MCI

MIDDLEFIELD *Canadian Income PCC*

Including Middlefield Canadian Income - GBP PC
A cell of the Company

ANNUAL FINANCIAL REPORT

For the Year Ended 31 December 2019

Middlefield Canadian Income PCC

Including Middlefield Canadian Income - GBP PC, A cell of the Company

CORPORATE INFORMATION AND HIGHLIGHTS

ABOUT

MCI is a closed-ended investment company incorporated on 24 May 2006. The Fund was admitted to the FTSE UK All-Share Index effective 20 June 2011.

INVESTMENT OBJECTIVE

The Fund seeks to provide shareholders with a high level of dividends as well as capital growth over the longer term by investing predominantly in securities domiciled in North America. The Fund intends to pay dividends on a quarterly basis each year.

GEARING

The Fund has the power to borrow up to 25 percent of its total assets and is expected to employ gearing in the range of 0 to 20 percent in the normal course of events.

TARGET DIVIDEND

The Fund currently targets a dividend of 5.1 pence per share per annum payable quarterly.

NAV	NAV per Share	Share Price	Market Capitalisation
£124.64m	117.04p	100.00p	£106.49m

Dividends[1]	Dividend Yield	Share Price Return[1]	NAV Return[1]
5.1p	5.1%	23.9%	27.3%

Sources: Middlefield, Bloomberg. As at 31 December, 2019

[1]2019 Cumulative Distributions

WHY MIDDLEFIELD CANADIAN INCOME PCC?

HISTORY

Founded in 1979, Middlefield International is licensed by the FCA with an office in the U.K. Middlefield is a specialty investment manager focused on global equity income. The Canadian Income strategy has significantly outperformed its benchmark since the Fund's inception in July 2006.

ACTIVE MANAGEMENT

Active management allows the Investment Manager to strategically and tactically shift the portfolio's composition with the objective of achieving superior investment returns relative to the Benchmark.

PROCESS

The Fund's robust investment process utilises top down / bottom up analysis that combines unique thematic overviews with comprehensive company-level research for stock selection.

DIVERSIFICATION

MCI invests in North American equity income securities, with a particular focus on Canada, providing U.K. investors exposure into sectors which are underrepresented in the UK market.

EXPERTISE

With $4 billion in assets under management, Middlefield Group has developed a specialized expertise in equity strategies emphasising both current income and total return over many years.

YIELD

The Fund offers an attractive dividend yield of 6.5%.

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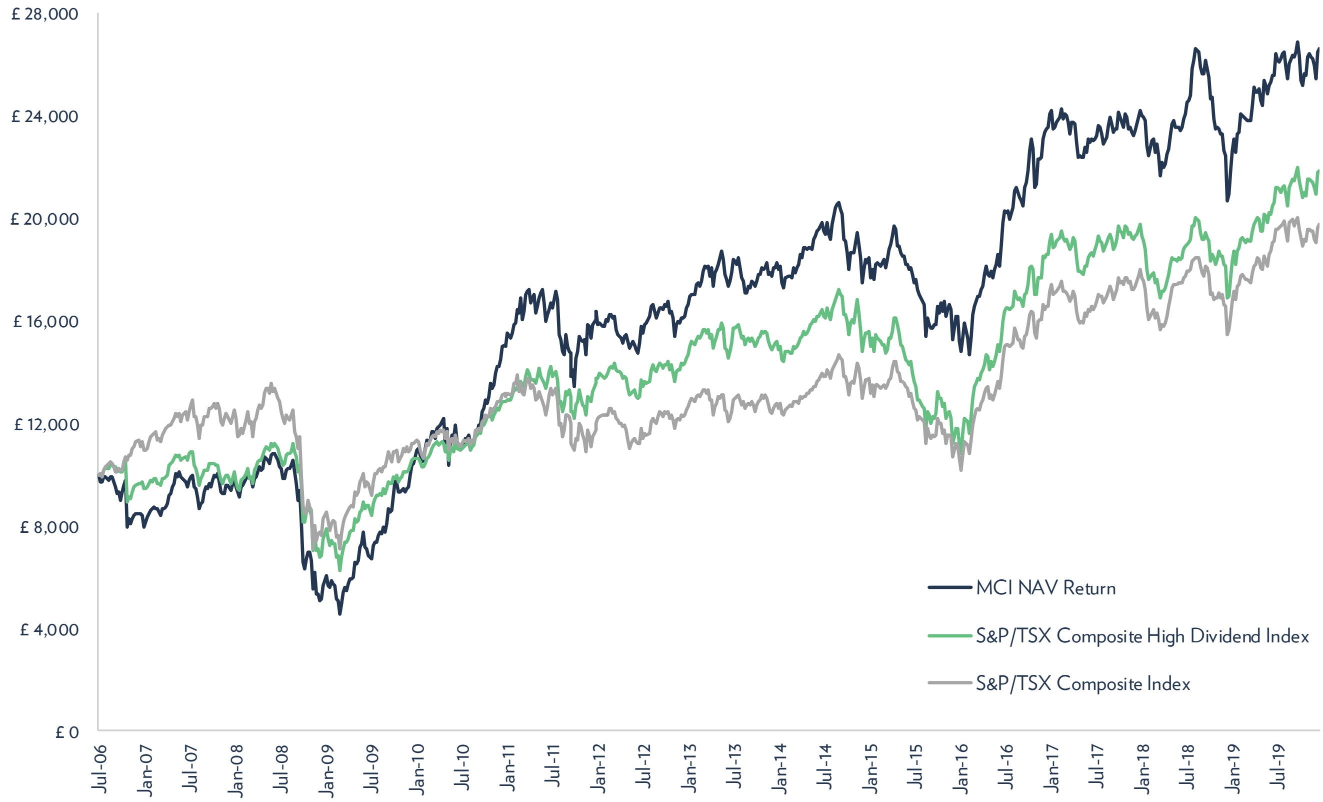
DEFINITIONS

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

PERFORMANCE RECORD

PERFORMANCE SINCE INCEPTION



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.

FUND PERFORMANCE

Recent Performance	1 Mth	3 Mth	6 Mth	YTD	1 Year
Share Price	-4.1%	0.5%	5.1%	23.9%	23.9%
NAV	0.6%	-0.6%	5.2%	27.3%	27.3%
Benchmark [1]	1.2%	-1.7%	5.1%	26.9%	26.9%
S&P/TSX Composite Index	0.2%	-2.5%	2.1%	23.9%	23.9%

Long-Term Performance	3 Year Cumulative	3 Year Annualised	5 Year Cumulative	5 Year Annualised	Since Inception
Share Price	14.2%	4.5%	28.7%	5.2%	128.6%
NAV	13.0%	4.1%	43.8%	7.5%	155.6%
Benchmark [1]	16.5%	5.2%	39.4%	6.9%	121.2%
S&P/TSX Composite Index	17.8%	5.6%	42.5%	7.3%	104.2%

Sources: Middlefield, Bloomberg. As at 31 December, 2019

[1] S&P/TSX Composite High Dividend Index

CHAIRMAN'S REPORT

It is my pleasure to introduce the 2019 Annual Financial Report for Middlefield Canadian Income PCC and its closed-end cell known as Middlefield Canadian Income – GBP PC. The Fund invests in a broadly diversified portfolio, primarily comprised of Canadian and U.S. equity income securities with the objective of providing shareholders with high dividends as well as capital growth over the longer term.

The directors are pleased with the Fund's performance in 2019. The NAV total return of 27.3% outperformed both its Benchmark and the S&P/TSX Composite Index, which returned 26.9% and 23.9%, respectively. Since inception in 2006, the Fund has generated a cumulative return of 155.6% which compares favourably to the Benchmark return of 121.2% and the S&P/TSX Composite Index return of 104.2%. The Fund continues to build on its solid track record and deliver attractive returns to investors on an absolute and relative basis.

The portfolio is uniquely positioned to provide investors with access to sectors and geographies that are typically under-represented in UK investment portfolios. Although the Fund is actively managed and can tactically shift its asset allocation as market dynamics change, portfolio turnover is relatively low, which reflects the Investment Manager's high conviction, buy and hold investment style.

FUND SECTOR WEIGHTS RELATIVE TO BENCHMARK

Sector	Fund	Benchmark	Over/Under Weight
Real Estate	22.1%	9.0%	13.1%
Financials	17.8%	29.8%	-12.0%
Pipelines	14.6%	20.5%	-5.9%
Industrials	14.3%	1.5%	12.8%
Utilities	11.2%	14.5%	-3.3%
Energy	7.6%	10.2%	-2.6%
Communication Services	6.0%	12.4%	-6.4%
Fixed Income	3.7%	0.0%	3.7%
Consumer Discretionary	2.6%	0.0%	2.6%
Healthcare	0.0%	0.9%	-0.9%
Consumer Staples	0.0%	0.2%	-0.2%
Materials	0.0%	1.0%	-1.0%

Source: Middlefield, Bloomberg. As at 31 December, 2019

In light of expectations for slower global economic growth and accommodative central bank policies in 2019, the Fund held an overweight position in Real Estate and more defensive Industrials while maintaining an underweight position in Financials.

The Fund increased its exposure to U.S. listed securities throughout the year as economic growth in the United States outpaced other developed nations and U.S. consumer data remained healthy. The Fund had an average weighting of 24% in U.S. issuers in 2019 compared to 17% in 2018. Positions in AT&T, Morgan Stanley, Intel and McDonald's were among the U.S. companies added to the portfolio.

The share register remained stable throughout the year, supported by long-term institutional holders and a growing base of retail investors. The Board reviewed measures during the first half of 2019 to reduce the discount at which the Fund's shares trade to their NAV. It was determined that expanding the Fund's profile within the retail investor segment would be critical to achieving this goal. As a result, the Fund increased its marketing efforts significantly during the second half of the year with Middlefield taking a more active role.

These marketing initiatives had an immediate impact. Dean Orrico, President of the Investment Advisor, was featured in 11 publications with retail circulation between July and December. During this period, the median discount to NAV declined by 110 basis points and the daily average trading volume increased by over 60%. We are pleased with the progress thus far and are looking to build on this early success.

The amount of gearing employed by the Fund is tactically managed. As markets recovered from a sell-off in the fourth quarter of 2018, net gearing gradually increased from 7.2% at the start of the year to approximately 17% at the end of June. Shortly thereafter, trade tensions between the United States and China escalated and volatility returned to markets, resulting in net gearing being reduced to 5.6% at the end of September. As the trade narrative improved, gearing was increased and finished the year at 13.2%.

DIVIDENDS

Since July 2017, the Fund has paid dividends on a quarterly basis at a rate of 1.275p per quarter, equating to 5.1p per annum. Total dividends since inception as at the end of 2019 were 71.5p.

BOARD COMPOSITION

Joanna Dentskevich and Michael Phair, two new independent directors, joined the Board effective 13 June 2019. With extensive experience and expertise in the financial services sector, both are welcome additions. These appointments are consistent with the Board's stated objectives of refreshing its composition and planning for future succession while also improving its diversity. In accordance with the recommendations

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of the AIC Code, the Board has carefully considered several additional succession planning measures to ensure regular rotation of members while allowing for necessary short-term transitional overlaps. The changes discussed throughout this report will ensure the Board maintains a progressive balance of diversity, cognitive strength and experience.

Thomas Grose will retire as Chairman of the Management Engagement and Nomination & Remuneration Committees as of September 2020. Subsequently, Richard Hughes will succeed Mr Grose as Chairman of those two committees. In June 2021 and having served nine years on the Board, Mr Grose will step down as Audit Committee Chairman and retire from the Board. At that time, Mr Hughes will succeed him as Audit Committee Chairman and be appointed Senior Independent Director. On behalf of my fellow directors, I would like to thank Mr Grose for his invaluable contributions including strong leadership, counsel and guidance to the Company during his tenure.

Finally, having served as a director for more than nine years, I will step down as Chairman and retire from the Board after the release of this year's semi-annual financial statements. Michael Phair will succeed me as Chairman at that time. I will greatly miss serving with my fellow directors and wish them all well in their future endeavours. The Board remains committed to keeping shareholders fully informed as we progress through this transition.

ANNUAL GENERAL MEETINGS

This year's AGMs are hoped to be held in June 2020. However, in light of the current market circumstances and measures taken to limit the spread of COVID-19 and based on advice from governments, regulators and industry bodies, the Board may defer the AGMs until a later date. Separate notices of the AGMs will be sent to shareholders and made public in due course. Shareholders can also write to the Company at its registered office or by e-mail to the Assistant Secretary at fundservicesgsy@jtcgroup.com.

