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HALF YEARLY REPORT AND CONDENSED  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD 1 JANUARY 2018 TO  
30 JUNE 2018

# MIDDLEFIELD

MIDDLEFIELD CANADIAN INCOME PCC  
INCLUDING MIDDLEFIELD CANADIAN INCOME - GBP PC  
A CELL OF THE COMPANY



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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 Investment 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: 20 September 2018



Philip Bisson  
Director

# CHAIRMAN'S REPORT

It is my pleasure to introduce the 2018 Half Yearly 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 performance of the Fund. Since inception in 2006, the Fund's net asset value has generated a cumulative return of 128.1%, significantly outpacing its benchmark index, the S&P/TSX Composite High Dividend Index (the "Benchmark"), as well as the S&P/TSX Composite Index (the "TSX"), which have generated cumulative period returns of 91.7% and 84.6%, respectively. Total shareholder return based on share price performance plus distributions for the six months to 30 June 2018 was -4.1% in Sterling. The net asset value ("NAV") total return in Sterling for the six months to 30 June 2018 was down a modest -0.5%, which compares favourably to the Benchmark total return of -4.2%.

In the first half of 2018, the Fund increased its exposure to U.S. issuers from 13.7% to 16% of the portfolio as U.S. equity markets outpaced Canada and other developed economies. Despite this modest reallocation, the Fund is positive on Canadian equities based on the robust outlook for the economy and more attractive relative valuation of the Canadian market versus the U.S.

The investment manager, Middlefield Limited, has tactically managed the net gearing of the Fund, ranging from 13.2% to 21.2% over the course of the past six months. The Fund is permitted a gearing range of up to 25% of NAV, with gearing reflective of the opportunities available in the market. The tactical use of gearing has contributed to the Fund's outperformance, with a NAV return of 1.8 percentage points higher than the benchmark over the course of the past twelve months. At the end of June 2018, the Fund had net gearing of approximately 18.4%. The investment manager will continue to closely monitor market conditions to determine the appropriate level for the Fund.

In response to rising interest rates and ongoing strength in energy prices, the investment manager made strategic asset allocation decisions in the first half of 2018. The Real Estate sector saw the largest reduction in investment weighting, moving from 24% of the Fund's holdings to 17.8%. This lower allocation still represents a 10% overweight versus the benchmark. The reduction was partly due to the acquisition of Pure Industrial Real Estate Trust, which represented 3.5% of the Fund's holdings, by an affiliate of Blackstone Property Partners for a cash exit price representing a 78% premium to the Fund's original investment cost. REITs are the largest weighting in the portfolio with a significant emphasis on large, liquid issuers who have the ability to increase rental rates and occupancy as the economy grows. Over the six months to 30 June 2018, the Power and Utilities sector saw the greatest increase in sector weighting, moving from 5.3% to 9.4% of the Fund. The largest power generation company in the portfolio is Northland Power, which has provided an annualized total return of 11.3% since the position was initiated in March 2013. In addition, Northland recently increased its dividend by 11%. The major portfolio changes completed in the first half of the year are described in more detail in the Interim Investment Manager's Report.

## OUTLOOK

The Fund remains focused on delivering results to shareholders by investing in companies which pay growing levels of dividends over time. Looking forward, our investment manager is positive on Canadian and U.S. equities due to solid fundamentals underpinning continued revenue and earnings growth. The Fund is well positioned to benefit from these trends and is focused on investing in issuers with strong management teams, good balance sheets and sustainable, growing dividends, while providing access to sectors and geographies that are under-represented in U.K. investor portfolios.

The Company would also like to welcome Richard Hughes, who was appointed as a non-executive director of the Company and the Fund with effect from 1 July 2018. This appointment is in line with the Board's stated intention to refresh its composition, as well as planning for future succession.

We thank you for your continued support.

**Nicholas Villiers**

Chairman

Date: 20 September 2018

# INTERIM INVESTMENT MANAGER'S REPORT

SIX MONTHS TO 30 JUNE 2018 (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 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 Financial Conduct 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 primarily investing in the securities of companies and Real Estate Investment Trusts ("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 and growth over time.

## PERFORMANCE SUMMARY

In the first half of 2018, volatility returned to equities as the S&P 500 experienced sharp corrections in both February and March due to inflationary concerns and rising interest rates. Canadian equity markets were also volatile with a return of 2% in the first six months of the year. The Canadian economy is operating near capacity, with second quarter GDP estimates of 2.8% and a forecast of 2% growth for calendar 2018. As a result, the Bank of Canada hiked interest rates in early July to 1.5%, marking the second hike this year and fourth since last summer. Oil prices increased over the last few months while the Canadian dollar weakened due to trade related concerns. Although NAFTA negotiations continue, a trilateral deal remains elusive as we head into U.S. mid-term congressional elections in the fall. Based on recent reports, there appears to be momentum for a compromise on country of origin labelling as it relates to the automotive sector as well as renewed hope to agree on other major issues.

The performance of U.S. markets has been driven by a combination of tax reform, deregulation and fiscal spending. The S&P 500 Index generated a total

return of 1.7% in the first half of the year, contributing to the second longest bull market in history. This was accompanied by an increase in government bond yields with the U.S. 10-year Treasury note reaching 2.9% relative to 2.55% at the beginning of the year. In Europe, after a 7.5% return in 2017, the MSCI Europe Index returned a disappointing -0.5% due to a slowing economy as well as continued political struggles in Italy and Brexit concerns in the U.K.

