HALF YEARLY REPORT AND CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD 1 JANUARY 2017 TO 30 JUNE 2017

# MIDDLEFIELD

## *Canadian Income PCC*

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

MCI

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# RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the interim report and financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
- the Chairman's Report and Interim Manager's Report include a fair review of the development, performance and position of the Company and a description of the principal risks and uncertainties as disclosed in note 16 to the financial statements, that it faces for the next six months as required by DTR 4.2.7.R of the Disclosure Guidance and Transparency Rules.
- the Interim Investment Manager's Report and note 11 to the financial statements include a fair review of related party transactions and changes therein, as required by DTR 4.2.8.R of the Disclosure Guidance and Transparency Rules.

By order of the Board

Nicholas Villiers
Director
Date: 14 September 2017

Philip Bisson
Director

# CHAIRMAN'S REPORT

It is my pleasure to introduce the 2017 Semi-Annual Financial Report for Middlefield Canadian Income PCC ("MCI"). MCI has established one closed-end cell known as Middlefield Canadian Income – GBP PC (the "Fund"). The Fund invests in a broadly diversified portfolio comprised primarily of Canadian and American equity income securities with the objective of providing shareholders with high dividends as well as capital growth over the longer term.

We continue to be pleased with the long-term performance of the Fund. Since inception in 2006, the Fund's net asset value has generated a cumulative return of 121.3%, significantly outpacing both of its benchmark indices: the S&P TSX Composite High Dividend Index and the S&P/TSX Composite Index, which have generated cumulative period returns of 89.2% and 71.6%, respectively. Total shareholder return, based on the share price performance plus distributions, for the 6 months to 30 June 2017 was 1.4% in GBP terms. The NAV total return for the period was down 2.2% in GBP terms for the Fund, while its benchmark S&P TSX Composite High Dividend Index was down 0.3% in GBP terms. On a rolling 12-month performance, the Fund's share price has increased by 26.4%.

At the end of 2016, just less than 73% of the portfolio was invested in Canadian stocks, with approximately 22% of the portfolio invested in U.S. equities. At the midway point in 2017, the Fund's Canadian holdings exceeded 80% versus approximately 15% in U.S. and international equities. While the Fund has the ability to invest up to 40% of the portfolio outside of Canada, greater investment in Canada is supported by positive macroeconomic growth, as both the OECD and Bank of Canada are projecting the Canadian market to realize real GDP growth of 2.8% in 2017. As a result of the positive economic momentum and political stability in Canada relative to other developed markets, we believe Canadian equities will continue to generate competitive total returns.

In the first six months of the year, the Fund repurchased a total of 450,000 redeemable participating preference shares in six separate transactions, at a weighted average price of 105 pence. As a result, the number of shares with voting rights in issue is now approximately 106.5 million.

We tactically manage the amount of gearing in the Fund, ranging from 12.6% to 21.7% over the course of the past twelve months. At the end of June, we stood with net gearing of approximately 18.4% and continue to closely monitor market conditions to determine the appropriate level for the Fund, effectively increasing gearing to invest in securities that are attractively valued and reducing it with proceeds from positions that are overvalued.

We also made some strategic asset allocation decisions in the first half of the year in response to an improved economic backdrop and the expectation of continued low interest rates. Specifically, REITs are the largest weighting in MCI's portfolio, with a significant emphasis on large, liquid issuers who have the ability to generate organic growth over time. The portfolio changes completed in the first half of the year are described in more detail in the Interim Management Report.

## OUTLOOK

Beginning in July 2017, the Fund has announced that its quarterly dividend will increase from 1.25p per share to 1.275p per share, equating to 5.1p per annum. The increase reflects the Fund's longstanding focus on companies which pay growing levels of dividends over time. Looking forward, our manager remains bullish on Canadian and U.S. equities due to fundamentals underpinning continued revenue and earnings growth. The Fund is well positioned to benefit from these trends and remains focused on investing in income-oriented issuers with strong management teams, good balance sheets and sustainable, growing dividends, while providing access to sectors and geographies that are under-represented in British investor portfolios.

We thank you for your continued support.

Nicholas Villiers
Chairman
Date: 14 September 2017

# INTERIM INVESTMENT MANAGER'S REPORT

SIX MONTHS TO 30 JUNE 2017 (UNAUDITED)

On the invitation of the Directors of the Company, this interim investment manager's report is provided by Middlefield Limited, which acts as the investment manager of the Fund.

This statement has been prepared to provide additional information to Shareholders as a body to meet the relevant requirements of the UK Listing Authority's Disclosure Guidance and Transparency Rules. It should not be relied upon by any party for any purpose other than as stated above.

Middlefield Canadian Income PCC ("MCI") is a closed-ended investment company incorporated in Jersey on 24 May 2006. MCI has established one closed-end cell known as Middlefield Canadian Income – GBP PC (the "Fund", which term includes, where the context permits, MCI acting in respect of Middlefield Canadian Income – GBP PC). Admission to the Official List of the UK Listing Authority and dealings in redeemable participating preference shares commenced on 6 July 2006. The Fund was admitted to the FTSE UK All-Share index effective 20 June 2011.

## INCOME OBJECTIVE

The Fund invests in a broadly diversified portfolio comprised primarily of Canadian and U.S. equity income securities with the objective of providing shareholders with high dividends as well as capital growth over the longer term. The Fund intends to pay dividends on a quarterly basis each year.

The Fund will seek to achieve its investment objective by investing predominantly in the securities of companies and REITs domiciled in Canada and the United States and listed on Canadian and American stock exchanges, which the investment manager believes will provide an attractive level of distributions, together with the prospect for capital growth and organic growth over time.

## PERFORMANCE SUMMARY

After a volatile start to the year, equity markets finished 2016 on a high note, with major North American indices at or just below their all-time highs. Early this year, the momentum continued, as the Dow Jones Industrial Index reached new heights in January and the S&P500 and S&P/TSX Composite Indices were both at or near record highs. Volatility remained subdued at that time, as many investors sat on the sidelines awaiting further clarity on President Trump's policy agenda. Volatility has since increased, with markets negatively impacted by the UK election as well as the lack of progress on major policy agenda items such as tax reform and financial deregulation in the U.S.

While Canada's economic growth outpaced its G-8 peers, posting a first quarter annualized GDP growth of 3.7%, Canadian equities were relative underperformers in the first half of the year with the S&P/TSX Composite Index posting a modest total return of approximately 1.5%. Economic growth allowed the Bank of Canada to increase its overnight interest rate by 25 basis points on 12 July 2017 and a significant majority of economists are anticipating another rate increase at the Bank's October meeting. Concerns over the potential impact of a correction in residential housing prices and the North American Free Trade Agreement renegotiation with the U.S. and Mexico provide potential headwinds to the Canadian equity markets over the balance of the year. While White House rhetoric raises concerns regarding global trade and currency markets, a recent agreement on Mexican sugar imports and their willingness to renegotiate rather than withdraw from NAFTA shows that the U.S. is open to negotiation.

