



Middlefield Canadian Income Trust

Annual Report and Accounts
For the year ended 31 December 2022

LON: MCT

Targeting high levels of stable income and capital growth, this Fund invests in Canada's highest quality, large capitalisation businesses.¹ Middlefield Limited, the Fund's investment manager, is a private and independent firm located in Toronto, Canada, is a member of Canada's Responsible Investment Association and is regulated by the Ontario Securities Commission.



A Responsible Investment Association Member

Further details about the Responsible Investment Association are available on the website at www.riacanada.ca





Financial Highlights

2022 DIVIDEND

5.1p per share

1.275p per share quarterly (Q1 increased to 1.30p as of January 2023)

5.2p per share New Dividend Guidance for 2023¹

YIELD

4.3%

SHARE PRICE

118.75p

NAV PER SHARE

128.31p

NET ASSETS

£136.6m

1. This is a target only and does not constitute, nor should it be interpreted as, a profit forecast.

Why Middlefield Canadian Income PCC?

Who is this fund for?

This Fund is for long-term investors seeking dividends and capital appreciation from a diversified portfolio of stable, profitable businesses domiciled primarily in Canada.

Reasons to buy



Unique

The UK's only listed Canadian equity fund focused on high income – admitted to the FTSE UK All-Share Index in 2011.



Proven

Outperformance over the period since inception in 2006, delivered by a private and independent investment manager based in Toronto, Canada.



Diversification

UK investors are underexposed to Canadian equities – Canada is one of the largest investable economies in the developed world.



High Income

Canadian equities offer a higher yield compared to other developed markets and MCT has consistently paid per share dividends in excess of 5p per annum since 2017.



Stability

Canada is a member of the G7 and offers one of the most stable political and financial systems in the world.



Governance

Independent Board of Directors re-elected annually by shareholders to protect their interests.



Contents

Strategic Report

Key Information	4
Historical Performance	5
Chairman's Report	6
Investment Manager's Report	11
Top Holdings	13
ESG Policy	16
Business Model	22
Biographies	26
Corporate Information	29
Report of the Directors	34

Corporate Report

Statement of Directors Responsibilities	38
Directors' Remuneration Report	39
Corporate Governance Statement	41
Report of the Audit Committee	46
General Shareholder Information	49
General Data Key Investor Document and Related Data	50
Independent Auditor's Report on the Fund	51

Financial Statements

Statement of Financial Position of the Fund	58
Statement of Comprehensive Income of the Fund	59
Statement of Changes in Redeemable Participating Preference Shareholders' Equity of the Fund	60
Statement of Cash Flows of the Fund	61
Notes to the Financial Statements of the Fund	62
Independent Auditor's Report on the Company	77
Statement of Financial Position of the Company	80
Notes to the Financial Statements of the Company	81
Definitions	82
Alternative Performance Measures	83

Key Information

This Fund invests in larger capitalisation Canadian and U.S. high yield equities with a focus on companies that pay and grow dividends.

Exposure to Key Canadian Themes & Industries

Canadian companies are amongst the world leaders across the real estate, financial and energy and renewables sectors.



Real Estate

Canada's real estate market is underpinned by a stable economy and a relatively low unemployment rate. Immigration and a highly educated workforce support ongoing demand and growth in foreign investment. Historically, real estate performed well in low interest environments and is also a proven hedge against inflation.



Financials

One of the world's most sophisticated and well-capitalised banking systems, Canada's banks consistently paid dividends without cuts or suspensions through the global financial crisis and the COVID-19 pandemic.



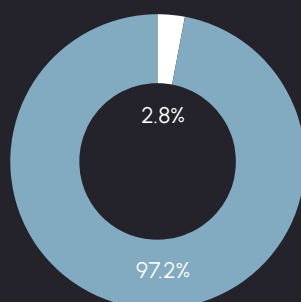
Energy and Renewables

Canada is a global leader in the production and use of energy from renewables and oil and natural gas. Canadian companies that focus on wind and solar are benefiting from increasing demand for clean power from governments and corporations while Canadian oil and gas companies are benefiting from sustained demand and constrained supply of oil and natural gas.

Key Data

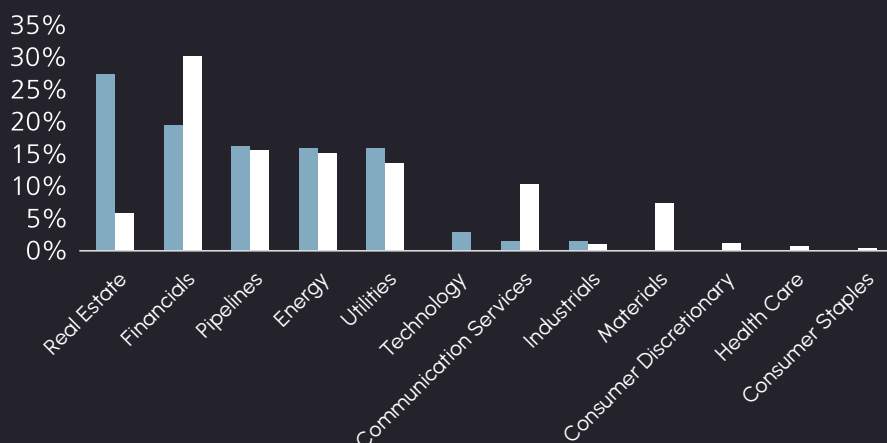
Geographic Mix

● US Equity ● Canadian Equity



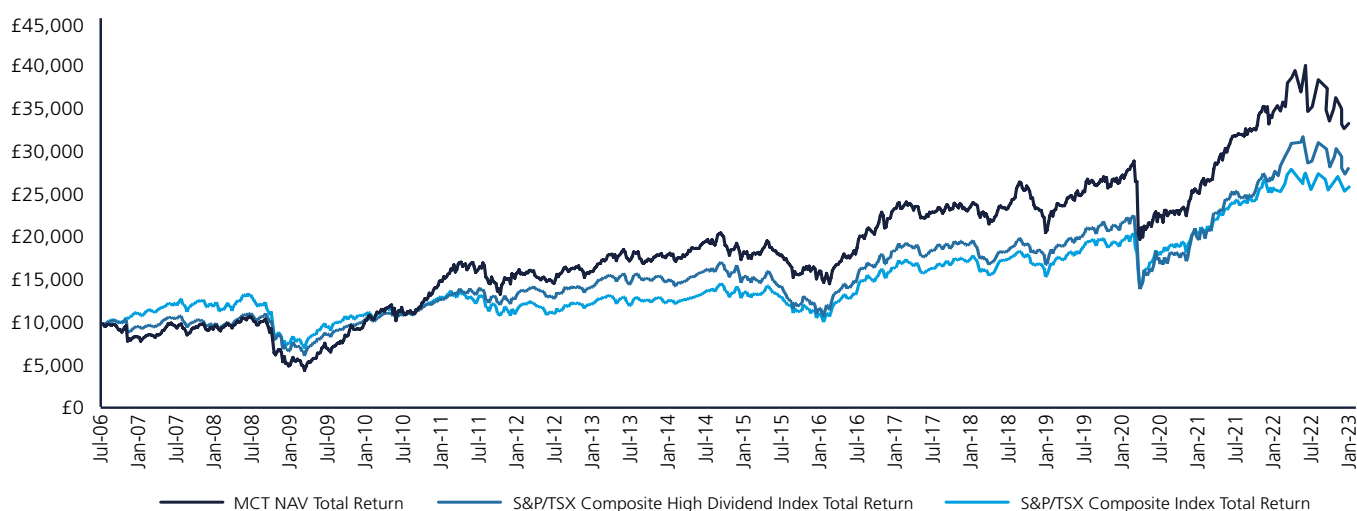
Sector Allocation

● MCT ● Benchmark



Historical Performance

Performance Since Inception to 31 December 2022



As at 31 December 2022

Notes:

1. Net asset value total returns (in Sterling, net of fees and including the reinvestment of dividends).
2. The Fund's benchmark, the S&P/TSX High Dividend Index ("Benchmark"), has been currency adjusted to reflect the Canadian Dollar ("CAD") returns from inception to October 2011 (while the Fund was CAD hedged) and Sterling ("GBP") returns thereafter.
3. S&P/TSX Composite Index ("TSX Composite Index")

Recent Performance	1 Mth	3 Mth	6 Mth	YTD	1 Year
Share Price	-6.1%	-0.1%	2.8%	5.4%	5.4%
NAV	-7.0%	-1.4%	-6.0%	-2.9%	-2.9%
Benchmark	-5.3%	-1.9%	-4.9%	5.3%	5.3%
S&P/TSX Composite Index	-6.1%	-0.7%	0.1%	-1.4%	-1.4%

Long-term Performance	3 Year annualised	5 year annualised	7 Year annualised	10 year annualised	Since Inception annualised
Share Price	11.2%	8.6%	12.3%	6.5%	7.2%
NAV	7.7%	6.9%	10.7%	7.3%	7.3%
Benchmark	9.9%	8.1%	13.7%	7.3%	6.8%
S&P/TSX Composite Index	9.2%	7.6%	12.6%	7.7%	6.5%

Long-term Performance	3 Year cumulative	5 year cumulative	7 Year cumulative	10 year cumulative	Since Inception cumulative
Share Price	37.6%	51.2%	125.4%	87.5%	214.7%
NAV	25.1%	39.4%	104.0%	103.2%	219.8%
Benchmark	32.7%	47.4%	146.3%	103.2%	195.1%
S&P/TSX Composite Index	30.1%	44.4%	129.5%	109.2%	184.4%

Sources: Middlefield, Bloomberg. As at 31 December 2022.

Past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. All price information is indicative only.

1. Total returns including the reinvestment of dividends for all returns. Fund returns are net of fees.
2. Composite of monthly total returns for the S&P/TSX Income Trust Index from inception to 31 December 2010 and the S&P/TSX Composite High Dividend Index (formerly named the S&P TSX Equity Income Index) thereafter.
3. Currency adjusted to reflect CAD\$ returns from inception of MCT to Oct 2011 and GBP returns thereafter since MCT was CAD\$ hedged from inception to Oct 2011.

Chairman's Report



Michael Phair
Chairman

It is my pleasure to introduce the 2022 Annual Financial Report for Middlefield Canadian Income PCC (“MCT” or the “Company”) and its closed-ended cell known as Middlefield Canadian Income – GBP PC (the “Fund”). The Fund invests primarily in dividend-paying Canadian equities, with the objective of providing shareholders with a high level of dividends as well as capital growth over the long term.

Investment Performance

2022 was a challenging year for UK investors. Russia's invasion of Ukraine, China's zero-COVID policy, the Truss mini-budget and growing consumer demand culminated in decades-high inflation and rapidly tightening central bank policies. Against this backdrop, Canadian equities provided UK investors with attractive relative returns and diversification. The TSX Composite generated a total return of -1.4%, outperforming the MSCI World Index total return of -7.9% and the S&P 500 total return of -8.4 per cent. The Fund's net asset value total return was -2.9%, underperforming the Benchmark return of 5.3% and the share price total return of 5.4 per cent. Since inception in July 2006, the Fund's NAV and share price have generated annualised total returns of 7.3% and 7.2% respectively which compare favourably to the Benchmark's annualised return of 6.8% and the TSX Composite Index's return of 6.5 per cent.

Investment Management

Middlefield Limited, the Fund's Investment Manager, has over 40 years of investing experience in Canadian equities. The Investment Manager uses an actively managed strategy, allowing it to tactically shift the portfolio's asset mix as market dynamics evolve. As inflation increased and central banks started hiking interest rates at the beginning of the year, the Fund increased its exposure to Canadian equities, with a particular emphasis on value stocks. The Fund's weight in Canadian energy producers, which trade at extremely attractive cash flow multiples, increased from 7.3% at the start of the year to over 16% at the end of 2022. Similarly, its weighting in Canadian pipeline companies increased from 10.8% at the start of the year to over 16 per cent. Notably, the Fund remained underweight in Financials despite strong fundamentals and their being the largest component of the Benchmark. Canada represented 97.2% of the Fund's geographic mix at the end of 2022, up from 91.4% at the start of the year.

Shareholder Engagement

Increasing the Fund's profile remains a top priority for the Board. The goal of the measures highlighted below is to increase investor demand for the stock and to narrow our trading discount. In addition to ongoing webinars, thought leadership articles and our CEO interview series on YouTube, we have expanded our investor relations program within three initiatives this year. Firstly, we engaged Kepler Partners, a firm with a long track record of working with investment trusts, to increase our profile among both private investors and discretionary wealth managers throughout the UK. In 2022, Kepler has introduced the Fund to a number of wealth managers in London and in the other regions and has also published four research reports focused on the Fund. Secondly, the Investment Manager launched a new website in December 2022 with a more user-friendly interface and improved functionality. The website is structured to facilitate seamless sharing of content generated by

Fund Sector Weights Compared to Benchmark as at 31 December 2022

Sector Allocation	MCT	Benchmark	Over/ Underweight
Real Estate	27.2%	5.6%	21.6%
Financials	19.4%	30.0%	-10.6%
Pipelines	16.1%	15.5%	0.6%
Energy	16.0%	15.1%	0.9%
Utilities	15.7%	13.5%	2.2%
Technology	2.8%	0.0%	2.8%
Communication Services	1.5%	10.4%	-8.9%
Industrials	1.3%	0.8%	0.5%
Materials	0.0%	7.3%	-7.3%
Consumer Discretionary	0.0%	1.1%	-1.1%
Consumer Staples	0.0%	0.3%	-0.3%
Health Care	0.0%	0.4%	-0.4%
Total	100.0%	100.0%	

Source: Middlefield, Bloomberg

The background to the Fund's performance is explained in depth by Mr Dean Orrico in the Investment Manager's accompanying report.

Middlefield on the MCT webpage and is expected to increase touchpoints for our investors. Finally, we grew our profile through a series of interviews with leading UK investment publications, including Master Investor, Shares and Citywire. We are optimistic as these recent efforts are starting to bear fruit. Specifically, the Fund's discount rating had narrowed from 13.9% to 7.5% by the end of 2022.

Gearing

The gearing employed by the Fund can be a useful tool to enhance returns and increase dividend income. In 2022, the level of gearing was kept relatively consistent, ranging between 14.6% to 19.1% and averaging 17.0 per cent. The Board will continue to assess the risk of gearing and monitor the spread between borrowing costs and the yield of the portfolio to ensure the use of leverage remains in the best interests of shareholders.

Earnings and Dividends

The Fund paid 5.1p per share in dividends in 2022, building upon its longstanding track record of providing stable income for investors. The Company's revenue earnings per share totalled 5.94p (2021: 4.81p) for the year ended 31 December 2022, reflecting a dividend coverage ratio of 1.16 (2021: 0.95). In light of the excess revenue earnings generated by the Fund this year, together with the prospect of dividend growth from the underlying portfolio, in terms of dividend guidance the Board approved a 0.1p increase to the annual dividend target in early 2023. These figures are targets only and do not constitute, nor should they be interpreted as, a profit forecast. The Board regularly reviews the Fund's dividend coverage and, subject to market conditions as well as the Fund's earnings, it will continue to consider whether further dividend increases are warranted in future.

Chairman's Report continued

Canadian energy companies generated record levels of free cash flow and were a big contributor to the Fund's dividend income in 2022. Unlike past years, management teams returned significant amounts of capital to shareholders in the form of dividend increases, share buybacks and special distributions as opposed to re-investing excess profits into production growth. This strategy was in response to shareholders advocating for more disciplined capital allocation as well as the energy sector's newfound focus on cost and debt reduction over the past several years. We increased our exposure to the Canadian energy sector early in the year and we expect these companies to continue returning cash to shareholders in 2023.

Directors' Remuneration

For 2022, the directors' remuneration was set at £31,000 per annum for the chairman of the Board, £27,000 per annum for the chairman of the audit committee and £25,000 for all other directors bar Mr Orrico, who has waived his entitlement to remuneration for acting as a director. As reported in the annual report for the year ended 31 December 2021, the directors' fees were increased in 2022, as it was recognised at the meeting of the Nomination and Remuneration Committee (the "NRC") held in September 2021 that the workload of the directors had increased considerably due to both market conditions and increased corporate governance obligations. The NRC reviewed the directors' remuneration again in March 2023, benchmarking the fees against other listed companies of a similar size to the Company in its peer group, and agreed that an increase in the directors' remuneration would be appropriate and, with effect from 1 July 2023, 18 months since the last increase, that the directors' fees would be set at £36,000 per annum for the chairman of the Board, £32,000 per annum for the chairman of the audit committee and £29,000 per annum for all other directors bar Mr Orrico.

Related Party Transactions

The Company's related parties are its directors and the Investment Manager. There were no related party transactions (as defined in the Listing Rules) during the year under review, nor up to the date of this report. Details of the remuneration paid to the directors and the Investment Manager during the year under review are shown in note 13.

Material Events

The Board is not aware of any significant event or transaction which has occurred between 1 January 2023 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 16 June 2022, all resolutions, relating to both ordinary business and special business, were duly passed on a poll.

Board Composition and Succession Planning

The Board frequently reviews its succession planning strategy and has taken multiple steps in recent years to refresh its composition. We are pleased with the significant progress made to ensure the highest standards of good corporate governance. These steps include the appointment of four new non-executive directors over the past five years: Mr Richard Hughes (on 1 July 2018), Mr Michael Phair (on 13 June 2019), Ms Kate Anderson (on 12 April 2021) and Ms Janine Fraser (on 13 September 2022). Ms Fraser, a Jersey resident, served as an apprentice director beginning 25 March 2021 and we were pleased to welcome her to the Board last year. In addition to recent appointments, three longstanding non-executive directors have retired over the past three years, including Mr Nicholas Villiers (on 30 September 2020), Mr Ray Apsey (on 17 June 2021) and Mr Thomas Grose (on 17 June 2021).

In addition to recent retirements, Mr Bisson will not stand for re-election at the commencement of the 2023 annual general meeting. We wish to thank Mr Bisson for his long-standing support and service to the Fund as well as his wise counsel on various matters including the regulatory landscape in the Channel Islands.

