ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2015

MIDDLEFIELD

Canadian Income PCC

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

MCI

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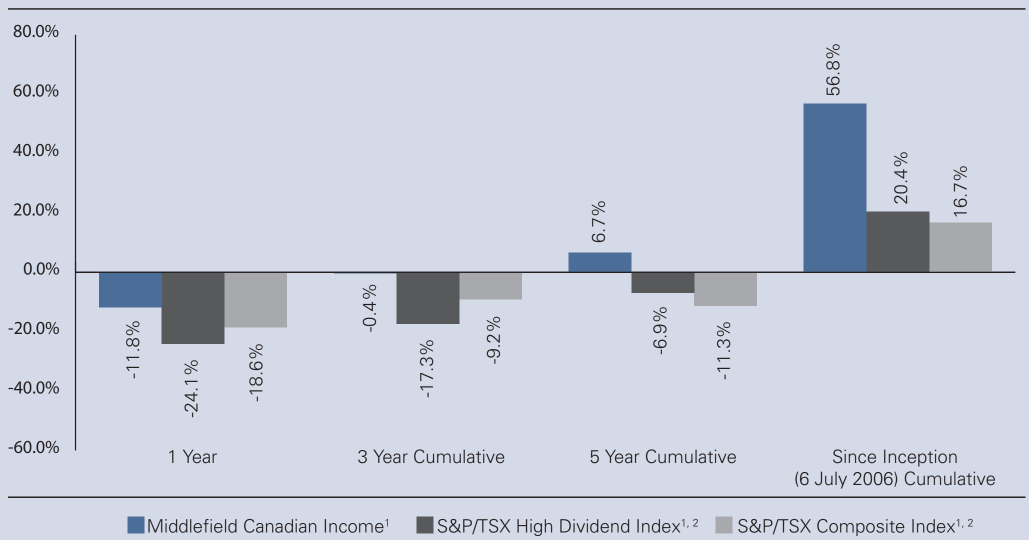
CHAIRMAN'S REPORT

It is my pleasure to introduce the 2015 Annual Financial Report for Middlefield Canadian Income PCC ("MCI" or the "Company"). MCI has established one closed-end cell known as Middlefield Canadian Income – GBP PC (the "Fund"). The Fund invests in a broadly diversified portfolio comprised primarily of Canadian and U.S. equity income securities with the objective of providing shareholders with high dividends as well as capital growth over the longer term.

We continue to be pleased with the long-term performance of the Fund. Since inception in 2006, the Fund has generated a cumulative return of 56.8%, outpacing its benchmark, the S&P/TSX Composite High Dividend Index, as well as the broader S&P/TSX Composite Index, which have generated cumulative period returns of 20.4% and 16.7%, respectively. In 2015, the Fund outperformed the S&P/TSX Composite High Dividend Index by over 12%, with a total return (in GBP) of -11.8% versus the benchmark total return of -24.1% (in GBP) over the same period. The Fund remains focused on investing in income-oriented issuers with proven management teams, good balance sheets and sustainable dividends that are well positioned to benefit from the relative strength of the North American economy.

Performance to 31 December 2015



Source: Bloomberg, as at 31 December 2015

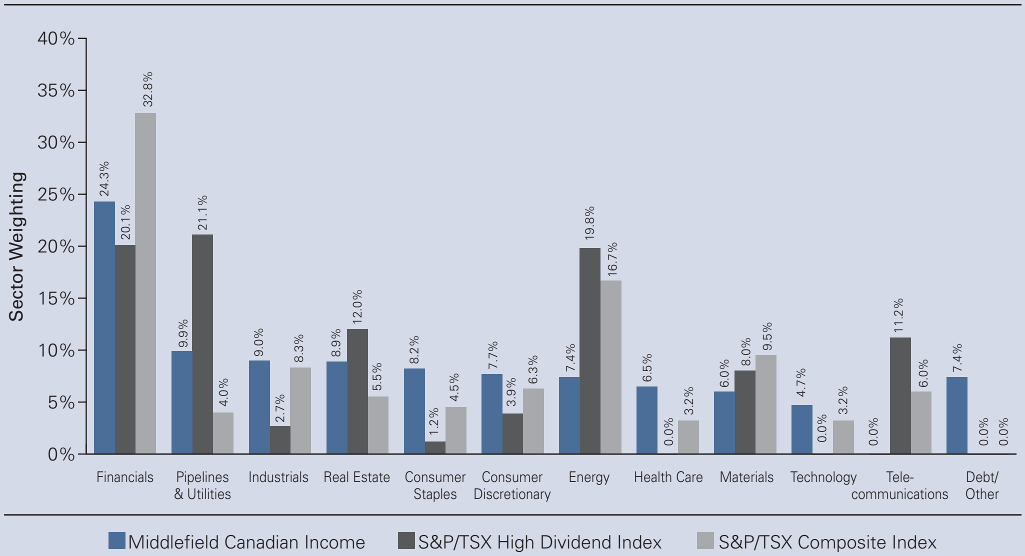
Notes:

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

In early 2015, after consulting with a number of the Fund's investors, the Company received shareholder approval to amend the Company's investment policy. Shareholders agreed to increase the Fund's maximum exposure to securities listed on any recognised stock exchange outside of Canada from 20% to 40%, as well as the inclusion of a new restriction which limits such investment outside Canada and the United States to 10%. These amendments, which were approved on 18 February 2015, will provide the Fund with greater flexibility to invest in sectors that are underrepresented in Canada, and that the Investment Manager believes will potentially enhance shareholder total returns through greater diversification. As of 31 December 2015, approximately 32% of the portfolio was invested in U.S. listed securities. While the strength in the GBP negatively impacted performance in 2015, the Fund benefited from its exposure to U.S. securities and the corresponding appreciation in the U.S. dollar. Going forward, we expect the movement in currencies to partially offset each other, reducing the overall volatility in reported returns.

CHAIRMAN'S REPORT

MCI Sector Weights Compared to Indices

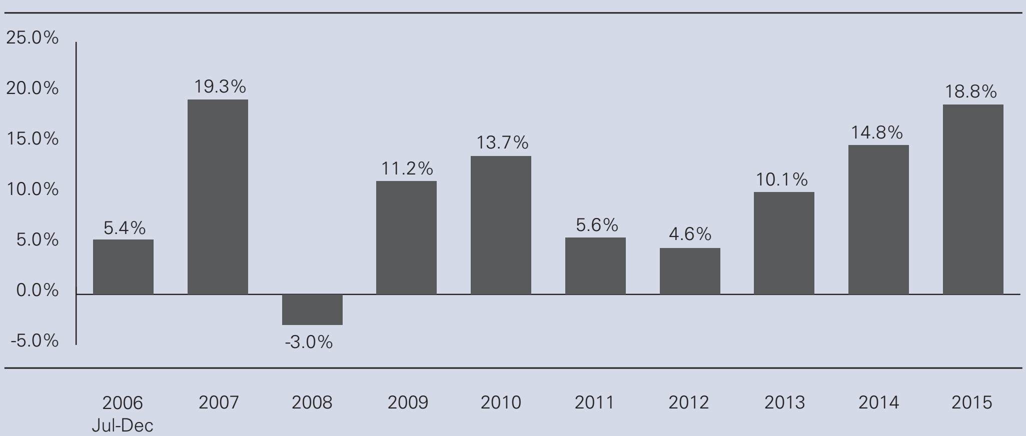


Source: Bloomberg, as at 31 December 2015

Over the course of the year, in light of the correction in the natural resource market and the slowing of the Canadian economy, the Fund's discount to NAV widened beyond historical levels. As a result, MCI repurchased a total of 770,000 redeemable participating preference shares in eight separate transactions, at a weighted average price of 80.44 pence. As a result of these transactions, as of 31 December 2015, the number of shares with voting rights in issue is 108.2 million.

The Investment Manager continues to tactically manage the amount of gearing employed in the Fund, taking advantage of favourable market conditions by increasing net gearing from an average of 14.8% in 2014 to an average of 18.8% for 2015. Subsequent to year end, as volatility in equity markets increased, the gearing was reduced. As the Investment Manager has done in previous years, under the overall supervision of the board, it will continue to monitor market conditions to determine the appropriate level of gearing for the Fund, effectively increasing gearing to invest in securities that are attractively valued, and reducing gearing with proceeds from positions that are overvalued.

Gearing as a Percentage of Net Assets (Yearly Average)



Source: Middlefield Capital Corporation

CHAIRMAN'S REPORT

ANNUAL GENERAL MEETING

This year's Annual General Meeting will be held on 26 May 2016 at 12:00 p.m., at the offices of CBPE Capital LLP, 2 George Yard, London EC3V.

OUTLOOK

Fundamentals in both Canada and the United States should continue to provide support for equity markets. We believe that Canada, in particular, will benefit from the recovery in energy markets over the next 12 to 24 months, as well as the relative strength in the U.S. economy. Against this backdrop, the Canadian dollar has strengthened by approximately 5% and 10% against the U.S. dollar and the British Pound, respectively, since the beginning of the year. Looking forward, subject to unforeseen circumstances, we believe global growth will accelerate, led by the ongoing recovery in the United States and accommodative monetary policies in other developed markets. As a result, subject to unforeseen circumstances, the Fund intends to maintain its dividend of five pence per year.

We thank you for your continued support.

Nicholas Villiers
Chairman
Date: 14 April 2016

INVESTMENT MANAGER'S REPORT

It was a challenging year for North American equity markets. Sharp fluctuations in commodity prices, currencies and yields have fuelled investor apprehension and increased volatility. Geopolitical issues have returned to the forefront with increasing concerns about economic growth in China and a delayed recovery in commodity prices. While the U.S. Federal Reserve recently raised interest rates for the first time since 2006, the European Central Bank is looking to stimulate economic activity through quantitative easing and low interest rates. As the U.S. labour market approaches full employment, we expect higher wages to encourage both consumers and corporations to increase spending after years of debt and expense reduction. Positive fundamentals in the U.S., combined with attractive valuations on both sides of the border, should continue to provide a supportive backdrop for North American equity markets.