OUTLOOK

The short-term outlook for global growth has shifted materially in recent weeks. As investors prepare for an economic shock with no modern precedent, earnings expectations are being revised lower and global equities are being de-rated. Economic activity has effectively been put on hold as millions of people are required to stay inside and work from home. We expect significant disruptions to global supply chains and consumer behaviour in the coming months as a result of the mandated shutdowns, especially since the duration and scale of these measures is still relatively unknown.

In response to these developments, the U.S. 10-year treasury yield dropped to all-time lows of less than 1% and central banks around the world have cut interest rates. The U.S. House of Representatives passed an historic $2 trillion stimulus package with provisions to help impacted American workers and families

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as well as small businesses and major industries. Canada's initial commitment totals C$202 billion of direct spending for individuals, tax deferrals and credit extensions/subsidies for impacted businesses. We expect further monetary policy measures in the coming months and the implementation of additional fiscal stimulus programs to further stabilise economic conditions.

We are closely monitoring the COVID-19 pandemic as it evolves globally and are assessing its potential ramifications. We note that both South Korea and China have thus far been able to slow the spread of the disease and governments, companies and consumers in Europe and North America are responding with various programmes and policies to do the same. Notwithstanding, as a result of the deceleration in economic growth, we remain more defensively positioned with a focus on businesses with less demand elasticity, a history of strong cash flow generation and growing dividends. We expect these companies to remain better positioned, especially in light of anticipated low interest rates for an extended period. In the medium to long-term, we are more constructive on the broader economy as the spread of the virus slows and pharmaceutical companies fast-track the development of therapeutics and vaccines. We continue to evaluate our target companies at these reduced valuations and will be selective in deploying capital toward new opportunities as they emerge.

We thank you for your continued support.

Nicholas Villiers
Chairman

16 April 2020

INVESTMENT MANAGER'S REPORT

Year Ended 31 December, 2019

In 2019, the S&P 500 and S&P/TSX Composite generated returns of 31.5% and 22.8%, respectively, driven largely by expanding price/earnings multiples. In the U.S. the S&P 500 earnings remained relatively flat, with the forward price/earnings ratio increased from 14.5 in January 2019 to 18.0 by the end of the year. In Canada, the S&P/TSX Composite's forward price/earnings ratio increased from 12.7 to 14.8 over the same period.

Persistently low interest rates have been an important factor behind the increase in price/earnings multiples during the year. After raising the short-term borrowing rate on four occasions in 2018, the U.S. Fed adopted a more dovish stance by cutting rates three times in 2019. As a result, the U.S. 10-Year yield fell by 77 basis points during the year from 2.69% to 1.92 Real rates in many parts of Europe were negative and the European Central Bank restarted its asset purchase program in September. Reflecting the relative strength of the Canadian economy, the Bank of Canada has remained independent by holding its key interest rate steady since October 2018. Given their expectations of more modest economic growth during the later stage of the current economic cycle.

With respect to trade, negotiations between the U.S. and China throughout the year drove widespread market uncertainty that translated into volatility. However, once a phase one deal was announced in Q4 2019, markets responded positively and closed out the year on a high. In addition, markets applauded the signing of the USMCA, a landmark deal signed by the North American trading partners as a successor to the decades-old North American Free Trade Agreement. While USMCA refreshed terms on old economy sectors such as auto exports, steel tariffs and agriculture, it also incorporated new provisions on cross-border data flow, intellectual property protection and duty-free limits for online purchases.

Consistent with the Fund's Investment Objective to provide shareholders with a high level of dividends as well as capital growth over the longer term, the Fund has significant exposure to real assets with Utilities, Pipelines and Real Estate comprising collectively more than 50% of the portfolio. Companies that operate in these sectors have predictable cash flows underpinned by long-term contracts and are well-positioned to outperform over the long-term. Real assets also have defensive qualities during periods of market turbulence by exhibiting lower volatility with smaller drawdowns than the broader market. Further, the aforementioned can also participate in market upside as all three performed in-line or better than the Benchmark as evidenced in 2019.

A particular area of focus within the real asset sector is Canadian Real Estate, the Fund's largest sector weighting. Canada has the highest population growth among developed nations at c.1.4% per annum which equates to over 500,000 new residents expected to enter the country this year. Supply/demand fundamentals for apartments, particularly in fast-growing cities like Toronto, Vancouver and Montreal, are supportive of higher rents and market values. The national rental market vacancy rate registered at 2.2% in October 2019, the lowest level since 2002. A similar dynamic is present in the Industrial Real Estate market. Demand for industrial property, which is the largest real estate sub-sector weighting in the portfolio, driven by e-Commerce and last mile delivery logistics has led to industrial market availability rates of 1.4% -- an all-time low and well below the long-term average of 4.6%. It is estimated that the Greater Toronto Area needs an additional 50 million square feet of industrial properties to meet current levels of demand and only 15 million square feet of new construction is planned in 2020. As a result, the spread on renewed leases has been as high as 50% and market rents have nearly doubled over the past five years. Given Amazon's rolling out same day delivery across North

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America together with the knock-on competitive pressure on other retailers and their supply chains, we expect industrial real estate to benefit for several more years.

While real assets are the foundation of the Fund's defensive exposure, we have looked to U.S. issuers to provide capital growth. Although every U.S. listed portfolio company pays a dividend, they are expected to provide capital growth as the trade narrative improves and capital spending picks up. Most recently, McDonald's was added to the portfolio. Its share price pulled back in December, creating an attractive entry point for a company which consistently generates high free cash flow and is growing its EBITDA in the mid to high single digits.

Financials offer an excellent example of how the Fund benefits from active management and tactical security selection. The Fund is underweight Financials relative to the Benchmark by more than 10%. Our lower for longer interest rate assumption has caused us to focus on a subset of financial institutions with lower exposure to earnings derived from net interest margins. This tactical decision paid off in 2019 through positions in Blackstone Group (+96.3%), J.P. Morgan (+47.3%) and Morgan Stanley (+32.7%). These leading global institutions accounted for c.40% of the Fund's total U.S. exposure as at 31 December 2019.

TOP HOLDINGS

The table below shows the largest ten positions held within the Fund's portfolio as at 31 December 2019:

Company	Sector	% of NAV
Parkland Fuel Corp. Parkland is a fast-growing independent marketer of fuel and petroleum products in Canada, the U.S. and the Caribbean. The company has nearly tripled its revenues over the past three years and has established significant competitive advantages due to its scale, distribution infrastructure and buying power. We expect continued growth in Parkland's free cash flow and dividend.	Industrials	5.0%
AT&T Inc. AT&T is the largest telecommunications company in the United States. In 2018, it acquired Time Warner Inc. to reposition itself as a modern media company with content to compete with entertainment leaders like Netflix and Disney. In our view, its control over both content production and distribution provides a significant competitive advantage and the company is well-positioned to generate growing levels of free cash flow to support a yield in excess of 5% per annum and to pay down debt.	Communication Services	4.7%

Company	Sector	% of NAV
JP Morgan Chase & Co. J.P. Morgan is among the world's largest financial institutions, boasting more than $2.7 trillion in assets. Its earnings per share have grown by over 15% per annum since 2014 by diversifying its business model and reducing the firms' reliance on net interest margins. JPM spends more than $10 billion annually on technology and innovation to support revenue growth and cost reductions.	Financials	4.6%
Northland Power Northland is a diversified independent power producer that develops, owns and operates clean energy production facilities around the world. Most recently, the company has been focused on developing offshore wind projects in Europe and Asia and expanding its footprint in Central and South America. NPI is a long-held core holding in the Fund and has delivered attractive total returns by capitalizing on the global transition to renewable power.	Power & Utilities	4.5%
Blackstone Group Blackstone is a world leader in alternative asset management. Its diversified product lines and geographic reach create superior fundraising capabilities with annual inflows expected to top $100 billion in 2020. The company expects fee-related earnings to increase 50% from 2018 to 2020 and the stock generated a total return in excess of 90% in 2019.	Financials	4.1%
Pembina Pipeline Pembina is an integrated energy infrastructure company with assets strategically located across North America. Its stable and predictable cash flows are underpinned by lower-risk, long-term take-or-pay contracts with investment grade customers. We believe the company's recent acquisitions in the Marketing and New Ventures Division effectively serve to diversify its overall service offering and revenue streams.	Pipelines	4.0%
Canadian Natural Resources Canadian Natural Resources is one of the highest-quality energy producers globally. CNQ has exceptional free cash flow generation that should support C$2.4 billion of share repurchases and expected dividend growth of 12% in 2020. The company has also announced multi-year ESG initiatives at its December 2019 Investor Day with the ultimate goal of net zero emissions from operations, an initiative that will enhance consumer and investor sentiment toward the company.	Energy	3.9%

Company	Sector	% of NAV
Granite REIT Granite is a Canadian REIT focused on industrial properties - an asset class poised to benefit from the secular growth in E-commerce. Management has completed a number of strategic acquisitions in critical logistics hubs across Canada, the U.S. and Europe and has significantly diversified its tenant base in recent years. Granite has provided the Fund with attractive total returns and has grown its dividend for 8 consecutive years.	Real Estate	3.9%
Gibson Energy Gibson generates a majority of its revenue from storage, optimization, processing and gathering of crude oil and refined products. Its storage business has substantial value in the current environment as a result of the regulatory uncertainty surrounding various pipeline expansion projects. We are positive on the company's recent announcements to expand its storage assets by one million barrels under long-term, take-or-pay contracts.	Pipelines	3.7%
Bank of Nova Scotia Scotia provides retail, corporate and investment banking services primarily in Canada and Latin America. Its main operating arm, Scotiabank, has nearly 1,000 Canadian branches and over 1,800 additional offices throughout the world. We believe Scotiabank has the best operating leverage in its peer group due to its focus on strict cost controls. Since completing a significant risk mitigation initiative, management is now focused on growth in Latin America.	Financials	3.4%

OUTLOOK

Prior to the COVID-19 outbreak, the Fund was defensively positioned due to the expectation of slower economic growth and high equity valuations reflected in price-earnings multiples at the higher end of their historical range. The global economy has abruptly come to a halt as a result of the global COVID-19 pandemic and market volatility has reached extreme levels. The S&P 500 declined by 34% in just 23 days and the CBOE Volatility Index closed at an all-time high on 16 March, 2020. The events are causing political leaders to respond with unprecedented fiscal stimulus and policies to ensure social distancing in an effort to slow the spread of the disease. The pullback in equities has also been accompanied by a corresponding decrease in interest rates as the US 10-year treasury yield has dropped below 1%. In response to these developments, both the Bank of Canada and the U.S. Federal Reserve have aggressively cut interest rates and are in the process of implementing various measures to support financial markets.

Investor anxiety was further exacerbated by the price war being waged in the world oil market between Saudi Arabia and Russia, causing WTI oil prices to dip into the low US$20 per barrel range in March. This has caused a major sell-off in oil and gas producers and, to a lesser extent, oil and gas infrastructure companies. We expect both supply and demand-side headwinds to persist in the energy complex over the medium-term.

On the political front, we are pleased to see the risk of a socialist-leaning Democratic presidential nominee abating as Biden has re-emerged as the favourite candidate following impressive showings in recent primaries. We expect the general election in November to be close and acknowledge that continued economic and equity market weakness could hinder Trump's chances of re-election. Thus, the tax reductions and de-regulation implemented over the past few years are at greater risk in the current environment.

In response to the COVID-19 pandemic and disruption to economic activity, central banks have been quick to act in lowering short-term borrowing rates and governments have given the seal of approval for bold fiscal stimulus. US policymakers have passed a relief package exceeding US$ 2 trillion that includes government funding to support large and small businesses, expanded unemployment benefits for individuals and critical financial support for hospitals and healthcare workers. Commitments to infrastructure spending have already been announced in the UK and could become key pillars to long-term fiscal policy around the world.

In light of the uncertainty surrounding the degree and length of the current pause in economic activity and the corresponding impact on global supply chains and consumer behaviour, we have made capital preservation our primary priority. Specifically, given the highly liquid nature of the Fund's portfolio, we have increased the Fund's cash position and eliminated gearing by reducing exposure to sectors like financials and select issuers that were deemed to be more economically sensitive. Although the Fund's NAV has decreased since the beginning of March 2020, these actions have resulted in significant outperformance versus its Benchmark and the broader market since December 31, 2019.