Furthermore, we were recently informed that, for personal reasons, Mr Hughes will not be standing for re-election at this year's AGM. We wish to thank Mr Hughes for his knowledgeable contributions to the Board over the past five years and for his professional approach to high standards of governance. The Board joins me in wishing Mr Hughes all the best in his future endeavours.

Following these retirements, the Board will comprise four non-executive directors, of whom three will be independent and 50% will be female, including the senior independent director. The Board is currently conducting a recruitment process to identify a suitable director to be appointed in Mr Hughes' stead and an announcement of the new appointee will be made in due course. The directors have decided that, in order to reach a broader range of diverse candidates, they will consider using one or more UK external search consultancies to assist with the search for a new director.

Contact

Shareholders can write to the Company at its registered office or by email to the Secretary at middlefield.cosec@jtcgroup.com.

Principal Risks and Uncertainties

Persistently high inflation has the potential to create undesirable second-order impacts. Inflation limits the purchasing power of consumers and can harm demand for goods and services. In Canada, year-on-year CPI growth reached 8.1% in June 2022, the highest level it has been since the early 1980s. Inflation has since declined slightly but remains well above the Bank of Canada's target range of 1% to 3 per cent. Wage and service inflation could be

particularly difficult to tamp down due to a shortage of workers and structural changes to the labour force during the pandemic.

In response to inflation, global central banks have made it clear that they intend to maintain restrictive monetary policy until the issue has been resolved. The primary tools at their disposal include raising short-term borrowing rates and limiting their purchases or disposing their holdings of sovereign debt instruments. Higher interest rates limit most businesses' access to capital which could result in less economic activity and innovation. Higher rates also put additional strain on consumers that have utilised credit to fund their existing assets and current lifestyles. This dynamic poses a particular risk to the housing market which is supported by large amounts of consumer borrowing. A decrease in central bank buying of sovereign debt limits the money supply and it also impacts the ability of governments to finance their fiscal budgets and could result in less fiscal support for the economy. If monetary policy remains restricted for an extended period, it is possible that a global recession will occur.

The ongoing war in Ukraine could have lasting impacts on the global economy. The conflict elevates the issue of energy security, particularly in Europe, which had relied on Russia for the bulk of its natural gas. European nations are looking to secure alternate sources of energy to power their economies and this could negatively affect economic activity in Europe. The war has also impacted global trade relationships and supply chains. A swath of sanctions against Russia remain in-place, causing many countries and businesses to seek alternate trade partners. This has the potential to result in onshoring and reshoring of manufacturing, a costly process that has the potential to keep inflation higher for longer. In addition, tensions between China and western nations, particularly the U.S., have the potential to escalate and further destabilise the global economy.

Managing Risks

The Company's risk assessment and the way in which significant risks are managed is a key focus for the Board. Work here is driven by the Board's assessment of the risks arising in the Company's operations and identification and oversight of the controls exercised by the Board and its delegates, the Investment Manager and other service providers. These are recorded in the Company's business risk matrix, which continues to serve as an effective tool to highlight and monitor the principal risks.

The directors consider the principal risks of the Company to be those risks, or a combination thereof, that may materially threaten the Company's ability to meet its investment objectives, its solvency, liquidity or viability. In assessing the principal risks, the directors considered the Company's exposure to and likelihood of factors that they believe would result in significant erosion of value such as the possibility of a recession, the ability of Canada to diversify its economy away from natural resources, ongoing geopolitical tensions, the impact of climate change risk on investee companies, foreign exchange rates and the impact of higher interest rates on the Company and investor sentiment.

At the time of this report, inflation and corresponding higher interest rates are having an impact at both macro and micro levels. While the long-term severity and the impact on the Company's principal risks and viability cannot currently be predicted with any accuracy, it is expected that a prolonged period of higher inflation and interest rates would have detrimental effects.

Outlook

Canada's economy should continue to perform well relative to other countries in 2023. It is expected to benefit from record high immigration which is projected to yield 3.8% population growth over the next 3 years – by far the highest of any G7 nation. Canada is also a net exporter of oil and natural gas and benefits from high energy

independence. Whilst energy prices have fallen in recent months, many energy-related challenges remain unresolved in Europe and Asia. Canada is positioned to backfill displaced energy supplies from Russia due to its abundance of oil and gas reserves, its track record of safe and sustainable production and the upcoming additions of significant LNG export capacity.

We are optimistic that the worst is behind us in terms of inflation and corresponding interest rate hikes for Canada. In the summer of 2022, year-over-year CPI inflation growth peaked at 8.1%, which compares favourably to the US peak of 9.1% and the UK high of 11.1 per cent. The Bank of Canada (BoC) is currently projecting CPI inflation to fall to 3% by the middle of 2023 and back to its 2% target in 2024. The BoC front-loaded its rate increases in 2022 and recently emerged as the first developed nation to explicitly declare a pause in rate hikes based on expectations of slowing inflation. These developments create a positive backdrop for the Fund's core weighting in real estate – a sector which has potential for significant total returns this year.


We remain confident in the Investment Manager's ability to execute on its actively managed investment strategy. The Fund's unique Canadian equity-income focus offers an attractive investment proposition for UK investors in the current environment. Given our positive outlook on the Canadian economy, together with the Fund's increased marketing efforts and shareholder engagement, we believe the Fund's shares represent a compelling investment opportunity.

The Board joins me in thanking you for your continued support.



Michael Phair
Chairman

13 April 2023



Middlefield Group is a private and independent asset manager focused on equity income investment strategies. Located in Toronto, Canada, the company oversees a suite of funds, many of which have been recognised for excellence in various investment categories. Middlefield specialises in managing diversified equity income strategies for UK and Canadian investors with a particular focus on delivering stable distributions and capital appreciation over the long term.

Investment Manager's Report



Dean Orrico

The year 2022 was a challenging one for equity investors. In British Pounds, the S&P 500, MSCI World Index and TSX Composite generated total returns of -8.4%, -7.9% and -1.4%, respectively. Global central banks aggressively hiked interest rates to combat the highest inflation in decades, sending both stocks and bonds lower in tandem. 2022 marked the first year where both the US 10-year Treasury note and the S&P 500 Index lost more than 10% on a total-return basis in a given calendar year.

Index returns were consistent with the ubiquitous trend of value outperforming growth in 2022. Value topped growth by more than 20% in the US (-9.6% vs. -29.8%) while the Canadian market, which has a higher concentration in value stocks relative to the S&P 500, outperformed the US by more than 12 per cent. Rapidly increasing interest rates were the main driver for value's outperformance as growth stocks were more impacted by multiple compression than less expensive value names. In 2023, we are focused on dividend and earnings growth and less on multiple expansion to drive total returns.

In British Pounds, the Fund's net asset value generated a total return of -2.9% in 2022, underperforming the Benchmark return of 5.3 per cent. The Fund's overweight exposure to real estate relative to the Benchmark was the biggest detractor to performance as rapidly increasing interest rates and concerns over an economic slowdown caused REITs to sell-off. The Fund was also underweight energy at the start of the year which was the second biggest detractor to relative performance. The Fund's stock selection in the utilities sector, however, was a bright spot in 2022 with MCT's holdings outperforming the Benchmark's by nearly 13 per cent. With respect to longer term performance, since the Fund's returns as at 31 December 2021 were roughly in-line or above the Benchmark across all long-term measurement periods, the underperformance in 2022 also negatively impacted the Fund's longer term results. It is important to note that, since inception in July 2006, the Fund has outperformed the Benchmark with a total annual return of 7.3% versus the Benchmark return of 6.8 per cent.

When analysing the Fund's performance over longer periods and its underperformance versus the Benchmark, it is important to highlight the following. The Fund has consistently averaged an underweight position in energy which has been the top performing sector in the TSX Composite for two consecutive years. This has resulted in negative sector allocation effects across the three, five, seven and ten year time periods. In light of the historical volatility in the energy sector, we have chosen to be more tactical in obtaining exposure to energy by focusing on energy infrastructure over energy producers. Currently, the Fund's exposure to energy is in-line with the Benchmark due to the more recent improvement in energy company fundamentals. The Fund has also consistently averaged an underweight position in financials relative to the Benchmark and this has caused negative attribution over the three, seven and ten year periods. Negative allocation effects have been partially offset by positive selection effects over the ten and seven year periods in this sector. The Fund has consistently averaged an overweight position in real estate relative to the Benchmark. Despite the sector's negative performance in 2022, real estate has still been a positive contributor

Investment Manager's Report continued

to performance over the long-term, including the five, seven and ten year periods. Notwithstanding the recent underperformance by REITs, we remain positive on Canadian REITs due to their attractive valuations, the likelihood that interest rates will plateau and potentially decrease over the next six to twelve months, as well as their history of paying stable and growing dividends over the long term. The utilities sector has also been a consistent positive contributor to performance over long-term periods despite the Fund's weighting in the sector being consistently in-line with the Benchmark. Selection effects have been positive, driven by longstanding positions in Northland Power, Capital Power and AltaGas. The Fund has consistently been underweight communication services, but attribution from this sector has varied across different periods.

Leading economic indicators are pointing to a slowing economy and possible recession in 2023. Notwithstanding this risk, as well as the ongoing war in Ukraine and labour market tightness, we believe the overall macro outlook is improving. Specifically, many of the economic headwinds that plagued markets in 2022 are quickly becoming tailwinds for 2023. Inflation is trending lower in most countries as energy, freight and housing prices come down. China has made a notable pivot away from its zero-COVID stance – a development that should ease supply chain constraints and boost global demand. In addition, North American central banks are near completion of their current interest rate hiking cycles which should lead to a normalization in interest rates and FX-related earnings headwinds.

We are constructive on the real estate sector in 2023. Despite a slowing economy, we expect REIT earnings to remain largely intact this year due to the contractual nature of rental income and extensive mark-to-market rent opportunities. Real estate owners have the ability to pass on rising costs via higher rents and many leases include inflation-linked escalators. In 2022, the sector significantly underperformed the broader market. The sell-off resulted in REIT share prices trading at discounts to NAV that are near historic highs which

positions the sector attractively for 2023. Moreover, with inflation moderating alongside a softening economic growth outlook, the rise in long-term bond yields should be limited this year. REITs were the Fund's largest sector weight as at 31 December 2022 and represent a sizeable 21.6% overweight position relative to the Benchmark.

Energy is another sector that has a positive outlook. The TSX energy producers sub-industry generated a total return of 56.1% in 2022 but we believe a second consecutive year of outperformance is likely. Despite the impressive returns, there were two notable headwinds last year that capped upside in energy prices. The first was China's perpetual lockdowns which are estimated to have impacted global oil demand by up to one million barrels per day. With no signs of returning to the draconian policies of the past few years, we anticipate China's energy consumption to potentially surpass pre-pandemic levels due to pent-up demand. The second headwind affecting oil prices was the largest release of the Strategic Petroleum Reserve in US history; a process that is now largely complete. We expect a strong commodity price environment this year with these two macro headwinds removed. Moreover, most energy producers are nearing completion of their de-leveraging plans and will be able to channel more free cash flow to shareholders this year in the form of dividends and share buybacks.

The geopolitical climate in 2022 brought energy security to the forefront of global priorities. North American energy offers a logical solution to displaced Russian supply and our positions in leading pipeline companies provide unique exposure to this opportunity. Several liquified natural gas (LNG) terminals are currently under construction on the US Gulf coast which should more than double North America's export capacity over the next 5 years. The CAD \$40 billion LNG Canada project, the largest private infrastructure project in Canadian history, is expected to come online in 2025 and add 14 million tonnes of LNG per year. This additional export capacity will require significant investments in gathering, processing

and transportation infrastructure to bring hydrocarbons from the ground to coastal terminals. The Fund's five pipeline holdings, which represent 16% of the portfolio in aggregate, are extremely well positioned to benefit from the growth capital that will be invested over the coming years.

The Canadian utilities sector performed well relative to European utilities in 2022. Canada generates over 80% of its electricity via net-zero carbon sources, therefore, its utilities were insulated from higher input costs and political influence. We believe the long-term outlook for utilities improved in 2022. Build Back Better, the Inflation Reduction Act and RePowerEU represent three monumental pieces of power-related legislation that will drive trillions in infrastructure spending over the coming years. The future of renewable power generation is brighter than ever as governments remain committed to ambitious targets for reducing greenhouse gas emissions and increasing the use of clean energy. We have a positive outlook for Canadian utilities in 2023 given their contracted revenues and exposure to renewables growth. Our preferred names in the sector include Brookfield Renewables, Altagas, Capital Power, Emera and Northland Power.

Financials finished 2022 as the second largest sector weight in the Fund. That said, the Fund is underweight financials by more than 10% after reducing its exposure to the sector at the end of 2022. The main reason for reducing exposure stems from a decision by Canada's financial regulator to raise capital reserve requirements which could impact the banks' ability to expand their loan books in 2023. Notwithstanding, financials remain a core sector allocation in the Fund. Canada's banks are high quality institutions with diversified loan portfolios which helps ensure their stability. Our highest weighted names include TD Bank, Bank of Montreal and Royal Bank of Canada, all of which should remain well above updated reserve requirements. Canadian banks also provide attractive dividend growth characteristics having increased their dividends by nearly 8% on average in 2022.

Top Holdings

Top Holdings as at 31 December 2022

Company	Sector	% of Equities
Capital Power Corporation Capital Power is a Canadian power generation and energy transition company. It owns approximately 7,500 megawatts of power generation capacity at 29 facilities across Canada and the US. It is currently implementing a \$1.3bn growth plan through 2024 which includes investments in natural gas and renewable assets. It is also investing in carbon capture technologies in line with its target of eliminating approximately 7 million tons of carbon annually from its portfolio.	Utilities	4.5%
Canadian Natural Resource Limited Canadian Natural Resource is one of the largest independent producers of oil and natural gas in Canada. The company is focused on maximising shareholder value through a combination of organic growth initiatives, dividend payments and share buybacks. It has grown its dividend by approximately 23% over the past 5 years and has never cut its dividend.	Energy	4.5%
TD Bank The Toronto-Dominion Bank is the second largest bank in Canada by market capitalisation. Together with its subsidiaries, TD provides various financial products and services through a network of branches, ATMs and online and mobile banking services in Canada and the US. The bank places a strong emphasis on customer satisfaction, a strategy that has resulted in the bank's outperformance and consistent growth. TD ranks among the world's leading online financial services firms.	Financials	4.4%
Whitecap Resources Inc. Whitecap is a Canadian oil and gas company that has diversified natural gas and petroleum properties throughout Western Canada. The company is an ESG leader that stores more CO ₂ annually than it emits. Whitecap is actively working on paying down debt and aims to increase its annual dividend to \$0.73/share once target debt levels are reached in mid-2023.	Financials	4.4%
Enbridge Inc. Enbridge is one of the largest energy infrastructure companies in North America with an extensive delivery network of crude oil, natural gas, natural gas liquids and renewable energy. ENB also provides gas utility services in Ontario, Quebec, and New Brunswick. It is actively investing in low carbon technologies such as solar, wind and hydroelectric power generation facilities. Enbridge's goal is to achieve net-zero emissions by 2050 and reduce its greenhouse gas emissions by 30% by 2025.	Pipelines	4.4%

Top Holdings continued

Company	Sector	% of Equities
AltaGas Ltd. AltaGas is a North American energy infrastructure company that operates regulated gas distribution business in the United States and a fast-growing midstream business in Western Canada. It has consistently generated cash flow growth which has supported recent dividend increases. The company is actively investing in technologies for efficient leak detection and management, and operational efficiency.	Utilities	4.0%
RioCan REIT RioCan is Canada's largest retail REIT with more than 200 properties across Canada with over 90% of its gross leasable land concentrated in Canada's six major markets. These assets are well-positioned urban land holdings that have significant value-add potential, particularly as apartment projects. The company has a development pipeline of more than 40 million square feet of inherent value.	Real Estate	4.0%
Pembina Pipelines Corporation Pembina is a well-established and reputable transportation and midstream service provider with over 65 years of operational history. Its assets are diversified across the hydrocarbon value chain, including pipelines, gathering & processing, and NGL midstream operations in Canada and the US. The company is actively investing in low-carbon and sustainability solutions such as carbon capture and storage to offset greenhouse gas emissions.	Pipelines	3.8%
Topaz Energy Corp. Topaz Energy is a Canadian energy infrastructure and royalty company. The company's royalty business is benefitting from increased production and drilling activity on its lands. It expects royalty production to grow at a 6% CAGR over the next four years. Topaz expects to continue acquiring a mix of royalty and infrastructure assets to support dividend increases over time.	Energy	3.8%
Bank of Montreal Bank of Montreal, which was founded in 1817, has grown to be Canada's fourth largest bank. For over two centuries, BMO has maintained a consistent record of dividend payments. It has a well-established commercial banking business that it plans to grow through new product offerings and superior customer experience. BMO conducts its business in the US through its subsidiary, BMO Harris Bank which has over 500 branches.	Financials	3.7%

Outlook

We hold a cautiously optimistic view for 2023 and expect positive returns for Canadian equities. We acknowledge that leading economic indicators are pointing to an economic slowdown and, as a result, have positioned the Fund more defensively. In light of the growing possibility of a mild recession, we are focused on companies that can maintain or expand margins in the current environment to support dividend growth. We currently favour sectors where cash flows are underpinned by long-term contracts such as real estate and utilities or those with inelastic demand such as energy. Given markets are forward-looking, we expect equities to form a bottom in the first half of 2023

with better performance expected in the latter half as the year looks ahead to rebounding earnings in 2024. Over time, we anticipate opportunities to arise in areas we are currently underweight and intend to opportunistically add to our highest long-term conviction cyclical names on weakness.

We believe our Canadian-focused, equity income strategy is positioned to outperform in 2023 as the current central bank tightening cycle nears completion and the market grapples with risks of a recession. Dividend-paying stocks, and dividend-growers in particular, typically outperform non-dividend payers during periods of declining inflation and after the end of central bank tightening cycles. In

2022, dividends per share in the TSX Composite were up nearly 18% in nominal terms and 10% in real terms. Dividend growth is a core tenet of our investment strategy and we expect further dividend increases in our portfolio in 2023. Our core holdings in Canadian dividend-payers should provide greater stability during this period of market uncertainty while enhancing total returns.