Oil prices maintained their upward momentum through the first half of 2018, reaching a high of just over US\$74 per barrel. In late June, OPEC announced an increase in production quotas, which was met with favourable market reaction as the increase was less than many had feared and still well below maximum production capacity. Supply constraints, together with the U.S. Administration withdrawing from the Iran Nuclear Deal in May, have set the stage for oil prices to remain high for the balance of the year. Enbridge Inc., the Fund's largest holding, recently received approval from the Minnesota Public Utility Commission for its proposed Line 3 replacement pipeline project in late June, which will likely lead to an improvement in Canadian crude prices over the next 12 to 18 months.

The U.S. Federal Reserve raised benchmark overnight lending rates twice this year, causing bond yields to move higher. However, the yield curve has flattened, resulting in more modest net interest margins and lower lending profits for U.S. banks. Notwithstanding this, both U.S. and Canadian banks remain fundamentally sound, with strong balance sheets and attractive dividends.

REITs have tripled the return of the TSX making them one of the top performing industry sectors in Canada year to date and they remain the largest sector weighting in the Fund at 17.8%. REITs have rallied despite two interest rate hikes by the Bank of Canada, supporting our thesis that REITs typically outperform in rising rate environments due to their ability to increase occupancy and rents. Current attractive valuations in conjunction with a history of strong dividend growth should positively influence their share prices for the remainder of 2018. Industrial REITs have seen the best performance year to date, primarily due to the increasing demand for logistics, warehousing and distribution services to support the growth in e-commerce activity.

There has been considerable corporate activity with respect to several portfolio holdings since the beginning of the year, initiating a series of new positions and benefiting from M&A activity across various portfolio holdings. Specifically:

- Enercare Inc., a long-time core holding for the Fund which provides residential utility services such as electricity and gas for condominium and apartment units as well as water heater rentals for houses, announced on 1 August 2018 that it was being acquired by Brookfield Infrastructure Partners. The total size of the transaction is in excess of \$4 billion and Brookfield has agreed to

# INTERIM INVESTMENT MANAGER'S REPORT

SIX MONTHS TO 30 JUNE 2018 (UNAUDITED)

pay \$29 per Enercare common share, a premium of 53% to the previous day's trading price. Prior to the deal announcement, Enercare represented approximately 2.5% of the Fund's NAV.

- Pure Industrial Real Estate Trust was acquired by Blackstone Property Partners in March at a significant premium to its net asset value and at a 78% premium to the Fund's original investment cost. Pure Industrial had been a core holding of the Fund since 2010 and represented a 3.5% portfolio weighting prior to the acquisition announcement. The company was a leading player in the industrial property market in Canada with over 20% of its tenant revenue derived from FedEx.
- Proceeds from the sale of Pure Industrial were partly redeployed into Granite REIT, another Canadian domiciled industrial real estate company, as well as Pure Multi-Family REIT. Granite has properties throughout North American and Europe, is actively selling non-core assets, has very low debt and pays a 5% dividend. Pure Multi-Family owns a portfolio of new build garden style apartments which have become highly desirable rental housing in the U.S. sunbelt market with a current occupancy rate of 95%. The management team behind Pure Multi-Family is the same group who launched Pure Industrial Real Estate Trust several years earlier. In March of this year, Pure Multi-Family also became the subject of takeover activity with a proposal to acquire the company at a 20% premium to its trading price. In late August, the board of Pure Multi-Family announced that they were terminating the strategic review process. Notwithstanding, the fundamentals of the company are sound and trading higher.
- A notable addition to the Fund in June of this year was Enbridge Inc. Enbridge is executing on its strategic plan by disposing of non-core assets while moving forward with its Line 3 Pipeline expansion. The company has raised \$7.5 billion through asset sales this year, including a portfolio of gas gathering and processing assets sold to

Brookfield Infrastructure Partners, the same group acquiring Enercare. These dispositions are providing Enbridge with sufficient capital to fund future growth projects as well as debt repayment and dividend increases.

- Last but not least, we initiated positions in Pfizer and International Business Machines, adding two high quality and attractively priced companies to the portfolio. These positions are also providing the Fund with exposure to healthcare and technology, sectors which are under-represented in the Canadian equity market.

Net gearing was 18.4% at the end of June, which represented a slight increase from 17.9% recorded at the end of calendar year 2017. In February, gearing was reduced to 13.2% as volatility returned to North American equity markets. The amount of gearing in the portfolio has remained stable for the last four months, and is reflective of our positive view on the markets.

After an extended period of significant returns for growth stocks, we believe defensive and dividend paying equities are positioned to outperform. Moreover, in light of recent market volatility, global diversification and prudent active portfolio management have become critical to achieving superior risk-adjusted returns. As demonstrated by our longstanding track record, Middlefield is focused on constructing portfolios comprised of high quality income-oriented issuers with strong management teams, good balance sheets and a history of growing dividends.

The Canadian dollar weakened versus the British pound and U.S. dollar in the first half of 2018. NAFTA negotiations and U.S. trade tariffs weighed on the Canadian dollar while tax reform and deregulation boosted U.S. growth. This resulted in a 4.3% depreciation of CAD versus USD as well as a 2.1% loss versus GBP. CAD reached its lowest point on 19 March 2018, down 7.4% relative to the GBP, but has since appreciated due to an interest rate increase by the Bank of Canada and positive momentum in the Canadian economy.