In light of the current economic backdrop, we are even more committed to our long-held preference for dividend paying and dividend growing equities with strong balance sheets and sustainable business models. Our focus on companies with predictable cash flows and real assets should serve to dampen volatility. To date, dividends paid by portfolio companies have remained largely unchanged. However, we will monitor the situation closely to ensure we can achieve our twin goals of generating competitive long term total returns supported by stable and growing dividends.

MIDDLEFIELD ESG POLICY

OUR PHILOSOPHY

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

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

OUR PROCESS

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

THE SCORING SYSTEM

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

Sustainalytics

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

RobecoSAM

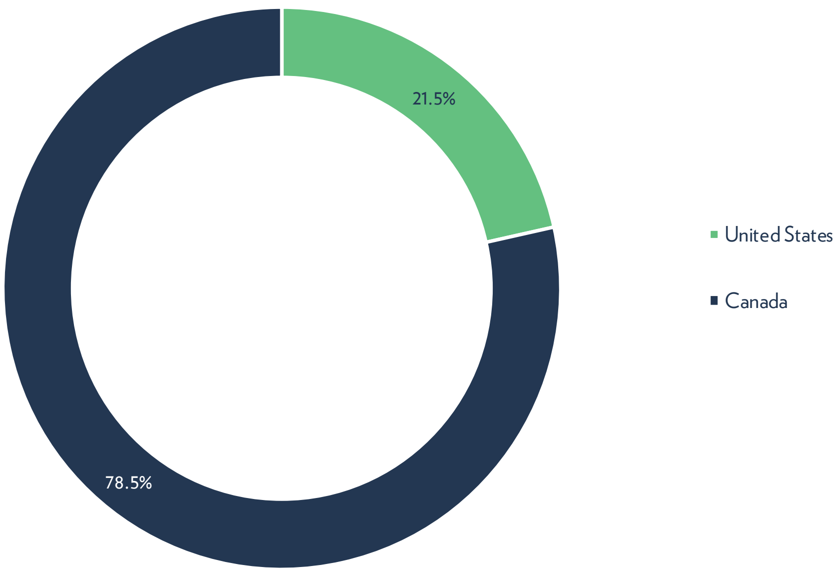
Robeco is an asset management firm focused exclusively on sustainable investing. The firm launched the Dow Jones Sustainability Indices in 1999 and has developed expertise in defining and measuring ESG information.

Bloomberg

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

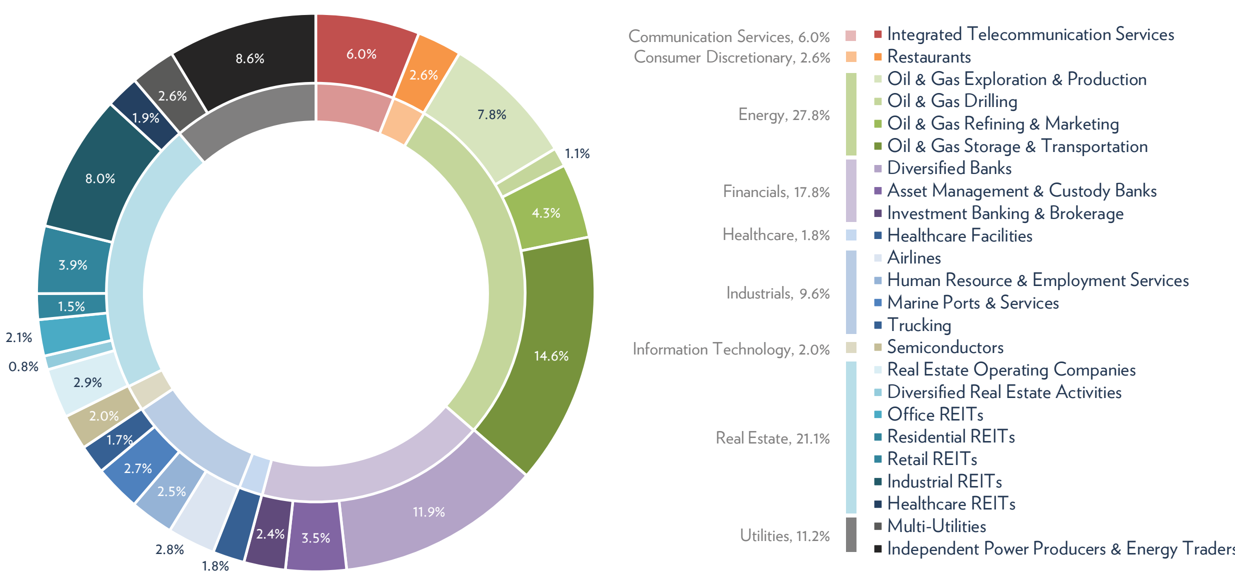
DISTRIBUTION OF INVESTMENTS

GEOGRAPHICAL DISTRIBUTION



Sources: Middlefield, Bloomberg. As at 31 December, 2019

SECTOR & INDUSTRY DISTRIBUTION



Sources: Middlefield, Bloomberg. As at 31 December, 2019

DIRECTORS' REPORT

The directors present their annual report and financial statements for the year ended 31 December 2019 with comparatives for the year ended 31 December 2018.

STATUS AND ACTIVITIES

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

The Fund is a closed-ended fund, regulated by the JFSC, whose shares have been admitted to the premium segment of the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities.

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

INVESTMENT OBJECTIVE AND POLICY

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

Investment Portfolio

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

The Fund may also hold cash or cash equivalents.

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

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

Investment restrictions

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

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

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

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

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

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

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

Hedging

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

Gearing

The Fund has the power to borrow up to 25 per cent. of the value of its total assets at the time of drawdown. In the normal

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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 17 per cent. of its total assets.

DIVIDEND POLICY

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

Therefore, in accordance with the Fund's dividend policy, the Fund intends to maintain its current dividend rate of at least 5.1 pence per share per annum payable on a quarterly basis in equal instalments. These figures are targets only and do not constitute, nor should they be interpreted as, a profit forecast.

The current dividend rate of 1.275 pence per share per quarter is expected to be supported by capital and dividend and interest income earned by the Fund. Over the long-term, we believe that Canada will benefit from increased economic diversification and an increase in immigration.

KEY PERFORMANCE INDICATORS

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

Indicator	2019	2018
NAV per Share	116.80p	95.94p
NAV Total Return [1]	27.30%	(12.48%)
Share Price	100.0p	85.0p
Discount to NAV	(14.38%)	(11.40%)
Dividend per Annum	5.1p	5.1p
Ongoing Charges [2]	1.27%	1.14%

[1] Refer to page 2
[2] Refer to page 17

AUTHORISED AND ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2019

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 Fund Shares in issue. As at 31 December 2019, 18,195,000 (2018: 18,195,000) Fund Shares were held in treasury. Since the financial year end and up to the date of this report, no Fund Shares had been sold out of or repurchased into treasury, there remain 18,195,000 Fund Shares held in treasury, which may in future be sold out of treasury to satisfy market demand. Accordingly, the number of Fund Shares in issue and with voting rights attached is currently 106,487,250 (2018: 106,487,250) and this figure may be used by shareholders as the denominator for calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under FCA's Disclosure Guidance and Transparency Rules.

FURTHER ISSUES OF FUND SHARES

The Fund's Articles of Association provide the Board of directors with authority to issue further Fund Shares without seeking shareholders' approval, although, unless otherwise authorised by shareholders, such Fund Shares must be issued on a pre-emptive basis. However, at the Cell AGM held on 13 June, 2019, the Fund's shareholders authorised the issue or sale out of treasury of Fund Shares representing up to 10 per cent. of the Fund's issued share capital as at the date of the Cell AGM on a non-pre-emptive basis. Such issues or sales will only be effected in the event of investor demand which cannot be met through the market and will only be conducted at a price equal to or above the prevailing NAV.

The aforementioned authority expires on the earlier of 30 September 2020 or the conclusion of the next Cell AGM. At the next Cell AGM, 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.

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 Manager's Report on pages 7 to 11. Further details as to the risks affecting the Company are set out on pages 21 to 25.

SUBSTANTIAL SHAREHOLDING IN THE FUND

As at the year end and as at 31 March 2020, being the most recent practicable date prior to the publication of this Annual Financial Report, the below shareholders were recorded on the Company's share register as holding 5 per cent. or more of the Fund's issued share capital with voting rights attached or had otherwise notified the Company of such notifiable interests.

Name	Redeemable Participating Shares 31 December 2019 (Number of Shares)	Redeemable Participating Preference Shares 31 December 2019 (% of shares)	Redeemable Participating Preference Shares 31 March 2020 (Number of Shares)
State Street Nominees Limited	14,438,197	13.56%	15,206,978
Nortrust Nominees Limited	14,124,350	13.26%	13,982,474
Brewin Nominees Limited	8,758,423	8.22%	8,665,864
Halb (Nominees) Limited	7,886,785	7.41%	8,270,285
The Bank of New York (Nominees) Limited	7,845,659	7.37%	8,182,060
Rock (Nominees) Limited	6,408,684	6.02%	5,611,813
Hargreaves Lansdown (Nominees) Limited	5,322,100	5.00%	5,356,856

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

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

During the year under review, the Investment Manager and Corporate Broker also conducted investor roadshows. Mr Hughes participated in one of those and was able to meet shareholders holding approximately 80% of the Company's issued share capital. Messrs Villiers, Grose and Phair also participated in an investor lunch. Subject to market conditions and the ability to travel and conduct face to face meetings, further investor roadshows and investor lunches are planned. In addition, upon replacing Mr Villiers as Chairman, Mr Phair intends to write to the Company's larger shareholders to invite them to a meeting.

ONGOING CHARGES

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

	Ongoing Charges
31 December 2019	1.27%
31 December 2018	1.14%

The ongoing charges percentage was impacted by decreased average NAV resulting in an increased ongoing charges percentage despite the small reduction in operating expenses over the year.

RESULTS AND DIVIDENDS

The results for the year are shown in the Statement of Comprehensive Income on page 52 and related notes on pages 55 to 71. During the year, dividends were paid on a quarterly basis (see note 11).

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

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future is described in the Chairman's Report and the Investment Manager's Report. The Company's financial position, its cash flows and liquidity position are set out in the financial statements and the Company's financial risk management objectives and policies, details of its financial instruments and its exposures to market price risk, credit risk, liquidity risk, interest rate risk, currency risk and country risk are set out at note 16 to the financial statements. The Company's long-term viability and assessment of longer-term risks to which the Company is exposed are also reported upon in the Company's long-term viability statement included below.

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

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

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

The directors have also considered the application of the SORP for Financial Statements of Investment Trust Companies and Venture Capital Trusts, whereby the going concern basis of preparation of the financial statements is considered appropriate until a vote is passed to discontinue the Fund or Company. There is no requirement under the Company's and Fund's articles of association to propose any continuation vote in respect of either the Company as a whole or the Fund itself and the directors have no intention of proposing any continuation vote in the foreseeable future, subject to unforeseen future events.

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

VIABILITY STATEMENT

Provision 36 of the AIC Code includes a recommendation that the directors publish a long-term viability statement and this statement is intended to meet that requirement.

The Board of directors regularly assesses the viability of the Company for at least the three years following the date of that review. The Board believes that this three year period remains the appropriate period over which to assess the Company's viability because the Company's shareholders and other stakeholders desire long-term certainty as to the Company's viability. The Board does not consider it feasible to anticipate with any reasonable degree of certainty the viability of the Company for a period longer than three years.

In considering the Company's viability, the Board considers the Company's current position and the principal and emerging risks to which it is exposed, as set out on pages 21 to 25, the viability of its investment objective and policy, market risks, the ongoing charges ratio, the liquidity of its investments, the ability to use hedging as a portfolio management tool, gearing and the reduction in reliance of the Canadian economy on energy as it diversifies into promising growth industries, such as healthcare and technology.

The directors have made a robust assessment of these principal risks and, together with the Company's Investment Manager, have adopted procedures and strategies to mitigate these risks. The Fund has an established Investment Policy, which has been approved and is monitored by the directors. The Investment Manager regularly updates the directors on the Company's portfolio and the overall status of the market. The directors perform a solvency and investment trust test (for compliance with the requirement to distribute at least 85% of investment income received) before any dividend is declared.

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

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

CORPORATE GOVERNANCE

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

As an overseas company with a premium listing, the Company is required to include a statement in its Annual Financial Report as to whether it has complied throughout the accounting period with all relevant provisions set out in the UK Code or, if not, setting out those provisions with which it has not complied and the reasons for non-compliance.