The U.S. is in the middle stages of a prolonged business cycle which should create greater demand for Canadian exports and improve domestic corporate profits. Despite the challenging commodity price environment, Canadian economic activity has benefited from low interest rates, a resilient housing market and a weaker Canadian dollar. After a sharp decline in oil-related investment in 2015, economic growth in Canada is projected to accelerate in 2016 and 2017. Moreover, valuations in Canada have become increasingly compelling with forward earnings multiples below their 10-year average.

In the United States, recent economic data showed consumer prices increasing by the most in four years, suggesting that inflation should continue to rise. Unemployment remains at the lowest level in eight years and wages are slowly picking up, increasing disposable income. As such, we expect an improvement in consumer spending, which approximates to 70% of GDP, to positively affect economic growth in 2016. Furthermore, with the Federal Reserve becoming increasingly concerned about tighter global economic conditions, we believe the pace of additional rate increases by the FOMC in 2016 will be gradual.

The energy sector has been a major challenge for Canadian equity markets. As represented by the S&P/TSX Composite Energy Index, the sector generated a total return of -22.9% in 2015. Oil prices declined to levels not seen since 2003 as OPEC remains focused on increasing supply and gaining international market share. While independent producers have significantly reduced capital budgets and slowed drilling activity, the decline in domestic production has been moderate. Although the energy sector remains challenged, Canadian producers have benefited from a weaker Canadian dollar and a reduction in services costs. The warm start to the winter has also weighed on natural gas pricing. While regional oversupply remains a major issue, demand growth from industrial consumers and liquefied natural gas exports should lead to higher gas prices. We believe 2016 will be a transition year for energy markets as changing fundamentals set the stage for a more balanced market. With negative sentiment towards the sector at an extreme, selective opportunities are emerging for patient investors. The Fund is underweight the energy sector, with a portfolio allocation of 7.4% as at 31 December 2015 relative to the benchmark weighting of 19.8%. However, we do own several high quality, income oriented energy issuers such as Peyto Exploration & Development and Vermilion Energy Inc. in anticipation of an eventual energy market recovery.

While the financials sector performed well leading into the interest rate increase in December, it has subsequently traded off as the U.S. yield curve flattened since the start of the year. Concerns regarding energy-related loans have weighed on sentiment, despite the fact energy loans represent less than 3% to 4% of total loans outstanding for North America's largest banks. We believe the correction in U.S. banks and credit card issuers is overdone as the risk of a U.S. recession in 2016 is very low. Valuations for both Canadian and U.S. banks are at multi-year lows, despite much healthier balance sheets and strong capital ratios. We continue to favour U.S. financials over their Canadian peers as we expect better corporate and personal loan growth as well as faster dividend growth.

The infrastructure and commercial real estate sectors continue to offer stable income and capital appreciation potential. We remain biased toward geographies and real estate sub-sectors that should benefit from higher occupancy and rents due to rising corporate profitability and limited supply growth. Although the Canadian real estate sector remains stable amidst a slowing Canadian economy, many attractive investment opportunities exist abroad. We are focused on real estate companies with a track record of prudent capital allocation and operating in regions where interest rates are expected to remain low or increase gradually in response to economic growth. Since real estate equities may initially sell off in response to higher rates, we will use any correction as an opportunity to accumulate positions in our best ideas. Our outlook for infrastructure is supported by the demand for income-generating investments by pension funds, life insurance companies and sovereign wealth funds that are increasing their allocation to asset classes that offer excellent risk-adjusted returns relative to lower-yielding fixed income alternatives.

By 2040, the number of people over the age of 65 is expected to double. Accordingly, the outlook for global healthcare remains excellent with sub-sectors ranging from medical care facilities to pharmaceuticals offering a unique trade-off between stability and growth. Many companies have demonstrated an ability to consistently grow earnings while innovating to create new and exciting medical advancements. In addition, merger and acquisition activity continues to be robust due to the potential to realize cost synergies and broaden drug pipelines. Healthcare holdings include Johnson &

Johnson Inc. which is a global, diversified healthcare company that provides investors with a 3% dividend yield, a cash-rich balance sheet and an undervalued pharmaceutical pipeline.

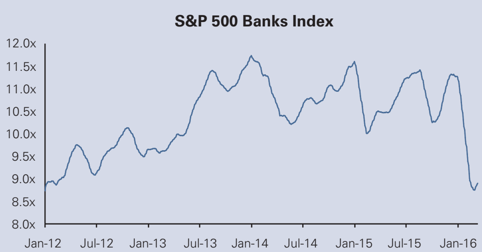
In Canadian dollars, MCI's net asset value was unchanged for the year, well ahead of the S&P/TSX Composite High Dividend Index, which was down approximately 14.6% in 2015. Over the past five years, MCI remains one of the best performing high dividend funds in Canada.

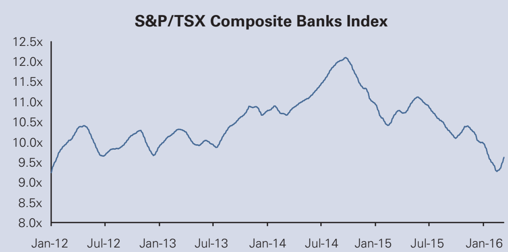
The Pound Sterling (GBP) was one of strongest global currencies last year with the Canadian dollar falling by nearly 13% against GBP in 2015. However, recent uncertainty regarding Britain's potential exit from the European Union has put downward pressure on GBP. The Fund continues to increase its weighting in U.S. equities to approximately 32% as of year-end with the increased exposure to the U.S. dollar reducing the overall currency volatility in the portfolio.

Financials remain the largest weighting in the Fund. While we are overweight the industrials sector, this exposure was reduced over the course of the year due to a decline in resource-related activity. During the year, we added to the consumer sectors to leverage the ongoing gains in wages and employment. We also increased the Fund's exposure to healthcare after a mid-year market sell-off and remained significantly underweight energy and telecommunications.

Valuations for North American Banks are Trading at Multi-Year Lows

(One-year Forward Price Earnings Ratios)





Source: Bloomberg

Top Holdings

The table below shows the largest ten positions held within the Fund's portfolio as at 31 December 2015:

COMPANY	SECTOR	% OF PORTFOLIO
Brookfield Property Partners L.P. Brookfield Property Partners L.P. is a global commercial property company that owns, operates and invests in best-in-class office, retail, multifamily and industrial assets.	Real Estate	3.9%
Kraft Heinz Company Kraft Heinz is a US packaged food company formed as a result of the 2015 merger between Heinz and Kraft Foods. The combined company is the third-largest food and beverage company in North America and the fifth-largest in the world with eight $1B+ brands.	Consumer Staples	3.4%
JPMorgan Chase & Co. JPMorgan Chase & Co. is a leading global financial services firm headquartered in New York, NY, and is the largest banking institution in the U.S. in terms of assets with $2.4 trillion in assets, approximately 5,413 branches nationwide, and operations in more than 60 countries.	Financials	3.3%

Top Holdings (Continued)

COMPANY	SECTOR	% OF PORTFOLIO
Gildan Activewear Inc. Gildan Activewear Inc. is a marketer and vertically-integrated global manufacturer of basic, non-fashion apparel products. Gildan sells its basic family apparel internationally under a diversified portfolio of company-owned brands.	Consumer Discretionary	3.2%
Reynolds American Inc. Reynolds American Inc. manufactures and sells cigarette and other tobacco products in the United States. RJR Tobacco is the primary cigarette subsidiary, which sells cigarettes through the brands Camel, Pall Mall, Winston, Kool and more.	Consumer Staples	3.1%
Bank of America Corporation Bank of America is one of the nation's largest banks with roughly $2.1 trillion in assets.	Financials	3.1%
Microsoft Corporation Microsoft is the world's largest software maker and a leading provider of operating systems and productivity suites for PCs. Microsoft develops licenses and supports a variety of software products and services, as well as a variety of hardware products.	Technology	3.1%
Manulife Financial Corporation Manulife is Canada's largest insurer and a leading global provider of financial protection and wealth management products and services. Manulife is among the largest life insurers globally as measured by market capitalization.	Financials	2.9%
Canadian National Railway Canadian National Railway is Canada's largest railway, and transports ~$250 billion worth of goods per year over a network of ~20,000 route miles of track spanning Canada and mid-America, connecting three coasts: the Atlantic, the Pacific, and the Gulf of Mexico.	Industrials	2.9%
Enercare Inc. Enercare Inc. is one of Canada's largest home and commercial services companies. Enercare has two primary businesses, its rentals portfolio – water heaters, furnaces, air-conditioners and other HVAC items – and its sub-metering business.	Consumer Discretionary	2.8%
Top Ten Investments		31.7%

OUTLOOK

We believe that the Fund is well positioned to continue to provide attractive long-term returns, on both a relative and absolute basis. Given the fundamentals described previously, the Fund maintains a relative overweight position in sectors including financials, consumer staples and industrials while remaining focused on investing in income-oriented issuers with proven management teams, good balance sheets and sustainable dividends. We continue to believe that the high dividend paying equity income sector will benefit from anticipated improvements in global growth and an ongoing demand for income.

Middlefield Limited
Date: 14 April 2016

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 December 2015 with comparatives for the year ended 31 December 2014. The directors confirm that the annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

STATUS AND ACTIVITIES

Middlefield Canadian Income – GBP PC (the "Fund") is a closed-ended protected cell of Middlefield Canadian Income PCC (the "Company"), a Jersey-incorporated protected cell company.

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

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

An amendment of the Fund's investment policy was approved by shareholders at the extraordinary general meeting held on 18 February 2015, which increased the percentage of the value of total portfolio assets which may be invested in securities listed on a recognised stock exchange outside of Canada from 20 per cent. to 40 per cent. and which limited the amount which may be invested in securities listed on any recognised stock exchange outside of Canada and the U.S. to 10 per cent. of the value of the Company's portfolio. The Fund's investment objective and policy are described in further detail below.

INVESTMENT OBJECTIVE AND DIVIDEND POLICY

The Fund seeks to provide shareholders with a high level of dividends as well as capital growth over the longer term. The Fund intends to pay dividends on a quarterly basis each year. Subject to unforeseen circumstances, the Fund intends to maintain its current dividend rate of five pence per share per annum payable on a quarterly basis in equal instalments. The current dividend rate is expected to be supported by an increase in dividend and interest income earned by the Fund as well as the expected increase in the value of the Canadian dollar versus GBP over time.

Investment Portfolio

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

The Fund may also hold cash or cash equivalents.