The asset class weightings for the Fund as at 30 June 2018 were:

Asset Class	Portfolio Weighting
Real Estate	17.8%
Pipelines	15.8%
Financials	15.2%
Energy	13.5%
Industrials	11.1%
Power and Utilities	9.4%
Telecommunications	4.1%
Health Care	3.8%
Technology	2.7%
Materials	2.5%
Consumer Discretionary	2.0%
Other	1.3%
Bonds and Convertible Debentures	0.8%

# INTERIM INVESTMENT MANAGER'S REPORT

SIX MONTHS TO 30 JUNE 2018 (UNAUDITED)

## DIVIDENDS

The Fund paid quarterly dividends of 1.275 pence per share in each of January and April 2018, equivalent to dividends of 5.1p per annum.

## 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 2017 Annual Financial Report.

## MATERIAL EVENTS

The Board of MCI is not aware of any significant event or transaction which has occurred between 1 July 2018 and the date of publication of this statement which could have a material impact on the financial position of the Fund.

## COMPANY AND FUND ANNUAL GENERAL MEETINGS

At each of the Company and Fund Annual General Meetings held on 14 June 2018, all resolutions, relating to both ordinary business and special business, were duly passed on a poll.

In relation to the Company and Cell AGM, the board notes the votes which were cast against the re-appointment of Mr. Dean Orrico as a director of the Company and of the Fund (resolution 5). Of the total votes cast (which represented voting rights over 37.9% of the Fund's issued share capital), 22.98% of such votes were cast against Mr. Orrico's re-appointment. Mr. Orrico is President of the investment advisor, Middlefield International Limited. As such, he is not deemed to be independent of the investment manager within the meaning of the FCA's Listing Rules and the UK Code of Corporate Governance.

The Board regularly reviews the board composition and the independence of all directors and is satisfied that, notwithstanding the relationship described above, Mr. Orrico is independently minded in his approach in his role as a director of the Company and of the Fund, and provides challenging and thorough intellectual input to the Board which is very much valued. Furthermore, the Board believes that Mr. Orrico's investment management experience adds considerable value to the Company. Mr. Orrico does not take part in any board discussions concerning the contractual arrangements between the Company and the investment advisor, or any affiliate thereof, and is excluded from any decision making which might affect the investment advisor in its role as advisor to the Company.

It should be noted that neither the investment advisor (nor any affiliate thereof), nor Mr. Orrico himself, receives any remuneration for Mr Orrico's role as a director of the Company and of the Fund.

The Board is in the process of considering various measures which may be taken by the Company and Fund with respect to continuing to ensure the highest standards of good corporate governance and will be

consulting with shareholders in due course. Further detail of any changes which may be implemented will be included in the Company's Annual Report for the year ending 31 December 2018.

## 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 on pages 11 and 12 of the 2017 Annual Report and in Note 16 of the Notes to the Condensed Financial Statements of the Fund (unaudited).

## OUTLOOK

We believe the Fund is well positioned to provide attractive long-term returns on both a relative and absolute basis. Looking forward, we are positive on Canadian and U.S. equities due to solid fundamentals underpinning revenue and earnings growth. While trade wars and tariffs remain a market headwind, we expect Canada, the U.S. and Mexico to successfully renegotiate NAFTA by the first half 2019.

The market volatility experienced in 2018 underscores the importance of active management and global diversification to generate superior risk-adjusted returns. Our top-down, bottom-up investment style is designed to minimise risk stemming from macro variables such as changes in interest rates and economic activity while benefiting from investing in issuers with strong management teams, good balance sheets, growing dividends and robust organic growth opportunities. Furthermore, solid fundamentals as well as the recent M&A activity driving positive returns for portfolio companies are evidence that Canada remains an attractive jurisdiction for investment.

Middlefield Limited  
Date: 20 September 2018

*Past performance is not a guide to future performance.*  
*This half-yearly financial report is available at:*  
[www.middlefield.co.uk](http://www.middlefield.co.uk).

# Financial Statements



# FINANCIAL STATEMENTS

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

AS AT 30 JUNE 2018 WITH UNAUDITED COMPARATIVES AS AT 30 JUNE 2017 AND AUDITED COMPARATIVES AS AT 31 DECEMBER 2017

	Notes	30.06.2018 £	30.06.2017 £	31.12.2017 £
<b>Current assets</b>				
Securities (at fair value through profit or loss)	3 & 18	145,168,345	148,665,230	148,464,909
Accrued bond interest		16,108	75,606	16,070
Accrued bank interest		2,736	2,635	5,374
Accrued dividend income		672,468	686,991	662,645
Other receivables		2	2	2
Securities receivable		–	1,650,041	–
Prepayments		2,410	4,857	15,540
Cash and cash equivalents	4	4,802,503	6,819,085	9,328,518
		150,664,572	157,904,447	158,493,058
<b>Current liabilities</b>				
Other payables and accruals	5	(351,119)	(339,468)	(362,428)
Securities payable		–	(1,623,215)	–
Interest payable		(77,521)	(16,006)	(84,616)
Loan payable	14	(31,497,412)	(35,439,162)	(35,814,484)
		(31,926,052)	(37,417,851)	(36,261,528)
<b>Net assets</b>		<b>118,738,520</b>	<b>120,486,596</b>	<b>122,231,530</b>
<b>Equity attributable to equity holders</b>				
Stated capital	6	49,704,414	49,704,414	49,704,414
Retained earnings		69,034,106	70,782,182	72,527,116
<b>Total Shareholders' equity</b>		<b>118,738,520</b>	<b>120,486,596</b>	<b>122,231,530</b>
<b>Net asset value per redeemable participating preference share</b>	<b>7</b>	<b>111.50p</b>	<b>113.15p</b>	<b>114.79p</b>