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

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

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

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

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

The Board is responsible for setting the Company's Investment Objective and Investment Policy, subject to shareholders' approval of any proposed material changes, and has a schedule of investment matters reserved for the directors' resolution. The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services and the day to day accounting and secretarial requirements.

Each of these contracts is only entered into after proper consideration by the Board of the quality of services being offered. The Company's risk assessment and the way in which significant risks are managed is a key area for the Board. Work here is driven by the Board's assessment of the risks arising in the Company's operations and identification of the controls exercised by the Board and its delegates, the Investment Manager and other service providers. These are recorded in the Company's business risk matrix, which continues to serve as an effective tool to highlight and monitor the principal risks.

The Board also receives and considers, together with representatives of the Investment Manager, reports in relation to the operational controls of the Investment Manager, Administrator, Custodian and Registrar. These reviews identified no issues of significance.

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

RELATIONSHIP WITH THE INVESTMENT MANAGER

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

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

The Board and Investment Manager also discuss the marketing and investor relations work performed by the Investment Manager and Investment Advisor, which is an affiliate of the Investment Manager, in each quarterly Board meeting. The Investment Advisor and the Investment Manager are paid an additional fee for investor relations services totalling the lesser of 15 basis points of the market value of

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the Fund or £200,000 per annum, with the fee to be calculated daily based on the closing market value of the Fund and payable quarterly in arrears, and its performance is measured by reference to an agreed set of metrics.

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

The Company has a formal schedule of the areas of decision making reserved for the Board and those over which the Investment Manager has discretion and it is available for inspection on the Company's website.

As required by the Listing Rules and recommended by the AIC Code, a report on the Board's evaluation of the performance of the Investment Manager and other service providers is included in this Directors' Report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The recent emergence and spread of coronavirus (COVID-19) has raised the emerging risk of global pandemics. COVID-19 could potentially pose a significant risk to the Company's portfolio, but the risks are being mitigated as set out in the tables on pages 22 to 25. At the date of this report, the virus has contributed to significant volatility in trading recently. The global reach and disruption to markets of this pandemic is unprecedented.

Should the virus spread more aggressively or become more virulent than the experts are predicting, it may present risks to the operations of the Company, its Investment Manager and other major service providers. This could threaten both the ability of the Company and Fund to operate, the ability of investors to transact in the Fund's securities and ultimately the ability of the Fund to pursue its investment objective and purpose.

1. Strategy Risks

Risk	Mitigants	Change from 2018
Macroeconomic and Political Environment		
Unfavourable changes to the macro political and economic environment including global trade tensions, climate risk pressures and Brexit, causes the investment objective to become obsolete with reduced investor demand.	The Board has established guidelines to ensure that the investment policy is pursued by the Investment Manager. The Board reviews the Investment Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy, the portfolio's risk profile and appropriate strategies employed to mitigate any negative impact of substantial changes in markets.	**Unchanged**
Share Price Discount to NAV		
Continued trading of the Company's share price at a level below that of its NAV will prevent growing the Company via the issue of additional shares.	The Board, the Investment Manager and the Broker monitor the share price and level of discount on a regular basis. During the year the Investment Manager and Broker have spent considerable time engaging with existing and potential shareholders to understand investors' needs and views. The Directors also have the ability to buy back shares should this be considered to be in the best interest of the Company.	**Unchanged**
Gearing		
To pursue its investment objective, the Company may borrow money, utilise derivatives and take short positions in securities. Adverse movements in equity prices or interest rates may mean that the Company has to liquidate positions at inopportune times in order to maintain the correct levels of gearing.	The Company maintains a prudent level of gearing and the loan to value ratio is monitored on a daily basis as part of the valuation process, so that in falling markets the Company will be able to take proactive steps to reduce gearing to avoid breaching its investment policy and any loan to value covenants.	**Unchanged**

Risk	Mitigants	Change from 2018
Regulatory & Legal Risks		
The Company is exposed in many countries to regulation and laws, which could change, negatively impacting the efficiency and structure of the Company.	The Investment Manager and the Board are kept abreast of changes to all relevant laws by the Company's legal and tax advisers, Administrator and Auditor.	**Unchanged**

2. Portfolio Risks

Risk	Mitigants	Change from 2018
Income/Dividend		
The Company sets its target dividend at a rate it expects to earn from the dividends received from its underlying equity investments based upon robust assumptions as to currency movements. Failure by those investments to meet those expectations due to, for example, decreased operating margins, changes in tax treatment of dividends, increased borrowing costs or poor underlying performance may prevent the Company from being able to meet its target dividend.	The Investment Manager's allocation process seeks to select investments capable of producing strong reliable dividends and future capital growth across a diverse range of uncorrelated sectors. Day to day risk management techniques seek to spread the risk and monitor high levels of volatility. The Board monitors the income received on investments and available for distribution prior to the declaration of each dividend.	**Unchanged**

3. Operational Risks

Risk	Mitigants	Change from 2018
Service Provider Performance		
The Company is reliant on the performance, safe custody of assets and data and internal controls of its service providers for its day to day activities. Poor performance or failure to meet their contractual obligations, including the absence of adequate business continuity plans and data and cyber security, could negatively impact the operations, reputation, governance and cost efficiency of the Company.	Due diligence is carried out on all service providers prior to their appointment, with their level of service monitored continually and assessed formally by the Management Engagement Committee on an annual basis. The Board monitors the performance of the Investment Manager at every Board meeting and otherwise as appropriate.	**Unchanged**
Key Man Risk		
The Company is reliant on the Investment Manager and a few of their key people to meet its investment objective and for growing the Company's shareholder base.	The Company's portfolio is managed by a team of investment professionals lead by Dean Orrico and Rob Lauzon.	**Unchanged**

4. Financial Risks

Risk	Mitigants	Change from 2018
Market Risks		
The Company may make a loss on its investments at realisation due to adverse movements in their share prices, currency or interest rate movements.	The Investment Manager manages the portfolio and borrowings on an ongoing basis to achieve the best returns. The directors monitor the Investment Manager's compliance with the Company's stated investment policy and review the investment performance.	**Unchanged**

Risk	Mitigants	Change from 2018
Liquidity Risk		
The Company may hold positions, long or short, in securities that may not be able to be bought or sold quickly enough so as to prevent or minimise a loss.	The Fund primarily invests in securities that are readily realisable, mainly issued by Canadian and U.S. companies and REITS listed on a Canadian Stock Exchange, and are actively traded.	**Unchanged**

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

DIRECTORS

As at 31 December 2019 and as at the date of this report, the Board of directors comprised seven non-executive directors, six of whom were independent of the Investment Manager and its affiliates. The Board has decided that every director should have a letter of appointment and has instructed their preparation. Once agreed and signed, the letters of appointment will be made available for inspection on the Company's website.

The present members of the Board are listed on page 77 and their curricula vitae are included on pages 26 and 27. As Mr Orrico is not independent of the Investment Manager, he is required by the FCA's Listing Rules to submit himself for re-election annually. In addition, in accordance with the provisions of the AIC Code, and PIRC's published guidance, all directors will continue to offer themselves for annual re-election for the foreseeable future.

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

During the year under review, Mr Raymond Apsey, a Jersey non-executive director and former Chairman of the Company and the Fund, retired as a director of the Company and the Fund effective 13 June 2019. He was replaced by Mrs Joanna Dentskevich.

The interests as at 31 December 2019 and 2018 of the directors who served on the Board and their connected persons during the year were as follows:

Director	2019 Fund Shares	2018 Fund Shares
Raymond Apsey	75,000	75,000
Philip Bisson	977,000	977,000
Philean Trust Company Limited (A company connected with Philip Bisson)	671,200	701,381
Beg Kaleh Services Limited (A company connected with Philip Bisson)	42,800	-
Thomas Grose	62,000	62,000
Dean Orrico	100,000	100,000
Nicholas Villiers (Chairman)	35,000	35,000
Richard Hughes	75,000	75,000
Cheng Sim Hughes (A person connected to Richard Hughes)	25,000	25,000
Michael Phair	30,000	-

The current directors are:

Nicholas Villiers (Chairman)

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

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 -

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Finance and Chief Financial Officer with Great American Industries, Inc., he joined Bankers Trust Company, where he spent 18 years variously in New York, London and Tunisia. Since 1991, Mr Grose has worked for Stock Market Index International, a company that he established in the UK, which provides proprietary research to asset managers, hedge funds and other financial institutions.

Dean Orrico

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

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

Richard Hughes

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

Michael Phair

Mr Phair has over 30 years' investment banking experience at World Bank Group (IFC), Rothschild, and UBS. He is the founder and CEO of REG (UK) Ltd. which is a leading software solution provider for counterparty risk management in the UK and global insurance market. He is the Chair of Children and Families Across Borders, a UK-based charity which is part of the International Social Services Network operating in over 130 countries worldwide. Mr Phair is also a non-executive director of International Golf and Resort Management Ltd and was previously a managing member of Boston Capital Management (VP) LLC, Washington DC, and a director of Havana Holdings Ltd., Guernsey.

Joanna Dentskevich

Mrs Dentskevich has over 30 years of finance, risk and investment banking experience gained in investment banking and the funds industry in London and Asia. She started her career in 1986 as an auditor in the financial services group of a London accountancy firm before moving into investment risk at Bankers Trust. Prior to moving to Jersey in 2008, she was director of risk at Deutsche Bank and Morgan Stanley and chief risk officer and co-founder of a London based systematic hedge fund. Mrs Dentskevich also serves as a non-executive director for GCP Asset Backed Income Fund Ltd and EJF Investments Ltd where she is chair of the board.

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

The structure of the Board is such that it was not previously considered necessary to identify a senior independent non-executive director other than the Chairman. One of the principal rationales is that the Board includes a majority of independent directors, which is expected to continue after the forthcoming Company and Cell AGM. As such, it complies with the FCA's Listing Rules and the AIC Code. However, in accordance with the recommendations of the 2019 AIC Code, the Board will be nominating Richard Hughes as Senior Independent Director, effective June 2021. In-line with the AIC recommendation, Mr Hughes will provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. He will be responsible for coordinating a regular meeting, at least annually and on other occasions as necessary, of the non-executive directors (excluding the chair), to appraise the chair's performance.

On 26 May 2010, a Nomination and Remuneration Committee was established and comprised of all the directors of the Company and Fund. Following the publication of the 2019 AIC Code, it was agreed that Dean Orrico, as a result of his role as President of the Investment Advisor, would no longer be a member of the Nomination and Remuneration Committee or the Management Engagement Committee with effect from 1 July 2019. In accordance with PIRC's published guidance, all directors will continue to offer themselves for annual re-election for the foreseeable future. Although no formal training in corporate governance is given to directors, the directors are kept apprised of corporate governance issues through bulletins and training materials provided from time to time by the Secretary and the AIC

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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 each earned the following in the 2019 and 2018 financial years:

Director	2019 Fees	2018 Fees
Raymond Apsey (Resigned 13 June 2019)	£ 9,960	£21,000
Philip Bisson	£22,000	£21,000
Thomas Grose	£ 24,000	£ 22,000
Dean Orrico	-	-
Nicholas Villiers (Chairman)	£ 28,000	£ 26,500
Richard Hughes	£ 22,000	£ 11,000
Michael Phair (Appointed 13 June 2019)	£ 12,085	-
Joanna Dentskevich (Appointed 13 June 2019)	£ 12,085	-

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

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

Remuneration policy

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

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

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

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

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

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

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 per year	**4**	**2**	**2**	**1**	**4**	**1**
Raymond Apsey [1]	1	1	1	1	0	0
Philip Bisson	4	2	2	1	1	1
Thomas Grose	4	1	2	1	3	1
Dean Orrico	4	1	2 [3]	1	0	1 [3]
Nicholas Villiers	4	1	2	1	2	1
Richard Hughes	4	2	2	1	4	1
Michael Phair [2]	3	1	1	0	0	1
Joanna Dentskevich [2]	3	0	1	0	0	1

[1] Mr Apsey resigned from the Board on 13 June, 2019

[2] Mr Phair and Ms Dentskevich joined the Board on 13 June, 2019

[3] Mr Orrico attended as an observer, not a member or participant

INDEPENDENCE OF DIRECTORS

For the period 1 January to 12 June 2019, the Board consisted of six members, all of whom were non-executive, increasing to seven following the appointment of Mr Phair and Ms Dentskevich as additional non-executive directors and the resignation of Mr Apsey. Mr Orrico is a director of Middlefield Capital Corporation, an affiliate of the Investment Manager and President of the Investment Advisor. All the directors, apart from Mr Orrico, are considered to be independent of the Investment Manager and free of any business or other relationship that could influence their ability to exercise independent judgement. The Board believes that Mr Orrico's investment management experience adds considerable value to the Company. During the first half of the year under review, the entire Board were members of the Nomination & Remuneration and Management Engagement Committees. Mr Orrico retired from both of those Committees effective 1 July 2019.