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

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

Investment restrictions

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

(a) have more than 10 per cent. of the value of its portfolio assets invested in the securities of any single issuer;

(b) have more than 50 per cent. of the value of its portfolio assets comprised of its ten largest security investments by value; or

(c) have more than 40 per cent. of the value of its portfolio assets invested in securities listed on a recognised stock exchange outside Canada; or

(d) have more than 10 per cent. of the value of its portfolio assets invested in securities listed on a recognised stock exchange outside Canada and the United States; or

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

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

Hedging

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

Gearing

The Fund has the power to borrow up to 25 per cent. of the value of its total assets at the time of drawdown. In the normal course of events, and subject to Board oversight, the Fund is expected to employ gearing in the range of 0 to 20 per cent. of the value of its total assets in order to enhance returns. At year end, the Fund's gross borrowings were equal to 21 per cent. of its total assets.

Key Performance Indicators

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

- portfolio performance;
- net asset value (NAV);
- share price;
- premium/discount;
- dividends; and
- ongoing charges.

DIRECTORS' REPORT

AUTHORISED AND ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2015

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

There are currently 2 Management Shares of no par value in the Company (issued on incorporation) and 2 Management Shares and 124,682,250 redeemable participating preference shares of no par value ("Fund Shares") in the Fund in issue. As at 31 December 2015, 16,520,000 Fund Shares were held in treasury. Since the financial year end and up to the date of this report, the Fund has not sold any Fund shares from treasury and has repurchased 300,000 Fund Shares so there are now 16,820,000 Fund Shares held in treasury, which may in future be sold out of treasury to satisfy market demand. Accordingly, the number of Fund Shares in issue and with voting rights attached is currently 107,862,250.

FURTHER ISSUES OF FUND SHARES

The Fund's Articles of Association provide the Board of directors with authority to issue further Fund Shares without seeking shareholders' approval although, unless otherwise authorised by shareholders, such Fund Shares must be issued on a pre-emptive basis. However, at the Cell Annual General Meeting (the "Cell AGM") held on 28 May 2015, the Fund's shareholders authorised the issue or sale out of treasury of Fund Shares representing up to 10 per cent. of the Fund's issued share capital as at the date of the Cell AGM. Such issues or sales will only be effected in the event of investor demand which cannot be met through the market and will only be conducted at a price equal to or above the prevailing NAV.

The aforementioned authority expires on the earlier of 30 September 2016 or the conclusion of next Cell AGM. At the next Cell AGM, the notice of which is included at the end of this annual financial report, the Board will be seeking renewal of their authority to issue or sell out of treasury additional Fund Shares and to make market acquisitions of Fund Shares. If the proposed special resolutions are approved, such authority will remain valid until the earlier of 30 September 2017 or the conclusion of the next Cell AGM.

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

FUTURE TRENDS

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

SHAREHOLDER RELATIONS

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

There is regular dialogue between the Investment Manager and major shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholders' views, in order to help

SUBSTANTIAL SHAREHOLDING IN THE FUND

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

Name	Redeemable Participating Preference Shares Number of Shares	Redeemable Participating Preference Shares* % of Shares in issue
Brewin Nominees Limited	15,672,979	12.57%
Rock (Nominees) Limited	12,943,074	10.38%
State Street Nominees Limited	11,071,350	8.88%
Vidacos Nominees Limited	11,103,848	8.91%

* As at the date of this report

develop a balanced understanding of their issues and concerns. General presentations to both shareholders and analysts follow the publication of the annual financial results. All meetings between the Investment Manager and shareholders are reported to the Board.

ONGOING CHARGES

The below table below shows the annualised ongoing charges that relate to the management of the Fund as a single percentage of the average NAV over the same year. Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Fund as a collective investment fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs.

	Ongoing charges (%)
31 December 2015	1.06
31 December 2014	1.10

RESULTS AND DIVIDENDS

The results for the year are shown in the Statement of Comprehensive Income on page 28 and related notes on pages 30 to 44. During the year, dividends were paid on a quarterly basis (see note 11). Although there is no guarantee, dividends are expected to be paid on a quarterly basis and paid at the end of that month as follows:

Payment Month	Gross amount per Share
April 2016	1.25p expected
July 2016	1.25p expected
October 2016	1.25p expected
January 2017	1.25p expected

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

GOING CONCERN AND VIABILITY

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

The financial statements have been prepared on a going concern basis, supported by the directors' current assessment of the Company's position, including the factors set out on page 7 above and:

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

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

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

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

CORPORATE GOVERNANCE

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

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

The Association of Investment Companies (the "AIC"), of which the Company is a member, has published its Code of Corporate Governance for Investment Companies (the "AIC Code") and the

Corporate Governance Guide for Investment Companies dated February 2015 (the "AIC Guide"), which incorporates the UK Code, the AIC Code and paragraph 9.8.6 of the FCA's Listing Rules. The FRC has confirmed that "it remains the FRC's view that by following the AIC Corporate Governance Guide, investment company boards should fully meet their obligations in relation to the UK Corporate Governance Code and paragraph LR 9.8.6 of the Listing Rules."

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

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

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

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

Investment Policy (incorporating the Investment Objective)

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

Market Value of Fund Shares

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

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

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

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

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

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

DIRECTORS

As at 31 December 2015 and as at the date of this report, the Board of directors comprised five non-executive directors, four of whom were independent of the Investment Manager and its affiliates.

The present members of the Board are listed on the inside back cover of this report and on pages 11 to 12. In accordance with the provisions of the AIC Code, all directors should submit themselves for re-election at least every three years. In addition, as Mr Orrico is not independent of the Investment Manager, he is required by the FCA's Listing Rules to submit himself for re-election annually. However, in accordance with PIRC's published guidance in relation to the continued appointment of directors, at the forthcoming Company and Cell AGM to be held on 26 May 2016, each of the directors will resign and stand for re-election.

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

The current directors are:

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

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

DIRECTORS' REPORT

The interests as at 31 December 2014 and 2015 of the directors who served on the Board and their connected persons during the year were as follows:

	2015 Fund Shares	2014 Fund Shares
Raymond Apsey	50,000	50,000
Philip Bisson	635,826	570,500
Philean Trust Company Limited (a company connected with Philip Bisson)	714,381	678,000
Thomas Grose	50,000	50,000
Dean Orrico	100,000	100,000
Nicholas Villiers (Chairman)	10,000	10,000

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

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

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

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

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

The structure of the Board is such that it is considered unnecessary to identify a senior independent non-executive director other than the Chairman because the Board currently has a majority of independent directors and is expected to continue to have a majority of independent directors after the forthcoming Company and Cell AGM. As such, it complies with the FCA's Listing Rules and the AIC Code. On 26 May 2010, a Nomination and Remuneration Committee was established comprised of all the directors of the Company and Fund. In accordance with PIRC's published guidance, all directors will continue to offer themselves for annual re-election for the foreseeable future.

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

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

CONFLICTS OF INTEREST

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

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

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' REMUNERATION

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

Directors' fees are recommended by the full Board. The non-executive directors were each paid the following in the 2014 and 2015 financial years:

Director	2015 Fees	2014 Fees
Raymond Apsey	£20,000	£20,000
Philip Bisson	£20,000	£20,000
Thomas Grose	£20,000	£20,000
Dean Orrico	–	–
Nicholas Villiers	£25,000	£25,000

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

BOARD, COMMITTEE AND DIRECTORS' PERFORMANCE EVALUATION

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

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

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

INDEPENDENCE OF DIRECTORS

During the year, the Board consisted of five members, all of whom are non-executive. Mr Orrico is a director of Middlefield Capital Corporation, an affiliate of the Investment Manager. All the directors, apart from Mr Orrico, are considered to be independent of the Investment Manager and free of any business or other relationship that could influence their ability to exercise independent judgement. The Board believes that Mr Orrico's investment management experience adds considerable value to the Company. The entire Board are members of the Nomination & Remuneration and Management Engagement Committees, while Mr Orrico does not take part in discussing any contractual arrangements between the Company and the Investment Manager,

The Board believes that Mr Villiers, Mr Grose, Mr Bisson and Mr Apsey are independent in character and judgement and that their experience and knowledge of the specialised sector in which the Company operates adds significant strength to the Board. The directors believe that the Board has a balance of skills and experience which enable it to provide effective strategic leadership and proper governance of the Company. Information about the directors including their relevant experience can be found on pages 11 to 12. The Board is of the view that length of service does not automatically compromise the independence or contribution of directors of an investment company, where continuity and experience can be a benefit to the Board. Furthermore, the Board agrees with the view expressed in the AIC Code of Governance that long serving directors should not be prevented from forming part of an independent majority or from acting as Chairman. Consequently, no limit has been imposed on the directors' overall length of service.

INTERNAL CONTROLS

The directors are responsible for overseeing the effectiveness of the Company's internal financial control systems, which are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal financial controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company receives reports from the Administrator relating to its administration activities. Documented

DIRECTORS' REPORT

Directors' Attendance

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

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

contractual arrangements are in place with the Administrator, which define the areas where the Company has delegated authority to them.

AUDIT COMMITTEE

On 26 May, 2010 an Audit Committee was established. The current members are Thomas Grose (Chairman), Raymond Apsey, Nicholas Villiers and Philip Bisson. A separate report from the Audit Committee is included at pages 17 to 19.

NOMINATION AND REMUNERATION COMMITTEE

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

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

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

MANAGEMENT ENGAGEMENT COMMITTEE

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

Duties

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

i) the Administration and Secretarial Agreement;

ii) agreements for the provision of legal advice;

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

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

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

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

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

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

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

SOCIAL, COMMUNITY, ENVIRONMENTAL AND HUMAN RIGHTS

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

INDEPENDENT AUDITOR

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

MEETINGS OF SHAREHOLDERS

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

DIRECTORS' RESPONSIBILITIES

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

The Companies (Jersey) Law 1991, as amended (the "Companies Law") requires the directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year. The directors have elected to prepare the financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

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

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
2. the Chairman's Report, Investment Manager's Report and Notes to the Financial Statements incorporated herein by reference include a fair review of the development, performance and position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board:

Thomas Grose
Director

Philip Bisson
Director

Date: 14 April 2016

REPORT OF THE AUDIT COMMITTEE

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

The Audit Committee is chaired by Thomas Grose, a non-executive independent director and its other members are Nicholas Villiers, Raymond Apsey and Philip Bisson who are also independent non-executive directors. Their summary biographical details are set out on pages 11 to 12.