Global markets had a positive start to the year with U.S. indices finishing the second quarter near all-time highs. The U.S. economy rebounded in the second quarter, following a slower than expected start to the year, driven by employment gains and growth in consumer spending and capital investment. As a result, the Federal Open Market Committee ("FOMC") voted unanimously to raise the overnight lending rate by 25 basis points for the third consecutive quarter, while also announcing plans to begin reducing the Federal Reserve's holdings of treasury and mortgage-backed securities. The FOMC's outlook anticipates another rate increase in 2017. Notably, U.S. corporate earnings increased by approximately 14% in the first quarter, continuing the momentum that began in the second half of 2016. With market valuation multiples above historic averages, we believe the recent acceleration in earnings growth should support the next move higher in stock prices.

Yields on 10-year U.S. treasury bonds remained stable through the first six months of the year, closing at 2.3%. The yield curve has flattened in recent months as long-term rates decreased while the FOMC hiked short-term rates. The flattened curve has caused the Financials sector to underperform the S&P 500 over the six month period. Looking ahead, we expect U.S. banks will demonstrate growth in earnings, making current valuations increasingly compelling. Our top holding in the Financials sector at 30 June 2017 was The Blackstone Group, a well-established multinational asset manager focused on private equity and credit strategies. This position was initiated in March of this year. Blackstone pays a dividend of 5.2% and is anticipated to generate significant earnings growth due to the increasing institutional investor demand for alternative asset strategies.

After averaging US$43 per barrel in 2016, oil prices traded as high as US$55 during the first half of the year before falling back to US$46 at June 30. Despite the production cut orchestrated by OPEC, prices continue to be negatively affected by increased output from Libya, Nigeria and U.S. shale. As demand increases and OPEC curtails production, we expect oil prices to gradually move higher in the second half of 2017. The Fund's energy exposure is geographically biased towards Canada with a preference for pipeline companies over producers. In March, the U.S. State Department provided a permit for the long-delayed Keystone XL pipeline, which could bring more than 800,000 barrels per day of Alberta heavy crude to export facilities in the southern U.S. and directly benefits our position in TransCanada Corporation. In June of this year, the Fund initiated a position in another major pipeline company, Kinder Morgan Canada, through its IPO which was priced at a discount to its peer group. We believe the company is amongst the most attractive issuers in the Canadian pipeline sector as it controls a number of systems and terminals, as well as various crude oil loading facilities. One of its primary assets, the Trans Mountain pipeline, transports approximately 300,000 barrels per day of crude oil and refined petroleum products and is the only pipeline in Canada transporting crude oil and refined products to the west coast. On November 29, 2016, the Government of Canada granted Kinder Morgan approval for its $7.4 billion Trans Mountain Expansion Project, which is anticipated to increase capacity to the BC coast to 890,000 barrels per day by the end of 2019. A key contributor to the Fund's performance in its pipeline weighting was the announced acquisition of Veresen Inc. by Pembina Pipelines in April of this year. Pembina is a long time core holding in the Fund and agreed to pay a 22% premium to acquire 100% of Veresen. The transaction is expected to close before the end of 2017.

Real Estate Investment Trusts are an attractive asset class since commercial real estate provides consistent income and the potential for capital appreciation. Fundamentals are stable and REITs exhibit inflation linked revenues with a low correlation to broader equity markets. The Fund has become increasingly focused on REITs which have a history of growing their asset base and cash flow. A good example is Dream Global REIT, which is focused on office real estate in Germany and the Netherlands. Dream has had success in solidifying and diversifying its tenant base and, given the quality portfolio of assets assembled over the years, we initiated a position in the REIT which yields 7.3% and trades at a discount to NAV. The Fund remains well diversified across other REIT sub-sectors, with a new investment in First Capital Realty Inc. which is one of Canada's largest owners, developers and managers of grocery anchored, retail-focused urban properties with over $1 billion of development planned over the next few years. In light of the aging population and limited supply of long term care and retirement homes, the Fund also owns Sienna Senior Living REIT which manages over 40 facilities across Canada and also develops high quality seniors living residences.

Healthcare was the second-best performing sector in the S&P 500 in the first half of the year, trailing only information technology. Investor concerns related to drug pricing and healthcare reform gave way to attractive valuations which were not reflective of underlying fundamentals. Although the Republican majority in Congress has failed to pass a bill to repeal and replace The Patient Protection and Affordable Care Act, we believe the market will begin to rotate more capital into healthcare in the coming months due to its attractive relative valuation. Middlefield has developed specific expertise in the healthcare sector where it manages several mandates for Canadian investors. Our top healthcare idea continues to be Bristol-Myers Squibb, which pays a 2.7% yield and is a leading player in the emerging immuno-oncology pharmaceutical sector. We have also initiated a position in Swiss company F. Hoffmann-La Roche AG. Like Bristol Myers, Roche possesses a very deep pipeline of new oncology drugs and, in the first half of 2017, group sales at Roche rose 5% to CHF 26.3 billion, with core earnings per share growing 6%.

The Canadian dollar was very volatile relative to the British pound and US dollar in 2017. More specifically, due to the positive momentum in the Canadian economy as well as geopolitical issues in both the UK and US, the Canadian dollar has appreciated significantly against GBP and USD since May of this year.

The asset class weightings for the Fund as at 30 June 2017 were:

| Asset Class | Portfolio Weighting |
|---|---|
| Real Estate | 23.3% |
| Pipelines | 17.8% |
| Financials | 14.8% |
| Energy | 10.3% |
| Industrials | 9.2% |
| Power & Utilities | 5.2% |
| Health Care | 5.1% |
| Bonds and Convertible Debentures | 5.1% |
| Consumer Discretionary | 4.8% |
| Materials | 3.1% |
| Other | 1.3% |
| Telecommunications | 0.0% |
| Consumer Staples | 0.0% |
| Technology | 0.0% |

# INTERIM INVESTMENT MANAGER'S REPORT

SIX MONTHS TO 30 JUNE 2017 (UNAUDITED)

## DIVIDENDS

The Fund paid quarterly dividends of 1.25 pence per share in each of January and April 2017. The Fund's Board of Directors announced in late April that its quarterly dividend payable will increase from 1.25p per share to 1.275p per share, equating to 5.1p per annum, commencing July 2017. A major factor behind the dividend increase was the Fund's focus on portfolio companies committed to growing their dividends as a result of their stable and growing cash flows.

## RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in greater detail in Note 11 of the Notes to the Condensed Financial Statements of the Fund (unaudited).

There have been no material changes in the related party transactions from those described in the 2016 Annual Report.

## MATERIAL EVENTS

On 6 January 2017, 11 January 2017 and 17 January 2017, MCI announced that it had purchased for cash 50,000 redeemable participating preference shares at a price per share of 105.5 pence, 107 pence and 106 pence, respectively. On 19 January 2017, 20 January 2017 and 7 February 2017, MCI announced that it had purchased for cash 100,000 redeemable participating preference shares at a price per share of 104.75 pence, 103.5 pence and 102.5 pence, respectively. In each case, the price of the repurchased shares represented a discount to the Fund's prevailing net asset value and the repurchased shares were held in treasury.

The Board of MCI is not aware of any significant event or transaction which has occurred between 1 July 2017 and the date of publication of this statement which could have a material impact on the financial position of the Fund.

## PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties, which could have a material impact on the Fund's performance over the remaining six months of the year and could cause actual results to differ materially from expected and historical results.

Further information on the principal risks and uncertainties are included at pages 10 and 11 of the 2016 Annual Report and in Note 16 of the Notes to the Condensed Financial Statements of the Fund (unaudited).

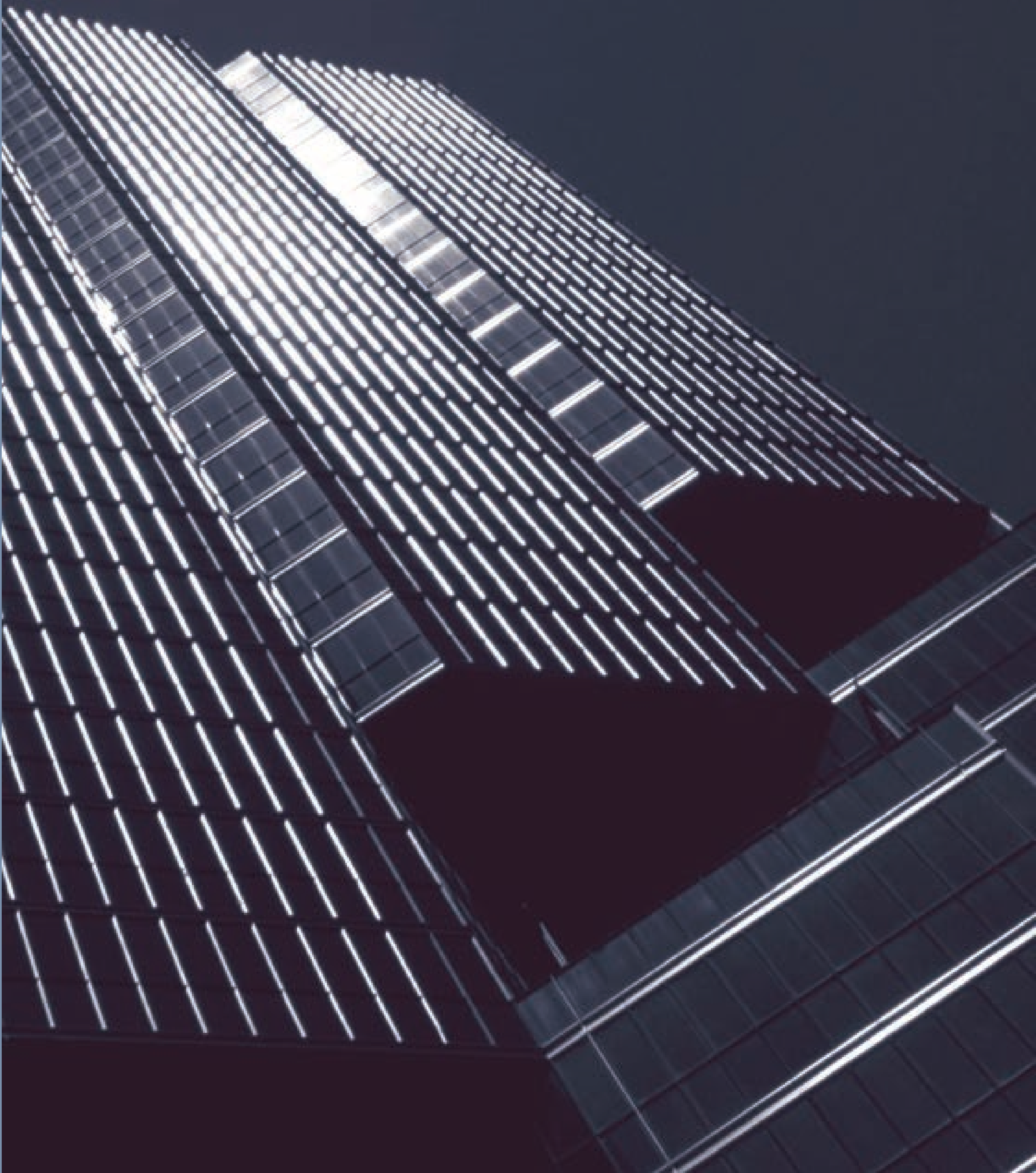
## OUTLOOK

We believe that the Fund is well positioned to continue to provide attractive long-term returns, on both a relative and absolute basis. Looking forward, we remain bullish on Canadian and U.S. equities due to fundamentals underpinning continued revenue and earnings growth. Other global risks include a European banking system that remains under-capitalized, political uncertainty in Italy, Brazil and Germany, and the ongoing de-leveraging of the Chinese economy. In light of these concerns, active management and global diversification are critical to achieving superior risk-adjusted returns. Our philosophy remains centered on investing in income-oriented issuers with strong management teams, good balance sheets, growing dividends and robust organic growth opportunities. We believe that Canada remains an attractive jurisdiction for foreign investment and that the equity income sector will benefit from the anticipated improvements in global growth and the ongoing demand for income.

Middlefield Limited
Date: 14 September 2017

*Past performance is not a guide to future performance.*
*This half-yearly financial report is available at: www.middlefield.co.uk.*

# Financial Statements



# FINANCIAL STATEMENTS

## Condensed Statement of Financial Position of the Fund (Unaudited)

AS AT 30 JUNE 2017 WITH UNAUDITED COMPARATIVES AS AT 30 JUNE 2016 AND AUDITED COMPARATIVES AS AT 31 DECEMBER 2016

| | Notes | 30.06.2017<br>£ | 30.06.2016<br>£ | 31.12.2016<br>£ |
|---|---|---|---|---|
| **Current assets** | | | | |
| Securities (at fair value through profit or loss) | 3 & 17 | 148,665,230 | 126,046,085 | 146,332,071 |
| Accrued bond interest | | 75,606 | 59,532 | 92,472 |
| Accrued bank interest | | 2,635 | 1,119 | 1,421 |
| Accrued dividend income | | 686,991 | 320,907 | 373,488 |
| Other receivables | | 2 | 2 | 2 |
| Securities receivable | | 1,650,041 | 7,038,767 | – |
| Prepayments | | 4,857 | 15,880 | 34,383 |
| Cash and cash equivalents | 4 | 6,819,085 | 8,232,290 | 10,338,576 |
| | | 157,904,447 | 141,714,582 | 157,172,413 |
| **Current liabilities** | | | | |
| Other payables and accruals | 5 | (339,468) | (340,817) | (359,108) |
| Securities payable | | (1,623,215) | (3,922,089) | – |
| Interest payable | | (16,006) | (22,483) | (46,920) |
| Loan payable | 14 | (35,439,162) | (28,694,202) | (30,061,412) |
| | | (37,417,851) | (32,979,591) | (30,467,440) |
| **Net assets** | | **120,486,596** | **108,734,991** | **126,704,973** |
| **Equity attributable to equity holders** | | | | |
| Stated capital | 6 | 49,704,414 | 50,342,977 | 50,174,414 |
| Retained earnings | | 70,782,182 | 58,392,014 | 76,530,559 |
| **Total Shareholders' equity** | | **120,486,596** | **108,734,991** | **126,704,973** |
| **Net asset value per redeemable participating preference share** | **7** | **113.15p** | **101.51p** | **118.49p** |

The financial statements and notes on pages 7 to 22 were approved by the Directors on 14 September 2017 and signed on behalf of the Board by:

Nicholas Villiers
Director

Philip Bisson
Director

The accompanying notes on pages 11 to 22 form an integral part of these financial statements.