The Board believes that Mr Villiers, Mr Grose, Mr Bisson, Mr Phair, Mrs Dentskevich and Mr Hughes are independent in character and judgement and that their experience and knowledge of the specialised sector in which the Company operates adds significant strength to the Board. Mr Villiers was also considered to be independent upon his appointment as Chairman. The directors believe that the Board has a balance of skills and experience which enable it to provide effective strategic leadership and proper governance of the Company. Information about the directors, including their relevant experience, can be found on pages 26 and

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27. The Board is of the view that length of service does not automatically compromise the independence or contribution of directors of an investment company, where continuity and experience can be a benefit to the Board. Furthermore, the Board agrees with the view expressed in the AIC Code that long serving directors should not be prevented from forming part of an independent majority or from acting as Chairman. Consequently, no limit had previously been imposed on the directors' overall length of service. However, the Board has noted that the AIC considers that directors who have served on the Board for more than nine years may not be independent and that certain corporate governance advisory bodies believe that directors should not serve more than nine years on an investment company's Board. Therefore, in the spirit of best corporate governance, the Board has decided that any director appointed in 2018 or thereafter shall only serve for a maximum of nine years before being required to retire from office.

BOARD COMPOSITION AND SUCCESSION

As stated in previous Annual Financial Reports, the Board has recognised the merits of refreshing its composition as well as planning for future succession. As previously reported, Mr Hughes was appointed as a new independent non-executive director in 2018 and Mrs Dentskevich and Mr Phair were appointed as new independent non-executive directors in 2019, at which point Mr Apsey retired from office. The Board intends to continue evolving its composition on a periodic basis and has agreed to a succession plan for the directors with over nine years of service. The Board's advance planning for the retirement of directors ensures an orderly transition process that maintains an appropriate balance of skills and relevant experience. The Board has considered whether open advertising and / or an external search consultancy should be used for the appointment of the Chairman and non-executive directors. The Board has to date been successful in identifying and appointing strong candidates without incurring such additional expenses and has a pipeline of strong candidates for the future. However, the Board will consider following this recommendation of the AIC Code at the appropriate time in the future.

Nicholas Villiers has served on the Board for more than nine years and has served as Chairman for six years. While leading the Board, Mr Villiers has demonstrated independent and objective judgement while promoting a culture of openness and debate. Mr Villiers will step down as Chairman and retire from the Board as of September 2020. We thank him for providing exemplary leadership and wish him well in his future endeavours. Michael Phair has been selected by the Board as a suitable successor to Mr Villiers as Chairman.

Thomas Grose has served on the Board for nine years and will retire as Chairman of the Management Engagement and Nomination & Remuneration Committees as of September 2020. Richard Hughes has been selected by the board to succeed Mr Grose as Chairman of those two committees. Mr Hughes will also succeed Mr Grose as Chairman of the Audit Committee as of June 2021, when Mr. Grose will retire from the board.

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

INTERNAL CONTROLS

The directors are responsible for overseeing the
The directors are responsible for overseeing the
effectiveness of the Company's risk management and internal control systems, which are designed

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

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

The Company receives reports from the Secretary and Administrator relating to its activities. Documented contractual arrangements are in place with the Secretary and Administrator, which define the areas where the Company has delegated authority to it. The Secretary ensures that the directors receive accurate, timely and clear information from all service providers.

AUDIT COMMITTEE

On 26 May 2010 an Audit Committee was established. The current members are Thomas Grose (Chairman), Nicholas Villiers, Philip Bisson, Richard Hughes, Michael Phair and Joanna Dentskevich (the latter two from 13 June 2019). The Board believes it is appropriate for all members of the Board (excluding Mr Orrico) to be on the Audit Committee, because the directors work together collegiately and each brings a different perspective to the Audit Committee's discussions. In addition, with the pending retirements of Mr Villiers and Mr Grose, the Board will be smaller and the number of members will be more appropriate for a company of this size. A separate report from the Audit Committee is included at pages 40 to 43.

NOMINATION AND REMUNERATION COMMITTEE

The Board has also established a Nomination and Remuneration Committee, which meets when necessary. At the present time, the current members are all the directors of the Company bar Mr Orrico and their summary biographical details are set out on pages 26 and 27. Because of his role as President of the Investment Advisor, Mr Orrico retired from the Nomination and Remuneration Committee with effect from 1 July 2019. The Chairman of the Nomination and Remuneration Committee is Thomas Grose or, failing him, any UK-resident member of the Nomination and Remuneration Committee other than the Chairman of the Company. The Board believes it is appropriate for all members of the Board (excluding Mr Orrico) to be on the Nomination and Remuneration Committee, because the directors work together collegiately and each brings a different perspective to the Nomination and Remuneration Committee's discussions. In addition, with the pending retirements of Mr Villiers and Mr Grose, the Board will be smaller and the number of members will be more appropriate for a company of this size.

The key terms of reference of the Nomination and Remuneration Committee are set out below.

- The Committee oversees the process of identifying and nominating prospective directors.
- The Committee considers and monitors the

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level and structure of remuneration of the directors of the Company and the Fund.

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

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

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

MANAGEMENT ENGAGEMENT COMMITTEE

The Board established a Management Engagement Committee at its meeting held on 20 November 2013. In addition to regular reporting and engagement at Board meetings with its service providers, the Board formally reviews all service providers via the Management Engagement Committee. At the present time, the Management Engagement Committee's members are all the directors of the Company bar Mr Orrico, who retired from the Management Engagement Committee with effect from 1 July 2019 because of the perceived conflict that his role as President of the Investment Advisor could present. Prior to that date, Mr Orrico did not take part in discussing any contractual arrangements between the Company and the Investment Manager.

The Chairman of the Management Engagement Committee is Thomas Grose or, failing him, any UK-resident member of the Management Engagement Committee other than the Chairman of the Company. For the purposes of transacting business, a quorum of the Management Engagement Committee is not less than two members of the Management Engagement Committee and all

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meetings must take place in the UK.

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

Duties

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

The Management Engagement Committee meets at least annually to specifically consider the ongoing management, administrative and secretarial and investment management requirements of the Company. The Management Engagement Committee receives self-evaluation questionnaires provided by all service providers, which include reporting on each service provider's opinion of the quality of services provided by the Company's other service providers, and the Board also receives detailed compliance reporting from the Company's compliance officer, which the Management Engagement Committee takes into account when reviewing the services provided. The quality and timeliness of reports to the Board are also taken into account and the overall management of the Company's affairs by the Investment Manager is considered. Based on its recent review of activities, and taking into account the performance of the portfolio, the other services provided by the key service providers, and the risk and governance environment in which the Company operates, the Board believes that the retention of the current key service providers on the current terms of their appointment remains in the best interests of the Company and its shareholders.

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

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 has acted as the Company's discretionary investment manager. Middlefield International Limited provides investment advisory services to the Company and the Investment Manager. The Company pays an annual fee of 0.70 per cent. of NAV to the Investment Manager and the agreement can be terminated by either party on 90 days' written notice.

For the purposes of the AIFMD, which was implemented into UK law with effect from 22 July 2013, the Company has been classified as a non-EU AIF managed by a non-EU AIFM. As such, the Company is not subject to the full scope of the 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. 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 Board and the Investment Manager believe that companies should act in a socially responsible manner. Day to day decisions in respect of the Company's investment portfolio have been delegated to the Investment Manager. Although the Investment Manager's priority at all times is the best economic interests of its clients, it recognises that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists at the Investment Manager are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to the industry. Their aim is to incorporate ESG criteria into the Investment Manager's processes when making stock selection decisions and promoting ESG disclosure. The Investment Manager is mindful of the impact which it can have upon shaping the consideration given to ESG matters by the Fund's investee companies. In addition to taking into account ESG matters in portfolio construction decisions, the Investment Manager conducts ongoing investee company monitoring, and this engagement process may include voting and communication with management and company board members. The Investment Manager's ESG policy is set out on page 12.

INSTITUTIONAL VOTING POLICY

The Company's policy is that a decision on whether to vote on matters proposed by its investees is to be based on the nature of the matter being proposed. However, it will always vote on matters proposed by issuers which represent more than 4% of the Company's NAV. In the ordinary course of business, voting decisions have been delegated to the Investment Manager. For all holdings in issuers representing 4% or less of the Company's net assets at the reference date, the Investment Manager will decide whether to vote on any proposals put to the relevant issuer's shareholders.

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

STRATEGIC REPORT

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

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

The Board's engagement with shareholders is described in the section "Shareholder Relations" on page 17. All shares in issue rank pari passu, all shareholders are treated equally and no shareholder receives preferential treatment. When making decisions of relevance to shareholders, the Board considers first and foremost the likely consequences of their decisions in light of their duty to act in

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the best interests of the Company. The Board also considers what is likely to be in the best interests of shareholders as a whole, but does not consider individual shareholders' specific circumstances or desires when making its decisions.

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

Although the Company does not take a controlling stake in its investees, the Board does also consider the interests of those stakeholders and oversees the activities of the Investment Manager, as explained in the preceding paragraphs.

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

The Board considers that the Company, as an externally-managed investment trust, with no employees, premises nor manufacturing or other physical operations, has no material, direct impact on the community and the environment. However, the Board considers social, community, environmental and human rights matters to be of significant importance and, in this respect, takes soundings from the Investment Manager as to how these matters are taken into consideration in respect of portfolio construction and its ongoing management. The Investment Manager is tasked with assessing how companies deal with and report on social and environmental risks and issues specific to the industry. Their aim is to incorporate ESG criteria into the Investment Manager's processes when making stock selection decisions and promoting ESG disclosure.

The Investment Manager is mindful of the impact which it can have upon shaping the consideration given to ESG matters by the Fund's investee companies. In addition to considering ESG matters in portfolio construction decisions, the Investment Manager conducts ongoing investee company monitoring, and this engagement process may include voting and communication with management and company board members. The Board ascribes to the highest standards of business conduct and has policies in place to ensure compliance with all applicable laws and regulations. In this respect, it also interacts with governmental organisations providing public services for society, and financial services regulators (such as the FCA and JFSC). In addition to the monitoring of the Company's compliance with its own obligations, the Management Engagement Committee also monitors compliance by its service providers with their own obligations and the questionnaires referred to above in the section headed "Management Engagement Committee" include confirmations from service providers as to both their compliance with applicable law and regulation and the adequacy of their policies and procedures. The Company has a zero tolerance policy in respect of bribery and corruption.

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

INDEPENDENT AUDITOR

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

Each of the persons who is a director at the date of approval of this Annual Financial Report confirms that:

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

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Financial Report in accordance with applicable law and regulations. The Companies (Jersey) Law 1991, as amended (the "Companies Law") requires the directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and Fund as at the end of the financial year and of the profit or loss for that year. The directors have elected to prepare the financial statements under IFRS as adopted by the European Union.

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website www.middlefield.co.uk.

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

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

By order of the board:

Nicholas Villers
Chairman

Philip Bisson
Director

Date: 16 April 2020

REPORT OF THE AUDIT COMMITTEE

This report of the Audit Committee has been prepared with reference to the AIC Code. Established in 2010, the Audit Committee reports formally to the main Board at least twice each year. In accordance with written terms of reference, its delegated duties and responsibilities are reviewed and reapproved annually. The function of the Audit Committee is to ensure that the Company maintains high standards of integrity, financial reporting and internal controls.

The Audit Committee is chaired by Thomas Grose, a non-executive independent director. Its other members are Nicholas Villiers, Philip Bisson, Richard Hughes, Joanna Dentskevich and Michael Phair (both from 13 June 2019) who are also independent non-executive directors. Biographical details and relevant sector experience are set out on pages 25 and 26. Notwithstanding Mr Villiers' role as Chairman of the board, the Board considers it appropriate that he continue to sit on the Audit Committee until he retires in September 2020 due to the experience and insight he brings to the Committee's deliberations. It is the Board's view that Mr Villiers was independent on appointment and continues to be independent. He is thereby entitled to be a contributing member on the Committee. Each Committee member brings additive external knowledge on the investment company sector including trends and threats as well as strategic understanding and awareness.