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

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

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

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

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

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

REPORT OF THE AUDIT COMMITTEE

The Board also received and considered, together with representatives of the Investment Manager, reports in relation to the operational controls of the Investment Manager, Administrator, Custodian and Registrar. These reviews identified no issues of significance. The risks relating to the Company are discussed by the directors and documented in detail in the minutes of each meeting. The Audit Committee is also responsible for overseeing the Company's relationship with the external auditor, including making recommendations to the Board on the appointment of the external auditor and its remuneration. The current auditor was appointed in 2006 following an audit tender process and has therefore served the Company for nearly ten years. The independence of the external auditor is evidenced through its challenge to management. Its independence and objectivity are assured through the rotation of audit partner on a regular basis. The present audit Partner's permitted fifth and final year is the year ended 31 December 2016. Accordingly the Committee has not considered it necessary to date to undertake another tender process for the audit work, although it has considered Deloitte's tenure and appointment on an annual basis. Since the beginning of the financial year, the Audit Committee has undertaken an assessment of the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the audit process. This included consideration of a report on the audit firm's own quality control procedures and transparency report.

SIGNIFICANT RISKS

During the year, the significant risks that were subject to specific consideration by the Committee and consultation with the auditor where necessary were as follows:

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

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

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

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

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

Any differences are investigated and commented on.

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

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

The calculation of variable expenses forms part of the procedures performed in the daily valuation process. The fees are calculated using the variable expense calculator which is automated. The setup of the calculator is done utilising the rates per the relevant agreements. Accuracy and cut-off is checked using the variable fee check. The accuracy of variable fees is also reviewed as part of the valuation procedures.

AUDITOR AND AUDIT

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

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

The FRC's Audit Quality Review team selected to review the audit of Middlefield Canadian Income PCC's financial statements for the year ended 31 December 2014 as part of their 2015 annual inspection of audit firms. The focus of the review and their reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The Chairman of the Audit Committee received a full copy of the findings of the Audit Quality Review team and has discussed these with Deloitte. The Audit Committee confirms that there were no significant areas for improvement identified within the report. The Audit Committee is also satisfied that there is nothing within the report which might have a bearing on the audit appointment.

The Chairman of the Audit Committee meets with the Investment Manager and Administrator to discuss the extent of audit work completed to ensure all matters of risk are covered while the Committee assesses the quality of the draft financial statements prepared by the Administrator and examines the interaction between the Investment Manager and auditor to resolve any potential audit issues. It also reviews, develops and implements policy on the supply of non-audit services.

REPORT OF THE AUDIT COMMITTEE

All non-audit services, if any, which are sourced from the audit firm would need to be pre-approved by the Audit Committee after they have been satisfied that the relevant safeguards are in place to protect the auditor`s objectivity and independence.

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

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

Thomas Grose
Chairman of the Audit Committee

Date: 14 April 2016

VIABILITY STATEMENT

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

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

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

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

It is the Board's opinion that interest rates are expected to remain low for the foreseeable future and equity income should continue to be in demand by both individual and institutional investors. On the advice of the Investment Manager and as suggested by recent economic data, the Board believes that the North American economy will gradually improve over the next three years and that equities are currently attractively valued. Commodity prices, including oil, are at lows not seen since the global financial crisis and should have relatively limited downside from current levels. As a result, the Board believes that the Company's investment strategy of investing in North American companies that offer high and growing levels of dividends remains viable.

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MIDDLEFIELD CANADIAN INCOME – GBP PC (THE "FUND"),
A CELL OF MIDDLEFIELD CANADIAN INCOME PCC

Opinion on the Financial Statements of Middlefield Canadian Income – GBP PC

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 December 2015 and of the Fund's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Redeemable Participating Preference Shareholders' Equity, the Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the directors' statement on the longer-term viability of the Fund contained within the strategic report, on page 20.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 20 that they have carried out a robust assessment of the principal risks facing the Fund, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 36 to 40 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Fund's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 20 as to how they have assessed the prospects of the Fund, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Fund will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Fund and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

Our risk assessment process continues throughout the audit. There has been no significant change in the Fund's operation, therefore the assessed risks of material misstatement described below, which are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team are the same risks as the prior year. The procedures described in our response to each risk are not exhaustive and we have focused on those procedures that we consider address areas of judgement or subjectivity.

RISK	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK
Valuation of investments As detailed on pages 42 to 44, the schedule of investments at the year-end comprised of investments of £109,893,936 (2014: £122,991,718) which are measured at fair value and fair value is determined based on market prices and accounting policies on pages 30 to 33. Although the schedule of investments is made up of listed securities which are traded on recognised markets, there is a risk that prices of listed securities held by the Fund may not be reflective of fair value. Investments represent the most significant number on the balance sheet and has a significant impact on the Net Assets Value (NAV) which is the key performance indicator of the Fund.	Our procedures on the valuation of investments included; evaluation of design and implementation of key controls around valuations; testing 100% of the valuations of investments by agreeing the prices directly to independent third party sources; obtaining trading volume information for top ten holdings directly from independent third party sources to assess the frequency of trade to support the valuation.
Ownership of investments The investment portfolio is the single largest asset on the balance sheet and impacts the NAV of the Fund disclosed on the balance sheet in the financial statements. There is a risk that securities, a record of which is maintained by a third party custodian, are not directly owned by the Fund.	Our procedures on ownership of investments included; evaluation of design and implementation of key controls around custody of investments; testing ownership of 100% of investments by confirming the holdings at year end with the independent custodian.

Accuracy of investment management fees

The investment management fee is the single largest administrative expense in the Statement of Comprehensive Income constituting £727,106 (2014: £823,771) and forms part the daily valuation process. It is also a related party transaction, therefore we have identified it as a significant risk.

We have identified a potential risk in the calculation of these fees in that the calculation methodology may not be in line with the written agreement as described on page 32 and incorrect inputs may be used in the calculation.

Our procedures on accuracy of investment management fees included;

obtaining the fee agreement relating to the investment management fee, including the updated agreement following the change in Investment Manager, recalculating the fees for the year ended 31 December 2015 in accordance with the agreement and comparing to the recorded amounts.

reviewing the accuracy of the inputs used in the calculation and the design and implementation of controls relating to the inputs (NAV) into the calculation and over the accuracy of the calculation in relation to the written agreement.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 18.

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

Our application of materiality

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

We determined materiality for the Fund to be £936,000 (2014: £1,124,000), which is approximately 1% (2014: 1%) of the Net Asset Value of the Fund. The reason for using Net Asset Value is that this is the key performance indicator for investments in the Fund.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £18,000 (2014: £22,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee any significant disclosure matters that we identify when assessing the overall presentation of the financial statements. We confirmed to the Audit Committee that we had no significant misstatement and disclosure matters to report.

An overview of the scope of our audit

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MIDDLEFIELD CANADIAN INCOME – GBP PC (THE "FUND"),
A CELL OF MIDDLEFIELD CANADIAN INCOME PCC

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Fund's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Fund acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Fund's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MIDDLEFIELD CANADIAN INCOME – GBP PC (THE "FUND"),
A CELL OF MIDDLEFIELD CANADIAN INCOME PCC

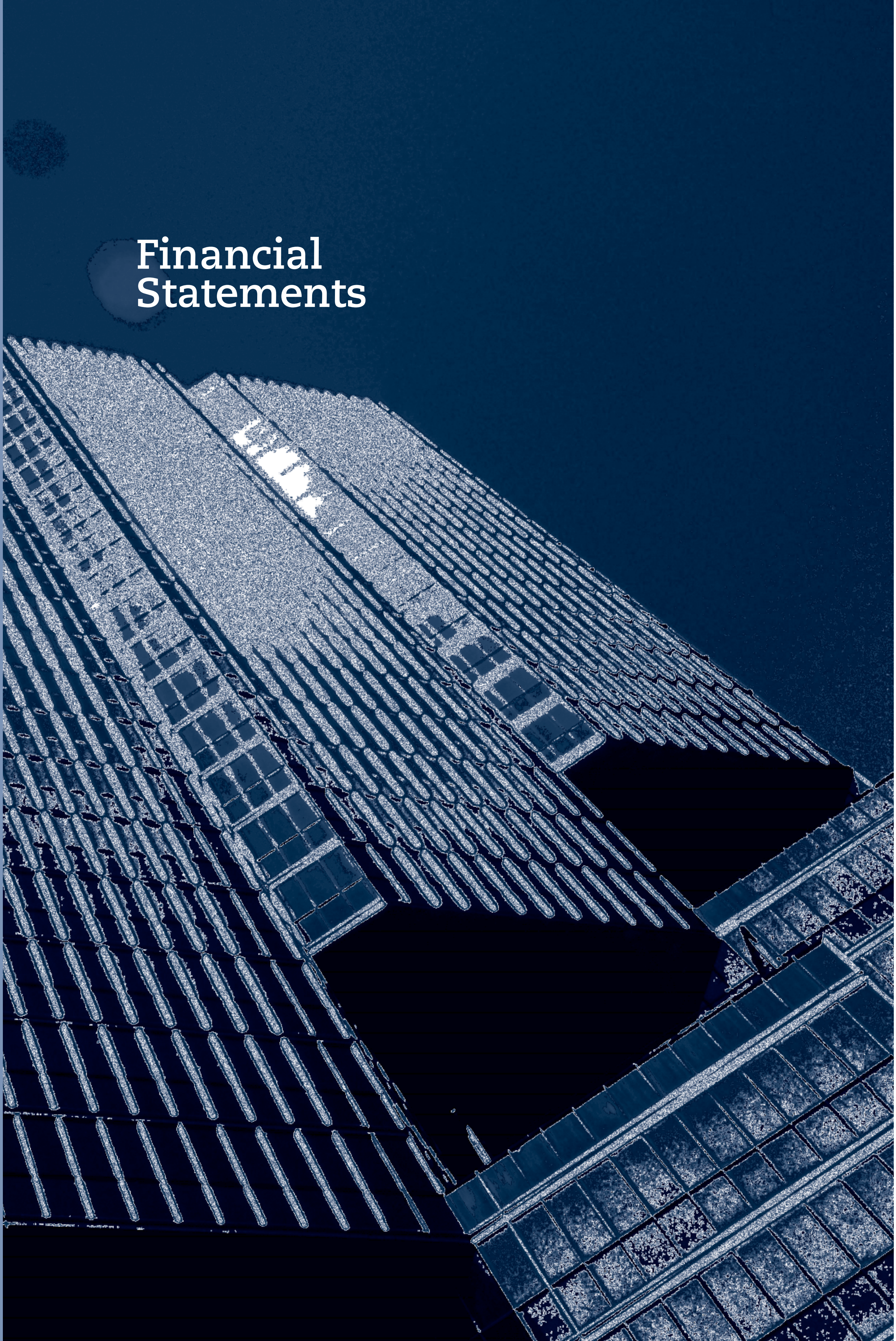
Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