# FINANCIAL STATEMENTS

## Condensed Statement of Comprehensive (Loss)/Income of the Fund (Unaudited)

FOR THE PERIOD 1 JANUARY 2017 TO 30 JUNE 2017 WITH UNAUDITED COMPARATIVES FOR THE PERIOD 1 JANUARY 2016 TO 30 JUNE 2016 AND AUDITED COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2016

| | Notes | Six months ended 30 June 2017 Revenue £ | Six months ended 30 June 2017 Capital £ | Six months ended 30 June 2017 Total £ | Six months ended 30 June 2016 Total £ | Year ended 31 December 2016 Total £ |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Dividend and interest income | 8 | 4,101,593 | – | 4,101,593 | 2,216,437 | 5,196,054 |
| Net movement in the fair value of securities (at fair value through profit or loss) | 9 | – | (6,081,853) | (6,081,853) | 20,171,429 | 40,039,753 |
| Net movement on foreign exchange | | – | 458,134 | 458,134 | (2,507,200) | (3,213,670) |
| **Total (loss)/revenue** | | **4,101,593** | **(5,623,719)** | **(1,522,126)** | **19,880,666** | **42,022,137** |
| **Expenditure** | | | | | | |
| Investment management fees | | 172,578 | 258,868 | 431,446 | 332,013 | 743,275 |
| Custodian fees | | 7,406 | – | 7,406 | 6,589 | 14,446 |
| Sponsor's fees | | 123,270 | – | 123,270 | 94,861 | 212,364 |
| Other expenses | | 198,220 | – | 198,220 | 184,055 | 378,931 |
| **Operating expenses** | | **501,474** | **258,868** | **760,342** | **617,518** | **1,349,016** |
| **Net operating (loss)/ profit before finance costs** | | 3,600,119 | (5,882,587) | (2,282,468) | 19,263,148 | 40,673,121 |
| Finance cost | | (101,396) | (152,094) | (253,490) | (192,152) | (413,141) |
| **(Loss)/profit before tax** | | 3,498,723 | (6,034,681) | (2,535,958) | 19,070,996 | 40,259,980 |
| Withholding tax expense | | (545,862) | – | (545,862) | (267,160) | (640,730) |
| **Net (loss)/profit** | | **2,952,861** | **(6,034,681)** | **(3,081,820)** | **18,803,836** | **39,619,250** |
| **(Loss)/profit per redeemable participating preference share – basic and diluted** | 10 | **2.77p** | **(5.66)p** | **(2.89)p** | **17.45p** | **36.89p** |

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

There are zero earnings attributable to the management shares. All activities derive from continuing operations.

The accompanying notes on pages 11 to 22 form an integral part of these financial statements.

## Condensed Statement of Changes in Redeemable Participating Preference Shareholders' Equity of the Fund (Unaudited)

FOR THE PERIOD 1 JANUARY 2017 TO 30 JUNE 2017 WITH UNAUDITED COMPARATIVES FOR THE PERIOD 1 JANUARY 2016 TO 30 JUNE 2016 AND AUDITED COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2016

| | Notes | Stated capital account £ | Retained income £ | Total £ |
|---|---|---|---|---|
| At 1 January 2016 | | 51,158,937 | 42,288,484 | 93,447,421 |
| Profit for the period | | – | 18,803,836 | 18,803,836 |
| Repurchase of shares | | (815,960) | – | (815,960) |
| Dividends paid | 12 | – | (2,700,306) | (2,700,306) |
| **At 30 June 2016** | | **50,342,977** | **58,392,014** | **108,734,991** |
| Profit for the period | | – | 20,815,414 | 20,815,414 |
| Repurchase of shares | | (168,563) | – | (168,563) |
| Dividends paid | | – | (2,676,869) | (2,676,869) |
| **At 31 December 2016** | | **50,174,414** | **76,530,559** | **126,704,973** |
| Loss for the period | | – | (3,081,820) | (3,081,820) |
| Repurchase of shares | 6 | (470,000) | – | (470,000) |
| Dividends paid | 12 | – | (2,666,557) | (2,666,557) |
| **At 30 June 2017** | | **49,704,414** | **70,782,182** | **120,486,596** |

The accompanying notes on pages 11 to 22 form an integral part of these financial statements.

# FINANCIAL STATEMENTS

## Condensed Cash Flow Statement of the Fund (Unaudited)

FOR THE PERIOD 1 JANUARY 2017 TO 30 JUNE 2017 WITH UNAUDITED COMPARATIVES FOR THE PERIOD 1 JANUARY 2016 TO 30 JUNE 2016 AND AUDITED COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2016

| | Six months ended 30 June 2017 £ | Six months ended 30 June 2016 £ | Year ended 31 December 2016 £ |
|---|---|---|---|
| **Cash flows (used in)/from operating activities** | | | |
| Net (loss)/profit | (3,081,820) | 18,803,836 | 39,619,250 |
| Adjustments for: | | | |
| Net movement in the fair value of securities (at fair value through profit or loss) | 6,081,853 | (20,171,429) | (40,039,753) |
| Realised (gain)/loss on foreign exchange | (399,724) | 1,652,277 | 3,324,777 |
| Unrealised (gain)/loss on foreign exchange | (58,410) | 854,923 | (111,107) |
| Payment for purchases of securities | (86,817,631) | (51,787,184) | (105,274,256) |
| Proceeds from sale of securities | 78,402,622 | 55,806,463 | 108,875,872 |
| **Operating cash flows before movements in working capital** | **(5,873,110)** | **5,158,886** | **6,394,783** |
| Increase in receivables | (1,918,367) | (7,109,671) | (175,230) |
| Increase in payables and accruals | 1,572,659 | 3,992,757 | 113,396 |
| **Net cash (used in)/from operating activities** | **(6,218,818)** | **2,041,972** | **6,332,949** |
| **Cash flows from/(used in) financing activities** | | | |
| Repayment of borrowings | (104,021,639) | (63,015,341) | (120,649,278) |
| New bank loans raised | 109,399,389 | 67,345,895 | 126,347,043 |
| Payments for repurchase of shares | (470,000) | (815,960) | (984,523) |
| Dividends paid | (2,666,557) | (2,700,306) | (5,377,175) |
| **Net cash from/(used in) financing activities** | **2,241,193** | **814,288** | **(663,933)** |
| Net (decrease)/increase in cash and cash equivalents | (3,977,625) | 2,856,260 | 5,669,016 |
| Cash and cash equivalents at the beginning of period | 10,338,576 | 7,883,230 | 7,883,230 |
| Effect of foreign exchange rate changes | 458,134 | (2,507,200) | (3,213,670) |
| **Cash and cash equivalents at the end of period** | **6,819,085** | **8,232,290** | **10,338,576** |
| **Cash and cash equivalents made up of:** | | | |
| Cash at bank | 6,819,085 | 8,232,290 | 10,338,576 |

The accompanying notes on pages 11 to 22 form an integral part of these financial statements.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF THE FUND (Unaudited)

FOR THE PERIOD 1 JANUARY 2017 TO 30 JUNE 2017

WITH UNAUDITED COMPARATIVES FOR THE PERIOD 1 JANUARY 2016 TO 30 JUNE 2016
AND AUDITED COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2016

## 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 United States that the Investment Manager believes will provide an attractive level of distributions, together with the prospect for capital growth.

