Middlefield Canadian Income Trusts – GBP PC to Middlefield Canadian Income - GBP PC.			

Unless otherwise instructed the Proxy will vote or abstain from voting as he thinks fit.

NOTES:

1. A Member entitled to attend and vote at the Company's Annual General Meeting or entitled to attend and vote at the Cell's Annual General Meeting of the Fund is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not be a member of the Company or the Fund.
2. To be valid, forms of proxy must reach Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the Company's Annual General Meeting and the Cell's Annual General Meeting of the Fund (or any adjourned meeting thereof). Any power of attorney or other authority under which the form of proxy is signed must be sent with the form of proxy.
3. The completion and return of a proxy will not prevent a Member from attending and voting at the Company's Annual General Meeting or the Cell's Annual General Meeting of the Fund.

For office use only	
Holder No	
No of Units	