Middlefield Limited

ESG

Environment, Social and Governance ("ESG") Policy and Stewardship Principles:

ESG Policy

As Investment Manager, Middlefield Limited ("Middlefield") has a duty to maximise investment returns for the shareholders of the Fund without undue risk of loss. Middlefield does this within the investment limits of the Fund's investment mandate. Although the Fund is not an ESG-focused or sustainable fund, Middlefield is increasingly incorporating ESG considerations into its investment process to aid decision making, identify potential risks and opportunities and to enhance long-term, risk-adjusted returns.

In September 2021, Middlefield strengthened its ESG process through the appointment of Stephen Erlichman as Chair, ESG. Steve is considered one of the foremost experts on governance and ESG in Canada. From 2011 to 2018, Steve was the Executive Director of the Canadian Coalition for Good Governance (CCGG) where he created and debated public policy positions in relation to ESG issues and led engagement meetings between CCGG and boards of public companies across Canada. Steve also sits on the board of Canada's Responsible Investment Association (RIA), which Middlefield joined in 2021 and he is a member of the Global Stewardship Committee of the International Corporate Governance Network (ICGN).

It is Middlefield's responsibility to employ a disciplined investment process that seeks to identify attractive investment opportunities and evaluate material risks that could impact portfolio returns. Middlefield believes that ESG factors have become an important component of a thorough investment analysis and that the integration of ESG factors will result in a more comprehensive understanding of a company's strategy, culture and sustainability. Consistent with these objectives, Middlefield integrates

ESG considerations into its investment process and these considerations are significant factors in selecting portfolio companies for its ESG-focused mandates. The integration of ESG considerations is integral to Middlefield's investment decision-making and ongoing portfolio monitoring process.

Middlefield has adopted Stewardship Principles in order to effectively steward the assets it manages for its clients. The Stewardship Principles and its stewardship activities are set out below and are complementary to its ESG integration process.

1. Middlefield incorporates ESG scores and other ESG data in its multi-disciplined investment process to evaluate investments. Its methodology includes a qualitative review and assignment of ESG scores to individual holdings. Each company is analysed on an absolute basis and measured relative to its peers. The ESG scores and other ESG data are not the sole factors that govern its investment decisions, however, but rather constitute part of the information it reviews and consider alongside its fundamental, quantitative and qualitative research.
2. The ESG scoring framework considers the average ESG scores from several reputable third-party data providers. In addition, it cross-references potential investments with the constituents of relevant ESG indices to assess their eligibility in ESG-focused mandates. The data providers it has chosen to incorporate into its ESG analysis currently are Sustainalytics, S&P, Bloomberg and Refinitiv.
3. Negative screening is implemented in ESG-focused mandates to exclude companies that operate in ethically-contentious industries (e.g. tobacco products and military weapons) as well as those involved in severe business controversies.
4. Positive screening is used to select companies that possess positive ESG characteristics. This process involves analysing sustainability data provided by reputable third-parties to determine how companies are ESG-rated and ranked relative to peers.
5. ESG considerations also are integrated into our investment process by, among other things:
 - reviewing companies' public disclosure, including annual reports, proxy circulars, and, if available, sustainability or ESG reports;
 - conducting research and analysis on companies' ESG policies and practices;
 - obtaining third party research on companies;
 - engaging with companies, including from time to time having discussions with management teams (both before purchasing shares for the portfolios and while our portfolios own such shares) on topics such as what initiatives and strategies have been put in place by the companies to deal with ESG considerations material to such companies; and
 - monitoring shareholder meetings and voting proxies.

Many countries have established or are in the process of establishing standardised ESG disclosure requirements for corporate issuers. When enacted, these are expected to enhance the efficiency of the ongoing review and monitoring of a company's ESG practices.

Middlefield's approach to ESG integration may evolve over time as more ESG and sustainability research and data become available.

Middlefield's Stewardship Principles

Middlefield, as a Canadian asset manager, understands it has the responsibility to be an effective steward of the assets it manages for its clients in order to enhance the value of those assets for the benefit of its clients. The CCGG has published a set of seven stewardship principles which have become recognised as Canada's stewardship code for institutional asset owners and asset managers. Middlefield believes that CCGG's stewardship principles should be tailored for asset managers depending on various factors, such as the size of the asset manager and the type of assets managed. Set out below are CCGG's seven stewardship principles and a description of how Middlefield, as an independent Canadian asset manager whose predominant assets are public and private investment funds that invest in Canadian and international equities, carries out or intends to carry out such principles.

Principle 1.

Develop an approach to stewardship: Institutional investors should develop, implement and disclose their approach to stewardship and how they meet their stewardship responsibilities.

Middlefield integrates stewardship into its investment process. Such integration includes:

- a procedure for voting proxies (see Principle 3 below);
- monitoring companies (see Principle 2 below);
- engaging with companies (see Principle 4 below);
- outsourcing stewardship activities (by, *inter alia*, utilising a proxy advisory firm to assist in monitoring companies and voting proxies);
- reporting to its clients (as required by law); and

- managing potential conflicts of interest (via Middlefield's Independent Review Committee mandated by National Instrument 81-107, as well as Middlefield's Code of Conduct).

Principle 2.

Monitor companies: Institutional Investors should monitor the companies in which they invest.

Middlefield monitors the companies in which it invests, including as follows:

- it reviews companies' public disclosures, including annual reports and proxy circulars;
- it conducts research and analysis on companies;
- it obtains third party research on companies;
- it engages with companies (see Principle 4 below); and
- it monitors formal shareholder meetings and, if there is a particularly important matter and it believes it is practical and appropriate to do so, it attends formal shareholder meetings.

Principle 3.

Report on voting activities: Institutional investors should adopt and publicly disclose their proxy voting guidelines and how they exercise voting rights.

Middlefield exercises voting rights attached to the securities held by the funds it manages as follows:

- Middlefield uses the following proxy voting guidelines:
 - A. proxies will be voted in a manner that seeks to enhance the long-term sustainable value of the funds it manages; and
 - B. proxies will be voted in a manner consistent with leading Canadian and international corporate governance practices.

- on routine matters, Middlefield generally supports management and the board unless there are unusual circumstances; and
- Middlefield uses the services of a proxy advisory firm to assist in voting proxies. Middlefield assesses the voting recommendations of the proxy advisory firm but Middlefield also monitors leading Canadian and international corporate governance practices. Middlefield does not automatically follow the recommendations of the proxy advisory firm, but in most cases, it votes as recommended. Middlefield retains ultimate responsibility for all proxy voting decisions.

In addition, the public funds managed by Middlefield follow the proxy voting requirements of Part 10 of National Instrument 81-106 in regard to establishing policies and procedures for proxy voting and in regard to preparing and disclosing their proxy voting records.

Principle 4.

Engage with companies: Institutional investors should engage with portfolio companies.

Middlefield engages with portfolio companies as follows:

- Middlefield engages with management of portfolio companies regularly, both before shares are purchased for the funds it manages and also while its funds own shares of the portfolio companies; and
- When Middlefield believes it is warranted, it may escalate engagement activities by engaging with directors, by voting against or withholding votes from directors or by voting against companies' "say on pay" resolutions.

Principle 5.

Collaborate with other institutional investors: Institutional investors should collaborate with other institutional investors where appropriate.

ESG continued

Middlefield collaborates with other institutional investors through investor associations to which Middlefield belongs such as the Responsible Investment Association (RIA).

Principle 6.

Work with policy makers: Institutional investors should engage with regulators and other policy makers where appropriate.

Middlefield's professional advisors, such as the law firms and accounting firms it retains, assist to keep it up to date on developments that are material to it as an asset manager. It utilises its professional advisors, and it also relies on the organisations to which it belongs, to engage on its behalf with regulators and policy makers where appropriate.

Principle 7.

Focus on long-term sustainable value: Institutional investors should focus on promoting the creation of long-term sustainable value.

Middlefield focuses on a portfolio company's long-term success and sustainable value creation, including as follows:

- Middlefield focuses on a company's management and strategy, as well as its risks (both company specific and systemic); and
- Middlefield considers environmental, social and governance factors that are relevant to a company and integrates such factors into its investment activities.



ESG Case Studies

Brookfield Renewable Partners L.P.

Brookfield

Summary:

Brookfield Renewable Partners is one of the world's largest publicly traded clean energy companies and a prominent investor in renewable power and climate transition assets. It has an approximate generation capacity of 24,000 megawatts diversified across assets including hydroelectric, wind, solar and storage. Through its facilities located across North America, South America, Europe, and Asia Brookfield has a direct impact on the decarbonisation of electricity grids. The company has received various accolades and recognition for its sustainability initiatives and commitment to renewable energy. Brookfield Renewable Partners enjoys a solid investment grade balance sheet and benefits from access to diverse sources of capital.

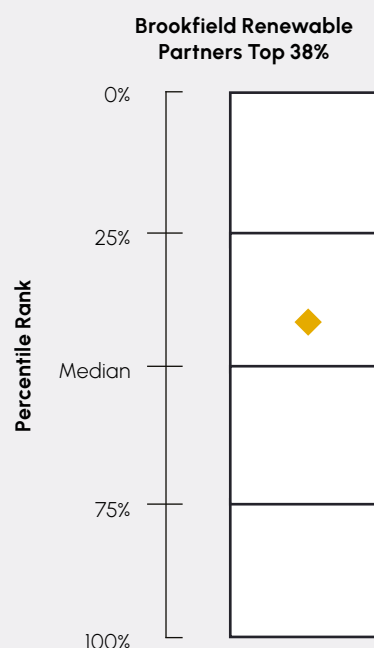
Highlights:

- Brookfield Renewable Partners has issued six green bonds for project-level financings with a combined value of approximately \$3.4 billion since 2017. These green bonds have received E-I Green Evaluation scores from S&P, which is the highest score on the evaluation scale, underlining strong alignment with environmental objectives
- Brookfield Renewable has achieved Low Impact Hydropower Institute (LIHI) certification for 82 hydro facilities located across the United States, marking the largest number of certified facilities held by any operator in the country
- In 2021, 50% of Brookfield's executive management team and three out of the nine board members were women

Top ESG Issues:

- Increasing ESG reporting/disclosures around ethnic diversity in the workplace: currently the company only provides numbers around gender diversity
- Unlike common practice within the industry, it appears that not all parts of management's compensation are tied to specific ESG goals or targets

ESG Ranking Relative to the Fund's Benchmark:



Sources: S&P, Sustainalytics, Bloomberg.

ESG continued

Bank of Montreal



Summary:

Bank of Montreal was the first bank to be established in Canada with inception dating back to 1817. Today, it ranks as the fourth largest bank in Canada by assets and the eighth-largest in North America. BMO has set ambitious targets to reduce its greenhouse gas emissions by integrating sustainable business practices into its operations. The company has proactively made commitments to support Indigenous reconciliation, human rights, and diversity and inclusion. Such practices have caused it to be named the most sustainable bank in North America on the Corporate Knights' Global 100 Most Sustainable Corporations list for the third year in a row.

Highlights:

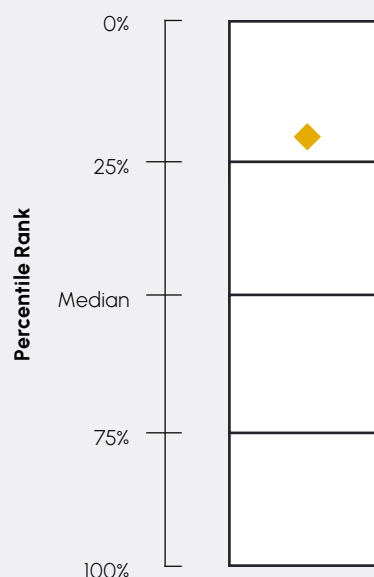
- BMO was among the founding members of the Net Zero Asset Managers - an international coalition of asset managers dedicated to advancing the objective of achieving net zero greenhouse gas emissions by 2050, or earlier
- Top ranked Canadian bank on Corporate Knights' 2022 Best 50 Corporate Citizens list
- In 2021, 50% of independent directors on the company's board were women, well above the company's target of 33%

Top ESG Issues:

- Providing more information and disclosure around the company's water usage or waste management practices can help shareholders better appreciate the company's commitment to environmental sustainability
- While BMO has strong corporate governance policies in place, additional information about the independence and diversity of the board of directors would help enhance transparency

ESG Ranking Relative to the Fund's Benchmark:

Bank of Montreal Top 19%



Sources: S&P, Sustainalytics, Bloomberg.



Business Model

The Company's Status

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

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

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

Investment Objective and Policy

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

Investment Portfolio

The Fund seeks to achieve its investment objective by investing predominantly in the securities of companies and REITs domiciled in Canada and listed on a Canadian Stock Exchange that the Investment Manager believes will provide an attractive level of distributions, together with the prospect for capital growth. It is expected that the Fund's portfolio will generally comprise between 35 and 70 investments.

The Fund may also hold cash or cash equivalents.

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

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

Investment restrictions

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

- (a) have more than 10 per cent. of the value of its portfolio assets invested in the securities of any single issuer; or
- (b) have more than 50 per cent. of the value of its portfolio assets comprised of its ten largest security investments by value; or
- (c) have more than 40 per cent. of the value of its portfolio assets invested in securities listed on a recognised stock exchange outside Canada; or
- (d) have more than 10 per cent. of the value of its portfolio assets invested in securities listed on a recognised stock exchange outside Canada and the United States; or
- (e) have more than 10 per cent. of the value of its portfolio assets invested in unquoted securities; or
- (f) purchase securities on margin or make short sales of securities or maintain short positions in excess of 10 per cent. of the Fund's NAV.

Hedging

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

Gearing

The Fund has the power to borrow up to 25 per cent. of the value of its total assets at the time of drawdown. In the normal course of events, and subject to Board oversight, the Fund is expected to employ gearing in the range of 0 to 20 per cent. of the value of its total assets in order to enhance returns. At year end, the Fund's gross borrowings were equal to 16.9 per cent. of its total assets.

Promoting the Company's Success – Section 172 Statement

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



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

The Board's engagement with stakeholders is described in the section "Engagement with Stakeholders" below.

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

The Investment Manager is mindful of the impact which it can have upon shaping the consideration given to ESG matters by the Fund's investee companies. In addition to considering ESG matters in portfolio construction decisions, the Investment Manager conducts ongoing investee company monitoring, and this engagement process may include voting and communication with management and company board members. Although the Company does not take a controlling stake in its investees, the Board also considers the interests of those stakeholders and oversees the activities of the Investment Manager, as explained in this Section 172 Statement. The Board ascribes to the highest standards of business conduct and has policies in place to ensure compliance with all applicable laws and regulations. In this respect, it also interacts with governmental organisations providing public services for society, and financial services regulators (such as the FCA and JFSC). In addition to monitoring the Company's compliance with its own obligations, the Management Engagement Committee also monitors compliance by its service providers with their own obligations and the work of the Management Engagement Committee during

the year is explained in more detail later in this report on pages 44 and 45.

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

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

Engagement with Stakeholders

As regards the Board's engagement with shareholders, all shares in issue rank *pari passu*, all shareholders are treated equally and no shareholder receives preferential treatment. When making decisions of relevance to shareholders, the Board considers first and foremost the likely consequences of their decisions in light of their duty to act in the best interests of the Company. The Board also considers what is likely to be in the best interests of shareholders as a whole but does not consider individual shareholders' specific circumstances or desires when making its decisions.

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

Business Model continued

relationships with the Company's service providers will assist in their promotion of the success of the Company for the benefit of all shareholders.

Mr Hughes and Ms Fraser performed a due diligence visit to the Secretary and Administrator in the summer of 2022.

Management

The Company is an Alternative Investment Fund ("AIF") in accordance with the provisions of the AIFMD. For the purposes of the AIFMD, which was implemented into UK law with effect from 22 July 2013, the Company has been classified as a non-EU AIF managed by a non-EU AIFM. As such, the Company is not subject to the full scope of the AIFMD and therefore does not incur the additional costs, such as those incurred in having to appoint a depositary, that would have been applicable had it been deemed to be managed by an EU AIFM.

The Board is responsible for setting the Company's Investment Objective and Investment Policy, subject to shareholders' approval of any proposed material changes, and has a schedule of investment matters reserved for the directors' resolution. The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services and the day-to-day accounting and secretarial requirements. Each of these contracts is only entered into after proper consideration by the Board of the quality of services being offered.

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

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

and services of the Secretary, which is responsible for guiding the Board on procedures and applicable rules and regulations.

Relationship with the Investment Manager and Performance

The Company has no employees, premises, assets other than financial assets or operations. The Board engages reputable third-party suppliers with established track records to deliver day-to-day operations. The most important of these is the Investment Manager, which is responsible for the management of the Company's assets in accordance with its investment objective and policy. The Board maintains a close working relationship with the Investment Manager and holds it to account for the smooth running of the Company's day-to-day business. There is continuous engagement and dialogue between Board meetings, with communication channels remaining open and information, ideas and advice flowing freely between the Board and the Investment Manager.

The Board retains responsibility for decisions over corporate strategy, corporate governance, risk and internal control assessment, determining the overall limits and restrictions of the portfolio and in respect of gearing and asset allocation, investment performance monitoring, dividend policy and setting marketing budgets.

The Investment Manager and Investment Advisor promote the Company with the support of the Corporate Broker and the Board makes additional funds available to support marketing activities aimed at raising the profile of the Company among investors in the UK.

As the Investment Manager holds the overall day-to-day relationship with the Company's other third-party suppliers, the Board places reliance on the Investment Manager in this regard. The Board is confident that the Investment Manager has developed and maintains good working relationships with all of the Company's third-party suppliers. To ensure the chosen service providers continue to deliver the expected level of service, the Board receives regular reports from them, evaluates the control environments in place at each service provider and formally assesses their appointment annually.



By doing so, the Board seeks to ensure that the key service providers continue to be appropriately remunerated to deliver the level of service that it demands of them.