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 functional and presentational currency of the Company is Sterling ("£").

The Company and the Fund have no employees.

The half-yearly report has not been audited or reviewed by the auditor, Deloitte LLP, pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information'.

The information presented for the year ended 31 December 2016 does not constitute the statutory financial statements of the Company. Copies of the statutory financial statements for that year have been delivered to the Registrar of Companies in Jersey and to the UK Financial Conduct Authority's National Storage Mechanism. Copies are also available from the Company's website www.middlefield.co.uk. The auditor's report on those financial statements was unqualified.

## 2. Accounting Policies

### a. Basis of preparation

The condensed financial information for the period ended 30 June 2017 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The condensed financial statements have been prepared on the historical cost basis, except for the revaluation of fair value through profit or loss investments, and in accordance with IFRS. The condensed statement of comprehensive income is presented in accordance with the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009 by the Association of Investment Companies ("AIC"), to the extent that it does not conflict with IFRS.

The condensed statement of financial position, condensed statement of comprehensive income, condensed statement of changes in redeemable participating preference shareholders' equity and condensed 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. Going concern

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

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

- the Fund has sufficient liquidity to meet all on-going expenses 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.

### c. Standards and Interpretations

Except as described below the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those financial statements.

Standard and Interpretation in issue is not yet adopted.

At the date of authorisation of these financial statements, the following Standard or Interpretation has been issued by the International Accounting Standards Board (IASB) and approved by the EU but is not yet effective and therefore has not yet been adopted by the Company and the Fund:

2. Accounting Policies (Continued)

c. Standards and Interpretations (Continued)

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

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

The adoption of this Standard and Interpretation may require additional disclosure in future financial statements. None is expected to affect the financial position of the Company and the Fund in future periods.

d. 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 segment reporting is provided.

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

| | 30.06.2017<br>£ | 30.06.2016<br>£ | 31.12.2016<br>£ |
|---|---|---|---|
| Quoted/listed Equities | 141,280,188 | 117,790,191 | 138,878,770 |
| Quoted/listed Bonds | 7,385,042 | 8,255,894 | 7,453,301 |
| | 148,665,230 | 126,046,085 | 146,332,071 |

Please refer to Note 17 for the Schedule of Investments.

4. Cash and cash equivalents

| | 30.06.2017<br>£ | 30.06.2016<br>£ | 31.12.2016<br>£ |
|---|---|---|---|
| Cash at bank | 6,819,085 | 8,232,290 | 10,338,576 |

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 to their fair value.

5. Other payables and accruals

| | 30.06.2017<br>£ | 30.06.2016<br>£ | 31.12.2016<br>£ |
|---|---|---|---|
| Investment management fees | 210,290 | 174,868 | 212,389 |
| Sponsor's fees | 60,083 | 49,962 | 60,683 |
| Audit fees | 14,877 | 38,911 | 26,926 |
| Administration fees | 30,042 | 24,981 | 30,341 |
| General expenses | 13,031 | 28,169 | 15,867 |
| Registrar's fees | 8,159 | 21,443 | 9,901 |
| Custodian fees | 2,986 | 2,483 | 3,001 |
| | 339,468 | 340,817 | 359,108 |

## 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 | £ |
|---|---|---|
| **Management shares issued** | | |
| At 31 December 2016 | 2 | 2 |
| **At 30 June 2017** | **2** | **2** |
| **Redeemable participating preference shares issued** | | |
| **At 31 December 2016** | **106,937,250** | **50,174,412** |
| 06 January 2017 50,000 shares of no par value repurchased at 105.50 pence each | (50,000) | (52,750) |
| 11 January 2017 50,000 shares of no par value repurchased at 107.00 pence each | (50,000) | (53,500) |
| 17 January 2017 50,000 shares of no par value repurchased at 106.00 pence each | (50,000) | (53,000) |
| 19 January 2017 100,000 shares of no par value repurchased at 104.75 pence each | (100,000) | (104,750) |
| 20 January 2017 100,000 shares of no par value repurchased at 103.50 pence each | (100,000) | (103,500) |
| 07 February 2017 100,000 shares of no par value repurchased at 102.50 pence each | (100,000) | (102,500) |
| **At 30 June 2017** | **106,487,250** | **49,704,412** |
| **Total stated capital at 30 June 2017** | | **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 period end, there were 18,195,000 (30 June 2016: 17,570,000, 31 December 2016: 17,745,000) treasury shares in issue. Treasury shares have no value and no voting rights.

## 7. Net asset value per redeemable participating preference share

The net asset value per share of 113.15p (30 June 2016: 101.51p, 31 December 2016: 118.49p) is based on the net assets at the period end of £120,486,596 (30 June 2016: £108,734,991, 31 December 2016: £126,704,973) and on 106,487,250 redeemable participating preference shares, being the number of redeemable participating preference shares in issue (excluding shares held in treasury) at the period end (30 June 2016: 107,112,250 shares, 31 December 2016: 106,937,250 shares).

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8. Dividend and interest income

| | Period ended 30.06.2017 | | | | |
|---|---|---|---|---|---|
| | Revenue £ | Capital £ | Total £ | 30.06.2016 £ | 31.12.2016 £ |
| Bond and debenture interest | 207,487 | – | 207,487 | 219,450 | 436,079 |
| Bank and loan interest | 40,133 | – | 40,133 | 40,074 | 70,603 |
| Dividend income | 3,853,973 | – | 3,853,973 | 1,956,913 | 4,689,372 |
| | 4,101,593 | – | 4,101,593 | 2,216,437 | 5,196,054 |

9. Net movement in the fair value of securities

| | Period ended 30.06.2017 | | | | |
|---|---|---|---|---|---|
| | Revenue £ | Capital £ | Total £ | 30.06.2016 £ | 31.12.2016 £ |
| Net movement in the fair value of securities (at fair value through profit or loss) | – | (6,081,853) | (6,081,853) | 20,171,429 | 40,039,753 |

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

The revenue gain per share is based on £2,952,861 (30 June 2016: £1,454,106, 31 December 2016: £3,487,017) net revenue gain on ordinary activities and a weighted average of 106,539,184 (30 June 2016: 107,779,008, 31 December 2016: 107,410,269) shares in issue. The capital loss per share is based on £6,034,681 (30 June 2016: £17,349,730 net capital gain, 31 December 2016: £36,132,233 net capital gain) net capital loss for the period and a weighted average of 106,539,184 shares in issue (30 June 2016: 107,779,008, 31 December 2016: 107,410,269).

11. Related party transactions

The Directors are regarded as related parties.