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

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

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

- Considering the appointment, resignation or dismissal of the Auditor and their independence and objectivity, particularly in circumstances where non-audit services have been provided.
- Reviewing the cost effectiveness of the external audit from time to time.
- Reviewing and challenging the half-yearly and Annual Financial Reports, focusing particularly on changes in accounting policies and practice, areas of accounting judgement and estimation, significant adjustments arising from audit or other review and the going concern assumption.
- Providing advice to the Board on whether the Annual Financial Report, taken as a whole, is fair balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.
- Reviewing compliance with accounting standards and law and regulations including the Companies Law and the FCA's Listing and Disclosure Guidance and Transparency Rules.

- Completing regular risk management reviews of internal controls, which include the review of the Fund's Risk Register.
- Reviewing the effectiveness of the Company's system of internal controls, including financial, operating, compliance, fraud and risk management controls and 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.

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

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

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

(Continued from last page)

SIGNIFICANT RISKS

The significant risks that were subject to specific consideration in 2019 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.

AUDITOR AND AUDIT

The Audit Committee considers the nature, scope and results of the Auditor's work and monitors the independence of the Auditor. Formal reports are received at Board meetings from the Auditor on an interim and annual basis relating to the extent of their work. The work of the Auditor in respect of any significant audit issues and consideration of the adequacy of that work is discussed. The current Auditor has held office since the Company's incorporation and the audit has not been put out to tender during its tenure, although the Audit Committee does benchmark the Auditor's proposed fees for each audit against fees paid to other auditors for similar audits.

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

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

The Audit Committee has an active involvement

(Continued from last page)

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: 16 April 2020

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Opinion

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

- give a true and fair view of the state of the Fund's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

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

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

2. Basis for opinion

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

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

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were; • Valuation of investments; and • Ownership of investments.
Materiality	The materiality that we used in the current year was £1,243,700, which was determined on the basis of 1% of Net Asset Value.
Scoping	All audit work for the Fund was performed by the audit engagement team.
Significant changes in our approach	There have been no significant changes in our approach.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

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

We considered as part of our risk assessment the nature of the Fund, its business model and related risks including where relevant the impact of the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control.

We evaluated the directors' assessment of the Fund's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

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

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

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

4.2. Principal risks and viability statement

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

- the disclosures on pages 21 to 25 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 21 and 25 that they have carried out a robust assessment of the principal and emerging risks facing the Fund, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on pages 17 to 19 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.

Viability means the ability of the Fund to continue over the time horizon considered appropriate by the directors.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

5. Key audit matters

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

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

5.1. Valuation of investments

Key audit matter description	The Fund's investments (see note 3 and the schedule of investments) included at fair value of £144,075,929 (2018: £114,095,281). The investment portfolio is made up of securities actively traded on recognised markets which are measured at fair value based on market prices and other prices determined with reference to observable inputs. Although substantially all of the securities are listed and have quoted market pricing data available which is used to value the securities, there is a risk of material misstatement that the investments may be incorrectly valued due to stale prices, low trading volumes or errors reported in third party prices. Where securities are not regularly traded there is a greater risk of material misstatement that the quoted price is not reflective of fair value and this should be taken into consideration in management's assessment. Valuation has a significant impact on the NAV which is the most KPI of the Fund.
How the scope of our audit responded to the key audit matter	Our procedures on the valuation of investments included: • understanding of the relevant controls around valuation; • testing 100% of the valuations of investments by agreeing the prices directly to independent third party sources; and • analysing the trading history of securities to determine whether they have been traded frequently and values at which they have been traded to determine that there are no unusual price movements indicating the year end prices are stale.
Key observations	Based on the procedures, we concluded that the valuation of investments is appropriate.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

5.2. Ownership of investments

Key audit matter description	The Fund's investments (see note 3 and the schedule of investments) included at fair value of £144,075,929 (2018: £114,095,281). There is a risk that securities, a record of which is maintained by a third party custodian, are not directly owned by the Fund. Investments are held with the custodian. Ensuring that the custodian records all the investments correctly under the Fund's name is critical since the investment portfolio represents the principal element of the financial statements being the single largest asset on the balance sheet.
How the scope of our audit responded to the key audit matter	Our procedures on ownership of investments included: • understanding of the relevant controls around custody of investments; and • confirming the holdings to independent third party confirmations provided by the Fund's custodian; and • assessment of procedures implemented by management on the depository and custodial function including review of reports received from these service providers as well as their compliance reporting.
Key observations	Based on the procedures, we concluded that the ownership of investments is appropriate.

6. Our application of materiality

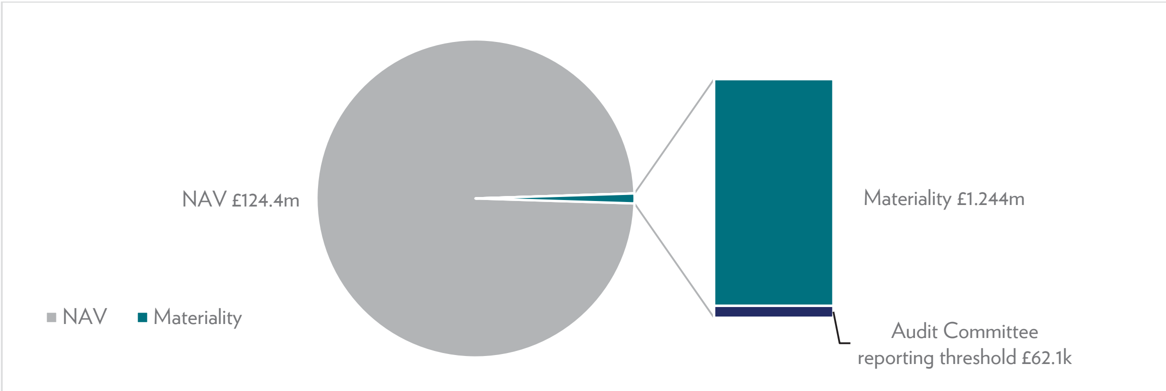
6.1. Materiality

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

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

Materiality	£1,243,700 (2018: £1,021,000)
Basis for determining materiality	Approximately 1% (2018: 1%) of the NAV of the Fund.
Rationale for the benchmark applied	The reason for using NAV is that this is the key performance indicator of the Fund and this benchmark is consistent with the market approach for such entities.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered our understanding of the entity, including our assessment of the overall control environment and our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £62,100 (2018: £51,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Fund and its environment, including internal control, and assessing the risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

The accounting function for the Fund is provided by JTC Fund Solutions (Guernsey) Limited ("JTC"). We have obtained their ISAE 3402 Report for the period 1 October 2018 to 30 September 2019 which documents the suitability of design and implementation and operating effectiveness of controls. We have reviewed the report and assessed the controls relevant to the accounting functions undertaken by JTC for the Fund in order to rely on controls. As the reporting date of the Fund is 31 December 2019 we have obtained correspondence issued by JTC detailing that there have not been any material changes to the internal control environment nor any material deficiencies in the internal controls.

The administrator maintains the books and records of the Fund. Our audit therefore included obtaining an understanding of this service organisation (including obtaining and reviewing their controls assurance report) and its relationship with the entity.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

8. Other information

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

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

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

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

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

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Fund's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the Fund's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

10. Auditor's responsibilities for the audit of the financial statements

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

Report on other legal and regulatory requirements

11. Matters on which we are required to report by exception

11.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

12. Use of our report

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

Nicola Sarah Paul FCA
For and on behalf of Deloitte LLP
Recognized Auditor
Jersey, Channel Islands
16 April 2020

STATEMENT OF FINANCIAL POSITION OF THE FUND
AS AT 31 DECEMBER 2019

	Notes	2019 GBP	2018 GBP
Current assets			
Securities (at fair value through profit or loss)	3 & 20	144,075,929	114,095,281
Accrued bond interest		27,940	17,070
Accrued bank interest		6,908	7,541
Accrued dividend income		513,405	570,781
Other receivables	6	2	2
Prepayments		17,659	14,775
Cash and cash equivalents	4	6,198,999	7,889,488
		150,840,842	122,594,938
Current liabilities			
Other payables and accruals	5	(413,763)	(383,613)
Interest payable		(24,327)	(17,281)
Loan payable	14	(26,026,802)	(20,025,095)
		(26,464,892)	(20,425,989)
Net assets		124,375,950	102,168,949
Equity attributable to equity holders			
Stated capital	6	49,704,414	49,704,414
Retained earnings		74,671,536	52,464,535
Total Shareholders' equity		124,375,950	102,168,949
Net asset value per redeemable participating preference share (pence)	7	116.80	95.94

The financial statements and notes on pages 51 to 71 were approved by the directors on 16 April 2020 and signed on behalf of the Board by:

Thomas Grose
Director

Nicholas Villiers
Director

The accompanying notes on pages 55 to 71 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME OF THE FUND
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 Revenue GBP	2019 Capital GBP	2019 Total GBP	2018 Total GBP
Revenue					
Dividend income	8	6,655,619	-	6,655,619	7,518,107
Interest Income	8	296,402	-	296,402	205,442
Net movement in the fair value of securities (at fair value through profit or loss)	9	-	25,084,009	25,084,009	(19,171,856)
Net movement on foreign exchange		-	(1,128,978)	(1,128,978)	187,004
Total revenue		6,952,021	23,955,031	30,907,052	(11,261,303)
Expenditure					
Investment management fees	2 o	334,938	502,406	837,344	825,615
Custodian fees	2 l	17,678	-	17,678	13,328
Sponsor's fees	2 m	140,103	-	140,103	235,892
Directors' fees and expenses		177,939	-	177,939	127,852
Legal and professional fees		12,827	-	12,827	29,613
Audit fees		23,700	-	23,700	30,500
Tax fees		5,800	-	5,800	5,800
Registrar's fees		40,355	-	40,355	45,175
Administration and secretarial fees	2 k	119,621	-	119,621	117,945
General expenses		128,177	-	128,177	166,330
Investor relations fee	2 u	77,844	-	77,844	-
Operating expenses		1,078,982	502,406	1,581,388	1,598,050
Net operating profit/(loss) before finance costs		5,873,039	23,452,625	29,325,664	(12,859,353)
Finance costs	2 r	(264,930)	(397,397)	(662,327)	(723,527)
Profit/(loss) before tax		5,608,109	23,055,228	28,663,337	(13,582,880)
Withholding tax expense	12	(1,025,486)	-	(1,025,486)	(1,048,851)
Net profit/(loss) after taxation		4,582,623	23,055,228	27,637,851	(14,631,731)
Profit/(loss) per redeemable participating preference share - basic and diluted (pence)	10	4.30	21.65	25.95	(13.74)

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

There are GBP nil (2018: GBP nil) earnings attributable to the management shares.

The accompanying notes on pages 55 to 71 form an integral part of these financial statements.

STATEMENT OF CHANGES IN REDEEMABLE PARTICIPATING PREFERENCE SHAREHOLDERS' EQUITY OF THE FUND
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Stated Capital Account GBP	Retained Income GBP	Total GBP
At 1 January 2018		**49,704,414**	**72,527,116**	**122,231,530**
Loss for the year		-	(14,631,731)	(14,631,731)
Dividends	11	-	(5,430,850)	(5,430,850)
At 31 December 2018		**49,704,414**	**52,464,535**	**102,168,949**
Profit for the year		-	27,637,851	27,637,851
Dividends	11	-	(5,430,850)	(5,430,850)
At 31 December 2019		**49,704,414**	**74,671,536**	**124,375,950**

The accompanying notes on pages 55 to 71 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS OF THE FUND
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 GBP	2018 GBP
Cash flows from/(used in) operating activities			
Net profit/(loss) after taxation		27,637,851	(14,631,731)
Adjustments for:			
Net movement in the fair value of securities (at fair value through profit or loss)	9	(25,084,009)	19,171,856
Realised loss on foreign exchange		598,158	340,347
Unrealised loss/(gain) on foreign exchange	2p	530,820	(527,351)
Payment for purchases of securities		(47,861,535)	(71,588,657)
Proceeds from sale of securities		42,964,896	86,786,429
Operating cash flows before movements in working capital		(1,213,819)	19,550,893
Decrease in receivables		44,255	89,462
Increase/(decrease) in payables and accruals		37,196	(46,150)
Net cash (used in)/from operating activities		**(1,132,368)**	**19,594,205**
Cash flows from/(used in) financing activities			
Repayments of borrowings		(172,251,640)	(196,112,292)
New bank loans raised		178,253,347	180,322,903
Dividends paid	11	(5,430,850)	(5,430,850)
Net cash from/(used in) financing activities		**570,857**	**(21,220,239)**
Net decrease in cash and cash equivalents		(561,511)	(1,626,034)
Cash and cash equivalents at the beginning of the year		7,889,488	9,328,518
Effect of foreign exchange rate changes		(1,128,978)	187,004
Cash and cash equivalents at the end of the year		**6,198,999**	**7,889,488**
Cash and cash equivalents made up of:			
Cash at bank	4	6,198,999	7,889,488

The accompanying notes on pages 55 to 71 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND
FOR THE YEAR ENDED 31 DECEMBER 2019

1. General Information

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

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

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

The Company and Fund have no employees.