The financial statements and notes on pages 7 to 22 were approved by the Directors on 20 September 2018 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 2018 TO 30 JUNE 2018 WITH UNAUDITED COMPARATIVES FOR THE PERIOD 1 JANUARY 2017 TO 30 JUNE 2017 AND AUDITED COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2017

		Six months ended 30 June 2018			Six months ended 30 June 2017	Year ended 31 December 2017
	Notes	Revenue £	Capital £	Total £	Total £	Total £
<b>Revenue</b>						
Dividend and interest income	8	3,969,507	–	3,969,507	4,101,593	8,051,927
Net movement in the fair value of securities (at fair value through profit or loss)	9	–	(3,599,627)	(3,599,627)	(6,081,853)	(3,842,301)
Net movement on foreign exchange		–	442,023	442,023	458,134	343,580
<b>Total revenue/(loss)</b>		<b>3,969,507</b>	<b>(3,157,604)</b>	<b>811,903</b>	<b>(1,522,126)</b>	<b>4,553,206</b>
<b>Expenditure</b>						
Investment management fees		160,383	240,574	400,957	431,446	860,300
Custodian fees		7,261	–	7,261	7,406	14,906
Sponsor's fees		114,561	–	114,561	123,270	245,800
Other expenses		217,546	–	217,546	198,220	405,966
<b>Operating expenses</b>		<b>499,751</b>	<b>240,574</b>	<b>740,325</b>	<b>760,342</b>	<b>1,526,972</b>
<b>Net operating profit/(loss) before finance costs</b>		<b>3,469,756</b>	<b>(3,398,178)</b>	<b>71,578</b>	<b>(2,282,468)</b>	<b>3,026,234</b>
Finance cost		(133,668)	(200,503)	(334,171)	(253,490)	(580,338)
<b>(Loss)/profit before tax</b>		<b>3,336,088</b>	<b>(3,598,681)</b>	<b>(262,593)</b>	<b>(2,535,958)</b>	<b>2,445,896</b>
Withholding tax expense		(514,992)	–	(514,992)	(545,862)	(1,067,358)
<b>Net (loss)/profit</b>		<b>2,821,096</b>	<b>(3,598,681)</b>	<b>(777,585)</b>	<b>(3,081,820)</b>	<b>1,378,538</b>
<b>(Loss)/profit per redeemable participating preference share – basic and diluted</b>	10	<b>2.65p</b>	<b>(3.38)p</b>	<b>(0.73)p</b>	<b>(2.89)p</b>	<b>1.29p</b>

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.

## FINANCIAL STATEMENTS

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

FOR THE PERIOD 1 JANUARY 2018 TO 30 JUNE 2018 WITH UNAUDITED COMPARATIVES FOR THE PERIOD 1 JANUARY 2017 TO 30 JUNE 2017 AND AUDITED COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Stated capital account £	Retained income £	Total £
<b>At 1 January 2017</b>		<b>50,174,414</b>	<b>76,530,559</b>	<b>126,704,973</b>
Profit for the period		–	(3,081,820)	(3,081,820)
Repurchase of shares		(470,000)	–	(470,000)
Dividends paid	12	–	(2,666,557)	(2,666,557)
<b>At 30 June 2017</b>		<b>49,704,414</b>	<b>70,782,182</b>	<b>120,486,596</b>
Profit for the period		–	4,460,358	4,460,358
Repurchase of shares		–	–	–
Dividends paid		–	(2,715,424)	(2,715,424)
<b>At 31 December 2017</b>		<b>49,704,414</b>	<b>72,527,116</b>	<b>122,231,530</b>
Loss for the period		–	(777,585)	(777,585)
Repurchase of shares	6	–	–	–
Dividends paid	12	–	(2,715,425)	(2,715,425)
<b>At 30 June 2018</b>		<b>49,704,414</b>	<b>69,034,106</b>	<b>118,738,520</b>