Total Directors' fees paid during the period amounted to £42,500 of which zero was due at the period end (30 June 2016: £42,500 of which zero was due at the period end, 31 December 2016: £85,000 of which zero was due at the year end).

The Investment Manager is also regarded as a related party due to common ownership. Total management fees paid during the period amounted to £431,446 (30 June 2016: £332,013, 31 December 2016: £743,275).

These fees for the above are all arms' length transactions.

12. Dividends

Dividends of 1.25 pence per share were paid on a quarterly basis during the period in the months of January and April totalling £2,666,557 (30 June 2016: £2,700,306). On 31 July 2017, a dividend of £1,357,712 was paid. In accordance with the requirements of IFRS, as this was approved on 6 July 2017, being after the Statement of Financial Position date, no accrual was reflected in the 2017 interim financial statements for this amount of £1,357,712 (7 July 2016: £1,338,903).

13. 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. As an investment trust, all capital gains are exempt from UK corporate tax. 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.

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## 14. Loan payable

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

As at 30 June 2017, the Bankers' Acceptance drawn under the Credit Facility totals CAD 60,000,000 (GBP equivalent of £35,439,162) (period ended 30 June 2016: CAD 50,000,000 (GBP equivalent of £28,694,202), year ended 31 December 2016: CAD 50,000,000 (GBP equivalent £30,061,412)).

As at 30 June 2017, pre-paid interest and stamping fees of £112,606 (period ended 30 June 2016: £80,070, year ended 31 December 2016: £63,822) were paid on the Bankers' Acceptance and these costs are being amortised over 90 and 30 days. Interest paid on the Bankers' Acceptance totalled £182,905 (period ended 30 June 2016: £135,793, year ended 31 December 2016: £263,417).

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

## 15. Security agreement

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

## 16. Financial instruments

*Fair values*

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

Management of Capital

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

The capital structure of the Fund consists of proceeds from the issue of preference shares, loans and reserve accounts. The Investment Manager manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. Generally speaking, the Fund will reduce leverage when investments are likely to decrease in value and will increase leverage when investment appreciation is anticipated. In order to maintain or adjust its capital structure, the Fund may borrow or repay debt under its Credit Facility or undertake other activities deemed appropriate under the specific circumstances. The Fund and the Company do not have any externally imposed capital requirements. However, the Fund is subject to bank covenants in respect of leverage and complied with those covenants in the 6 months to 30 June 2017 and in 2016.

Investment and trading activities

It is intended that the Fund will continue throughout its life to be primarily invested in a 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 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.

16. Financial instruments (Continued)

Market price risk

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

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

Country risk

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

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

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

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

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

The following table presents the Fund's financial assets and liabilities by level within the valuation hierarchy as of 30 June 2017.

| | Level 1<br>£ | Level 2<br>£ | Level 3<br>£ | Total<br>£ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Securities<br>(at fair value through profit or loss) | 148,665,230 | – | – | 148,665,230 |

16. Financial instruments (Continued)

Fair value measurements (Continued)

The following table presents the Fund's financial assets and liabilities by level within the valuation hierarchy as of 31 December 2016.

| | Level 1 £ | Level 2 £ | Level 3 £ | Total £ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Securities | | | | |
| (at fair value through profit or loss) | 146,332,071 | – | – | 146,332,071 |

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

Price sensitivity

At 30 June 2017, 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 would have been £44,599,569 (30 June 2016: £37,813,826, December 2016: £43,899,621), arising due to the increase in the fair value of financial assets at fair value through profit or loss by £44,599,569 (30 June 2016: £37,813,826, 31 December 2016: £43,899,621).

At 30 June 2016, 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 participating preference shares would have been equal, but opposite, to the figures stated above.

Interest rate risk

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

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

The following table details the Fund's exposure to interest rate risk at 30 June 2017, 30 June 2016 and 31 December 2016:

| | Floating rate assets | | |
|---|---|---|---|
| | 30.06.2017 £ | 30.06.2016 £ | 31.12.2016 £ |
| **Assets** | | | |
| Debt securities | 7,385,042 | 8,225,894 | 7,453,301 |
| Cash and cash equivalents | 6,819,085 | 8,232,290 | 10,338,576 |
| | **14,204,127** | **16,458,184** | **17,791,877** |
| **Liabilities** | | | |
| Loan payable | 35,439,162 | 28,694,202 | 30,061,412 |
| | **35,439,162** | **28,694,202** | **30,061,412** |

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

Interest rate sensitivity analysis

At 30 June 2017, had interest rates been 50 basis points higher and all other variables were held constant, the Company's net assets attributable to the redeemable participating preference shares would have decreased by £292,498 (30 June 2016: £266,023, 31 December 2016: £245,372) 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.

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16. Financial instruments (Continued)

Liquidity risk

Liquidity risk is the risk that the Fund cannot meet its liabilities as they fall due. The Fund's primary source of liquidity consists of cash and cash equivalents, 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 Canadian Stock Exchange and are actively traded.

As at 30 June 2017, the Fund's ability to manage liquidity risk was as follows:

| | Less than 1 month £ | 1 to 3 months £ | 3 months to 1 year £ | More than 1 year £ | Total £ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Securities (at fair value through profit or loss) | 148,665,230 | – | – | – | 148,665,230 |
| Accrued bond interest | 75,606 | – | – | – | 75,606 |
| Accrued dividend income | 686,991 | – | – | – | 686,991 |
| Accrued bank interest | 2,635 | – | – | – | 2,635 |
| Other receivables | 2 | – | – | – | 2 |
| Securities receivable | 1,650,041 | – | – | – | 1,650,041 |
| Prepayments | 4,858 | – | – | – | 4,858 |
| Cash and cash equivalents | 6,819,085 | – | – | – | 6,819,085 |
| | 157,904,448 | – | – | – | 157,904,448 |
| **Liabilities** | | | | | |
| Loan payable | (2,960,341) | (32,478,821) | – | – | (35,439,162) |
| Other payables and accruals | (339,468) | – | – | – | (339,468) |
| Securities payable | (1,623,216) | – | – | – | (1,623,216) |
| Interest payable | (16,006) | – | – | – | (16,006) |
| | (4,939,031) | (32,478,821) | – | – | (37,417,852) |
| | 152,965,417 | (32,478,821) | – | – | 120,486,596 |

As at 30 June 2016, the Fund's ability to manage liquidity risk was as follows:

| | Less than 1 month £ | 1 to 3 months £ | 3 months to 1 year £ | More than 1 year £ | Total £ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Securities (at fair value through profit or loss) | 126,046,085 | – | – | – | 126,046,085 |
| Accrued bond interest | 59,532 | – | – | – | 59,532 |
| Accrued dividend income | 320,907 | – | – | – | 320,907 |
| Accrued bank interest | 1,119 | – | – | – | 1,119 |
| Other receivables | 2 | – | – | – | 2 |
| Securities receivable | 7,038,767 | – | – | – | 7,038,767 |
| Prepayments | 15,880 | – | – | – | 15,880 |
| Cash and cash equivalents | 8,232,290 | – | – | – | 8,232,290 |
| | 141,714,582 | – | – | – | 141,714,582 |
| **Liabilities** | | | | | |
| Loan payable | – | (28,694,202) | – | – | (28,694,202) |
| Other payables and accruals | (340,817) | – | – | – | (340.817) |
| Securities payable | (3,922,089) | – | – | – | (3,922,089) |
| Interest payable | (22,483) | – | – | – | (22,483) |
| | (4,285,389) | (28,694,202) | – | – | (32,979,591) |
| | 137,429,193 | (28,694,202) | – | – | 108,734,991 |