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

2. Principal Accounting Policies

a. Basis of preparation

The Financial Statements of the Fund have been prepared on the historical cost basis, except for the measurement at fair value of investments and derivatives, and in accordance with the applicable IFRS as adopted by the EU and interpretations issued by the 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 SORP Financial Statements of Investment Trust Companies and Venture Capital Trusts issued by the AIC is consistent with the requirements of IFRS, the directors have prepared the Financial Statements on a basis compliant with the recommendations of the SORP. The supplementary information which analyses the statement of comprehensive income between items of a revenue and a capital nature is presented in accordance with the SORP.

Critical accounting estimates and judgements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Principal Accounting Policies (continued)

a. Basis of preparation (continued)

Adoption of new standards and interpretations

The following new standards and interpretations are effective for annual periods commencing on or after 1 January 2019:

- IFRS 16 Leases - specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The directors have considered the above and are of the opinion that the above Standard including all other new or amended standards effective 1 January 2019, have no material impact on the financial statements of the Company and as such no further analysis is included in these financial statements.

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

At the date of authorisation of these Financial Statements, the following Standards and Interpretations relevant to the Company and Fund which have not been applied in these Financial Statements were in issue but not yet effective:

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

The directors have considered the above and are of the opinion that the above Standards and interpretations are not expected to have a material impact on the financial statements. These items will be applied in the first financial period for which they are required.

There were no other standards, interpretations or amendments to existing standards in issue but not yet effective which are relevant to the Company and the Fund that have been applied to these financial statements.

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

b. Financial instruments

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

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value based on stock exchange quoted bid prices quoted at the Statement of Financial Position date. The resulting gain or loss is recognised in the Statement of Comprehensive Income as a capital gain or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Income depends on the nature of the hedge relationship. The Fund had no derivatives outstanding at 31 December 2019 and 2018.

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

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Principal Accounting Policies (continued)

c. Securities

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

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

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

d. Receivables

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

e. Prepayments

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

f. Cash and cash equivalents

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

g. Provisions

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

h. Share capital

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

i. Net asset value per redeemable participating preference share

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

j. Issue costs

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

k. Administration and secretarial fees

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

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Principal Accounting Policies (continued)

l. Custodian fees

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

m. Sponsor's fees

Canaccord Genuity Limited, the former corporate broker, was 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. Investec was appointed on 27 June 2019 at a rate of 0.05 per cent. per annum with effect from 1 July 2019.

n. Going concern

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

The directors considered, *inter alia*, the following factors:

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

o. Investment management fees

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

Investment management fees for the year ended 31 December 2019 total £837,344 (31 December 2018: £825,615). The fee is split between the Investment Manager and the Investment Advisor at a ratio of 0.60 per cent : 0.10 per cent of the 0.70 per cent fee.

Management fees have been split 60% to capital and 40% to revenue. (See Note 2a for further details regarding the allocation of the management fees).

p. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at exchange rates in effect at the date of the Financial Statements. Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the Statement of Comprehensive Income as foreign currency gains and losses. The cost of investments, and income and expenditure are translated into Sterling based on exchange rates on the date of the transaction. Realised loss on foreign exchange currency transactions totalled £577,289 for the year (2018: loss of £318,070). Realised loss on forward exchange contracts totalled £20,869 (2018: loss of £22,277). Unrealised loss on foreign currency translations totalled £530,820 (2018: gain of £527,351).

q. Revenue recognition

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

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

r. Loan payable and finance costs

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

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Principal Accounting Policies (continued)

s. Related parties

Related parties are individuals and companies where the individuals or companies have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions (see Note 13).

t. Business and geographical segments

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

u. Investor relations fee

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

Investor relations fee for the year ended 31 December 2019 total £77,844 (31 December 2018: £nil).

3. Securities (at value through profit and loss)

	2019 GBP	2018 GBP
Quoted/listed Equities	140,523,906	112,940,472
Quoted/listed Bonds	3,552,023	1,154,809
	144,075,929	**114,095,281**

Please refer to Note 20 for the Schedule of Investments.

4. Cash and cash equivalents

	2019 GBP	2018 GBP
Cash at bank	**6,198,999**	**7,889,488**

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

	2019 GBP	2018 GBP
Investment management fees (Note 13)	217,204	205,446
Sponsor's fees	15,515	58,699
Audit fees	30,000	30,500
Administration fees	31,029	29,349
General expenses	19,563	15,465
Directors' fees	35,000	29,500
Registrar's fees	7,371	8,001
Tax fees	5,800	5,800
Custodian fees	3,103	853
Marketing fees	7,500	-
Investor relations fee (Note 13)	41,678	-
	413,763	**383,613**

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 and 2018	**2**	**2**
Redeemable participating preference shares issued (excluding shares held in treasury)		
At 31 December 2018	**106,487,250**	**49,704,412**
Movement for the year	-	-
At 31 December 2019	**106,487,250**	**49,704,412**
Total		**49,704,414**

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

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

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

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

At the year end, there were 18,195,000 (31 December 2018: 18,195,000) treasury shares in issue. Treasury shares have no value and no voting rights.

FCA regulation of 'non-mainstream pooled investments'

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

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

7. Net asset value per redeemable participating preference share

The NAV per share of 116.80p (31 December 2018: 95.94p) is based on the net assets at the year end of £124,375,950 (31 December 2018: £102,168,949) and on 106,487,250 redeemable participating preference shares, being the number of redeemable participating preference share in issue at the year end (31 December 2018: 106,487,250 shares).

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

8. Dividend and interest income

	Revenue GBP	2019 Capital GBP	Total GBP	2018 GBP
Bond and debenture interest	140,647	-	140,647	64,694
Bank and loan interest	155,755	-	155,755	140,748
Dividend income	6,655,619	-	6,655,619	7,518,107
	6,952,021	**-**	**6,952,021**	**7,723,549**

9. Net movement in the fair value of securities

	Revenue GBP	2019 Capital GBP	Total GBP	2018 GBP
Gains on sale of securities	-	1,769,788	1,769,788	2,994,003
Gains/(losses) on the revaluation of securities at year end	-	23,314,221	23,314,221	(22,165,859)
Net movement in the fair value of securities (at fair value through profit or loss)	**-**	**25,084,009**	**25,084,009**	**(19,171,856)**

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

Basic profit/(loss) per redeemable participating preference share is calculated by dividing the net profit attributable to redeemable participating preference shares of £27,637,851 (31 December 2018: loss of £14,631,731) by the weighted average number of redeemable participating preference shares outstanding during the year of 106,487,250 shares (31 December 2018: 106,487,250 shares).

11. Dividends

Dividends of 1.275 pence per share were paid on a quarterly basis during the year in the months of January, April, June and October totalling £5,430,850 (31 December 2018: £5,430,850) for the year. On 31 January 2020 a dividend of £1,357,712 was paid. In accordance with the requirements of IFRS, as this was approved on 2 January 2020, being after the Statement of Financial Position date, no accrual was reflected in the 2019 Financial Statements for this amount of £1,357,712 (31 December 2018: £1,357,712).

12. Taxation

The Fund is subject to UK corporation tax at a rate of 19% (2018: 19%). The Company adopted UK tax residency on 11 October 2011. Since that date the Company has been managed in such a way as to be able to meet the conditions for approval as an investment trust under Section 1158 of the Corporation Tax Act 2010. As an investment trust, all capital gains are exempt from UK corporation tax. On 7 December 2012, the Company received approval from HM Revenue & Customs to be treated as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 and will seek to remain so approved.

The Fund suffered £1,025,486 (2018: £1,048,851) of withholding tax on foreign dividends during the year and this expense has been included in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Related party transactions

The directors are regarded as related parties. Total directors' fees earned during the year amounted to £130,130 of which £35,000 was due at year end (2018: £101,500 of which £29,500 was due at the year end). Each non-executive director, other than Mr. Orrico, earned a fee of £22,000 in respect of the financial year (2018: £21,000), the Chairman earned a fee of £28,000 (2018: £26,500) and the Chairman of the Audit Committee £24,000 (2018: £22,000). Mr Orrico waived his fee in 2019 and 2018.

The Investment Manager is also regarded as a related party due to common ownership. Total management fees paid during the year amounted to £837,344 (2018: £825,615).

The Investment Advisor and Investment Manager are also paid an additional fee for investor relations services. The fee for the year ended 31 December 2019 amounted to £77,844 (31 December 2018: £nil).

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

14. Loan payable

The Fund has a Credit Facility Agreement with RBC whereby RBC provides the Credit Facility, with a maximum principal amount of the lesser of CAD 65,000,000 and 25 per cent. of the total asset value of the Fund.

At 31 December 2019, the amount drawn down under the Credit Facility was CAD 45,000,000 (GBP equivalent at amortised cost of £26,026,802) (31 December 2018: CAD 35,000,000 (GBP equivalent at amortised cost of £20,025,095)). The loan value of CAD 45,000,000 was made up of one loan issued on 18 December 2019, maturing on 17 March 2020.

As at 31 December 2019, pre-paid interest and stamping fees of £144,093 (31 December 2018: £80,143) were paid on the Bankers' Acceptance and these costs are being amortised over a period of 90 days for the loan (31 December 2018: 61 days). Interest paid on the Bankers' Acceptance totalled £550,886 (31 December 2018: £534,814).

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

16. Financial instruments

Fair values

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

Management of capital

The Investment Manager manages the capital of the Fund in accordance with the Fund's Investment Objectives and Policy.

The capital structure of the Fund consists of proceeds from the issue of preference shares, loans and reserve accounts. The Investment Manager manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. Generally speaking, the Fund will reduce leverage when investments are likely to decrease in value and will increase leverage when investment appreciation is anticipated. In order to maintain 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 2019 and 2018.

16. Financial instruments (continued)

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.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Financial instruments (continued)

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

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

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

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

The following tables present the Fund's financial instruments by level within the valuation hierarchy as of 31 December 2019 and 2018:

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

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

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

Price sensitivity
At 31 December 2019, 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 £43,222,779 (2018: £34,228,584) higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by £43,222,779 (2018: £34,228,584).