14 April 2016

Financial Statements



FINANCIAL STATEMENTS

Statement of Financial Position of the Fund

AS AT 31 DECEMBER 2015 WITH COMPARATIVES AS AT 31 DECEMBER 2014

	Notes	2015 GBP	2014 GBP
Current assets			
Securities (at fair value through profit or loss)	3 & 19	109,893,936	122,991,718
Accrued bond interest		57,494	132,741
Accrued bank interest		983	9,282
Accrued dividend income		237,508	268,128
Other receivables	6	2	2
Prepayments		30,549	31,084
Cash and cash equivalents	4	7,883,230	19,738,857
		118,103,702	143,171,812
Current liabilities			
Other payables and accruals	5	(290,681)	(366,908)
Interest payable		(1,951)	(130,552)
Loan payable	14	(24,363,649)	(30,278,154)
		(24,656,281)	(30,775,614)
Net assets		**93,447,421**	**112,396,198**
Equity attributable to equity holders			
Stated capital	6	51,158,937	51,778,312
Retained earnings		42,288,484	60,617,886
Total Shareholders' equity		**93,447,421**	**112,396,198**
Net asset value per redeemable participating preference share	7	**86.40p**	**103.18p**

The financial statements and notes on pages 27 to 44 were approved by the directors on 14 April 2016 and signed on behalf of the Board by:

Thomas Grose
Director

Philip Bisson
Director

The accompanying notes on pages 30 to 44 form an integral part of these financial statements.

FINANCIAL STATEMENTS

Statement of Comprehensive Income of the Fund

FOR THE YEAR ENDED 31 DECEMBER 2015 WITH COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2015 Revenue GBP	2015 Capital GBP	2015 Total GBP	2014 Total GBP
Revenue					
Dividend income	8	4,058,329	–	4,058,329	5,171,638
Interest income	8	665,182	–	665,182	1,010,010
Net movement in the fair value of securities (at fair value through profit or loss)	9	–	(18,101,131)	(18,101,131)	(2,660,636)
Net movement on foreign exchange		–	2,652,953	2,652,953	(351,344)
Total revenue		**4,723,511**	**(15,448,178)**	**(10,724,667)**	**3,169,668**
Expenditure					
Investment management fees	2 o	290,842	436,264	727,106	823,771
Custodian fees	2 l	12,052	–	12,052	15,770
Sponsor's fees	2 m	207,745	–	207,745	235,363
Directors' fees and expenses		116,737	–	116,737	113,662
Legal and professional fees		8,546	–	8,546	50,141
Audit fees		26,000	–	26,000	26,048
Tax fees		5,800	–	5,800	6,600
Registrar's fees		39,769	–	39,769	40,736
Administration and secretarial fees	2 k	103,872	–	103,872	117,682
General expenses		57,909	–	57,909	67,698
Operating expenses		**869,272**	**436,264**	**1,305,536**	**1,497,471**
Net operating profit before finance costs		3,854,239	(15,884,442)	(12,030,203)	1,672,197
Finance cost		(167,444)	(251,165)	(418,609)	(567,962)
(Loss)/profit before tax		3,686,795	(16,135,607)	(12,448,812)	1,104,235
Withholding tax expense		(445,103)	–	(445,103)	(857,395)
Net (loss)/profit		**3,241,692**	**(16,135,607)**	**(12,893,915)**	**246,840**
(Loss)/profit per redeemable participating preference share – basic and diluted	10	**2.98**	**(14.85)**	**(11.87)**	**0.23**

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

There are GBP nil (2014: GBP nil) earnings attributable to the management shares.

All activities derive from continuing operations.

The accompanying notes on pages 30 to 44 form an integral part of these financial statements.

FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED 31 DECEMBER 2015 WITH COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Stated Capital Account GBP	Retained Income GBP	Total GBP
At 1 January 2014		50,796,973	65,790,159	116,587,132
Proceeds from redeemable share issues		981,339	–	981,339
Profit for the year		–	246,840	246,840
Dividends	11	–	(5,419,113)	(5,419,113)
At 31 December 2014		**51,778,312**	**60,617,886**	**112,396,198**
Payments for redeemable share repurchases		(619,375)	–	(619,375)
Loss for the year		–	(12,893,915)	(12,893,915)
Dividends	11	–	(5,435,487)	(5,435,487)
At 31 December 2015		**51,158,937**	**42,288,484**	**93,477,421**

The accompanying notes on pages 30 to 44 form an integral part of these financial statements.

Cash Flow Statement of the Fund

FOR THE YEAR ENDED 31 DECEMBER 2015 WITH COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2015 GBP	2014 GBP
Cash flows from operating activities			
Net (loss)/profit		(12,893,915)	246,840
Adjustments for:			
Net movement in the fair value of securities (at fair value through profit or loss)	9	18,101,131	2,660,636
Realised gain/(loss) on foreign exchange		(1,896,393)	342,226
Unrealised gain/(loss) on foreign exchange		(756,559)	9,118
Payment for purchases of securities		(63,036,244)	(61,720,587)
Proceeds from sale of securities		58,032,895	65,598,161
Operating cash flows before movements in working capital		**(2,449,085)**	**7,136,394**
Decrease in other receivables		114,700	147,133
(Decrease)/increase in other payables and accruals		(204,828)	105,048
Net cash from operating activities		**(2,539,213)**	**7,388,575**
Cash flows from financing activities			
Repayments of borrowings		(163,118,873)	(83,860,796)
New bank loans raised		157,204,369	94,343,647
(Payments)/Proceeds (for)/from issue of shares		(619,375)	981,339
Dividends paid	11	(5,435,487)	(5,419,113)
Net cash generated from financing activities		**(11,969,366)**	**6,045,077**
Net (decrease)/ increase in cash and cash equivalents		(14,508,579)	13,433,652
Cash and cash equivalents at the beginning of the year		19,738,857	6,656,549
Effect of foreign exchange rate changes		2,652,952	(351,344)
Cash and cash equivalents at the end of the year		**7,883,230**	**19,738,857**
Cash and cash equivalents made up of:			
Cash at bank	4	7,883,230	19,738,857

The accompanying notes on pages 30 to 44 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND

FOR THE YEAR ENDED 31 DECEMBER 2015 WITH COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2014

1. General Information

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

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

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

The Company and Fund have no employees.

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

2. Accounting Policies

a. Basis of preparation

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

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

Critical accounting estimates and judgements

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

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

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

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

Adoption of new and revised Standards

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

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

  Disclosure Initiative (Amendments to IAS 1) was issued on 18 December 2014. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

2. Accounting Policies (Continued)

Adoption of new and revised Standards (Continued)

a. Basis of preparation (Continued)

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

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

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

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

b. Financial instruments

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

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Fund had no derivatives outstanding at 31 December 2015 and 2014.

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

c. Securities

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

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

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

Transaction costs are included in the costs of the investment.

d. Receivables

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

e. Prepayments

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

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.

2. Accounting Policies (Continued)

g. Provisions

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

h. Share capital

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

i. Net asset value per redeemable participating preference share

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

j. Issue costs

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

k. Administration and secretarial fees

Under the provisions of the Administration Agreement dated 18 August 2011 between the Fund and JTC Fund Solutions (Jersey) Limited as Administrator, the Administrator is entitled to a fee for administrative and secretarial services payable by the Fund quarterly in arrears at a rate of 0.10 per cent. per annum of the average net asset value ("NAV") of the Fund calculated over the relevant quarterly period.

l. Custodian fees

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

m. Sponsor's fees

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

n. Going concern

In the opinion of the directors, the Company and the Fund have adequate resources to continue in operational existence for the foreseeable future. For this reason the financial statements have been prepared using the going concern basis. The directors considered, *inter alia*, the following factors:

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

o. Investment management fees

Middlefield Limited, the Investment Manager, is entitled to a management fee payable by the Fund quarterly in arrears at a rate of 0.70 per cent. per annum of the average NAV of the Fund calculated over the relevant quarterly period. Prior to 28 June 2013, the management fee was at a rate of 0.867 per cent. per annum of the average NAV of the Fund calculated over the relevant quarterly period and prior to 9 July 2014, the investment manager was Middlefield Capital Corporation.

Investment management fees for the year ended 31 December 2015 total £727,106 (31 December 2014: £823,771). The fee is split between ML and MIL at a ratio of 0.60: 0.10.

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

p. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at exchange rates in effect at the date of the Financial Statements. Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the Statement of Comprehensive Income as foreign currency gains and losses. The cost of investments, and income and expenditure are translated into Sterling based on exchange rates on the date of the transaction. Realised gain on foreign exchange currency transactions totalled £1,929,284 for the year (2014: loss of £419,473). Realised loss on forward exchange contracts totalled £32,891 (2014: gain of £77,247). Unrealised gains on foreign currency transactions totalled £756,559 (2014: Loss £9,118).

2. Accounting Policies (Continued)

q. Revenue recognition

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

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

r. Loan payable

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

s. Related parties

Related parties are individuals and companies where the individuals or companies have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

t. Business and geographical segments

The directors are of the opinion that the Fund is engaged in a single segment of business investing predominantly in securities and REITs domiciled in Canada to which the Fund is solely exposed and therefore no segmental reporting is provided. Refer to the change in investment policy on page 7.

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

	2015 GBP	2014 GBP
Quoted/listed Equities	102,969,575	112,193,355
Quoted/listed Bonds	6,924,361	10,798,363
	109,893,936	**122,991,718**

Please refer to Note 19 for the Schedule of Investments.