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16. Financial instruments (Continued)

Liquidity risk (Continued)

As at 31 December 2016, the Fund's ability to manage liquidity risk was as follows:

| | Less than 1 month £ | 1 to 3 months £ | 3 months to 1 year £ | More than 1 year £ | Total £ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Securities (at fair value through profit or loss) | 146,332,071 | – | – | – | 146,332,071 |
| Accrued bond interest | 92,472 | – | – | – | 92,472 |
| Accrued dividend income | 373,488 | – | – | – | 373,488 |
| Accrued bank interest | 1,421 | – | – | – | 1,421 |
| Other receivables | 2 | – | – | – | 2 |
| Prepayments | 34,383 | – | – | – | 34,383 |
| Cash and cash equivalents | 10,338,576 | – | – | – | 10,338,576 |
| | 157,172,413 | – | – | – | 157,172,413 |
| **Liabilities** | | | | | |
| Other payables and accruals | (359,108) | – | – | – | (359,108) |
| Interest payable | (46,920) | – | – | – | (46,920) |
| Loan payable | – | (30,061,412) | – | – | (30,061,412) |
| | (406,028) | (30,061,412) | – | – | (30,467,440) |
| | 156,766,385 | (30,061,412) | – | – | 126,704,973 |

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 period end.

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

| | 30 June 2017 £ | 30 June 2016 £ | 31 December 2016 £ |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 5,286,546 | 4,584,760 | 1,557,425 |
| Canadian equities | 120,919,561 | 90,951,064 | 106,270,008 |
| Canadian debt | 6,149,428 | 8,255,893 | 7,453,301 |
| Accrued income | 746,132 | 340,577 | 467,381 |
| Securities receivable | 1,650,041 | 7,038,767 | – |
| | 134,751,708 | 111,171,061 | 115,748,115 |
| **Liabilities** | | | |
| Loan payable | (35,439,162) | (28,694,202) | 30,061,412 |
| Interest payable | (16,006) | (22,484) | 46,920 |
| Securities payable | (1,623,215) | (3,922,089) | – |
| | (37,078,383) | (32,638,775) | 30,108,332 |

16. Financial instruments (Continued)

Currency risk (Continued)

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

| | 30 June 2017 £ | 30 June 2016 £ | 31 December 2016 £ |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 1,058,990 | 3,374,171 | 8,438,759 |
| United States equities | 17,417,154 | 26,839,129 | 32,608,762 |
| United States debt | 1,235,614 | – | – |
| Accrued income | 19,101 | 40,980 | – |
| | 19,730,859 | 30,254,280 | 41,047,521 |

The Fund's net exposure to CHF currency at the period end was as follows:

| | 30 June 2017 £ | 30 June 2016 £ | 31 December 2016 £ |
|---|---|---|---|
| **Assets** | | | |
| Swiss equities | 2,943,473 | – | – |
| | 2,943,473 | – | – |

Sensitivity analysis

As at 30 June 2017, 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 £4,883,666 (30 June 2016: £3,926,614, 31 December 2016: £4,281,989). Had GBP weakened against the CAD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £4,883,666 (30 June 2016: £3,926,614, 31 December 2016: £4,281,989).

As at 30 June 2017, 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 £986,543 (30 June 2016: £1,512,714, 31 December 2016: £2,052,376). Had GBP weakened against the USD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £986,543 (30 June 2016: £1,512,714, 31 December 2016: £2,052,376).

As at 30 June 2017, had GBP strengthened against the CHF by 5%, with all other variables held constant, the decrease in net assets attributable to shareholders would amount to approximately £147,173 (30 June 2016: £0, 31 December 2016: £0). Had GBP weakened against the CHF by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £147,173 (30 June 2016: £0, 31 December 2016: £0).

FOR THE PERIOD 1 JANUARY 2017 TO 30 JUNE 2017

WITH UNAUDITED COMPARATIVES FOR THE PERIOD 1 JANUARY 2016 TO 30 JUNE 2016
AND AUDITED COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2016

17. Schedule of Investments – Securities (at fair value through profit or loss)
As at 30 June 2017

| Description | Shares or Par Value | Book Cost £ | Bid-Market Value £ | % of Net Assets | % of Portfolio |
|---|---|---|---|---|---|
| Equities: | | | | | |
| Bermuda – Quoted Investments | | | | | |
| Real Estate | | | | | |
| Brookfield Property Partners LP | 225,000 | 2,564,219 | 4,074,672 | 3.38% | 2.74% |
| Canada – Quoted Investments | | | | | |
| Consumer Discretionary | | | | | |
| Enercare Inc. | 350,000 | 1,663,856 | 4,091,419 | 3.40% | 2.75% |
| Energy | | | | | |
| Birchcliff Energy Ltd | 85,000 | 1,300,141 | 1,264,712 | 1.05% | 0.85% |
| Birchcliff Energy Ltd – Preferred Shares | 40,000 | 636,779 | 594,684 | 0.49% | 0.40% |
| Cardinal Energy Ltd. | 550,000 | 2,671,828 | 1,571,479 | 1.30% | 1.06% |
| Enbridge Income Fund Holdings Inc. | 150,000 | 3,095,309 | 2,860,496 | 2.37% | 1.92% |
| Ensign Energy Services Inc. | 950,000 | 4,650,820 | 3,885,721 | 3.23% | 2.61% |
| Freehold Royalties Ltd. | 260,000 | 1,786,134 | 2,002,080 | 1.66% | 1.35% |
| Keyera Corp. | 60,000 | 1,367,358 | 1,449,365 | 1.20% | 0.98% |
| Kinder Morgan Canada Limited | 425,000 | 3,994,222 | 3,988,125 | 3.31% | 2.68% |
| Peyto Exploration & Development Corp. | 220,000 | 3,923,981 | 3,063,407 | 2.54% | 2.06% |
| Vermillion Energy Inc. | 160,000 | 5,226,044 | 4,862,042 | 4.04% | 3.27% |
| Financials | | | | | |
| Alaris Royalty Corp. | 225,000 | 3,048,199 | 3,062,340 | 2.54% | 2.06% |
| Bank of Nova Scotia | 100,000 | 4,832,372 | 4,620,778 | 3.84% | 3.11% |
| National Bank of Canada | 150,000 | 4,168,974 | 4,841,591 | 4.02% | 3.26% |
| Royal Bank of Canada | 35,000 | 1,172,417 | 1,950,686 | 1.62% | 1.31% |
| Healthcare | | | | | |
| Sienna Senior Living Inc. | 150,000 | 1,565,020 | 1,596,969 | 1.33% | 1.07% |
| Industrials | | | | | |
| CanWel Building Materials Group Ltd. | 985,000 | 3,594,002 | 3,818,677 | 3.17% | 2.57% |
| Chorus Aviation Inc. | 850,000 | 3,806,040 | 3,809,252 | 3.16% | 2.56% |
| Morneau Shepell Inc. | 200,000 | 2,355,373 | 2,460,068 | 2.04% | 1.65% |
| Parkland Fuel Corporation | 200,000 | 2,261,642 | 3,511,673 | 2.91% | 2.36% |
| Materials | | | | | |
| Chemtrade Logistics Income Fund | 425,000 | 4,494,020 | 4,557,498 | 3.78% | 3.07% |
| Pipelines | | | | | |
| AltaGas Ltd. | 185,000 | 3,352,893 | 3,223,074 | 2.68% | 2.17% |
| Gibson Energy Inc. | 375,000 | 3,489,924 | 3,698,993 | 3.07% | 2.49% |
| Pembina Pipeline Corporation | 200,000 | 4,170,718 | 5,087,302 | 4.22% | 3.42% |
| TransCanada Corporation | 65,000 | 2,328,722 | 2,378,915 | 1.97% | 1.60% |
| Veresen Inc. | 350,000 | 2,516,491 | 3,798,878 | 3.15% | 2.56% |
| Power and Utilities | | | | | |
| Capital Power Corporation | 300,000 | 4,413,665 | 4,310,750 | 3.58% | 2.90% |
| Northland Power Inc. | 255,000 | 2,554,483 | 3,485,768 | 2.89% | 2.34% |