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 2018 TO 30 JUNE 2018 WITH UNAUDITED COMPARATIVES FOR THE PERIOD 1 JANUARY 2017 TO 30 JUNE 2017 AND AUDITED COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Six months ended 30 June 2018 £	2017 £	Year ended 31 December 2017 £
<b>Cash flows (used in)/from operating activities</b>				
Net (loss)/profit		(777,585)	(3,081,820)	1,378,538
Adjustments for:				
Net movement in the fair value of securities (at fair value through profit or loss)	9	3,599,627	6,081,853	3,842,301
Realised (gain) on foreign exchange		(133,032)	(399,724)	(543,033)
Unrealised (gain)/loss on foreign exchange		(308,991)	(58,410)	199,453
Payment for purchases of securities		(54,513,649)	(86,817,631)	(115,915,107)
Proceeds from sale of securities		54,210,586	78,402,622	109,939,967
<b>Operating cash flows before movements in working capital</b>		<b>2,076,956</b>	<b>(5,873,110)</b>	<b>(1,097,881)</b>
Decrease/(increase) in receivables		5,907	(1,918,367)	(197,865)
(Decrease)/Increase in payables and accruals		(18,404)	1,572,659	41,016
<b>Net cash from/(used in) operating activities</b>		<b>2,064,459</b>	<b>(6,218,818)</b>	<b>(1,254,730)</b>
<b>Cash flows from/(used in) financing activities</b>				
Repayment of borrowings		(69,608,900)	(104,021,639)	(175,509,910)
New bank loans raised		65,291,828	109,399,389	181,262,983
Payments for repurchase of shares		–	(470,000)	(470,000)
Dividends paid	12	(2,715,425)	(2,666,557)	(5,381,981)
<b>Net cash (used in)/from financing activities</b>		<b>(7,032,497)</b>	<b>2,241,193</b>	<b>(98,908)</b>
Net decrease in cash and cash equivalents		(4,968,038)	(3,977,625)	(1,353,638)
Cash and cash equivalents at the beginning of period		9,328,518	10,338,576	10,338,576
Effect of foreign exchange rate changes		442,023	458,134	343,580
<b>Cash and cash equivalents at the end of period</b>	4	<b>4,802,503</b>	<b>6,819,085</b>	<b>9,328,518</b>
<b>Cash and cash equivalents made up of:</b>	4			
Cash at bank		4,802,503	6,819,085	9,328,518

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 2018 TO 30 JUNE 2018

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

## 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 2017 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](http://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 2018 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 2017, 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 2017, as described in those financial statements.

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## 2. Accounting Policies (Continued) c. Standards and Interpretations (Continued)

### *Adoption of new and revised Standards*

The following standards, amendments and interpretations which are effective for the financial year beginning 1 January 2018 are material to the Company:

- 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 does not have a significant impact on the Financial Statements since:

- Investments and derivative contracts continue to be classified as fair value through profit or loss, consistent with IAS 39;
- Due to and from brokers, loans payable, accrued income, receivables and payables continue to be classified at amortised cost, consistent with IAS 39;
- No impairment losses resulted from applying the "Expected Credit Losses" ("ECLs") model of IFRS 9 compared to the IAS 39 "Impaired Loss" model; and
- hedge accounting is not applied.

## 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)

	30.06.2018	30.06.2017	31.12.2017
	£	£	£
Quoted/listed Equities	143,981,070	141,280,188	147,256,260
Quoted/listed Bonds	1,187,275	7,385,042	1,208,649
	<b>145,168,345</b>	<b>148,665,230</b>	<b>148,464,909</b>

Please refer to Note 18 for the Schedule of Investments.

## 4. Cash and cash equivalents

	30.06.2018	30.06.2017	31.12.2017
	£	£	£
Cash at bank	4,802,503	6,819,085	9,328,518

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

	30.06.2018	30.06.2017	31.12.2017
	£	£	£
Investment management fees	203,706	210,290	216,571
Sponsor's fees	58,124	60,083	61,877
Audit fees	17,901	14,877	36,300
Administration fees	29,101	30,042	30,938
General expenses	30,698	13,031	5,277
Registrar's fees	8,688	8,159	8,506
Custodian fees	2,901	2,986	2,959
	<b>351,119</b>	<b>339,468</b>	<b>362,428</b>

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## 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	£
<b>Management shares issued</b>		
At 31 December 2017	2	2
<b>At 30 June 2018</b>	<b>2</b>	<b>2</b>
<b>Redeemable participating preference shares issued</b>		
At 31 December 2017	106,487,250	49,704,412
Movement for the period	–	–
<b>At 30 June 2018</b>	<b>106,487,250</b>	<b>49,704,412</b>
<b>Total stated capital at 30 June 2018</b>		<b>49,704,414</b>

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 2017: 18,195,000, 31 December 2017: 18,195,000) 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 111.50p (30 June 2017: 113.15p, 31 December 2017: 114.79p) is based on the net assets at the period end of £118,738,520 (30 June 2017: £120,486,596, 31 December 2017: £122,231,530) 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 2017: 106,487,250 shares, 31 December 2017: 106,487,250 shares).

## 8. Dividend and interest income

	Period ended 30.06.2018			30.06.2017 £	31.12.2017 £
	Revenue £	Capital £	Total £		
Bond and debenture interest	31,009	–	31,009	207,487	356,474
Bank and loan interest	78,370	–	78,370	40,133	98,211
Dividend income	3,860,128	–	3,860,128	3,853,973	7,597,242
	<b>3,969,507</b>	<b>–</b>	<b>3,969,507</b>	<b>4,101,593</b>	<b>8,051,927</b>

## 9. Net movement in the fair value of securities

	Period ended 30.06.2018			30.06.2017 £	31.12.2017 £
	Revenue £	Capital £	Total £		
Net movement in the fair value of securities (at fair value through profit or loss)	–	(3,599,627)	(3,599,627)	(6,081,853)	(3,842,301)

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

The revenue gain per share is based on £2,821,096 (30 June 2017: £2,952,861, 31 December 2017: £5,741,642) net revenue gain on ordinary activities and a weighted average of 106,487,250 (30 June 2017: 106,539,184, 31 December 2017: 106,513,003) shares in issue. The capital loss per share is based on £3,598,681 (30 June 2017: £6,034,681 net capital loss, 31 December 2017: £4,363,104 net capital loss) net capital loss for the period and a weighted average of 106,487,250 shares in issue (30 June 2017: 106,539,184, 31 December 2017: 106,513,003).

## 11. Related party transactions

The Directors are regarded as related parties.