The Company has appointed the Investment Manager as its AIFM. The Investment Manager is regulated by the Ontario Securities Commission. The Company has a formal schedule of the areas of decision making reserved for the Board and those over which the Investment Manager has discretion, and it is available for inspection on the Company's website.

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

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

The Board and Investment Manager also discuss the marketing and investor relations work performed by the Investment Manager and Investment Advisor, which is an affiliate of the Investment Manager, in each quarterly Board meeting. The Investment Advisor and the Investment Manager are paid an additional fee for investor relations services totalling the lesser of 15 basis points of the market value of the Fund or £200,000 per annum, with the fee to be calculated daily based on the closing market value of the Fund and payable quarterly in arrears, and its performance is measured by reference to an agreed set of metrics.

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

As required by the Listing Rules and recommended by the AIC Code, the following additional information is provided:

During the year under review and up to the date of this report, Middlefield Limited has acted as the Company's discretionary investment manager. Middlefield International Limited ("the Investment Advisor") provides investment advisory services to the Company and the Investment Manager. The Company pays an annual fee of 0.70 per cent. of NAV to the Investment Manager to cover its services and those provided to it by the Investment Advisor and the agreement can be terminated by either party on 90 days' written notice. The Investment Manager and Investment Advisor are also paid an additional fee for investor relations services as previously mentioned and disclosed in note 2u.

Having reviewed the investment management and advisory services provided by the Investment Manager and the Investment Advisor and having regard to the Fund's investment performance since the Fund's launch in May 2006, the directors are of the view that the portfolio should remain managed by the Investment Manager for the foreseeable future.

Biographies

As at 31 December 2022, the Board of directors comprised six non-executive directors, five of whom were independent of the Investment Manager and its affiliates. On 13 September 2022 Ms Janine Fraser was appointed as an additional director.

Directors

Michael Phair, Chair

Mr Phair has over 30 years' investment banking experience at World Bank Group, Rothschild and UBS with a focus on privatisations, telecoms and media. He has lived and worked in Canada, Latin America, the United States, Europe and is a British citizen and resident in London since 1988. He is the Founder, former CEO and currently director of REG (UK) Ltd. which is a leading software solutions provider for counter-party risk management in the UK and global insurance market. He is the Chair of Children and Families Across Borders, a UK-based charity which is part of the International Social Services Network operating in over 130 countries worldwide. A successful private equity investor, Mr Phair is the former Managing Member of Boston Capital Management (VP) LLC.

Philip Bisson

Mr Bisson is a Fellow Member of the Chartered Institute of Bankers, and is or has been a member of various Jersey committees including the Jersey Association of Trust Companies of which he is also treasurer. From 1979 to 1986 Mr Bisson was Trust Manager and Company Secretary of Chase Bank and Trust Company (CI) Limited and from 1986 to 1994 was a Director of BT Trustees (Jersey) Limited. Mr Bisson is domiciled in Jersey and is currently the Managing Director of Philean Trust Company Limited. As noted previously, Mr Bisson will be retiring as from the 2023 AGM.

Dean Orrico

Mr Orrico, President, Chief Executive Officer of Middlefield Limited and President of Middlefield International Limited, has been employed by the firm since 1996.

Mr Orrico is currently responsible for overseeing the creation and ongoing management of all of Middlefield's investment funds including mutual funds, Toronto and London Stock Exchange-listed funds and flow-through funds. He graduated with a Bachelor of Commerce degree from the Rotman School of Management (University of Toronto) and holds an MBA from the Schulich School of Business (York University). Mr Orrico is a registered Portfolio Manager.

Mr Orrico has developed expertise in both equity and fixed income securities. Having spent many years managing equity portfolios and meeting with international companies and investors, Mr Orrico has overseen the diversification of Middlefield's portfolios into global equity income securities.



Richard Hughes

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

Kate Anderson

Ms Anderson is the managing partner of Voisin Law in Jersey and head of the regulatory and collective investment fund practices. Her regulatory and funds practice specialises in the legal, regulatory and corporate governance aspects of investment funds, holding companies and managers. In recent years she has joined a number of working groups related to these areas, including the consultation group for the restatement of the Jersey Law of Contract, the working group tasked with updating the Limited Partnership (Jersey) Law to improve its functionality when used with funds and the Jersey Finance Community of Interest group on sustainable investment. Since 2008 Ms Anderson has sat on a number of collective investment fund and fund manager/general partner boards.

Janine Fraser

Ms Fraser became a member of the Institute of Directors in 2020, is a Fellow of the Association of Chartered Certified Accountants having qualified in 1999, and also holds a Master's Degree in E-Commerce from the University of Westminster.

Ms Fraser is domiciled in Jersey, working for an international investment firm, Triton Partners, since 2013 as a financial controller. She has previously worked in several locations worldwide, including Jersey, London and Edinburgh, and commuted worldwide. Ms Fraser had extensive industry experience prior to moving into private equity that extended to include ten years in retail and merchant banking with RBS, LloydsTSB and Hill Samuel and, prior to that, within the travel, manufacturing, and oil industries. Those roles included being the cash manager in treasury for British Airways, managing the finance team at Ultra Electronics Ltd (an MoD manufacturer) and working in finance for Anadarko LLP (oil exploration).



Corporate Information

Registered Office

28 Esplanade
St Helier
Jersey JE2 3QA

Directors

Michael Phair (Chairman)
Kate Anderson
Philip Bisson
Janine Fraser
Richard Hughes
Dean Orrico

Service Providers

Administrator and Secretary
JTC Fund Solutions (Jersey) Limited
28 Esplanade
St. Helier
Jersey, JE2 3QA

Investment Advisor
Middlefield International Limited
288 Bishopsgate
London, EC2M 4QP

Investment Manager
Middlefield Limited
Suite 5855
100 King St W
Toronto, Ontario
Canada, M5X 1A6

Legal Advisers
In Jersey
Carey Olsen Jersey LLP
47 Esplanade
St. Helier
Jersey, JE1 0BD

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

Broker and Corporate Advisor
Investec Bank plc
30 Gresham Street
London
EC2V 7QP

Custodian

RBC Investor Services Trust
155 Wellington Street West
2nd Floor
Toronto, Ontario
Canada, M5V 3L3

Registrar

Link Market Services (Jersey) Limited
12 Castle Street
St. Helier
Jersey, JE2 3RT

CREST Agent, UK Paying Agent and Transfer Agent

Link Market Services Limited
10th Floor Central Square
29 Wellington Street
Leeds, LS1 4DL

Independent Auditor

RSM Channel Islands (Audit) Limited
40 Esplanade
St Helier
Jersey, JE4 9RJ

Financial Calendar

Annual Results
Announced April 2023

Dividend Payment Dates
Last Business Day of January, April, July
and October

Annual General Meetings
1 June 2023

Half-Yearly Results
Announced September 2023

Information Sources

For more information about the Company
and Fund, visit the website
[https://middlefield.com/funds/uk-funds/
middlefield-canadian-income-trust/](https://middlefield.com/funds/uk-funds/middlefield-canadian-income-trust/)

Corporate Information continued

Managing Risks

The Company's risk assessment and the way in which significant risks are managed is a key area for the Board. Work here is driven by the Board's assessment of the risks arising in the Company's operations and identification and oversight of the controls exercised by the Board and its delegates, the Investment Manager and other service providers. These are recorded in the Company's business risk matrix, which continues to serve as an effective tool to highlight and monitor the principal risks.

The directors consider the principal risks of the Company to be those risks, or a combination thereof, that may materially threaten the Company's ability to meet its investment objectives, its solvency, liquidity or viability. In assessing the principal risks, the directors considered the Company's exposure to and likelihood of factors that they believe would result in significant erosion of value such as the possibility of a recession, persistently high inflation, ongoing geopolitical tensions, supply chain disruptions, the impact of climate risk on investee companies, foreign exchange rates, the implications of restrictive monetary policy and the impact of higher interest rates on the Company and investor sentiment.

At the time of this report, inflation and corresponding higher interest rates are having an impact at both macro and micro levels. While the long-term severity and the impact on the Company's principal risks and viability cannot currently be predicted with any accuracy, it is expected that a prolonged period of higher inflation and interest rates would have detrimental effects.

1. Strategy Risks		
Risk	Mitigants	Change from 2021
Macroeconomic and political environment Unfavourable changes to the macro political and economic environment including global trade tensions, and climate risk pressures, causes the investment objective to become obsolete with reduced investor demand.	The Board has established guidelines to ensure that the investment policy is pursued by the Investment Manager. The Board reviews the Investment Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy, the portfolio's risk profile and appropriate strategies employed to mitigate any negative impact of substantial changes in markets.	War in Ukraine
Inflation and Interest Rates Inflation and corresponding higher interest rates are having an impact at both macro and micro levels. Inflation limits the demands for goods and services while higher interest rates limits the Company's access to capital.	The Investment Manager monitors the portfolio on a daily basis and underweights/overweights the rate sensitive sectors to offset inflation. The Investment Manager also monitors the borrowing rates and will consider amending the level of gearing to reflect the risk of borrowing, cost of borrowing and outlook for portfolio returns.	Inflation and High Interest Rates
Share price discount to NAV Continued trading of the Company's share price at a level below that of its NAV will prevent growing the Company via the issue of additional shares.	The Board, the Investment Manager and the Broker monitor the share price and level of discount on a regular basis. During the year the Investment Manager and Broker have spent considerable time engaging with existing and potential shareholders to understand investors' needs and best interests. The directors also have the ability to buy back shares should this be considered to be in the best interest of the Company.	Unchanged
Gearing To pursue its investment objective, the Company may borrow money, utilise derivatives and take short positions in securities. Adverse movements in equity prices or interest rates may mean that the Company has to liquidate positions at inopportune times in order to maintain the correct levels of gearing.	The Company maintains a prudent level of gearing and the loan to value ratio is monitored on a daily basis as part of the valuation process, so that in falling markets the Company will be able to take proactive steps to reduce gearing to avoid breaching its investment policy and any loan to value covenants.	Unchanged

2. Portfolio Risks

Risk	Mitigants	Change from 2021
Regulatory & Legal Risks The Company is exposed in many countries to regulation and laws, which could change, negatively impacting the efficiency and structure of the Company.	The Investment Manager and the Board are kept abreast of changes to all relevant laws by the Company's legal and tax advisers, Administrator and Auditor.	Unchanged
Income/Dividend The Company sets its target dividend at a rate it expects to earn from the dividends received from its underlying equity investments based upon robust modelling and assumptions. Failure by those investments to meet expectations due to, for example, decreased operating margins, changes in tax treatment of dividends, increased borrowing costs or poor underlying performance, may prevent the Company from being able to meet its target dividend.	The Investment Manager's allocation process seeks to select investments capable of producing strong reliable dividends and future capital growth across a diverse range of sectors. Day to day risk management techniques seek to diversify risk and monitor high levels of volatility. The Board monitors the income received on investments and available for distribution prior to the declaration of each dividend.	Unchanged

3. Operational Risks

Risk	Mitigants	Change from 2021
Service provider performance The Company is reliant on the performance, safe custody of assets and data and internal controls of its service providers for its day-to-day activities. Poor performance or failure to meet their contractual obligations, including the absence of adequate business continuity plans and data and cyber security, could negatively impact the operations, reputation, governance and cost efficiency of the Company.	Due diligence is carried out on all service providers prior to their appointment, with their level of service monitored continually and assessed formally by the Management Engagement Committee on an annual basis. The Board monitors the performance of the Investment Manager at every Board meeting and otherwise as appropriate.	Unchanged

4. Financial Risks

Risk	Mitigants	Change from 2021
Key man Risks The Company is reliant on the Investment Manager and a few of their key people to meet its investment objective and for growing the Company's shareholder base.	The Company's portfolio is managed by a team of investment professionals led by Dean Orrico and Rob Lauzon.	Unchanged
Market Risks The Company may generate a loss on its investments at realisation due to adverse movements in their share prices, currency or interest rate movements.	The Investment Manager manages the portfolio and borrowings on an ongoing basis to achieve the best returns. The directors monitor the Investment Manager's compliance with the Company's stated investment policy and review the investment performance.	Unchanged
Liquidity Risk The Company may hold positions, long or short, in securities that may not be able to be sold or bought quickly enough so as to prevent or minimise a loss.	The Fund primarily invests in securities that are readily realisable, mainly issued by Canadian and U.S. companies and REITS listed on a Canadian Stock Exchange and are actively traded.	Unchanged

Corporate Information continued

Emerging Risks

In March 2023, risks of a banking crisis emerged in the United States. At the time of writing, three U.S. banks have failed and the government has stepped in with a rescue plan to guarantee that depositors will have access to their money. Credit Suisse was also acquired by UBS Group AG in a forced sale. The risk of more banks becoming insolvent is an emerging risk we are monitoring. If contagion spreads to other banks and depositors withdraw their funds simultaneously, more banks may be unable to meet their obligations and become insolvent. This may result in forced sales of assets or additional banks being forced to close their doors. Bank runs can have serious consequences for both the banking sector and the broader economy including real estate. Lending standards may tighten in the near-term and access to credit may become more difficult.

There are growing risks of a global recession. In the United States, the Conference Board Leading Economic Index (LEI) fell for the eleventh consecutive month in February 2023. Eight of the index's ten components showed negative or flat contributions. These include an inverted yield curve, ISM Index of New Orders, Consumer Expectations for Business Conditions and the Leading Credit Index. Recessions are generally characterized by reduced economic activity which can lead to companies earning less revenue and profits. Recessions typically coincide with reduced investment as businesses become more conservative with capital spending on new projects. These factors can impact Canadian businesses and may lead to a decline in stock prices as investors become less optimistic about companies' prospects.

Emerging risks, along with all other risks the directors have identified the Company to be exposed to, are monitored via the Company's risk register. During the year, as part of their regular review and assessment of risk, the directors have also considered the impact of the emerging risk of climate change on the Company's business model and long term viability and do not consider this to be a material risk to the Company at this time. The fund is a closed-ended investment fund and thus is not required to comply with LR 9.8.4R(14) or LR 9.8.6R(8) due to LRI5.4.29.

Going Concern and Viability

The performance of the investments held by the Fund over the reporting year is reflected in the Statement of Comprehensive Income and in notes 3 and 20 to the financial statements and the outlook for the future is described in the Chairman's Report and the Investment Manager's Report. The Company's financial position, its cash flows and liquidity position are set out in the financial statements and the Company's financial risk management objectives and policies, details of its financial instruments and its exposures to market price risk, credit risk, liquidity risk, interest rate risk, currency risk and country risk are set out at note 16 to the financial statements. The Company's long-term viability and assessment of longer-term risks to which the Company is exposed are also reported upon in the Company's long-term viability statement included below.

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

- ongoing shareholder interest in the continuation of the Fund;
- the Fund has sufficient liquidity in the form of cash assets to meet all on-going expenses;
- should the need arise, the directors have the option to reduce dividend payments in order to positively affect the Fund's cash flows;
- the Fund's investments in Canadian and U.S. securities are readily realisable to meet liquidity requirements, if necessary; and
- assuming the Fund represented at least 30% of the average daily trading volume, an excess of 98% of portfolio's holdings can be liquidated in under 5 working days.

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

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

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

Viability Statement

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

The Board of directors regularly assesses the viability of the Company for at least the three years following the date of that review. The Board believes that this three-year period remains the appropriate period over which to assess the Company's viability because the Company's shareholders and other stakeholders desire long-term certainty as to the Company's viability. The Board does not consider it feasible to anticipate with any reasonable degree of certainty the viability of the Company for a period longer than three years. In considering the Company's viability, the Board considers the Company's current position and the principal and emerging risks to which it is exposed, as set out on pages 30 to 32, the viability of its investment objective and policy, market risks, the ongoing charges ratio, the liquidity of its investments, the ability to use hedging as a portfolio management tool, gearing and the reduction in reliance of the Canadian economy on energy as it diversifies into promising growth industries, such as healthcare and technology.

The Board considers the impacts to the Company's business plan and viability if severe Principal and Emerging risks are applied. Certain financial risks were considered under a scenario analysis that stress tests the portfolio against historic market shocks, including the 2008 Lehman Default, the 2011 Debt Ceiling Crisis and the 2015 Greece Financial Crisis. It is expected that the value of the Fund's total investments as at 31 December 2022 would have experienced drawdowns of 26.8 per cent, 18.1 per cent and 2.6 per cent, respectively. Strategy, portfolio and market risks were also considered under a stress tested scenario where adverse movements in currency of 15 per cent are experienced, operating expenses increase by 20 per cent and gearing is reduced to zero due to higher interest rates. Under this scenario, the Fund's revenue is expected to decline by approximately £3,547,074, its net profit is expected to decline £2,907,651 and the dividend coverage of the Fund is expected to decline to 63 per cent. This analysis is relative to fiscal 2022 results and incorporates the dividend increase announced in January 2023.

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

Notwithstanding the ongoing uncertainty caused by inflation, higher interest rates and the ongoing war in Ukraine, if the Company's income, expenses and dividends remain substantially unchanged in 2023 and 2024, the Company will hold sufficient cash to pay all of its expenses and the current rate of dividends for at least the next 12 months following the date of approval of this annual financial report. In addition, the Board reviews the liquidity of the Company's investments on a quarterly basis and the Company's investment portfolio remains extremely liquid. The Board is confident, based on its regular monitoring of liquidity, that additional cash can be raised very quickly if needed.

The Fund has a Credit Facility Agreement with RBC whereby RBC provides the credit facility, with a maximum principal amount of the lesser of CAD 75,000,000 and 25 per cent of the total asset value of the Fund. The credit facility was increased from CAD 65,000,000 to CAD 75,000,000 effective from 17 August 2022. Based on the Fund's total assets of GBP 165,464,346 as at 31 December 2022, a decrease in total assets of GBP 52,587,836, or 31.78 per cent of assets, would be required for the principal amount to exceed 25 per cent of the total asset value of the fund.

In 2022, the level of gearing was kept relatively consistent, ranging between 14.6% to 19.1% and averaging 17.0 per cent.