4. Cash and cash equivalents

	2015 GBP	2014 GBP
Cash at bank	**7,883,230**	**19,738,857**

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

5. Other payables and accruals

	2015 GBP	2014 GBP
Investment management fees	167,034	201,731
Sponsor's fees	47,724	57,637
Audit fees	26,000	26,000
Administration fees	23,862	28,819
Directors' fees	–	21,250
General expenses	17,535	20,246
Registrar's fees	6,695	8,343
Custodian fees	1,831	2,882
	290,681	**366,908**

6. Stated capital account

The authorised share capital of the Fund is split into two management shares of no par value and an unlimited number of redeemable participating preference shares of no par value, the latter of which are attributable solely to the Fund.

	No. of shares	GBP
Management shares issued		
At 24 May 2006	–	–
2 management shares of no par value issued at 100.00 pence each	2	2
At 31 December 2015 and 2014	**2**	**2**
Redeemable participating preference shares issued		
At 31 December 2014	**108,932,250**	**51,778,310**
27 March 2015 50,000 shares of no par value repurchased at 92.75 pence each	(50,000)	(46,375)
15 May 2015 40,000 shares of no par value repurchased at 94.00 pence each	(40,000)	(37,600)
20 May 2015 80,000 shares of no par value repurchased at 94.50 pence each	(80,000)	(75,600)
21 August 2015 100,000 shares of no par value repurchased at 79.30 pence each	(100,000)	(79,300)
17 September 2015 100,000 shares of no par value repurchased at 76.50 pence each	(100,000)	(76,500)
24 September 2015 200,0000 shares of no par value repurchased at 75.00 pence each	(200,000)	(150,000)
1 October 2015 100,000 shares of no par value repurchased at 76.00 pence each	(100,000)	(76,000)
13 November 2015 100,000 shares of no par value repurchased at 78.00 pence each	(100,000)	(78,000)
At 31 December 2015	**108,162,250**	**51,158,935**
Total		**51,158,937**

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

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

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

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

At the year end, there were 16,520,000 (31 December 2014: 15,750,000) treasury shares in issue. Treasury shares have no value and no voting rights.

FCA regulation of 'non-mainstream pooled investments'

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

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

7. Net asset value per redeemable participating preference share

The NAV per share of 86.40p (31 December 2014: 103.18p) is based on the net assets at the year end of £93,447,421 (31 December 2014: £112,396,196) and on 108,162,250 redeemable participating preference shares, being the number of redeemable participating preference share in issue at the year end (31 December 2014: 108,932,250 shares).

8. Dividend and interest income

	Revenue	2015 Capital	Total	2014
	GBP	GBP	GBP	GBP
Bond and debenture interest	599,852	–	599,852	906,989
Bank and loan interest	65,330	–	65,330	103,021
Dividend income	4,058,329	–	4,058,329	5,171,638
	4,723,511	–	**4,723,511**	**6,181,648**

9. Net movement in the fair value of securities

	Revenue	2015 Capital	Total	2014
	GBP	GBP	GBP	GBP
(Losses) on sale of securities	–	(8,534,602)	(8,534,602)	(4,393,909)
(Loss)/gains on the revaluation of securities at year end	–	(9,566,529)	(9,566,529)	1,733,273
Net movement in the fair value of securities (at fair value through profit or loss)	–	**(18,101,131)**	**(18,101,131)**	**(2,660,636)**

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

Basic profit per redeemable participating preference share is calculated by dividing the net loss attributable to redeemable participating preference shares of £12,893,915 (31 December 2014: Profit £246,840) by the weighted average number of redeemable participating preference shares outstanding during the year of 108,662,798 shares (31 December 2014: 108,492,387 shares).

11. Dividends

Dividends of 1.25 pence per share and totalling £5,435,487 (31 December 2014: £5,419,113) were paid on a quarterly basis during the year in the months of January, April, July and October. On 29 January 2016 a dividend of £1,352,028 was paid. In accordance with the requirements of IFRS, as this was approved on 7 January 2016, being after the Statement of Financial Position date, no accrual was reflected in the 2015 Financial Statements for this amount of £1,352,028 (31 December 2014: £1,361,653).

12. Taxation

The Fund is subject to UK Corporation tax at a rate of 20.25% (2014: 21.66%). The Company adopted UK tax residency on 11 October 2011. Since that date the Company has been managed in such a way as to be able to meet the conditions for approval as an investment trust under Section 1158 of the Corporation Tax Act 2010. As an investment trust, all capital gains are exempt from UK Corporation tax. On 7 December 2012, the Company received approval from HM Revenue & Customs to be treated as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 and will seek to remain so approved.

13. Related party transactions

The directors are regarded as related parties. Total directors' fees paid during the year amounted to £85,000 of which zero was due at year end (2014: £85,000 of which £21,250 was due at the year end). Each non-executive director, other than Mr. Orrico, was paid a fee of £20,000 in respect of the financial year and the Chairman was paid a fee of £25,000 (2014: £25,000). Mr Orrico waived his fee in 2015.

The Investment Manager is also regarded as a related party due to common ownership. Total management fees paid during the year amounted to £727,106 (2014: £823,771).

The fees for the above are all arms length transactions.

14. Loan payable

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

At 31 December 2015, the Bankers' Acceptance drawn under the Credit Facility totals CAD 50,000,000 (GBP equivalent of £24,363,649) (31 December 2014: CAD55,000,000 (GBP equivalent of £30,278,154)). The loan was renewed on 29 December 2015 with a maturity date of 26 February 2016.

14. Loan payable (Continued)

As at 31 December 2015, pre-paid interest and stamping fees of £55,653 (31 December 2014: £44,750) were paid on the Bankers' Acceptance and these costs are being amortised over 59 days (31 December 2014: 90 and 120 days). Interest paid on the Bankers' Acceptance totalled £246,118 (31 December 2014: £362,790).

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

15. Security Agreement

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

16. Financial instruments

Fair values

The carrying amounts of the investments, accrued income, other receivables, cash and cash equivalents and other payables approximate their fair values. In 2015, the percentage of the value of portfolio assets which may be invested in securities listed in recognized stock exchange outside Canada has been increased to up to 40 per cent.

Management of Capital

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

The capital structure of the Fund consists of proceeds from the issue of preference shares, loans and reserve accounts. The Investment Manager manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. Generally speaking, the Fund will reduce leverage when investments are likely to decrease in value and will increase leverage when investment appreciation is anticipated. In order to maintain or adjust its capital structure, the Fund may borrow or repay debt under its Credit Facility or undertake other activities deemed appropriate under the specific circumstances. The Fund and the Company do not have any externally imposed capital requirements. However, the Fund is subject to bank covenants in respect of leverage and complied with those covenants for the whole of both 2015 and 2014.

Investment and trading activities

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

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

Credit risk

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

The Fund's principal financial assets are bank balances and cash, other receivables and investments as set out in the Statement of Financial Position which represents the Fund's maximum exposure to credit risk in relation to the financial assets. The credit risk on bank balances is limited because the counterparties are banks with high credit ratings of AA- and A+ assigned by Standard and Poor's rating agency. All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations. Where the Investment Manager makes an investment in debt or corporate securities, the credit rating of the issuer is taken into account to manage the Company's exposure to risk of default. Investments in debt or corporate securities are across a variety of sectors and geographical markets, to avoid concentration of credit risk.

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

Market price risk

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

16. Financial instruments (Continued)

Market price risk (Continued)

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

Country risk

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

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

Fair value measurements

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

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

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

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

The following tables present the Fund's financial assets and liabilities by level within the valuation hierarchy as of 31 December 2015 and 2014:

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

31 December 2014	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets				
Securities				
(at fair value through profit or loss)	122,991,718	–	–	122,991,718

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

16. Financial instruments (Continued)

Price sensitivity

At 31 December 2015, if the market prices of the securities had been 30% higher with all other variables held constant, the increase in net assets attributable to holders of redeemable participating preference shares for the year would have been £32,968,180 (2014: £36,897,515) higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by £32,968,180 (2014: £36,897,515).

At 31 December 2015, if the market prices of the securities had been 30% lower with all other variables held constant, the decrease in net assets attributable to holders of redeemable shares for the year would have been equal, but opposite, to the figures stated above.

Interest rate risk

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

The Fund's interest rate sensitive assets and liabilities mainly comprise cash and cash equivalents, debt securities and loan payable. The cash and cash equivalents are subject to floating rates and are considered to be part of the investment strategy of the Fund. No other hedging is undertaken in respect of this interest rate risk.

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

	Floating rate assets	
	2015 GBP	2014 GBP
Assets		
Debt securities	6,924,361	10,798,363
Cash and cash equivalents	7,883,230	19,738,857
	14,807,591	**30,537,220**
Liabilities		
Loan payable	24,363,649	30,278,154
	24,363,649	**30,278,154**

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

Interest rate sensitivity analysis

At 31 December 2015, had interest rates been 50 basis points higher and all other variables were held constant, the Company's net assets attributable to redeemable shares for the year would have decreased by £190,340 (31 December 2014: 264,995) due to the decrease in market value of listed debt securities, an increase in interest payable on the loan and to a lesser extent an increase in interest earnings on cash and cash equivalents.