Total Directors' fees paid during the period amounted to £42,500 of which £21,250 was due at the period end (30 June 2017: £42,500 of which zero was due at the period end, 31 December 2017: £85,000 of which zero was due at the year end).

The Investment Manager is also regarded as a related party due to its holding of the two management shares in each of the Company and the Fund in issue. Total management fees paid during the period amounted to £400,957 (30 June 2017: £431,446, 31 December 2017: £860,300).

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

## 12. Dividends

Dividends of 1.275 pence per share were paid on a quarterly basis during the period in the months of January and April totalling £2,715,425 (30 June 2017: £2,666,557). On 31 July 2018, a dividend of £1,357,712 was paid. In accordance with the requirements of IFRS, as this was approved on 5 July 2018, being after the Statement of Financial Position date, no accrual was reflected in the 2018 interim financial statements for this amount of £1,357,712 (6 July 2017: £1,357,712).

## 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.

## 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 2018, the Bankers' Acceptance drawn under the Credit Facility totalled CAD 55,000,000 (GBP equivalent of £31,497,412) (period ended 30 June 2017: CAD 60,000,000 (GBP equivalent of £35,439,162), year ended 31 December 2017: CAD 61,000,000 (GBP equivalent £35,814,484)).

As at 30 June 2018, pre-paid interest and stamping fees of £92,995 (period ended 30 June 2017: £112,606, year ended 31 December 2017: £90,551) were paid on the Bankers' Acceptance and these costs are being amortised over 60 and 90 days. Interest paid on the Bankers' Acceptance totalled £253,524 (period ended 30 June 2017: £182,905, year ended 31 December 2017: £391,279).

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.



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## 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 objective 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 2018 and in 2017.

### 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.

### 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.

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## 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
- 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 2018.

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial assets</b>				
Securities (at fair value through profit or loss)	145,168,345	–	–	145,168,345

The following table presents the Fund's financial assets and liabilities by level within the valuation hierarchy as of 31 December 2017.

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial assets</b>				
Securities (at fair value through profit or loss)	148,464,909	–	–	148,464,909

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 2018, 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 £43,550,504 (30 June 2017: £44,599,569, December 2017: £44,539,472), arising due to the increase in the fair value of financial assets at fair value through profit or loss by £43,550,504 (30 June 2017: £44,599,569, 31 December 2017: £44,539,472).

At 30 June 2018, 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.

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## 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 30 June 2018, 30 June 2017 and 31 December 2017:

	Weighted average interest at period end	Floating rate assets				
		30.06.2018 £	Weighted average interest at period end	30.06.2017 £	Weighted average interest at year end	31.12.2017 £
<b>Assets</b>						
Debt securities	5.75%	1,187,275	5.98%	7,385,042	5.75%	1,208,649
Cash and cash equivalents	*	4,802,503	*	6,819,085	*	9,328,518
		<b>5,989,778</b>		<b>14,204,127</b>		<b>10,537,167</b>
<b>Liabilities</b>						
Loan payable (note 14)		31,497,412		35,439,162		35,814,484
		<b>31,497,412</b>		<b>35,439,162</b>		<b>35,814,484</b>

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

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

### Interest rate sensitivity analysis

At 30 June 2018, 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 £153,467 (30 June 2017: £292,498, 31 December 2017: £155,794) 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 Exchanges and are actively traded.

As at 30 June 2018, 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 £
<b>Assets</b>					
Securities (at fair value through profit or loss)	145,168,345	-	-	-	145,168,345
Accrued bond interest	-	16,108	-	-	16,108
Accrued dividend income	672,468	-	-	-	672,468
Accrued bank interest	2,736	-	-	-	2,736
Other receivables	2	-	-	-	2
Securities receivable	-	-	-	-	-
Prepayments	2,410	-	-	-	2,410
Cash and cash equivalents	4,802,503	-	-	-	4,802,503
	<b>150,648,464</b>	<b>16,108</b>	<b>-</b>	<b>-</b>	<b>150,664,572</b>
<b>Liabilities</b>					
Loan payable	(5,736,073)	(25,761,339)	-	-	(31,497,412)
Other payables and accruals	(351,119)	-	-	-	(351,119)
Interest payable	(13,281)	(64,240)	-	-	(77,521)
	<b>(6,100,473)</b>	<b>(25,825,579)</b>	<b>-</b>	<b>-</b>	<b>(31,926,052)</b>
	<b>144,547,991</b>	<b>(25,809,471)</b>	<b>-</b>	<b>-</b>	<b>118,738,520</b>

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 £
<b>Assets</b>					
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
	<b>157,904,448</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>157,904,448</b>
<b>Liabilities</b>					
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)
	<b>(4,939,031)</b>	<b>(32,478,821)</b>	<b>-</b>	<b>-</b>	<b>(37,417,852)</b>
	<b>152,965,417</b>	<b>(32,478,821)</b>	<b>-</b>	<b>-</b>	<b>120,486,596</b>

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## 16. Financial instruments (Continued)

Liquidity risk (continued)