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

Key Performance Indicators At each Board meeting, the Board considers a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators (KPIs) used to measure the progress and performance of the Company over time and which are comparable to other investment trusts are set out below.

Additionally, the Board regularly reviews the performance of the portfolio, as well as the net asset value and share price of the Company and compares this against various companies and indices. The Board also reviews the performance of the portfolio against the S&P TSX High Dividend Index. Information on the Company's performance is given in the Chairman's Statement and Investment Manager's Report.

Key performance indicator	2022 Value	2021 Value
NAV per share	128.31 pence	136.81 pence
NAV total return performance for the year	(2.9%)	38.8%
Benchmark Index*	5.3%	38.6%
Share price	118.75 pence	117.75 pence
Discount to NAV	(7.45%)	(13.93%)
Dividend for the year	5.1 pence	5.1 pence
Ongoing charges**	1.34%	1.24%

* S&P/TSX High Dividend Index, total return basis.

** refer to page 40

Borrowings

At 31 December 2022, the amount drawn down under the Credit Facility was CAD 46 million (GBP equivalent at amortised cost of £27,877,663). As at 31 March 2023, the amount drawn down under the Credit Facility was CAD 48 million (GBP equivalent at amortised cost of £28,625,755).

Interest is calculated at an annual percentage equal to, in the case of Prime Loans, the Prime Rate minus 0.35 per cent. In the case of a Banker's Acceptance, a stamping fee of 0.60 per cent per annum is payable. As at 31 December 2022, the Prime Rate was 6.45 per cent.

Future Developments

Details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Investment Manager's Report on pages 11 to 15. Further details as to the risks affecting the Company are set out on pages 30 to 32.

Environmental, Social and Governance Matters ('ESG')

The Board and the Investment Manager believe that companies should act in a socially responsible manner. Day-to-day decisions in respect of the Company's investment portfolio have been delegated to the Investment Manager. MCT is not an ESG- focused or sustainable fund but although the Investment Manager's priority at all times is the best economic interests of its clients, it recognises that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists at the Investment Manager are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to the industry. Their aim is to incorporate ESG criteria into the Investment Manager's processes when making stock selection decisions and promoting ESG disclosure. The Investment Manager is mindful of the impact which it can have upon shaping the consideration given to ESG matters by the Fund's investee companies. In addition to taking into account ESG matters in portfolio construction decisions, the Investment Manager conducts ongoing investee

Corporate Information continued

company monitoring, and this engagement process may include voting and communication with management and company board members. The Investment Manager's ESG policy is set out on pages 16 to 20.

Institutional Voting Policy

The Company's policy is that a decision on whether to vote on matters proposed by its investees is to be based on the nature of the matter being proposed. In the ordinary course of business, voting decisions have been delegated to the Investment Manager.

The Investment Manager's proxy voting policies are designed to be general in nature and the Investment Manager aims to exercise its proxy voting on all securities held. When exercising voting rights, the Investment Manager will generally vote with management of the issuer. For each proxy, the Investment Manager incorporates research and considers the recommendations provided by Glass Lewis, the Investment Manager's proxy advisor, in exercising its voting rights. All proxy voting is conducted through Glass Lewis Viewpoint and proxy voting is a key element of the Investment Manager's stewardship of the assets it manages, which is adjunct to the integration of ESG factors into its investment process.

On a monthly basis, the Investment Manager's portfolio managers generate a list of issuers whose weightings represent more than 3% of the Fund's net assets at the month-end preceding the voting date. For each of these issuers, the Investment Manager will record comments which support the rationale for the proxy decision made. For example, comments would be registered in Glass Lewis Viewpoint if the Investment Manager's proxy voting decision differs from the recommendation from management or Glass Lewis. Copies of all proxy records are retained and available in Glass Lewis Viewpoint.

Board Diversity and Experience

Following the changes in Board composition which took place in 2022, the Company's affairs are overseen by a Board comprised of six non-executive directors, two of whom are female. The directors' biographies are included on pages 26 to 27 above, demonstrating the diversity of their experience including, but not limited to, investment management, corporate governance, corporate law, banking, accounting and audit and ESG matters.

The directors regularly consider the leadership needs and specific skills required to manage the Company's affairs in the best interests of its shareholders and other stakeholders and take account of diversity recommendations in their succession planning. The Board supports the recommendations of the Hampton-Alexander review on gender diversity on Boards and the Parker Review about ethnic representation on Boards. The Board is not currently fully compliant with all recommendations but will continue to work towards compliance in a structured and orderly manner. We have described on page 8 how we expect to make further progress in this respect in 2023. The directors have decided that in future, in order to reach a broader range of diverse candidates, they will consider using one or more

UK external search agents to assist with the search for new directors.

The following table represents the gender identity of the Board:

	Number of board members	Percentage of the board
Men	4	66.67%
Women	2	33.33%

The following table represents the ethnic background of the Board:

	Number of board members	Percentage of the board
White, British or Other White (including minority white groups)	6	100.00%

REPORT OF DIRECTORS

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

Results and Dividend Policy

The results for the year are shown in the Statement of Comprehensive Income on page 59 and related notes on pages 62 to 76. Four interim dividends of 1.275 pence per share were declared and paid on account of the year ended 31 December 2022. In early 2023, a dividend of 1.3 pence per share was declared for Q1 and paid on 31 January 2023.

The Board is aware of the current circumstances surrounding inflation, higher interest rates and the war in Ukraine and their significant impact on economies and financial markets. Notwithstanding these ongoing issues, we will therefore be keeping the future level of dividends under close review. Currently, we remain confident that our dividend can be paid based on the solvency and future viability of the Fund.

In light of the excess revenue earnings generated by the Fund this year, together with the prospect of dividend growth from the underlying portfolio, the board approved a 0.1p increase to the annual dividend in early 2023. This results in a new dividend rate of 5.2 pence per share per annum payable on a quarterly basis in equal instalments. These figures are targets only and do not constitute, nor should they be interpreted as, a profit forecast. In addition, this is a target only and should not be treated as an assurance or guarantee of performance. If the Company's results permit it, the Board may consider further increases to the rate of dividends paid to shareholders at the appropriate time.

The current dividend rate of 1.3 pence per share per quarter is expected to be supported by capital and dividend and interest income earned by the Fund.

Directors' Conflicts of Interest

A director must avoid a situation where he or she has or might have a direct or indirect interest that either conflicts with or has the potential to conflict with the Company's interests. The Company's and Fund's Articles of Association give the directors authority to authorise potential conflicts of interest and there are safeguards in place which will apply whenever the directors decide that such are necessary or desirable. Firstly, only directors who have no interest in the matter being considered are able to vote upon the relevant decision, and secondly, in voting on the decision, the directors must act in a way they consider, in good faith, will be in the best interests of the Company. The directors can impose limits or conditions when giving authorisation if they consider this to be appropriate.

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

Share Capital

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

There are currently 2 Management Shares of no par value in the Company (issued on incorporation) and 124,682,250 Fund Shares in issue. As at 31 December 2022, 18,195,000 (2021: 18,195,000) Fund Shares were held in treasury. Since the financial year end and up to the date of this report, no Fund Shares had been sold out of or repurchased into treasury, there remain 18,195,000 Fund Shares held in treasury, which may in future be sold out of

treasury to satisfy market demand. Accordingly, the number of Fund Shares in issue and with voting rights attached is currently 106,487,250 (2021: 106,487,250) and this figure may be used by shareholders as the denominator for calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under FCA's Disclosure Guidance and Transparency Rules.

Further issues and Repurchases of Fund Shares

The Fund's Articles of Association provide the Board of directors with authority to issue further Fund Shares without seeking shareholders' approval, although, unless otherwise authorised by shareholders, such Fund Shares must be issued on a pre-emptive basis. However, at the Cell AGM held on 16 June 2022, the Fund's shareholders authorised the issue or sale out of treasury of Fund Shares representing up to 10 per cent. of the Fund's issued share capital as at the date of the Cell AGM on a non-pre-emptive basis. Such issues or sales will only be effected in the event of investor demand which cannot be met through the market and will only be conducted at a price equal to or above the prevailing NAV.

The aforementioned authority expires on the earlier of 30 September 2023 or the conclusion of the next Cell AGM.

The Fund's Articles of Association also provide the Board of directors with authority to repurchase Fund Shares, provided that such repurchases are made with shareholders' prior approval. At the Cell AGM held on 16 June 2022, the Fund's shareholders authorised the Board to make market purchases of up to 15,962,438 Fund Shares (representing 14.99 per cent. of the Fund's issued share capital as at the date of the Cell AGM), provided that no such purchases may be made at a price above the prevailing net asset value per Fund Share on the date of any such purchase.

Name	Redeemable Participating Preference Shares 31 December 2022	Redeemable Participating Preference Shares 31 December 2022	Redeemable Participating Preference Shares 31 March 2023
	Number of Shares	% of Shares in issue	Number of Shares
State Street Nominees Limited	15,619,028	12.53%	15,569,028
Allspring Global Investments Holdings, LLC	10,934,451	10.27%	10,934,451
Hargreaves Lansdown (Nominees) Limited	8,727,697	7.00%	8,744,236
Nortrust Nominees Limited	7,552,674	6.06%	9,045,936
The Bank of New York (Nominees) Limited	7,398,793	5.93%	5,685,632
Interactive Investor Services Limited	7,043,652	5.65%	7,013,353

Fund Shares are redeemable at the sole option of the directors and therefore classified as equity in the Statement of Financial Position.

Corporate Information continued

The aforementioned authority also expires on the earlier of 30 September 2023 or the conclusion of the next Cell AGM.

At the next Cell AGM, the Board will be seeking renewal of its authority to issue or sell out of treasury additional Fund Shares and to make market acquisitions of Fund Shares.

Notwithstanding the fact that the Fund conducted no share buybacks during 2022, the Board believes that it is important to retain the authority to buyback where appropriate (which, in turn is likely to depend on, inter alia, the prevailing discount rating of the Fund Shares, the financial resources that the Company has at its disposal, liquidity levels in the Fund Shares and the size of the Company). Buybacks can confer several benefits on remaining shareholders: they are accretive to NAV and can provide additional useful liquidity.

Reappointment of Auditor

RSM Channel Islands (Audit) Limited has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be proposed at the Company's and Fund's forthcoming AGMs.

Holdings in the Company's Shares

As at the year end and as at 31 March 2023, being the most recent practicable date prior to the publication of this Annual Financial Report, the below shareholders were recorded on the Company's share register as holding 5 per cent. or more of the Fund's issued share capital with voting rights attached or had otherwise notified the Company of such notifiable interests.

Related Party Transactions

The Company's related parties are its directors and the Investment Manager. There were no related party transactions (as defined in the Listing Rules) during the year under review, nor up to the date of this report. Details of the remuneration paid to the directors and the Investment Manager during the year under review are shown in note 13.

Annual General Meetings ('AGMs')

This year's AGMs will be held on 1 June 2023. Shareholders are welcome to attend the AGMs in person. The AGM Notice and details of the resolutions to be proposed are being sent to shareholders separately with this annual financial report. Shareholders can also write to the Company for further details at its registered office or by e-mail to the Secretary at Middlefield.Cosec@jtcgroup.com.

Directors' Statement as to Disclosure of Information to the Auditor

Each of the persons who is a director at the date of approval of this annual financial report confirms that:

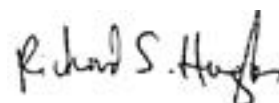
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all steps that he should have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor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

Approval

This Strategic Report was approved by the Board on 13 April 2023 and is signed on their behalf by:



Michael Phair
Director



Richard Hughes
Director

Corporate Governance

Statement of Directors Responsibilities

Directors' Responsibility Statement

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website <https://middlefield.com/funds/uk-funds/middlefield-canadian-income-trust/>

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

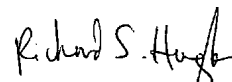
We confirm that to the best of our knowledge:

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

By order of the Board:



Michael Phair
Director



Richard Hughes
Director

Date: 13 April 2023

Directors' Remuneration Report

Remuneration Report

Remuneration policy

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

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

Directors' Remuneration

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

The non-executive directors each earned the following fees in the 2022 and 2021 financial years:

Director	2022 Fees	2021 Fees
Philip Bisson	£25,000	£22,000
Dean Orrico	–	–
Richard Hughes	£27,000	£23,071
Michael Phair	£31,000	£29,500
Kate Anderson (Appointed 12 April 2021)	£25,000	£15,835
Janine Fraser (Appointed 13 September 2022)	£7,473	N/A

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

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

For the year under review, the directors' remuneration was set at £31,000 per annum for the chairman of the Board, £27,000 per annum for the chairman of the audit committee and £25,000 for all other directors bar Mr Orrico, who has waived his entitlement to remuneration for acting as a director.

Shareholders' Views

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

Letters of Appointment

All directors are non-executive. Every director has a letter of appointment and the letters of appointment are available for inspection on the Company's website.

Directors' Remuneration Report continued

Directors' Interests in Shares

The interests as at 31 December 2022 and 2021 of the directors who served on the Board and their connected persons during the year were as follows:

	31 March 2023 Fund Shares	31 December 2022 Fund Shares	31 December 2021 Fund Shares
Philip Bisson	–	–	–
Philean Trust Company Limited (a company connected with Philip Bisson)	451,200	451,200	451,200
Probitas Trust Company Limited (a company connected with Philip Bisson)	150,000	150,000	150,000
Beg Kaleh Services Limited (a company connected with Philip Bisson)	148,000	148,000	141,000
Beg Kaleh Pension Limited (a company connected with Philip Bisson)	1,093,000	1,093,000	1,053,000
Dean Orrico	170,000	170,000	100,000
Richard Hughes	101,413	101,413	101,413
Cheng Sim Hughes (a person connected to Richard Hughes)	25,000	25,000	25,000
Michael Phair (current Chairman)	50,000	50,000	50,000
Kate Anderson	–	–	–
Janine Fraser	–	–	–

Directors' dividends

The following dividends were paid to Directors during the year as well as persons connected to the Directors.

	31 December 2022 Dividend GBP	31 December 2021 Dividend GBP
Philip Bisson	–	–
Philean Trust Company Limited (a company connected with Philip Bisson)	23,011	23,011
Probitas Trust Company Limited (a company connected with Philip Bisson)	7,650	7,650
Beg Kaleh Services Limited (a company connected with Philip Bisson)	7,191	6,821
Beg Kaleh Pension Limited (a company connected with Philip Bisson)	55,743	51,669
Dean Orrico	5,993	5,100
Richard Hughes	5,172	5,154
Cheng Sim Hughes (a person connected to Richard Hughes)	1,275	1,275
Michael Phair (current Chairman)	2,550	2,295
Kate Anderson	–	–
Janine Fraser	–	–

Ongoing Charges

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

	Ongoing charges (%)
31 December 2022	1.34
31 December 2021	1.24

Corporate Governance Statement

Applicable Corporate Governance Codes

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

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

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

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

Statement of Compliance

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

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

Responsibilities of the Board

The Board is responsible for setting the Company's Investment Objective and Investment Policy, subject to shareholders' approval of any proposed material changes, and has a schedule of investment matters reserved for the directors' resolution. The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services and the day-to-day accounting and secretarial requirements. Each of these contracts is only entered into after proper consideration by the Board of the quality of services being offered.

Internal Controls

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

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

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

Directors

Appointment, Retirement and Tenure

As Mr Orrico is not independent of the Investment Manager, he is required by the FCA's Listing Rules to submit himself for re-election annually. In addition, in accordance with the provisions of the AIC Code, and PIRC's published guidance, all directors will continue to offer themselves for annual re-election for the foreseeable future.

As the Company is a Jersey-regulated entity, the appointment of any new director is subject to the JFSC's confirmation that they have no objection to such director's appointment. It is also a regulatory requirement that the Company have at least two Jersey resident directors. Therefore, for so long as there are only two Jersey resident directors in office, any Jersey resident director who retires or whose re-

Corporate Governance Statement continued

election is not approved at a Company and Cell AGM will therefore remain in office until such time as a replacement Jersey-resident director acceptable to the JFSC has been appointed.

The Board is of the view that length of service does not automatically compromise the independence or contribution of directors of an investment company, where continuity and experience can be a benefit to the Board. Furthermore, the Board agrees with the view expressed in the AIC Code that long serving directors should not be prevented from forming part of an independent majority or from acting as Chairman. Consequently, no limit had previously been imposed on the directors' overall length of service.

However, the Board has noted that the AIC considers that directors who have served on the Board for more than nine years may not be independent and that certain corporate governance advisory bodies believe that directors should not serve more than nine years on an investment company's Board. Therefore, in the spirit of best corporate governance, the Board has decided that any director appointed in 2018 or thereafter shall only serve for a maximum of nine years before being required to retire from office.

As stated in previous annual financial reports, the Board has recognised the merits of refreshing its composition as well as planning for future succession. The Board intends to continue evolving its composition on a periodic basis and has agreed a succession plan for the directors with over nine years of service. The Board's advance planning for the retirement of directors ensures an orderly transition process that maintains an appropriate balance of skills and relevant experience. The Board has used open advertising in the past. The directors have decided that in future, in order to reach a broader range of diverse candidates, it will also consider using one or more UK external search agents to assist with the search for new directors.

As required by the FCA's Listing Rules, full biographical details of any additional directors appointed will be announced and he or she will stand for re-election at the next subsequent Company and Cell Meeting convened after their appointment and annually thereafter. Due to the length of his tenure and as announced on 13 September 2022, Mr Bisson has confirmed that he will not be standing for re-election at the next Cell and Company meeting. In addition, Mr Hughes has recently announced that, for personal reasons, he will not be standing for re-election at the next Cell and Company meeting.

Independence

For the period 1 January to 13 September 2022 the Board consisted of five members and from 13 September 2022 to the date of this report, the Board consisted of six members, all of whom were non-executive. Mr Orrico is a director of Middlefield Limited, the Investment Manager and President of the Investment Advisor. All the directors, apart from Mr Orrico, are considered to be independent of the Investment Manager and free of any business or other relationship that could influence their ability to exercise independent judgement. The Board believes that Mr Orrico's investment management experience adds considerable value to the Company.