At 31 December 2019, if the market prices of the securities had been 30% lower with all other variables held constant, the decrease in net assets attributable to holders of redeemable shares for the year would have been equal, but opposite, to the figures stated above.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Financial instruments (continued)

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

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

The following table details the Fund's exposure to interest rate risk at 31 December 2019 and 2018:

	Fixed and floating rate assets			
	Weighted average interest at year end	**2019 GBP**	**Weighted average interest at year end**	**2018 GBP**
Assets				
Fixed rate assets				
Debt securities	5.75%	3,552,023	5.75%	1,154,809
Floating rate assets				
Cash and cash equivalents	*	6,198,999	*	7,889,488
		9,751,022		**9,044,297**

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

	Floating rate liabilities	
	2019 GBP	**2018 GBP**
Liabilities		
Floating rate liabilities		
Loan payable (See Note 14)	26,026,802	20,025,095
	26,026,802	**20,025,095**

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

Interest rate sensitivity analysis
At 31 December 2019, had interest rates been 50 basis points higher and all other variables were held constant, the Company's net assets attributable to redeemable participating preference shares for the year would have decreased by £178,894 (31 December 2018: £77,545) 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 actively traded.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Financial instruments (continued)

Liquidity risk (continued)

As at 31 December 2019, the Fund's ability to manage liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Securities (at fair value through profit or loss)	144,075,929	-	-	-	144,075,929
Accrued bond interest	-	16,410	11,530	-	27,940
Accrued dividend income	513,405	-	-	-	513,405
Accrued bank interest	6,908	-	-	-	6,908
Other receivables	2	-	-	-	2
Prepayments	17,659	-	-	-	17,659
Cash and cash equivalents	6,198,999	-	-	-	6,198,999
	150,812,902	**16,410**	**11,530**	**-**	**150,840,842**
Liabilities					
Other payables and accruals	(413,763)	-	-	-	(413,762)
Interest payable	-	(24,327)	-	-	(24,328)
Loan payable	-	(26,026,802)	-	-	(26,026,802)
	(413,763)	**(26,051,129)**	**-**	**-**	**(26,464,892)**
	150,399,139	**(26,034,719)**	**11,530**	**-**	**124,375,950**

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

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

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

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:

	2019 GBP	2018 GBP
Assets		
Cash and cash equivalents	5,877,323	5,403,831
Canadian equities	105,676,675	93,372,747
Canadian debt	2,394,937	-
Accrued income	519,132	566,146
	114,468,067	**99,342,724**

	2019 GBP	2018 GBP
Liabilities		
Loan payable	26,026,802	20,025,095
Interest payable	24,327	17,281
	26,051,129	**20,042,376**

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

	2019 GBP	2018 GBP
Assets		
Cash and cash equivalents	105,048	1,994,463
United States equities	34,847,230	20,722,534
United States bonds	1,157,087	-
Accrued income	29,121	29,245
	36,138,486	**22,746,243**

Sensitivity analysis
At 31 December 2019, had GBP strengthened against the CAD by 5%, with all other variables held constant, the decrease in net assets attributable to shareholders would amount to approximately £4,420,847 (31 December 2018: £3,965,017). Had GBP weakened against the CAD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £4,420,847 (31 December 2018: £3,965,017).

At 31 December 2019, 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 £1,806,924 (31 December 2018: £1,137,312). Had GBP weakened against the USD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £1,806,924 (31 December 2018: £1,137,312).

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

17. Cash Flow statement reconciliation of financing activities

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

	1 January 2019	Cash flows	Non-cash changes			31 December 2019
			Acquisition	Foreign exchange movements	Fair value changes	
	GBP	GBP	GBP	GBP	GBP	GBP
Financial liabilities held at amortised cost	20,025,095	5,656,050	-	345,657	-	26,026,802
Total	**20,025,095**	**5,656,0510**	**-**	**345,657**	**-**	**26,026,802**

18. Post year end events

On 2 January 2020, the Company declared a quarterly dividend of 1.275 pence per share. The ex-dividend date was 9 January 2020 and the record date was 10 January 2020. On 31 January 2020, the dividend of £1,357,712 was paid.

On 2 April 2020, the Company declared a quarterly dividend of 1.275 pence per share. The ex-dividend date was 9 April 2020 and the record date was 14 April 2020.

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

At 31 December 2019, the Bankers' Acceptance drawn under the Credit Facility totalled CAD 45,000,000 (31 December 2018: CAD 35,000,000). The loan value of CAD 45,000,000 was made up of one loan issued on 18 December 2019, which matured on 17 March 2020.

The loan of CAD 45,000,000 maturing on 17 March 2020, CAD 20,000,000 was paid off and CAD 25,000,000 renewed with a maturity date of 15 June 2020.

The Board of directors acknowledges the COVID-19 outbreak and its adverse economic impact globally and on the locations in which the Fund invests and operates. At 31 December 2019 there were few reported cases and little confirmed evidence of its spread amongst humans. Consistent with many others in the same industry, the Board of directors considers the emergence and spread of COVID-19 to be a non-adjusting event after end of the reporting period.

Details of the impact are as follows:

NAV as at 31 December 2019	124,375,950
NAV as at 7 April 2020	96,142,421
Decrease in NAV	28,233,529
Percentage decrease in NAV	(22.7%)

The change in the NAV is indicative of conditions that arose after the end of the reporting period. Therefore, no adjustment has been made in this Annual Financial Report.

Further details of the impact subsequent to year end can be found in the Investment Manager's report.

19. Controlling party

There is no ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

20. Schedule of Investments – Securities (at fair value through profit or loss)
As at 31 December 2019

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Equities					
Bermuda – Quoted Investments 5.51% (2018: 5.70%)					
Power and Utilities:					
Brookfield Infrastructure Partners L.P.	100,000	2,844,783	3,797,218	3.05%	2.64%
Real Estate:					
Brookfield Property Partners L.P.	300,000	4,376,367	4,133,729	3.32%	2.87%
Canada - Quoted Investments 70.48% (2018: 78.52%)					
Energy:					
ARC Resources Ltd.	500,000	4,636,659	2,370,098	1.91%	1.65%
Birchcliff Energy Ltd.- Preferred Shares	40,000	636,779	576,259	0.46%	0.40%
Birchcliff Energy Ltd.	85,000	1,300,141	1,236,895	0.99%	0.86%
Canadian Natural Resources Limited	200,000	4,082,722	4,870,318	3.92%	3.38%
Ensign Energy Services Inc.	950,000	4,650,820	1,556,248	1.25%	1.08%
Freehold Royalties Ltd.	500,000	3,668,047	2,105,785	1.69%	1.46%
Financials:					
Canadian Imperial Bank of Commerce	65,000	4,331,765	4,076,452	3.28%	2.83%
The Bank of Nova Scotia	100,000	4,832,372	4,253,977	3.42%	2.95%
The Toronto-Dominion Bank	70,000	2,925,792	2,962,332	2.38%	2.06%
Industrials:					
Chorus Aviation Inc.	850,000	3,813,720	3,979,789	3.20%	2.76%
Morneau Shepell Inc.	185,000	2,213,655	3,631,332	2.92%	2.52%
Parkland Fuel Corporation	225,000	3,006,689	6,229,349	5.01%	4.32%
Westshore Terminals Investment Corporation	350,000	4,362,662	3,842,695	3.09%	2.67%
Pipelines:					
Enbridge Income Fund Holdings Inc.	125,000	2,967,020	3,749,024	3.01%	2.60%
Gibson Energy Inc.	300,000	2,791,939	4,633,890	3.73%	3.22%
Keyera Corp.	200,000	4,378,174	3,938,545	3.17%	2.73%
Pembina Pipeline Corporation	180,000	4,044,863	5,031,578	4.05%	3.49%
TC Energy Corporation	90,000	2,831,411	3,605,337	2.90%	2.50%
Power and Utilities:					
Capital Power Corporation	200,000	2,942,443	3,982,694	3.20%	2.76%
Northland Power Inc.	355,000	3,823,830	5,594,796	4.50%	3.88%
Transalta Corp.	525,000	2,120,596	2,814,927	2.26%	1.95%

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

20. Schedule of Investments – Securities (at fair value through profit or loss) (continued)
As at 31 December 2019

Description	Shares or Par Value	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Real Estate:					
Allied Properties Real Estate Investment Trust	100,000	3,297,639	3,014,323	2.42%	2.09%
Canadian Apartment Properties Real Estate Investment Trust	70,000	2,193,663	2,153,942	1.73%	1.50%
Choice Properties Real Estate Investment Trust	400,000	2,914,393	3,218,221	2.59%	2.23%
Dream Industrial Real Estate Investment Trust	360,000	2,202,317	2,735,372	2.20%	1.90%
First Capital Real Estate Investment Trust.	200,000	2,539,186	2,399,143	1.93%	1.67%
Granite Real Estate Investment Trust	125,000	3,818,662	4,781,585	3.84%	3.32%
Northwest Healthcare Properties Real Estate Investment Trust	400,000	2,848,960	2,760,467	2.22%	1.92%
Sienna Senior Living Inc.	250,000	2,597,601	2,644,576	2.13%	1.84%
Telecommunication Services:					
BCE Inc.	80,000	2,539,491	2,792,998	2.25%	1.94%
United States - Quoted Investments 21.55% (2018: 14.77%)					
Consumer Discretionary:					
McDonald's Corporation	25,000	3,719,619	3,753,515	3.02%	2.61%
Financials:					
JP Morgan Chase & Co.	55,000	2,316,075	5,826,062	4.68%	4.04%
Morgan Stanley	90,000	3,095,298	3,495,478	2.81%	2.43%
The Blackstone Group Inc.	120,000	2,951,323	5,101,163	4.10%	3.54%
Information Technology:					
Intel Corporation	65,000	2,967,781	2,954,815	2.38%	2.05%
Real Estate:					
WPT Industrial Real Estate Investment Trust	380,000	4,104,330	3,979,935	3.20%	2.76%
Telecommunication Services:					
AT&T Inc.	200,000	4,646,655	5,939,044	4.79%	4.12%
Total Equities		**126,336,242**	**140,523,906**	**113%**	**97.54%**

NOTES TO THE FINANCIAL STATEMENTS OF THE FUND (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

20. Schedule of Investments – Securities (at fair value through profit or loss) (continued)
As at 31 December 2019

Description	Shares or Par Value	Book Cost	Bid-Market Value	% of Net Assets	% of Portfolio
		GBP	GBP		
Debt:					
Canada - Quoted Investments 1.66% (2018: 0%)					
Mullen Group Ltd 5.75% Due 30 November 2026	4,000,000	2,375,617	2,394,937	1.93%	1.66%
United States - Quoted Investments 0.80% (2018: 1.01%)					
Tricon Capital Group 5.75% due 31 March 2022	1,500,000	1,221,200	1,157,086	0.93%	0.80%
Total debt:		**3,596,817**	**3,552,023**	**2.86%**	**2.46%**
Total investments (2019)		**129,933,059**	**144,075,929**	**115.86%**	**100.00%**
Total investments (2018)		**123,266,634**	**114,095,281**	**111.67%**	**100.00%**

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (UNAUDITED)

In accordance with the AIFMD, the AIFM is required to disclose specific information in relation to the following aspects of the Company's management:

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

For the gross method, the following has been excluded:
• the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the AIF that are readily convertible to a known amount of cash, subject to an insignificant risk of changes in value;
• cash borrowings that remain in cash or cash equivalent as defined above and where the amounts of that payable are known. The total amount of leverage calculated as at 31 December 2019 is as follows:

Gross method: 136.8% (31 December 2018: 131.3%)
Commitment method: 136.8% (31 December 2018: 131.3%)

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

Risk management policy note
Please refer to Note 16, Financial instruments, in the Notes to the financial statements on pages 62 to 67 for risk management policies, where the current risk profile of the Company and the risk management systems employed by the Investment Manager to manage those risks, are set out.

AIFM Remuneration
The total remuneration paid for the management of the AIFM amounted to approximately £201,000 for the year ended 31 December 2019. This amount was paid to a total of five beneficiaries including senior management and other staff.

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Middlefield Canadian Income PCC:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been properly prepared in accordance the Companies (Jersey) Law 1991.

We have audited the financial statements which comprise:

- the Statement of Financial Position of the Company; and
- the related notes 1 to 4.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Nicola Sarah Paul FCA
For and on behalf of Deloitte LLP
Jersey, Channel Islands
16 April 2020

STATEMENT OF FINANCIAL POSITION OF THE COMPANY
AS AT 31 DECEMBER 2019

	Notes	2019 GBP	2018 GBP
Current assets			
Other receivables		2	2
Net assets		**2**	**2**
Equity attributable to equity holders			
Stated capital	2	2	2
Total Shareholders' equity		**2**	**2**

The financial statements and notes on pages 75 and 76 were approved by the directors on 16 April 2020 and signed on behalf of the Board by:

Thomas Grose
Director

Nicholas Villiers
Director

NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Basis of accounting

The separate financial statements of the Company have been prepared showing results of the Company only. They have been prepared in accordance with IFRS as adopted by the EU in accordance with the accounting policies set out in Note 2 to the financial statements of the Fund.

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

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

Judgements and estimates used by the directors

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

2. The Company's stated capital

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

	No. of shares	GBP
Management shares issued		
At 31 December 2019 and 2018	2	2

3. Taxation

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

4. Ultimate holding company

The ultimate holding company is Middlefield Limited.

MANAGEMENT AND ADMINISTRATION

Directors
Nicholas Villiers (Chairman)
Raymond Apsey (resigned 13 June 2019)
Philip Bisson
Thomas Grose
Dean Orrico
Richard Hughes
Michael Phair (appointed 13 June 2019)
Joanna Dentskevich (appointed 13 June 2019)

Administrator and Secretary
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Broker and Adviser
(former)
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