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF THE FUND (Unaudited)

FOR THE PERIOD 1 JANUARY 2017 TO 30 JUNE 2017

WITH UNAUDITED COMPARATIVES FOR THE PERIOD 1 JANUARY 2016 TO 30 JUNE 2016
AND AUDITED COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2016

17. Schedule of Investments – Securities (at fair value through profit or loss) (Continued)
As at 30 June 2017

| Description | Shares or Par Value | Book Cost £ | Bid-Market Value £ | % of Net Assets | % of Portfolio |
|---|---|---|---|---|---|
| **Real Estate** | | | | | |
| American Hotel Income Properties REIT LP | 400,000 | 2,433,235 | 2,359,294 | 1.96% | 1.59% |
| Automotive Properties Real Estate Investment Trust | 500,000 | 3,274,088 | 3,272,187 | 2.72% | 2.20% |
| Dream Global Real Estate Investment Trust | 540,000 | 3,399,179 | 3,489,147 | 2.90% | 2.35% |
| First Capital Realty Inc. | 300,000 | 3,808,779 | 3,512,265 | 2.92% | 2.36% |
| H&R Real Estate Investment Trust | 350,000 | 4,280,865 | 4,562,388 | 3.79% | 3.07% |
| Pure Industrial Real Estate Trust | 950,000 | 2,528,057 | 3,868,827 | 3.21% | 2.60% |
| RioCan Real Estate Investment Trust | 190,000 | 3,031,341 | 2,704,237 | 2.24% | 1.82% |
| Smart Real Estate Investment Trust | 170,000 | 3,383,382 | 3,229,802 | 2.68% | 2.17% |
| **Switzerland – Quoted Investments** | | | | | |
| **Healthcare** | | | | | |
| Roche Holding AG | 15,000 | 2,926,769 | 2,943,473 | 2.44% | 1.98% |
| **United States – Quoted Investments** | | | | | |
| **Financials** | | | | | |
| JP Morgan Chase & Co. | 60,000 | 1,844,731 | 4,222,336 | 3.50% | 2.84% |
| The Blackstone Group L.P. | 250,000 | 6,193,257 | 6,416,725 | 5.33% | 4.32% |
| **Healthcare** | | | | | |
| Bristol-Myers Squibb Company | 110,000 | 4,817,419 | 4,718,583 | 3.92% | 3.17% |
| **Real Estate** | | | | | |
| Washington Prime Group Inc. | 320,000 | 2,431,889 | 2,059,510 | 1.71% | 1.39% |
| **Total equities:** | | **131,358,637** | **141,280,188** | **117.26%** | **95.03%** |
| **Debt:** | | | | | |
| **Canada – Quoted Investments** | | | | | |
| Great Canadian Gaming Corporation 6.625% due 25 July 2022 | 2,000,000 | 1,272,795 | 1,225,588 | 1.02% | 0.83% |
| Kelt Exploration Ltd. 5% due 31 May 2021 | 2,000,000 | 1,072,226 | 1,564,959 | 1.30% | 1.05% |
| Quebecor Inc 6.625% due 15 January 2023 | 3,500,000 | 2,355,635 | 2,256,297 | 1.87% | 1.52% |
| Tricon Capital Group 5.6% due 31 March 2020 | 1,500,000 | 961,477 | 1,102,584 | 0.91% | 0.74% |
| **United States – Quoted Investments** | | | | | |
| Tricon Capital Group 5.75% due 31 March 2022 | 1,500,000 | 1,221,200 | 1,235,614 | 1.03% | 0.83% |
| **Total debt:** | | **6,883,333** | **7,385,042** | **6.13%** | **4.97%** |
| **Total investments** | | **138,241,970** | **148,665,230** | **123.39%** | **100.00%** |

# STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Unaudited)

AS AT 30 JUNE 2017

WITH UNAUDITED COMPARATIVES AS AT 30 JUNE 2016 AND AUDITED COMPARATIVES AS AT 31 DECEMBER 2016

| | Notes | 30.06.2017 £ | 30.06.2016 £ | 31.12.2016 £ |
|---|---|---|---|---|
| **Current assets** | | | | |
| Other receivables | | 2 | 2 | 2 |
| **Net assets** | | **2** | **2** | **2** |
| **Equity attributable to equity holders** | | | | |
| Stated capital | 2 | 2 | 2 | 2 |
| **Total Shareholders' equity** | | **2** | **2** | **2** |

The financial statements and notes on pages 23 to 24 were approved by the directors on 14 September 2017 and signed on behalf of the Board by:

Nicholas Villiers
Director

Philip Bisson
Director

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF THE COMPANY (Unaudited)

FOR THE PERIOD 1 JANUARY 2017 TO 30 JUNE 2017

WITH UNAUDITED COMPARATIVES FOR THE PERIOD 1 JANUARY 2016 TO 30 JUNE 2016
AND AUDITED COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2016

## 1. Basis of accounting

The separate financial statements of the Company have been prepared showing results of the Company only. They have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union in accordance with the accounting policies set out in note 1 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 period or the preceding period.

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.

Judgments and estimates used by the Directors

The preparation of financial statements in compliance with IFRS requires the Directors to make judgments, 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 judgments 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 judgment was exercised or any estimation was required by the Directors.

## 2. The Company's stated capital

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

| | No. of shares | £ |
|---|---|---|
| **Management shares issued** | | |
| **At 30 June 2017, 31 December 2016 and 30 June 2016** | 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.

# Management and Administration

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

### Administrator and Secretary
JTC Fund Solutions (Jersey) Limited
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### Assistant Secretary
(since 1 December, 2016)
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### Investment Advisor
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### Investment Manager
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### CREST Agent, UK Paying Agent and Transfer Agent
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