The Board believes that Ms Anderson, Mr Bisson, Ms Fraser, Mr Hughes and Mr Phair are independent in character and judgement and that their experience and knowledge of the specialised sector in which the Company operates adds significant strength to the Board. Mr Phair was also considered to be independent upon his appointment as Chairman. The directors believe that the Board has a balance of skills and experience which enable it to provide effective strategic leadership and proper governance of the Company. Information about the directors, including their relevant experience, can be found on pages 26 to 27.

In accordance with the recommendations of the AIC Code, Richard Hughes acted as Senior Independent Director until 13 September 2022, on which date Ms Kate Anderson took over that role. In-line with the AIC's recommendation, Ms Anderson provides a sounding board for the chair and serves as an intermediary for the other directors and shareholders. She is responsible for coordinating a regular meeting, at least annually and on other occasions as necessary, of the non-executive directors (excluding the chair), to appraise the chair's performance.

Induction and Ongoing Training

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

Directors' Insurance

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

Meeting Attendance

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

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

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

	Quarterly Board	Ad hoc Board	Audit Committee	Nomination and Remuneration Committee	Management Engagement Committee	Dividend Committee ****
No. of meetings in the Year	4	1	4	2	1	4
Philip Bisson*	4	1	4	2	1	0
Dean Orrico**	4	1	4	2	1	0
Janine Fraser***	2	0	1	0	0	0
Richard Hughes	4	1	4	2	1	4
Michael Phair	4	1	4	2	1	0
Kate Anderson	4	1	4	2	1	0

*Mr Bisson attended meetings of the Audit Committee as an observer, not as a member or participant.

**Mr Orrico attended meetings of the Committees as an observer, not a member or participant.

***Ms Janine Fraser was appointed on 13 September 2022.

****The quorum for a meeting of the Dividend Committee is one director physically present in the UK.

The Board's Committees

Performance Evaluation

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

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

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

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

Committees of the Board

Audit Committee

On 26 May 2010 an Audit Committee was established. The current members are Richard Hughes (Chairman), Michael Phair, Kate Anderson and Janine Fraser. Notwithstanding that Mr Phair is Chairman of the Board, he was independent on appointment and the Board considers that his experience and knowledge is of great value to the Audit Committee. A separate report from the Audit Committee is included at pages 46 to 48.

Nomination and Remuneration Committee

The Board has also established a Nomination and Remuneration Committee, which meets when necessary. At the present time, the current members are all the directors of the Company bar Mr Orrico and Mr Bisson, and their summary biographical details are set out on pages 26 to 27.

The Chairman of the Nomination and Remuneration Committee is Richard Hughes or, failing him, any member of the Nomination and Remuneration Committee present within the United Kingdom other than the Chairman of the Company. The Board believes it is appropriate for all members of the Board (excluding Mr Orrico and Mr Bisson) to be on the Nomination and Remuneration Committee,

Corporate Governance Statement continued

because the directors work together collegiately, and each brings a different perspective to the Nomination and Remuneration Committee's discussions.

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

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

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

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

Management Engagement Committee

The Board established a Management Engagement Committee at its meeting held on 20 November 2013. In addition to regular reporting and engagement at Board meetings with its service providers, the Board formally reviews all service providers via the Management Engagement Committee. At the present time, the Management Engagement Committee's members are all the directors of the Company bar Mr Orrico, who does not sit on the Management Engagement Committee because of the perceived conflict that his role as President of the Investment Advisor could present, and Mr Bisson due to the length of his tenure on the Board and the perception by some stakeholders that such might impair his independence.

The Chairman of the Management Engagement Committee is Richard Hughes or, failing him, any member of the Management Engagement Committee present within the United Kingdom other than the Chairman of the Company. For the purposes of transacting business, a quorum of the Management Engagement Committee is not less than two members of the Management Engagement Committee and all meetings must take place in the UK.

The Board believes it is appropriate for all independent members of the Board to be on the Management Engagement Committee, because the directors work together collegiately and each brings a different perspective to the Management Engagement Committee's discussions.

Duties

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

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

portfolio, the other services provided by the key service providers, and the risk and governance environment in which the Company operates, the Board believes that the retention of the current key service providers on the current terms of their appointment remains in the best interests of the Company and its shareholders.

The Board regularly reviews the performance of the services provided by these companies. In addition, Mr Hughes and Ms Fraser performed a due diligence visit to the Administrator and Secretary in the Summer of 2022. A summary of the terms of the agreements with the Secretary, the Investment Manager and the Investment Advisor are set out in note 1 to the financial statements. After due consideration of the resources and reputations of those parties, the Board believes it is in the interests of shareholders to retain the services of all three providers for the foreseeable future.

Terms of Reference of Committees

The Terms of Reference of the Audit Committee, the Nomination and Remuneration Committee and the Management Engagement Committee are all available on the Company's website and are also available for inspection at the Company's registered office during normal business hours.

Bribery Act 2010

The Company has no employees. The Board has considered the Bribery Act 2010 and confirmed its zero tolerance of bribery and corruption in its business activities. It has received assurances from the Company's main service providers that they will maintain adequate safeguards to protect against any form of bribery and corruption by their employees and agents.

Criminal Finances Act 2017

The Board has also considered the Criminal Finances Act 2017 and has received assurances from the Company's main service providers that they will maintain adequate safeguards to protect against any form of illegal activities under this legislation, including the facilitation of tax evasion.

Relations with Shareholders

Shareholder relations are given a high priority by the Board, Investment Manager and Secretary. The primary medium through which the Company communicates with its shareholders is through the annual and half-yearly financial reports, which aim to provide shareholders with a full understanding of the Company's activities and results. The information is supplemented by the daily publication of the NAV of the Fund Shares, monthly factsheets and information on the Company's website operated by the Investment Manager. Shareholders have the opportunity to address questions to the Chairman and the Committees of the Board at the AGMs each year. Shareholders can also write to the Company at its registered office or by e-mail to the Secretary at Middlefield.Cosec@jtcgroup.com

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

Report of the Audit Committee

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

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

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

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

- Considering the appointment, resignation or dismissal of the Auditor and their independence and objectivity, particularly in circumstances where non-audit services have been provided.
- Reviewing the cost effectiveness of the external audit from time to time.
- Reviewing and challenging the half-yearly and Annual Financial Reports, focusing particularly on changes in accounting policies and practice, areas of accounting judgement and estimation, significant adjustments arising from audit or other review and the going concern assumption.
- Providing advice to the Board on whether the Annual Financial Report, taken as a whole, is fair balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.
- Reviewing compliance with accounting standards and law and regulations including the Companies (Jersey) Law 1991 and the FCA's Listing and Disclosure Guidance and Transparency Rules.
- Completing regular risk management reviews of internal controls, which include the review of the Fund's Risk Register.
- Reviewing the effectiveness of the Company's system of internal controls, including financial, operating, compliance, fraud and risk management controls and making and reporting to the Board any recommendations that may arise.
- Considering the major findings of internal investigations and making recommendations to the Board on appropriate action.
- Ensuring that arrangements exist whereby service providers and management may raise concerns over irregularities in financial reporting or other matters in confidence and that such concerns are independently investigated and remediated with appropriate action.

The Audit Committee, having reviewed the effectiveness of the internal control systems of the Administrator on a quarterly basis, and having regard to the role of the Auditor, does not consider that there is a need for the Company or Fund to establish its own internal audit function. The Administrator does however provide the Company's compliance officer, who monitors the Company's compliance with applicable laws and regulations and reports directly to the Board of directors on a quarterly basis.

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

The Board also received and considered, together with representatives of the Investment Manager, reports in relation to the operational controls of the Investment Manager, Administrator, Custodian and Registrar. These reviews identified no issues of significance. The risks relating to the Company (including the Fund) are discussed by the directors and documented in detail in the minutes of each meeting.

The Audit Committee is also responsible for overseeing the Company's relationship with the Auditor, including making recommendations to the Board on the appointment and re-appointment of the Auditor and its remuneration.

Significant Matters

The significant matters that were subject to specific consideration in 2022 by the Committee and consultation with the Auditor where necessary were as follows:

Valuation and ownership of securities

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

Valuation of securities – at each valuation point, a price tolerance check is run.

The following exceptions require further investigation:

- Prices outside the stated tolerance levels: Price movements need to be justified to underlying support.
- Stale prices: These need to be traced and agreed to support to ensure prices are not stale. Stale prices are escalated as per the pricing policy after being static for more than 7 days.
- Zero prices: Prices for these securities need to be investigated and added if applicable.

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

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

Any differences are investigated.

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

Allocation to Capital and Revenue

The Directors have made the critical judgement to allocate a proportion of management fees and finance to capital. This has been allocated 60% to capital and 40% to revenue.

This has been done in accordance with the Association of Investment Companies' Statement of Recommended Practice for Investment Trusts Companies.

The Audit Committee challenged the allocation of charges between capital and revenue by comparing it with the policies of other companies in the AIC North American sector who allocate charges to both capital and revenue. MCT has a somewhat higher allocation to revenue than the peer group. Since MCT is the highest yielding fund in the sector, the Audit Committee considered the allocation to be appropriate following this review and discussion of the separate analysis provided by the Investment Manager.

Compliance with Regulatory Requirements

JTC Fund Solutions (Jersey) Limited as administrator, ensures that the Fund meets its regulatory requirements with:

- FCA listing rules
- AIC Code of Corporate Governance and
- JFSC Codes of Practice for Certified Funds

Going Concern

The financial statements are prepared using the going concern basis based on the Directors' assessment that:

- The investment portfolio consists of listed investments that are highly realisable
- The Fund has sufficient liquidity in cash to meet all on-going expenses and repayments of external borrowings
- The Directors have the option to reduce dividend payments if the need arises

Report of the Audit Committee

continued

The Investment Manager monitors the Fund's investment portfolio daily and invests in listed securities that can be liquidated in a relatively short period of time. The Board monitors the Fund's portfolio on a quarterly basis.

Auditor and Audit

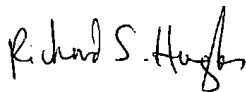
The Audit Committee considers the nature, scope and results of the Auditor's work and monitors the independence of the Auditor. Formal reports are received at Board meetings from the Auditor on an interim and annual basis relating to the extent of their work. The work of the Auditor in respect of any significant audit issues and consideration of the adequacy of that work is discussed. The Audit Committee is pleased to report there have been no concerns regarding their performance or independence.

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

The Audit Committee meets with the Investment Manager and Administrator to discuss the extent of audit work completed to ensure all matters of risk are covered and assesses the quality of the draft financial statements prepared by the Administrator and examines the interaction between the Investment Manager and the Auditor to resolve any potential audit issues.

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

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



Richard Hughes
Director

Date: 13 April 2023

General Shareholder Information

AIFMD Disclosures

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

Leverage and borrowing

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

For the gross method, the following has been excluded:

- the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the AIF that are readily convertible to a known amount of cash, subject to an insignificant risk of changes in value;
- cash borrowings that remain in cash or cash equivalent as defined above and where the amounts of that payable are known. The total amount of leverage calculated as at 31 December 2022 is as follows:

Gross method: 140.17% (31 December 2021: 150%)

Commitment method: 140.17% (31 December 2021: 150%)

Liquidity

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

Risk management policy note

Please refer to note 16, Financial instruments, in the Notes to the financial statements on pages 69 to 73 for risk management policies, where the current risk profile of the Company and the risk management systems employed by the Investment Manager to manage those risks are set out.

AIFM Remuneration

The total remuneration paid by the AIFM to its 6 staff amounted to approximately £350,000 for the year ended 31 December 2022. This amount was paid to a total of 3 beneficiaries including senior management and other staff.

General Data Key Investor Document and Related Data

The Company has produced a Key Information Document (the “**KID**”), as required by the Packaged Retail Insurance-Based Investment Products Regulations (the “**PRIPs Regulations**”), together with a European PRIPs Template and a European MiFID Template, all of which are available on the Company's website.

The PRIPs Regulations require the preparation and publication of the KID. Investors should note that the methodology for calculating the risks, costs and potential returns cited in the KID are prescribed by the PRIPs Regulations. However, the methodology is considered by many market participants, including the AIC, to be flawed and future risks and returns may not transpire to be as cited in the KID. The Board therefore recommends that investors not make any investment or divestment decision based on the information contained in the KID.

Non-Mainstream Pooled Investment (‘NMPI’) Status

The Company currently conducts its affairs to maintain its status as an “excluded security” for the purposes of the FCA's rules on “non-mainstream pooled investments” and intends to continue to do so. The Fund Shares are therefore excluded from the FCA's restrictions which apply to non-mainstream pooled investments.

Performance Details/Share Price Information

Details of the Company's share price and the net asset value per Fund Share can be found on the London Stock Exchange's website. The net asset value is calculated and published daily.

Independent Auditor's Report

TO THE MEMBERS OF MIDDLEFIELD CANADIAN INCOME – GBP PC, A CELL OF MIDDLEFIELD CANADIAN INCOME PCC

Opinion

We have audited the financial statements of Middlefield Canadian Income – GBP PC (the "Fund"), which comprise the Statement of Financial Position as at 31 December 2022, and the Statement of Comprehensive Income, Statement of Changes in Redeemable Participating Preference Shareholder's Equity and Statement of Cash Flows for the year then ended, and notes 1 to 20 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Financial Reporting Standards ("IFRS").

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

- give a true and fair view of the state of the Fund's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted IFRS; and
- have been prepared in accordance with the Companies (Jersey) Law 1991.

Separate opinion in relation to IFRS as adopted by the European Union

As explained in note 2a, in addition to complying with the Listing Rules obligation to apply UK-adopted IFRS, the Fund has also applied IFRSs as adopted by the European Union.

In our opinion the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with IFRS as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Jersey, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

Our audit was scoped by obtaining an understanding of the Fund and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Our consideration of the control environment

The Fund has appointed JTC Fund Solution (Jersey) Limited to provide the accounting function. The accounting function has been subcontracted to JTC Fund Solutions (RSA) Pty Ltd ("JTC SA"). We have obtained JTC SA's ISAE 3402 controls assurance report for the period 1 April 2021 to 31 March 2022 which summarises the suitability of design and implementation and operating effectiveness of controls. We have reviewed the report and considered the controls relevant to the accounting functions undertaken by JTC SA for the Fund in order to rely on controls. As the reporting date of the Fund is 31 December 2022, we have obtained correspondence issued by JTC SA confirming that there have not been any material changes to the internal control environment nor any material deficiencies in the internal controls to this date.

Independent Auditor's Report continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion, the key audit matter was as follows:

Key Audit Matter	How our scope addressed this matter
<p>Ownership and valuation of Securities</p> <p>The Fund's securities (see note 3 and the schedule of securities) are included at fair value of £162,972,393 (2021: £180,581,681). The portfolio is made up of securities actively traded on recognised markets which are measured at fair value based on market prices and other prices determined with reference to observable inputs.</p> <p>Although all of the securities are listed and have quoted market pricing data available which is used to value the securities, there is a risk of material misstatement that the securities may be incorrectly valued due to stale prices, low trading volumes or errors reported in third party prices. Where securities are not regularly traded there is a greater risk of material misstatement that the quoted price is not reflective of fair value and this should be taken into consideration in management's assessment. Valuation has a significant impact on the net asset value of the Fund.</p> <p>There is a risk that securities, a record of which is maintained by a third-party custodian, are not directly owned by the Fund.</p> <p>Securities are held by the custodian. Ensuring that the custodian records all the securities correctly under the Fund's name is critical since the investment portfolio represents the principal element of the financial statements, being the single largest asset on the Statement of Financial Position.</p>	<p>Our procedures on the valuation of securities included:</p> <ul style="list-style-type: none"> · understanding the relevant controls around valuation; · testing 100% of the valuations of securities by agreeing the prices directly to independent third-party sources; · considering the trading history of securities to determine whether they have been frequently traded, and values at which they have been traded to consider whether the year end prices are stale. <p>Our procedures on ownership of securities included:</p> <ul style="list-style-type: none"> · obtaining an understanding of the relevant controls around custody of securities; · agreeing the holdings to independent third-party confirmations provided by the Fund's custodian; and · reviewing the ISAE 3402 controls assurance report of the custodian to consider the controls relevant to the custodial function. <p>Key observations</p> <p>Based on the procedures, we concluded that the ownership and valuation of securities are appropriate.</p>

Our application of materiality

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

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

Materiality £2,640,000 (2021: £2,730,000).

Basis for determining materiality – Approximately 1.6% of the Fund's total assets (2021: 1.5%).

Rationale for the benchmark applied – The reason for using total assets is that the key users of the financial statements are primarily focused on the valuation of the Fund's assets. This approach remains consistent with the prior year.

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2022 audit (2021: 75%). In determining performance materiality, we considered our understanding of the entity, including our assessment of the overall control environment.

Error reporting threshold

We agreed with the Audit Committee that we would report to them all audit differences in excess of £130,000 (2021: £130,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Fund's ability to continue to adopt the going concern basis of accounting included our review of the directors' statement in note 2(n) and their identification of any material uncertainties to the Fund's ability to continue over a period of at least twelve months from the date of approval of the financial statements.

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

In relation to the Fund's reporting on how it has applied Listing Rule 9.8.6R(3), we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Matters on which we are required to report by exception

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

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

Independent Auditor's Report continued

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Fund's compliance with the provisions of the Listing Rule 9.8.10R(2) specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement and Corporate Information is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 32 to 33;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on pages 32 to 33;
- Directors' statement on fair, balanced and understandable set out on page 38;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 30 to 32;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 41; and
- The section describing the work of the audit committee set out on pages 46 to 48.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is explained below.

The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, we:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the Fund operates in and how the Fund is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected, or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment; and
- reviewed minutes of the Board and other Committees.

We also obtained an understanding of the legal and regulatory frameworks that the Fund operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK-adopted IFRS, Companies (Jersey) Law 1991, Codes of Practice for Certified Funds, Listing and Disclosure Transparency Rules and the AIC Code of Corporate Governance. The audit procedures performed included:

- a review of the financial statement disclosures and testing to supporting documentation;
- completion of disclosure checklists to identify areas of non-compliance; and
- review of the financial statement disclosures by a specialist in the Listing and Disclosure Transparency Rules.