Liquidity risk

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

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

16. Financial instruments (Continued)

Liquidity risk (Continued)

As at 31 December 2015, the Fund's ability to manage liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Securities (at fair value through profit or loss)	109,893,936	–	–	–	109,893,936
Accrued bond interest	57,494	–	–	–	57,494
Accrued dividend income	237,508	–	–	–	237,508
Accrued bank interest	983	–	–	–	983
Other receivables	2	–	–	–	2
Prepayments	30,549	–	–	–	30,549
Cash and cash equivalents	7,883,230	–	–	–	7,883,230
	118,103,702	–	–	–	118,103,702
Liabilities					
Other payables and accruals	(290,681)	–	–	–	(290,681)
Interest payable	(1,951)	–	–	–	(1,951)
Loan payable	–	(24,363,649)	–	–	(24,363,649)
	(292,632)	(24,363,649)	–	–	(24,656,281)
	117,811,070	(24,363,649)	–	–	93,447,421

As at 31 December 2014, the Fund's ability to manage liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Securities (at fair value through profit or loss)	122,991,718	–	–	–	122,991,718
Accrued bond interest	132,741	–	–	–	132,741
Accrued dividend income	268,128	–	–	–	268,128
Accrued bank interest	9,282	–	–	–	9,282
Other receivables	2	–	–	–	2
Prepayments	31,084	–	–	–	31,084
Cash and cash equivalents	19,738,857	–	–	–	19,738,857
	143,171,812	–	–	–	143,171,812
Liabilities					
Other payables and accruals	(366,908)				(366,908)
Interest payable	(130,552)	–	–	–	(130,552)
Loan payable	(30,278,154)	–	–	–	(30,278,154)
	(30,775,614)	–	–	–	(30,775,614)
	112,396,198				112,396,198

16. Financial instruments (Continued)

Currency risk

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

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

	2015 GBP	2014 GBP
Assets		
Cash and cash equivalents	1,332,963	15,746,468
Canadian equities	60,605,094	87,114,791
Canadian debt	6,924,361	10,798,363
Accrued income	251,072	391,632
	69,113,490	**114,051,254**

	2015 GBP	2014 GBP
Liabilities		
Loan payable	24,363,649	30,278,154
Interest payable	1,951	130,552
	24,365,600	**30,408,706**

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

	2015 GBP	2014 GBP
Assets		
Cash and cash equivalents	4,315,117	3,753,556
United States equities	35,455,081	25,078,564
Accrued income	44,911	18,518
	39,815,109	**28,850,638**

Sensitivity analysis

At 31 December 2015, had GBP strengthened against the CAD by 5%, with all other variables held constant, the decrease in net assets attributable to shareholders would amount to approximately £2,237,394 (31 December 2014: £3,982,978). Had GBP weakened against the CAD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £2,237,394 (31 December 2014: £4,402,239).

At 31 December 2015, had GBP strengthened against the USD by 5%, with all other variables held constant, the decrease in net assets attributable to shareholders would amount to approximately £1,990,755 (31 December 2014: £1,373,840). Had GBP weakened against the USD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £1,990,755 (31 December 2014: £1,518,455).

17. Post year end events

On 7 January 2016, the Company declared a quarterly dividend of 1.25 pence per share. The ex-dividend date was 14 January 2016 and the record date was 15 January 2016. On 29 January 2016 the dividend of £1,352,028 was paid.

On 19 February 2016, the Company purchased 100,000 redeemable participating preference shares at a price of 71.25 pence a share. The Shares will be held in treasury.

On 1 March 2016, the Company purchased 100,000 redeemable participating preference shares at a price of 73.00 pence a share. The Shares will be held in treasury.

On 8 March 2016, the Company purchased 100,000 redeemable participating preference shares at a price of 74.50 pence a share. The Shares will be held in treasury.

The RBC Loan of CAD 50,000,000 was renewed on 29 December 2015 with a maturity date of 26 February in early 2016 as described in note 14. CAD 25,000,000 of the loan was subsequently renewed on 26 February 2016 and later on March 28, 2016 with a maturity date of 27 June 2016. CAD 25,000,000 of the loan was subsequently renewed on 26 February 2016 with a maturity date of 26 May 2016.

18. Controlling party

There is no ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND

FOR THE YEAR ENDED 31 DECEMBER 2015 WITH COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2014

19. Schedule of Investments – Securities (at fair value through profit or loss)
As at 31 December 2015

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Equities					
Bermuda – Quoted Investments 5.80% (2014: 5.38%)					
Real Estate:					
Brookfield Property Partners LP	275,000	3,134,045	4,325,009	4.63%	3.94%
Utilities:					
Brookfield Infrastructure Partners LP	80,000	1,743,330	2,045,526	2.19%	1.86%
Canada - Quoted Investments 49.33% (2014: 65.45%)					
Clothing & Accessories:					
Gildan Activewear Inc.	180,000	3,171,441	3,457,760	3.70%	3.15%
Consumer Discretionary:					
Enercare Inc.	400,000	1,901,550	3,112,248	3.33%	2.83%
Energy:					
ARC Resources Ltd	130,000	1,425,025	1,059,737	1.13%	0.96%
Birchcliff Energy – Preferred Shares	43,000	684,538	378,041	0.40%	0.34%
Birchcliff Energy Ltd	85,000	1,300,141	840,287	0.90%	0.76%
Crescent Point Energy Corp.	225,000	2,221,282	1,770,421	1.89%	1.61%
Enbridge Inc.	65,000	1,819,357	1,458,170	1.56%	1.33%
Peyto Exploration & Development Corp.	100,000	1,588,477	1,213,738	1.30%	1.10%
Torc Oil & Gas Ltd .	600,000	2,251,247	1,506,305	1.61%	1.37%
Vermilion Energy Inc.	60,000	1,481,292	1,099,837	1.18%	1.00%
Financials:					
Bank of Nova Scotia	90,000	2,739,279	2,459,907	2.63%	2.24%
Gluskin Sheff Associates Inc.	250,000	3,531,762	2,533,708	2.71%	2.31%
Manulife Financial Corporation	320,000	3,136,762	3,241,583	3.47%	2.95%
Power Financial Corporation	100,000	1,770,215	1,553,193	1.66%	1.41%
Food Products:					
Restaurant Brands International Inc.	75,000	1,796,660	1,893,870	2.03%	1.72%
Industrials:					
Canadian National Railway Company	85,000	3,184,616	3,210,861	3.44%	2.92%
Cargojet Inc.	230,000	3,163,133	2,870,233	3.07%	2.61%
Materials:					
Chemtrade Logistics Income Fund	150,000	1,401,074	1,307,760	1.40%	1.19%
Intertape Polymer Group Inc.	285,000	2,297,905	2,591,928	2.77%	2.36%
Power and Pipeline:					
AltaGas Ltd.	100,000	2,151,961	1,507,281	1.61%	1.37%
Pembina Pipeline Corporation	200,000	3,999,610	2,942,276	3.15%	2.68%
Real Estate:					
Canadian Apartment Properties Real Estate Investment Trust	115,000	1,411,212	1,505,328	1.61%	1.37%
Chartwell Retirement Residences	440,000	2,605,972	2,727,173	2.92%	2.48%
Pure Industrial Real Estate Trust	600,000	1,574,471	1,280,652	1.37%	1.17%

19. Schedule of Investments – Securities (at fair value through profit or loss) (Continued)
As at 31 December 2015

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Retail:					
Parkland Fuel Corporation	200,000	2,261,642	2,268,248	2.43%	2.06%
Utilities:					
Algonquin Power & Utilities Corp.	400,000	1,620,525	2,123,675	2.27%	1.93%
Northland Power Inc.	255,000	2,554,483	2,320,339	2.48%	2.11%
Netherlands – Quoted Investments 2.41% (2014: 1.86%)					
Materials:					
Lyondellbasell Industries N.V. Class A	45,000	1,760,268	2,652,554	2.84%	2.41%
United Kingdom – Quoted Investments 6.28% (2014: 0%)					
Financials:					
GlaxoSmithKline PLC	150,000	2,024,198	2,059,500	2.20%	1.87%
Lloyds Banking Group PLC	2,000,000	1,483,392	1,461,400	1.56%	1.33%
Reckitt Benckiser Group PLC	30,000	1,905,686	1,881,900	2.01%	1.71%
Industrials:					
Ashtead Group PLC	135,000	1,434,161	1,506,600	1.61%	1.37%
United States – Quoted Investments 29.86% (2014: 16.01%)					
Consumer Discretionary					
Reynolds American, Inc.	110,000	2,582,215	3,442,770	3.68%	3.14%
Financials:					
Bank of America Corporation	300,000	3,224,138	3,425,605	3.67%	3.12%
Capital One Financial Corporation	60,000	2,292,806	2,937,512	3.14%	2.68%
Discover Financial Services, Inc.	75,000	2,139,680	2,728,475	2.92%	2.48%
JPMorgan Chase & Co.	80,000	2,459,642	3,583,418	3.83%	3.26%
Prudential Financial Inc.	50,000	2,150,348	2,760,703	2.95%	2.51%
Food Products:					
Kraft Heinz Company	75,000	2,491,102	3,701,404	3.96%	3.37%
Healthcare:					
Becton Dickinson and Company	25,000	2,355,925	2,613,474	2.80%	2.38%
Industrials:					
Johnson & Johnson	35,000	2,203,401	2,438,530	2.61%	2.22%
Technology:					
Apple Inc.	25,000	1,969,521	1,784,721	1.91%	1.62%
Microsoft Corporation	90,000	2,556,329	3,385,915	3.62%	3.08%
Total equities:		**98,955,819**	**102,969,575**	**110.15%**	**93.68%**

19. Schedule of Investments – Securities (at fair value through profit or loss) (Continued)
As at 31 December 2015

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Debt:					
Canada – Quoted Investments 6.32% (2014: 8.78%)					
Chartwell Seniors Housing Real Estate Investment Trust 5.70% due 31 March 2018	2,000,000	1,269,722	1,106,284	1.18%	1.01%
Chemtrade Logistics Income Fund 5.75% due 31 December 2018	2,000,000	1,163,632	996,388	1.07%	0.91%
Great Canadian Gaming Corp 6.625% due 25 July 2022	2,000,000	1,272,795	965,862	1.03%	0.88%
Quebecor Inc 6.625% due 15 January 2023	3,500,000	2,355,635	1,732,995	1.85%	1.58%
Superior Plus Corp 6% due 30 June 2018	2,650,000	1,788,822	1,304,035	1.40%	1.19%
Tricon Capital Group 5.6% due 31 March 2020	1,500,000	961,477	818,797	0.88%	0.75%
Total debt:		8,812,083	6,924,361	7.41%	6.32%
Total investments (2015)		107,767,902	109,893,936	117.56%	100.00%
Total investments (2014)		111,299,156	122,991,718	109.43%	100.00%

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

(UNAUDITED)

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

LEVERAGE AND BORROWING

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

For the Gross method, the following has been excluded:

- the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the AIF that are readily convertible to a known amount of cash, subject to an insignificant risk of changes in value;
- cash borrowings that remain in cash or cash equivalent as defined above and where the amounts of that payable are known. The total amount of leverage calculated as at 31 December 2015 is as follows:

Gross method: 144%

Commitment method: 144%

LIQUIDITY

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

RISK MANAGEMENT POLICY NOTE

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

REMUNERATION

The total remuneration paid for the management of the AIFM amounted to approximately £130,000 for the year ended 31 December 2015. This amount was paid to a total of five beneficiaries including senior management and other staff.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MIDDLEFIELD CANADIAN INCOME PCC (THE "COMPANY")

We have audited the Company financial statements (the "financial statements") of Middlefield Canadian Income PCC for the year ended 31 December 2015 which comprise the Statement of Financial Position and Notes 1 to 3 to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

14 April 2016

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2015 WITH COMPARATIVES AS AT 31 DECEMBER 2014

	Notes	2015 GBP	2014 GBP
Current assets			
Other receivables		2	2
Net assets		**2**	**2**
Equity attributable to equity holders			
Stated capital	2	2	2
Total Shareholders' equity		**2**	**2**

The financial statements and notes on page 48 were approved by the directors on 14 April 2016 and signed on behalf of the Board by:

Thomas Grose
Director

Philip Bisson
Director

NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2015 WITH COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2014

1. Basis of accounting

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

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

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

Judgements and estimates used by the directors

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

2. The Company's stated capital

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

	No. of shares	GBP
Management shares issued		
At 31 December 2015 and 2014	2	2

3. Taxation

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

MIDDLEFIELD CANADIAN INCOME – GBP PC (THE "CELL")
WHOSE REGISTERED OFFICE IS AT JTC FUND SOLUTIONS (JERSEY) LIMITED,
9 CASTLE STREET, ST HELIER, JERSEY JE23RT

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

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

Notice of Cell Annual General Meeting

Notice is hereby given that the Cell Annual General Meeting will be held at the offices of CBPE Capital LLP, 2 George Yard, London EC3V 9DH on 26 May 2016 at 12.00 p.m. for the following purposes:

SPECIAL BUSINESS

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

1. THAT in accordance with Article 2.25 of the Cell's Articles of Association (the "**Articles**") dated 16 May 2013, the Directors be authorised to issue and allot redeemable participating preference shares ("**Shares**") and to sell Shares out of treasury, in each case for cash, pursuant to Article 2.22 of the Articles up to an amount representing 10 per cent of the issued share capital of the Cell as at the date of the Cell Annual General Meeting, as if Article 2.25 did not apply to the allotment or sale out of treasury, provided that such shares shall be allotted or sold for cash at a price which is not less than the net asset value per Share at the time of the issue or sale. This authority shall expire on the earlier of 30 September 2017 or the conclusion of the next annual general meeting of the Cell, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted or sold out of treasury after such expiry pursuant to any such offer or agreement as if the power conferred hereby had not expired;

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

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

   i) the maximum number of Shares authorised to be purchased shall be up to an aggregate of 16,168,551 or such number as shall represent 14.99 per cent of the issued share capital of the Cell as at the date of the Cell Annual General Meeting, whichever is less (in each case excluding Shares held in treasury);

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

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

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

   (b) the authority hereby conferred shall expire on the earlier of 30 September 2017 or the conclusion of the next annual general meeting of the Cell, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require the market purchase of Shares after such expiry pursuant to any such offer or agreement as if the power conferred hereby had not expired; and

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

MIDDLEFIELD CANADIAN INCOME – GBP PC (THE "CELL")
WHOSE REGISTERED OFFICE IS AT JTC FUND SOLUTIONS (JERSEY) LIMITED,
9 CASTLE STREET, ST HELIER, JERSEY JE23RT

ORDINARY BUSINESS

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

1. To receive and adopt the Directors' Report, Auditor's Report and Financial Statements for the year ended 31 December 2015.
2. To re-appoint Deloitte LLP as Auditor of the Cell.
3. To authorise the Directors to determine the Auditor's remuneration.
4. To approve the Directors' remuneration as set out on page 13 of the Annual Audited Financial Report for the year ended 31 December 2015.
5. To approve the dividend policy of the Company as set out on page 7 of the Annual Audited Financial Report for the year ended 31 December 2015.

By order of the Board
JTC Fund Solutions (Jersey) Limited as Secretary
14 April 2016

Notes:

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

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

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

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

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

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

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

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

(9) The Cell, pursuant to regulation 40 of the (Companies Uncertificated Securities) (Jersey) Order 1999 (as amended), specifies that only holders of Shares registered in the register of members of the Cell on the close of business on 24 May 2016 shall be entitled to attend or vote at the Meeting in respect of the number of Shares registered in their name at that time or in the event that the Meeting is adjourned, in the register of members at the close of business two days before the date of the adjourned Meeting. Changes to entries on the register of members after such time or, in the event that the Meeting is adjourned, to entries in the register of members after the close of business two days before the date of the adjourned Meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

MIDDLEFIELD CANADIAN INCOME PCC (THE "COMPANY")
WHOSE REGISTERED OFFICE IS AT KLEINWORT BENSON HOUSE,
WESTS CENTRE, ST HELIER, JERSEY JE4 8PQ

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

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

Notice of Annual General Meeting of the Company

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of CBPE Capital LLP, 2 George Yard, London EC3V 9DH on 26 May 2016 at 12.45 p.m. for the following purposes:

ORDINARY BUSINESS

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

1. To receive and adopt the Company's annual financial report for the year ended 31 December 2015.
2. To re-appoint Deloitte LLP as Auditor of the Company.
3. To authorise the Directors to determine the Auditor's remuneration.
4. To approve the Directors' remuneration as set out on page 13 of the Annual Audited Financial Report for the year ended 31 December 2015.
5. To approve the dividend policy of the Company as set out on page 7 of the Annual Audited Financial Report for the year ended 31 December 2015.

By order of the Board
JTC Fund Solutions (Jersey) Limited as Secretary
14 April 2016

Notes:

(1) Only holders of management shares are entitled to attend and vote at the Company Annual General Meeting. A holder of management shares is entitled to appoint one or more proxies to attend and vote at the Company Annual General Meeting instead of him. A proxy need not be a holder of management shares.

MIDDLEFIELD CANADIAN INCOME PCC (THE "COMPANY")
AND MIDDLEFIELD CANADIAN INCOME – GBP PC (THE "CELL")
WHOSE REGISTERED OFFICE IS AT KLEINWORT BENSON HOUSE,
WESTS CENTRE, ST HELIER, JERSEY JE4 8PQ

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

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

Notice of Company and Cell Meeting

Notice is hereby given that a Company and Cell Meeting will be held at the offices of CBPE Capital LLP, 2 George Yard, London EC3V 9DH on Thursday 26 May 2016 at 12.30 p.m. for the following purposes:

ORDINARY BUSINESS

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

1. To re-elect Philip Bisson as a Director of the Company and the Cell.
2. To re-elect Thomas Grose as a Director of the Company and the Cell.
3. To re-elect Nicholas Villiers as a Director of the Company and the Cell.
4. To re-elect Raymond Apsey as a Director of the Company and the Cell.
5. To re-elect Dean Orrico as a Director of the Company and the Cell.

JTC Fund Solutions (Jersey) Limited as Secretary
14 April 2016

Notes:

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

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

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

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

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

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

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

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

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

(10) The Cell, pursuant to regulation 40 of the (Companies Uncertificated Securities) (Jersey) Order 1999 (as amended), specifies that only holders of redeemable participating preference shares of no par value in the capital of the Cell registered in the register of members of the Cell on the close of business on 24 May, 2016 shall be entitled to attend or vote at the Meeting in respect of the number of such shares registered in their name at that time or in the event that the Meeting is adjourned, in the register of members at the close of business two days before the date of the adjourned Meeting. Changes to entries on the register of members of the Cell after such time or, in the event that the Meeting is adjourned, to entries in the register of members of the Cell after the close of business two days before the date of the adjourned Meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

Management and Administration

Directors
Nicholas Villiers (Chairman)
Raymond Apsey
Philip Bisson
Thomas Grose
Dean Orrico

Administrator and Secretary
JTC Fund Solutions (Jersey) Limited
(previously known as Kleinwort Benson
(Channel Islands) Corporate Services Limited)
1-5 Castle Street
St. Helier
Jersey JE2 3RT

Registered Office
Elizabeth House
9 Castle Street
St. Helier
Jersey JE2 3RT

Investment Advisor
Middlefield International Limited
288 Bishopsgate
London EC2M 4QP

Investment Manager
Middlefield Limited
812 Memorial Drive NW
Calgary, Alberta
Canada T2N 3C8

Legal Advisers:
In England
Norton Rose Fulbright LLP
3 More London Riverside
London SE1 2AQ

Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA

In Jersey
Carey Olsen
47 Esplanade
St. Helier
Jersey JE1 0BD

In Canada
Fasken Martineau DuMoulin LLP
Bay Adelaide Centre
Box 20, Suite 2400
333 Bay Street
Toronto, Ontario
Canada M5H 2T6

Broker and Adviser
Canaccord Genuity Limited
9th Floor
88 Wood Street
London EC2V 7QR

Custodian
RBC Investor Services Trust
335 – 8th Avenue SW
23rd Floor
Calgary, Alberta
Canada T2P 1C9

Registrar
Capita Registrars (Jersey) Limited
3 Castle Street
St. Helier
Jersey JE2 3RT

Auditor
Deloitte LLP
P O Box 403
44 Esplanade
St. Helier
Jersey JE4 8WA

CREST Agent, UK Paying Agent and Transfer Agent
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

LONDON, ENGLAND
Middlefield International Limited
288 Bishopsgate
London, England
EC2M 4QP

Telephone +44 (0)20 7814 6644
Fax +44 (0)20 7814 6611

CALGARY, CANADA
Middlefield Limited
812 Memorial Drive NW
Calgary, Alberta
Canada T2N 3C8

Telephone 001 (403) 269-2100
Fax 001 (403) 269-2911

TORONTO, CANADA
Middlefield Group
First Canadian Place
58th Floor, P.O. Box 192
Toronto, Ontario
Canada M5X 1A6

Telephone 001 (416) 362-0714
Fax 001 (416) 362-7925

SAN FRANCISCO, USA
Middlefield Financial Services Inc.
One Embarcadero Center, Suite 500
San Francisco, California
USA 94111

Telephone 001 (415) 835-1308
Fax 001 (415) 433-5994

MIDDLEFIELD GROUP®

www.middlefield.co.uk | invest@middlefield.com