As at 31 December 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 £
<b>Assets</b>					
Securities (at fair value through profit or loss)	148,464,909	–	–	–	148,464,909
Accrued bond interest	–	16,070	–	–	16,070
Accrued dividend income	662,645	–	–	–	662,645
Accrued bank interest	5,374	–	–	–	5,374
Other receivables	2	–	–	–	2
Prepayments	15,540	–	–	–	15,540
Cash and cash equivalents	9,328,518	–	–	–	9,328,518
	<b>158,476,988</b>	<b>16,070</b>	<b>–</b>	<b>–</b>	<b>158,493,058</b>
<b>Liabilities</b>					
Other payables and accruals	(362,428)	–	–	–	(362,428)
Interest payable	(18,458)	(66,158)	–	–	(84,616)
Loan payable	(6,463,156)	(29,351,328)	–	–	(35,814,484)
	<b>(6,844,042)</b>	<b>(29,417,486)</b>	<b>–</b>	<b>–</b>	<b>(36,261,528)</b>
	<b>151,632,946</b>	<b>(29,401,416)</b>	<b>–</b>	<b>–</b>	<b>122,231,530</b>

## 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 2018 £	30 June 2017 £	31 December 2017 £
<b>Assets</b>			
Cash and cash equivalents	3,588,084	5,286,546	8,307,610
Canadian equities	120,698,224	120,919,561	126,795,603
Canadian debt	–	6,149,428	–
Accrued income	665,145	746,132	668,019
Securities receivable	–	1,650,041	–
	<b>124,951,453</b>	<b>134,751,708</b>	<b>135,771,232</b>
<b>Liabilities</b>			
Loan payable	(31,497,412)	(35,439,162)	35,814,484
Interest payable	(77,521)	(16,006)	84,616
Securities payable	–	(1,623,215)	–
	<b>(31,574,933)</b>	<b>(37,078,383)</b>	<b>35,899,100</b>

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

FOR THE PERIOD 1 JANUARY 2018 TO 30 JUNE 2018

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

## 16. Financial instruments (Continued)

Currency risk (continued)

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

	30 June 2018 £	30 June 2017 £	31 December 2017 £
<b>Assets</b>			
Cash and cash equivalents	700,322	1,058,990	565,196
United States equities	23,282,847	17,417,154	21,669,306
United States debt	1,187,274	1,235,614	16,070
Accrued income	26,168	19,101	–
	<b>25,196,611</b>	<b>19,730,859</b>	<b>22,250,572</b>

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

	30 June 2018 £	30 June 2017 £	31 December 2017 £
<b>Assets</b>			
Swiss equities	–	2,943,473	–
	<b>–</b>	<b>2,943,473</b>	<b>–</b>

## Sensitivity analysis

As at 30 June 2018, 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 £4,668,826 (30 June 2017: £4,883,666, 31 December 2017: £4,993,607). Had GBP weakened against the CAD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £4,668,826 (30 June 2017: £4,883,666, 31 December 2017: £4,993,607).

As at 30 June 2018, 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 £1,259,830 (30 June 2017: £986,543, 31 December 2017: £1,112,529). Had GBP weakened against the USD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £1,259,830 (30 June 2017: £986,543, 31 December 2017: £1,112,529).

As at 30 June 2018, 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 £nil (30 June 2017: £147,173, 31 December 2017: £nil). Had GBP weakened against the CHF by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £nil (30 June 2017: £147,173, 31 December 2017: £nil).

## 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 noncash flow items.

	1 January 2018 GBP	Cash flows GBP	Acquisition GBP	Noncash changes Foreign exchange movements GBP	Fair value changes GBP	30 June 2018 GBP
Financial liabilities held at amortised cost	35,814,484	(3,342,028)	–	(975,044)	–	31,497,412
<b>Total</b>	<b>35,814,484</b>	<b>(3,342,028)</b>	<b>–</b>	<b>(975,044)</b>	<b>–</b>	<b>31,497,412</b>