The area that we identified as being susceptible to material misstatement due to fraud was management override of controls. The audit procedures performed included:

- testing the appropriateness of journal entries and other adjustments;
- undertaking analytical procedures to identify unusual or unexpected relationships;
- assessing whether the judgements made in determining accounting estimates, in particular in respect of the fair value of securities and the split between capital and revenue, are indicative of a potential bias; and
- evaluation of the business rationale of any significant transactions that are unusual or outside the normal course of business.

Owing to the inherent limitations of an audit there is an unavoidable risk that some material misstatement of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK). However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with the directors who should not rely on the audit to discharge those functions.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement.

Independent Auditor's Report continued

We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of directors on 1 October 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2020 to 2022.

No non-audit services have been provided to the Fund and we remain independent of the Fund in conducting our audit.

Our audit opinion is consistent with our reporting to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

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



Philip J Crosby

For & on behalf of

RSM Channel Islands (Audit) Limited

Chartered Accountants and Recognized Auditors

Jersey, C.I.

Date: 13 April 2023

Financial Statements

Statement of Financial Position of the Fund

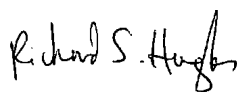
As at 31 December 2022

	Notes	2022 GBP	2021 GBP
Current assets			
Securities (at fair value through profit or loss)	3 & 20	162,972,393	180,581,681
Accrued dividend income		603,125	608,793
Prepayments		26,622	21,090
Cash and cash equivalents	4	1,523,392	2,905,019
		165,125,532	184,116,583
Current liabilities			
Other payables and accruals	5	(459,482)	(429,362)
Interest payable		(152,371)	(24,993)
Loan payable	14	(27,877,663)	(37,973,792)
		(28,489,516)	(38,428,147)
Net assets		136,636,016	145,688,436
Equity attributable to equity holders			
Stated capital	6	49,704,414	49,704,414
Retained earnings		86,931,602	95,984,022
Total Shareholders' equity		136,636,016	145,688,436
Net asset value per redeemable participating preference share (pence)	7	128.31	136.81

The financial statements and notes on pages 58 to 76 were approved by the directors on 13 April 2023 and signed on behalf of the Board by:



Michael Phair
Director



Richard Hughes
Director

The accompanying notes on pages 62 to 76 form an integral part of these financial statements.

Statement of Comprehensive Income of the Fund

For the year ended 31 December 2022

	Notes	Revenue GBP	Capital GBP	2022 Total GBP	2021 Total GBP
Revenue					
Dividend income	8	9,388,801	–	9,388,801	7,477,135
Interest income	8	44,049	–	44,049	3,140
Net movement in the fair value of securities (at fair value through profit or loss)	9	–	(6,931,619)	(6,931,619)	37,737,269
Net movement on foreign exchange		–	(1,797,920)	(1,797,920)	(491,485)
Total revenue/(loss)		9,432,850	(8,729,539)	703,311	44,726,059
Expenditure					
Investment management fees	2o	425,236	637,853	1,063,089	920,262
Custodian fees	2l	19,778	–	19,778	15,637
Corporate Broker's fees	2m	75,936	–	75,936	65,733
Directors' fees and expenses		158,987	–	158,987	136,983
Legal and professional fees		46,563	–	46,563	28,731
Audit fees		32,257	–	32,257	25,000
Tax fees		6,624	–	6,624	12,132
Registrar's fees		43,918	–	43,918	38,859
Administration and secretarial fees	2k	151,871	–	151,871	131,466
General expenses		177,485	–	177,485	99,383
Investor relations fee	2u	198,317	–	198,317	170,467
Operating expenses		1,336,972	637,853	1,974,825	1,644,653
Net operating profit/(loss) before finance costs		8,095,878	(9,367,392)	(1,271,514)	43,081,406
Finance costs	2r	(385,812)	(578,719)	(964,531)	(343,341)
Profit/(loss) before tax		7,710,066	(9,946,111)	(2,236,045)	42,738,065
Withholding tax expense	12	(1,385,525)	–	(1,385,525)	(1,130,578)
Net profit/(loss) after taxation		6,324,541	(9,946,111)	(3,621,570)	41,607,487
Profit/(loss) per redeemable participating preference share – basic and diluted (pence)	10	5.94	(9.34)	(3.40)	39.07

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

There are £nil (2021: £nil) earnings attributable to the management shares.

The accompanying notes on pages 62 to 76 form an integral part of these financial statements.

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

For the year ended 31 December 2022

	Notes	Stated Capital Account GBP	Retained Income GBP	Total GBP
At 1 January 2021		49,704,414	59,807,385	109,511,799
Profit for the year		–	41,607,487	41,607,487
Dividends	11	–	(5,430,850)	(5,430,850)
At 31 December 2021		49,704,414	95,984,022	145,688,436
Loss for the year		–	(3,621,570)	(3,621,570)
Dividends	11	–	(5,430,850)	(5,430,850)
At 31 December 2022		49,704,414	86,931,602	136,636,016

The accompanying notes on pages 62 to 76 form an integral part of these financial statements.

Statement of Cash Flows of the Fund

For the year ended 31 December 2022

	Notes	2022 GBP	2021 GBP
Cash flows generated from/(used in) operating activities			
Net (loss)/profit after taxation		(3,621,570)	41,607,487
Adjustments for:			
Net movement in the fair value of securities (at fair value through profit or loss)	9	6,931,619	(37,737,269)
Realised loss on foreign exchange		1,945,060	828,918
Unrealised gain on foreign exchange	2p	(147,140)	(337,433)
Payment for purchases of securities		(53,195,612)	(60,709,326)
Proceeds from sale of securities		63,873,458	47,429,734
Operating cash flows before movements in working capital		15,785,815	(8,917,889)
Decrease/(increase) in receivables		136	(188,630)
Increase in payables and accruals		157,320	113,836
Net generated from/(used in) from operating activities		15,943,271	(8,992,683)
Cash flows generated (used in)/from financing activities			
Repayments of borrowings		(251,471,496)	(162,821,910)
New bank loans raised		239,229,825	174,478,225
Dividends paid	11	(5,430,850)	(5,430,850)
Net cash generated (used in)/from financing activities		(17,672,521)	6,225,465
Net increase/(decrease) in cash and cash equivalents		(1,729,250)	(2,767,218)
Cash and cash equivalents at the beginning of the year		2,905,019	5,621,538
Effect of foreign exchange rate changes		347,623	50,698
Cash and cash equivalents at the end of the year		1,523,392	2,905,019
Cash and cash equivalents made up of:			
Cash at bank	4	1,523,392	2,905,019

The accompanying notes on pages 62 to 76 form an integral part of these financial statements.

Notes to the Financial Statements of the Fund For the year ended 31 December 2022

1. General Information

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

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

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

The Company and Fund have no employees.

The functional and presentational currency of the Company and the Fund is Pound Sterling ('GBP') as the Fund is trading on the London Stock Exchange's Main Market.

2. Principal Accounting Policies

a. Basis of preparation

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

Where presentational guidance set out in the SORP Financial Statements of Investment Trust Companies and Venture Capital Trusts (July 2022) issued by the AIC is consistent with the requirements of IFRS, the directors have prepared the Financial Statements on a basis compliant with the recommendations of the SORP. The supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and a capital nature is presented in accordance with the SORP.

The financial statements are prepared in accordance with UK-adopted IFRS as required by the UK Listing and Disclosure Guidance and Transparency Rules. Jersey company law prescribes which generally accepted accounting principles are allowed to be adopted by Jersey market traded companies in the preparation of their annual financial statements. Following its introduction, Jersey company law has not been amended to permit UK-adopted IFRS. The directors have therefore also prepared the financial statements in accordance with IFRS as adopted by the European Union. Therefore, they consider the financial statements to be compliant with Jersey company law. The directors do not consider there to be any material difference between UK-adopted IFRS and IFRS adopted by the European Union.

Critical accounting estimates and judgements

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

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

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

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

Adoption of new standards and amendments

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 1 January 2022 that have had a material impact on the Company.

2. Principal Accounting Policies continued

a. Basis of preparation continued

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

- Amendments to IAS 1, 'Presentation of financial statements on classification of liabilities' (effective periods commencing on or after 1 January 2023 for IFRS as adopted by the European Union and 1 January 2024 for UK-adopted IFRS).

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

b. Financial instruments

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

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value based on stock exchange quoted bid prices at the reporting date. The resulting gain or loss is recognised in the Statement of Comprehensive Income as a capital gain or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition profit or loss depends on the nature of the hedge relationship. The Fund had no derivatives outstanding at 31 December 2022 and 2021.

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

c. Securities

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

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

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

d. Receivables

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

e. Cash and cash equivalents

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

f. Prepayments

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

g. Provisions

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

h. Share capital

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

Notes to the Financial Statements of the Fund continued For the year ended 31 December 2022

2. Principal Accounting Policies continued

i. Net asset value per redeemable participating preference share

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

j. Issue costs

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

k. Administration and secretarial fees

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

l. Custodian fees

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

m. Corporate Broker's fees

The Fund pays the Corporate Broker quarterly in arrears at a rate of 0.05 per cent. per annum of the average NAV of the Fund calculated over the relevant period.

n. Going concern

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

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

- ongoing shareholder interest in the continuation of the Fund;
- the Fund has sufficient liquidity in the form of cash assets to meet all on-going expenses;
- should the need arise, the directors have the option to reduce dividend payments in order to positively affect the Fund's cash flows; and
- the Fund's investments in Canadian and U.S. securities are readily realisable to meet liquidity requirements, if necessary.
- assuming the Fund represented at least 30% of the average daily trading volume, an excess of 98% of portfolio's holdings can be liquidated in under 5 working days.

The Directors appreciate the severity of the current economic environment and continue to assess, in conjunction with the Investment Manager and the Investment Advisor, the situation and how it may impact the Company in the short and long term. The Directors consider the Company to be well placed to withstand any significant adverse shocks and assume the going concern basis to be appropriate.

o. Investment management fees

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

Investment management fees for the year ended 31 December 2022 total £1,063,089 (31 December 2021: £920,262). The fee is split between the Investment Manager and the Investment Advisor at a ratio of 0.60 per cent: 0.10 per cent of the 0.70 per cent fee.

Investment management fees have been split 60% to capital and 40% to revenue (see note 2a for further details regarding the allocation of the management fees)

2. Principal Accounting Policies *continued*

p. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Pound Sterling at exchange rates in effect at the reporting date. Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the Statement of Comprehensive Income as foreign currency gains and losses. The cost of investments, and income and expenditure are translated into Pound Sterling based on exchange rates on the date of the transaction. Realised losses on foreign exchange currency transactions totalled £1,910,349 for the year (2021: losses of £877,779). Realised losses on forward exchange contracts totalled £34,711 (2021: gains of £48,861). Unrealised gains on foreign currency translations totalled £147,140 (2021: gains of £337,433).

q. Revenue recognition

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

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

r. Loan payable and finance costs

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

s. Related parties

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

t. Business and geographical segments

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

u. Investor relations fee

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

Investor relations fee for the year ended 31 December 2022 total £198,317 (31 December 2021: £170,467).

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

	2022 GBP	2021 GBP
Quoted/listed Equities	162,972,393	180,581,681

Please refer to Note 20 for the Schedule of Investments.

4. Cash and cash equivalents

	2022 GBP	2021 GBP
Cash at bank	1,523,392	2,905,019

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

Notes to the Financial Statements of the Fund continued For the year ended 31 December 2022

5. Other payables and accruals

	2022 GBP	2021 GBP
Investment management fees (Note 13)	251,614	252,026
Corporate Broker's fees	17,973	35,098
Audit fees	32,000	25,000
Administration fees	35,946	36,004
General expenses	18,698	7,662
Directors' fees	34,473	–
Registrar's fees	9,398	9,002
Tax service fees	6,120	5,616
Custodian fees	3,595	7,020
Marketing fees	–	4,242
Investor relations fee (Note 13)	49,665	47,692
	459,482	429,362

6. Stated capital

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

	No. of shares	GBP
Management shares issued		
2 management shares of no par value issued at 100.00 pence each	2	2
At 31 December 2022 and 2021	2	2
Redeemable participating preference shares issued (excluding shares held in treasury)		
At 31 December 2021	106,487,250	49,704,412
Movement for the year	–	–
At 31 December 2022	106,487,250	49,704,412
Total		49,704,414

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

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

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

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

At the year end, there were 18,195,000 (31 December 2021: 18,195,000) treasury shares in issue. Treasury shares have no value and no voting rights.

6. Stated capital continued

FCA regulation of 'non-mainstream pooled investments'

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

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

Retained Earnings

This reserve records all net gains and losses and transactions with owners not recorded elsewhere. This reserve is available for distribution to the shareholders. Dividends paid to shareholders are recognised directly in this reserve.

7. Net asset value per redeemable participating preference share

The NAV per share of 128.31p (31 December 2021: 136.81p) is based on the net assets at the year end of £136,636,016 (31 December 2021: £145,688,436) and on 106,487,250 redeemable participating preference shares, being the number of redeemable participating preference share in issue at the year end (31 December 2021: 106,487,250 shares).

8. Dividend and interest income

	Revenue GBP	Capital GBP	2022 Total GBP	2021 GBP
Bank and loan interest	44,049	–	44,049	3,140
Dividend income	9,388,801	–	9,388,801	7,477,135
	9,432,850	–	9,432,850	7,480,275

9. Net movement in the fair value of securities

	Revenue GBP	Capital GBP	2022 Total GBP	2021 GBP
Gains on sale of securities	–	14,290,636	14,290,636	6,796,626
(Losses)/gains on the revaluation of securities at year end	–	(21,222,255)	(21,222,255)	30,940,643
Net movement in the fair value of securities (at fair value through profit or loss)	–	(6,931,619)	(6,931,619)	37,737,269

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

Basic profit/(loss) per redeemable participating preference share is calculated by dividing the net loss attributable to redeemable participating preference shares of £3,621,570 (31 December 2021: £41,607,487 profit) by the weighted average number of redeemable participating preference shares outstanding during the year of 106,487,250 shares (31 December 2021: 106,487,250 shares). The allocation between revenue and capital can be found on the Statement of Comprehensive Income of the Fund on page 59.

11. Dividends

Dividends of 1.275 pence per share were paid on a quarterly basis during the year in the months of January, April, June and October totalling £5,430,850 (31 December 2021: £5,430,850) for the year. On 31 January 2023 a dividend of £1,384,334 was paid of 1.3 pence per share. In accordance with the requirements of IFRS, as this was approved on 5 January 2023, being after the reporting date, no accrual was reflected in the 2022 Financial Statements for this amount of £1,384,334 (31 December 2021: £1,357,712).

Notes to the Financial Statements

of the Fund continued

For the year ended 31 December 2022

12. Taxation

The Fund is subject to UK corporation tax at a rate of 19% (2021: 19%). The Company adopted UK tax residency on 11 October 2011. Since that date the Company has been managed in such a way as to be able to meet the conditions for approval as an investment trust under Section 1158 of the Corporation Tax Act 2010. As an investment trust, all capital gains are exempt from UK corporation tax. On 7 December 2012, the Company received approval from HM Revenue & Customs to be treated as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 and will seek to remain so approved.

The Fund incurred £1,385,525 (2021: £1,130,578) of withholding tax on foreign dividends during the year and this expense has been included in the Statement of Comprehensive Income.

13. Related party transactions

The directors are regarded as related parties and key management personnel. Total directors' fees earned during the year amounted to £115,473 of which £34,473 was due at year end (2021: £113,656 of which £nil was due at the year end). Each non-executive director, other than Mr. Orrico, earned a fee of £25,000 in respect of the financial year (2021: £22,000), the Chairman earned a fee of £31,000 (2021: £28,000) and the Chairman of the Audit Committee £27,000 (2021: £24,000). Mr Orrico waived his fee in 2022 and 2021.

The directors held an interest in shares and received dividends during the year. Their interests in shares and the dividends received during the year are disclosed within the Directors' Remuneration Report.

The Investment Advisor and Investment Manager are also regarded as a related party due to common ownership. Total management fees paid during the year amounted to £1,063,089 (2021: £920,262), of which £251,614 (2021: £252,026) was outstanding at 31 December 2022.

The Investment Advisor and Investment Manager are also paid an additional fee for investor relations services. The fee for the year ended 31 December 2022 amounted to £198,317 (31 December 2021: £170,467), of which £49,665 (2021: £47,692) was outstanding at 31 December 2022.

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

14. Loan payable

The Fund has a Credit Facility Agreement with RBC whereby RBC provides the Credit Facility, with a maximum principal amount of the lesser of CAD 75,000,000 and 25 per cent. of the total asset value of the Fund. The credit facility was increased from CAD 65,000,000 to CAD 75,000,000 effective from 17 August 2022.

At 31 December 2022, the amount drawn down under the Credit Facility was CAD 46,000,000 (GBP equivalent at amortised cost of £27,877,663) (31 December 2021: CAD 65,000,000 (GBP equivalent at amortised cost of £37,973,792)).

The loan value of CAD 46,000,000 was made up of six loans as follows:

Issue date	Maturity date	Loan amount
14 October 2022	12 January 2023	CAD10,000,000.00
19 October 2022	17 January 2023	CAD7,000,000.00
16 November 2022	16 January 2023	CAD2,000,000.00
07 December 2022	06 January 2023	CAD13,000,000.00
19 December 2022	18 January 2023	CAD7,000,000.00
28 December 2022	27 January 2023	CAD7,000,000.00

As at 31 December 2022, pre-paid interest and stamping fees of £57,320 (31 December 2021: £22,897) were paid on the Banker's Acceptance of which £34,453 is amortised over a period of 30 days, £2,698 is amortised over a period of 61 days, and £20,169 is amortised over a period of 90 days. Interest paid on the Banker's Acceptance totalled £763,799 (31 December 2021: £133,591).