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

FOR THE PERIOD 1 JANUARY 2018 TO 30 JUNE 2018

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

## 18. Schedule of Investments – Securities (at fair value through profit or loss) As at 30 June 2018

Description	Shares or Par Value	Book Cost £	Bid-Market Value £	% of Net Assets	% of Portfolio
<b>Equities:</b>					
<b>Bermuda – Quoted Investments</b>					
<b>Real Estate</b>					
Brookfield Property Partners L.P.	190,000	2,793,088	2,726,283	2.30%	1.88%
<b>Utilities</b>					
Brookfield Infrastructure Partners L.P.	100,000	2,893,615	2,908,539	2.45%	2.00%
<b>Canada – Quoted Investments</b>					
<b>Consumer Discretionary</b>					
Energare Inc.	275,000	1,307,315	2,845,444	2.40%	1.96%
<b>Energy</b>					
ARC Resources Ltd.	400,000	3,840,110	3,125,425	2.63%	2.15%
Birchcliff Energy Ltd. – Preferred Shares	40,000	636,779	585,010	0.49%	0.40%
Birchcliff Energy Ltd.	85,000	1,300,141	1,223,568	1.03%	0.84%
Ensign Energy Services Inc.	950,000	4,650,820	3,199,991	2.69%	2.20%
Freehold Royalties Ltd.	500,000	3,668,047	3,564,183	3.00%	2.47%
Torc Oil and Gas Ltd.	600,000	2,767,641	2,518,536	2.12%	1.73%
Vermilion Energy Inc.	150,000	3,919,533	4,068,869	3.43%	2.80%
Whitecap Resources Inc.	600,000	3,294,073	3,060,936	2.58%	2.11%
<b>Financials</b>					
Canadian Imperial Bank of Commerce	65,000	4,331,765	4,277,509	3.60%	2.95%
Power Corporation of Canada	170,000	2,936,027	2,880,769	2.43%	1.98%
The Bank of Nova Scotia	100,000	4,832,372	4,286,232	3.61%	2.95%
The Toronto-Dominion Bank	70,000	2,925,792	3,066,061	2.58%	2.11%
<b>Industrials</b>					
AG Growth International	80,000	2,725,675	2,543,180	2.14%	1.75%
CanWel Building Materials Group Ltd.	400,000	1,443,502	1,573,077	1.32%	1.08%
Chorus Aviation Inc.	900,000	4,038,056	3,637,885	3.06%	2.51%
Morneau Shepell Inc.	175,000	2,060,952	2,731,724	2.30%	1.88%
Parkland Fuel Corporation	300,000	4,008,919	5,558,743	4.68%	3.83%
<b>Materials</b>					
Chemtrade Logistics Income Fund	425,000	4,494,020	3,648,681	3.07%	2.51%
<b>Pipelines</b>					
Enbridge Income Fund Holdings Inc.	300,000	7,120,847	8,111,827	6.83%	5.59%
Gibson Energy Inc.	300,000	2,791,939	2,997,023	2.52%	2.06%
Keyera Corp.	200,000	4,378,174	4,175,679	3.52%	2.88%
Pembina Pipeline Corporation	180,000	4,044,863	4,716,813	3.97%	3.25%
TransCanada Corporation	90,000	2,831,411	2,947,101	2.48%	2.03%
<b>Power and Utilities</b>					
Capital Power Corporation	200,000	2,942,443	2,895,107	2.44%	1.99%
Northland Power Inc.	355,000	3,823,830	5,010,037	4.22%	3.45%
Transalta Corp.	750,000	3,029,423	2,824,284	2.38%	1.95%
<b>Real Estate</b>					
Automotive Properties Real Estate Investment Trust	400,000	2,619,270	2,404,528	2.03%	1.66%
Dream Global Real Estate Investment Trust	475,000	2,989,568	3,924,775	3.31%	2.70%
First Capital Realty Inc.	300,000	3,808,779	3,551,515	2.99%	2.45%
Granite Real Estate Investment Trust	140,000	3,915,798	4,322,392	3.64%	2.98%
Pure Multi-Family REIT LP	500,000	2,136,981	2,608,360	2.20%	1.80%

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

FOR THE PERIOD 1 JANUARY 2018 TO 30 JUNE 2018

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

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

Description	Shares or Par Value	Book Cost £	Bid-Market Value £	% of Net Assets	% of Portfolio
<b>Real Estate (Continued)</b>					
Sienna Senior Living Inc.	250,000	2,597,601	2,383,799	2.01%	1.64%
Smart Real Estate Investment Trust	225,000	4,339,919	3,944,928	3.32%	2.72%
<b>Telecommunications</b>					
BCE Inc	90,000	2,856,927	2,757,952	2.32%	1.90%
<b>United States – Quoted Investments</b>					
<b>Financials</b>					
JP Morgan Chase & Co.	60,000	1,844,731	4,740,918	3.99%	3.27%
The Blackstone Group L.P.	120,000	2,972,763	2,923,990	2.46%	2.01%
<b>Healthcare</b>					
Bristol-Myers Squibb Company	70,000	3,065,630	2,935,200	2.47%	2.02%
Pfizer Inc.	95,000	2,572,792	2,611,285	2.20%	1.80%
<b>Telecommunications Services</b>					
CenturyLink, Inc.	230,000	3,155,615	3,247,262	2.73%	2.24%
<b>Technology</b>					
International Business Machines Corporation	37,000	4,044,660	3,915,651	3.30%	2.70%
<b>Total equities:</b>		<b>138,752,206</b>	<b>143,981,070</b>	<b>121.24%</b>	<b>99.18%</b>
<b>Debt:</b>					
<b>Canada – Quoted Investments</b>					
Tricon Capital Group 5.75% due 31 March 2022	1,500,000	1,221,200	1,187,275	1.00%	0.82%
<b>Total debt:</b>		<b>1,221,200</b>	<b>1,187,275</b>	<b>1.00%</b>	<b>0.82%</b>
<b>Total investments</b>		<b>139,973,406</b>	<b>145,168,345</b>	<b>122.24%</b>	<b>100.00%</b>



# STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Unaudited)

AS AT 30 JUNE 2018

WITH UNAUDITED COMPARATIVES AS AT 30 JUNE 2017

AND AUDITED COMPARATIVES AS AT 31 DECEMBER 2017

	Notes	30.06.2018 £	30.06.2017 £	31.12.2017 £
<b>Current assets</b>				
Other receivables		2	2	2
<b>Net assets</b>		<b>2</b>	<b>2</b>	<b>2</b>
<b>Equity attributable to equity holders</b>				
Stated capital	2	2	2	2
<b>Total Shareholders' equity</b>		<b>2</b>	<b>2</b>	<b>2</b>

The financial statements and notes on pages 23 to 24 were approved by the directors on 20 September 2018 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 2018 TO 30 JUNE 2018

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

## 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 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	£
<b>Management shares issued</b>		
<b>At 30 June 2018, 31 December 2017 and 30 June 2017</b>	<b>2</b>	<b>2</b>

## 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  
Richard Hughes (appointed 1 July 2018)

## Administrator and Secretary

JTC Fund Solutions (Jersey) Limited  
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## Assistant Secretary

JTC Fund Solutions (Guernsey) Limited  
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## Investment Manager

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