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

15. Security agreement

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

16. Financial instruments

Fair values

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

Management of capital

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

The capital structure of the Fund consists of proceeds from the issue of preference shares, loans and reserve accounts. The Investment Manager manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. Generally speaking, the Fund will reduce leverage when investments are likely to decrease in value and will increase leverage when investment appreciation is anticipated. In order to maintain or adjust its capital structure, the Fund may borrow or repay debt under its Credit Facility or undertake other activities deemed appropriate under the specific circumstances. The Fund and the Company do not have any externally imposed capital requirements. However, the Fund is subject to bank covenants in respect of leverage and complied with those covenants for the whole of both 2022 and 2021.

Investment and trading activities

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

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

Credit risk

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

The Fund's principal financial assets are bank balances and cash, other receivables and investments as set out in the Statement of Financial Position which represents the Fund's maximum exposure to credit risk in relation to the financial assets. The credit risk on bank balances is limited because the counterparties are banks with high credit ratings of A, 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 carrying 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.

Notes to the Financial Statements of the Fund continued For the year ended 31 December 2022

16. Financial instruments continued

Country risk

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

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

The level in the fair value hierarchy within which the fair value measurement is 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 Directors. The Directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following tables present the Fund's financial instruments by level within the valuation hierarchy as of 31 December 2022 and 2021:

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
31 December 2022				
Financial assets				
Securities (at fair value through profit or loss)	162,972,393	–	–	162,972,393
31 December 2021				
Financial assets				
Securities (at fair value through profit or loss)	180,581,681	–	–	180,581,681

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

Price sensitivity

At 31 December 2022, if the market prices of the securities had been 30% higher with all other variables held constant, the increase in net assets attributable to holders of redeemable participating preference shares for the year would have been £48,891,718 (2021: £54,174,504) higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by £48,891,718 (2021: £54,174,504).

At 31 December 2022, if the market prices of the securities had been 30% lower with all other variables held constant, the decrease in net assets attributable to holders of redeemable shares for the year would have been equal, but opposite, to the figures stated above.

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.

There were no fixed rate assets or liabilities at 31 December 2022 and 2021.

The following table details the Fund's exposure to interest rate risk at 31 December 2022 and 2021:

		Floating rate assets	
	Weighted average interest at year end	2022 GBP	Weighted average interest at year end
			2021 GBP
Assets			
Floating rate assets			
Cash and cash equivalents	*	1,523,392	2,905,019
		1,523,392	2,905,019
* Interest on bank balances is not material to the financial statements and are based on prevailing bank base rates.			
		Floating rate liabilities	
		2022 GBP	2021 GBP
Liabilities			
Floating rate liabilities			
Loan payable (See Note 14)		27,877,663	37,973,792
		27,877,663	37,973,792

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

Interest rate sensitivity analysis

At 31 December 2022, had interest rates been 50 basis points higher and all other variables were held constant, the Company's net assets attributable to redeemable participating preference shares for the year would have decreased by £131,171 (31 December 2021: £175,344) due to an increase in interest payable on the loan and to a lesser extent an increase in interest earnings on cash and cash equivalents.

Liquidity risk

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

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

Notes to the Financial Statements of the Fund continued For the year ended 31 December 2022

16. Financial instruments continued

Liquidity risk continued

As at 31 December 2022, the Fund's ability to manage liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Securities (at fair value through profit or loss)	162,972,393	—	—	—	162,972,393
Accrued dividend income	577,953	25,172	—	—	603,125
Cash and cash equivalents	1,523,392	—	—	—	1,523,392
	165,073,738	25,172	—	—	165,098,910
Liabilities					
Other payables and accruals	(459,482)	—	—	—	(459,482)
Interest payable	(152,371)	—	—	—	(152,371)
Loan payable	(27,877,663)	—	—	—	(27,877,663)
	(28,489,516)	—	—	—	(28,489,516)
	136,584,222	25,172	—	—	136,609,394

As at 31 December 2021, the Fund's ability to manage liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
Assets					
Securities (at fair value through profit or loss)	180,581,681	—	—	—	180,581,681
Other receivables	563,804	44,989	—	—	608,793
Cash and cash equivalents	2,905,019	—	—	—	2,905,019
	184,050,504	44,989	—	—	184,095,493
Liabilities					
Other payables and accruals	(429,362)	—	—	—	(429,362)
Interest payable	(24,216)	(777)	—	—	(24,993)
Loan payable	(35,640,421)	(2,333,371)	—	—	(37,973,792)
	(36,093,999)	(2,334,148)	—	—	(38,428,147)
	147,956,505	(2,289,159)	—	—	145,667,346

16. Financial instruments continued

Currency risk

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

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

	2022 GBP	2021 GBP
Assets		
Securities (at fair value through profit or loss)	158,345,116	164,959,643
Cash and cash equivalents	1,226,114	2,638,241
Accrued income	603,125	608,792
	160,174,355	168,206,676
	2022 GBP	2021 GBP
Liabilities		
Loan payable	27,877,663	37,973,792
Interest payable	152,371	24,993
General expenses	–	397
	28,030,034	37,999,182

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

	2022 GBP	2021 GBP
Assets		
Securities (at fair value through profit or loss)	4,627,277	15,622,038
Cash and cash equivalents	111,088	34,472
	4,738,365	15,656,510

Sensitivity analysis

At 31 December 2022, 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 £6,607,216 (31 December 2021: £6,510,375). Had GBP weakened against the CAD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £6,607,216 (31 December 2021: £6,510,375).

At 31 December 2022, 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 £236,918 (31 December 2021: £782,825). Had GBP weakened against the USD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £236,918 (31 December 2021: £782,825).

Notes to the Financial Statements of the Fund continued For the year ended 31 December 2022

17. Cash Flow statement reconciliation of financing activities

	1 January 2022 GBP	Cash flows GBP	Non-cash changes			31 December 2022 GBP
			Acquisition GBP	Foreign exchange movements GBP	Fair value changes GBP	
Financial liabilities held at amortised cost	37,973,792	(12,241,671)	–	2,145,542	–	27,877,663
Total	37,973,792	(12,241,671)	–	2,145,542	–	27,877,663

	1 January 2021 GBP	Cash flows GBP	Non-cash changes			31 December 2021 GBP
			Acquisition GBP	Foreign exchange movements GBP	Fair value changes GBP	
Financial liabilities held at amortised cost	25,775,293	11,656,315	–	542,184	–	37,973,792
Total	25,775,293	11,656,315	–	542,184	–	37,973,792

18. Post year end events

On 5 January 2023, the Company declared a quarterly dividend of 1.3 pence per share. The ex-dividend date was 12 January 2023 and the record date was 13 January 2023. On 31 January 2023, the dividend of £1,384,334 was paid.

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

The loan of CAD 13,000,000 maturing on 6 January 2023, was renewed with a maturity date of 6 February 2023. The loan was subsequently renewed with a maturity date of 10 April 2023. This loan is expected to be renewed with an estimated maturity date of 30 to 60 days from 10 April 2023.

The loan of CAD 10,000,000 maturing on 12 January 2023, was renewed with a maturity date of 13 March 2023. The loan was subsequently renewed with a maturity date of 12 May 2023.

The loan of CAD 2,000,000 maturing on 16 January 2023, had an additional CAD 2,000,000 added and was renewed with a maturity date of 17 March 2023. The combined loan of CAD 4,000,000 was subsequently renewed with a maturity date of 17 April 2023.

The loan of CAD 7,000,000 maturing on 17 January 2023, was renewed with a maturity date of 20 March 2023. The loan was subsequently renewed with a maturity date of 19 April 2023.

The loan of CAD 7,000,000 maturing on 18 January 2023, was renewed with a maturity date of 20 March 2023. The loan was subsequently renewed with a maturity date of 19 April 2023.

The loan of CAD 7,000,000 maturing on 27 January 2023, was renewed with a maturity date of 28 March 2023. The loan was subsequently renewed with a maturity date of 27 April 2023.

Mr Bisson will not stand for re-election at the commencement of the 2023 annual general meeting.

Furthermore, we were recently informed that, for personal reasons, Mr Hughes will not be standing for re-election at this year's AGM.

Following these retirements, the Board will comprise four non-executive directors, of whom three will be independent and 50% will be female, including the senior independent director. The Board is currently conducting a recruitment process to identify a suitable director to be appointed in Mr Hughes' stead and an announcement of the new appointee will be made in due course. The directors have decided that, in order to reach a broader range of diverse candidates, they will consider using one or more UK external search consultancies to assist with the search for a new director.

19. Controlling party

In the directors' opinion there is no ultimate controlling party.

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

As at 31 December 2022

Description	Shares/Units	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Equities					
Bermuda – Quoted Investments 2.17% (2021: 2.62%)					
Utilities:					
Brookfield Renewable Partners L.P.	170,000	4,521,698	3,542,731	2.59%	2.17%
Canada – Quoted Investments 94.99% (2021: 88.72%)					
Energy:					
Canadian Natural Resources Ltd.	160,000	3,641,726	7,338,859	5.37%	4.50%
Topaz Energy Corp.	475,000	4,409,035	6,110,984	4.47%	3.75%
Tourmaline Oil Corp.	130,000	5,560,149	5,413,532	3.96%	3.32%
Whitecap Resources Inc.	1,100,000	6,170,222	7,200,132	5.27%	4.42%
Financials:					
Bank of Montreal	80,000	4,488,760	5,981,385	4.38%	3.67%
Canadian Imperial Bank of Commerce	95,000	2,816,387	3,172,955	2.32%	1.95%
Manulife Financial Corporation	150,000	1,793,490	2,211,879	1.62%	1.36%
National Bank of Canada	50,000	1,918,145	2,785,228	2.04%	1.71%
Royal Bank of Canada	70,000	5,436,877	5,435,025	3.98%	3.33%
The Bank of Nova Scotia	120,000	4,786,575	4,854,228	3.55%	2.98%
The Toronto-Dominion Bank	135,000	5,713,740	7,220,892	5.28%	4.43%
Industrials:					
Westshore Terminals Investment Corporation	150,000	2,087,044	2,051,598	1.50%	1.26%
Pipelines:					
Enbridge Inc.	220,000	5,992,678	7,107,444	5.20%	4.36%
Gibson Energy Inc.	275,000	4,153,746	3,952,685	2.89%	2.43%
Keyera Corp.	300,000	3,961,661	5,400,099	3.95%	3.31%
Pembina Pipeline Corporation	220,000	4,677,505	6,164,442	4.51%	3.78%
TC Energy Corporation	110,000	3,976,920	3,620,216	2.65%	2.22%
Power and Utilities:					
Altagas Ltd.	460,000	6,618,456	6,544,354	4.79%	4.02%
Capital Power Corporation	260,000	4,574,204	7,343,988	5.37%	4.51%
Emera Incorporated	115,000	3,714,822	3,632,397	2.66%	2.23%
Northland Power Inc.	200,000	3,240,379	4,517,179	3.31%	2.77%

Notes to the Financial Statements of the Fund continued For the year ended 31 December 2022

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

continued

As at 31 December 2022

Description	Shares/Units	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
Real Estate:					
Allied Properties Real Estate Investment Trust	130,000	3,094,002	2,028,090	1.48%	1.24%
Canadian Apartment Properties Real Estate Investment Trust	150,000	4,328,042	3,904,448	2.86%	2.40%
Chartwell Retirement Residences	400,000	2,570,579	2,039,386	1.49%	1.25%
Choice Properties Real Estate Investment Trust	600,000	4,627,340	5,396,436	3.95%	3.31%
Crombie Real Estate Investment Trust	525,000	4,601,393	5,068,088	3.71%	3.11%
CT Real Estate Investment Trust	300,000	2,551,179	2,839,265	2.08%	1.74%
Dream Industrial Real Estate Investment Trust	600,000	4,270,916	4,279,047	3.13%	2.63%
Granite Real Estate Investment Trust	110,000	4,183,921	4,639,787	3.40%	2.85%
Northwest Healthcare Properties Real Estate Investment Trust	350,000	2,356,735	2,023,816	1.48%	1.24%
RioCan Real Estate Investment Trust	500,000	4,572,502	6,435,668	4.71%	3.95%
SmartCentres Real Estate Investment Trust	350,000	4,578,115	5,697,459	4.17%	3.49%
Telecommunication Services:					
TELUS Corporation	150,000	2,630,937	2,391,394	1.75%	1.47%
United States – Quoted Investments 2.84% (2021: 8.66%)					
Information Technology:					
Broadcom Inc.	10,000	2,774,175	4,627,277	3.39%	2.84%
Total Equities		141,394,055	162,972,393	119.26%	100.00%
Total investments (2022)		141,394,055	162,972,393	119.26%	100.00%
Total investments (2021)		137,731,901	180,581,681	123.97%	100.00%

Independent Auditors' Report

To the Shareholders of Middlefield Canadian Income PCC (The "Company")

Opinion

We have audited the financial statements of Middlefield Canadian Income PCC (the "Company"), which comprise the Statement of Financial Position as at 31 December 2022, and notes 1 to 4 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Financial Reporting Standards ('IFRS').

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Company as at 31 December 2022 and of its results for the year then ended;
- have been properly prepared in accordance with UK-adopted IFRS; and
- have been prepared in accordance with the Companies (Jersey) Law 1991.

Separate opinion in relation to IFRS as adopted by the European Union

As explained in note 1, in addition to complying with the Listing Rules obligation to apply UK-adopted IFRS, the Fund has also applied IFRSs as adopted by the European Union.

In our opinion the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with IFRS as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Jersey, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusions thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Independent Auditors' Report

To the Shareholders of Middlefield Canadian Income PCC

(The "Company") continued

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 38, the directors are responsible for the preparation of the financial statements in accordance with UK-adopted IFRS and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is explained below.

The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of the directors to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

We obtained an understanding of the legal and regulatory frameworks that the entity operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. These included but were not limited to compliance with Companies (Jersey) Law 1991.

Our testing included, but was not limited to:

- enquiries of the directors regarding known or suspect instances of non-compliance with laws and regulations;
- enquiries of the directors regarding known or suspect instances of irregularities, including fraud;
- undertaking analytical procedures to identify unusual or unexpected relationships;
- review of minutes of meetings throughout the year;
- testing the appropriateness of journal entries and other adjustments; and
- agreement of the financial statement disclosures to underlying supporting documentation.

Owing to the inherent limitations of an audit there is an unavoidable risk that some material misstatement of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK). However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with the directors who should not rely on the audit to discharge those functions.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

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



Philip J Crosby
For & on behalf of
RSM Channel Islands (Audit) Limited
Chartered Accountants and Recognised Auditors
Jersey, C.I.

Date 13 April 2023

Statement of Financial Position of the Company

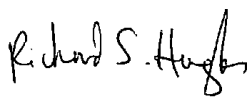
As at 31 December 2022

	Notes	2022 GBP	2021 GBP
Current assets			
Other receivables		2	2
Net assets		2	2
Equity attributable to equity holders			
Stated capital	2	2	2
Total Shareholders' equity		2	2

The financial statements and notes on pages 80 to 81 were approved by the directors on 13 April 2023 and signed on behalf of the Board by:



Michael Phair
Director



Richard Hughes
Director

Notes to the Financial Statements of the Company

For the year ended 31 December 2022

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 UK-adopted IFRS and IFRS as adopted by the European Union in accordance with the accounting policies set out in Note 2 to the financial statements of the Fund.

The financial statements of the Fund have been prepared on the historical cost basis, except for the measurement at fair value of investments and derivatives, and in accordance with UK-adopted IFRS and IFRS as adopted by the European Union and interpretations issued by the IFRSIC.

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

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

Judgements and estimates used by the directors

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

2. The Company's stated capital

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

	No. of shares	GBP
Management shares issued		
At 31 December 2022 and 2021	2	2

3. Taxation

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

4. Ultimate holding company

The ultimate holding company is Middlefield Limited.

Definitions

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

¹LR15.2.5: No more than 10% of the Company's total assets may be invested in other listed closed-ended investment companies unless such investment companies themselves have published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%.

Alternative Performance Measures

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. The Company's APMs are set out below and are cross-referenced where relevant to the financial inputs used to derive them as contained in other sections of the Annual Report.

Benchmark

The Company's benchmark index, used for performance comparative purposes, is the TSX High Dividend Index calculated in sterling terms with dividends reinvested.

Discount or Premium

Investment trust shares can frequently trade at a discount to NAV. This occurs when the share price (based on the mid-market share price) is less than the NAV and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV.

Net Asset Value (NAV) per Ordinary Share

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing 'equity shareholders' funds' by the total number of ordinary shares in issue (excluding treasury shares).

Gearing/(Net Cash)

Investment companies can borrow to purchase additional investments. This is called 'gearing'. It allows investment companies to take advantage of a long-term view on a sector or to take advantage of a favourable situation or a particularly attractive stock without having to sell existing investments. Gearing works by magnifying a company's performance. If a company 'gears up' and then markets rise and returns on the investments outstrip the costs of borrowing, the overall returns to investors will be even greater. But if markets fall and the performance of the assets in the portfolio is poor, then losses suffered by the investor will also be magnified. The Company may achieve gearing through borrowings or the effect of gearing through an appropriate balance of equity capital and borrowings.

Ongoing Charges

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management charge.

Yield

The yield is the amount of cash (in percentage terms) that is returned to the owners of the security, in the form of interest or dividends received from it. Normally, it does not include price variations, distinguishing it from performance (with dividends reinvested).

[This page was Intentionally left blank]



LONDON, ENGLAND

Middlefield International Limited
288 Bishopsgate
London, England
EC2M 4QP
Telephone +44 (0) 20 7814 6644
Fax +44 (0) 20 7814 66 11

TORONTO, CANADA

Middlefield Group
First Canadian Place
58th Floor, P.O. Box 192
Toronto, Ontario
Canada M5X 1A6
Telephone 001 (416) 362-0714
Fax 001 (416) 362-7925

SAN FRANCISCO, USA

Middlefield Financial Services Inc.
One Embarcadero Center, Suite 500
San Francisco, California
USA 94111
Telephone 001 (415) 835-130 8
Fax 001 (415) 433-5994

