

## PROSPECTUS

A copy of this document, which comprises a prospectus relating to Middlefield Canadian Income PCC (the **Company**) for the issue of Shares in its Cell, Middlefield Canadian Income – GBP PC (the **Fund**) prepared in accordance with the Prospectus Rules of the Financial Services Authority made under Section 73A of the Financial Services and Markets Act 2000, has been delivered to the FSA in accordance with Rule 3.2 of the Prospectus Rules. This document will be made available to the public in accordance with the Prospectus Rules by being made available at [www.middlefield.co.uk](http://www.middlefield.co.uk).

The Fund is registered in Jersey as a listed fund under a fast-track authorisation process. It is suitable therefore only for professional or experienced investors, or those who have taken appropriate professional advice. Regulatory requirements which may be deemed necessary for the protection of retail or inexperienced investors do not apply to listed funds. By investing in this Fund, you will be deemed to be acknowledging that you are a professional or experienced investor, or have taken appropriate professional advice, and accept the reduced requirements accordingly. You are wholly responsible for ensuring that all aspects of the Fund are acceptable to you. Investment in listed funds may involve special risks that could lead to a loss of all or a substantial portion of such investment. Unless you fully understand and accept the nature of this Fund and the potential risks inherent in this Fund you should not invest in the Fund. Further information in relation to the regulatory treatment of listed funds domiciled in Jersey may be found on the website of the Jersey Financial Services Commission at [www.jerseyfsc.org](http://www.jerseyfsc.org).

This document includes particulars given in compliance with the Listing Rules and Prospectus Rules of the Financial Services Authority for the purposes of giving information with regard to the Company and the Fund.

The Company and the Directors of the Company, whose names appear on page 21, accept responsibility for the information contained in this document and declare that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

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# MIDDLEFIELD CANADIAN INCOME PCC

*(a protected cell company incorporated with limited liability under the laws of Jersey with registered number 93546)*

## Placing Programme in respect of up to 85 million Shares in Middlefield Canadian Income – GBP PC

and

## Information relating to the prior issue of 8,834,750 Shares

Investment Manager

## Middlefield International Limited

Sponsored by

## Canaccord Genuity Limited

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Application will be made to the UK Listing Authority and the London Stock Exchange for all of the Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. It is expected that such admissions will become effective, and that dealings in any new Shares will commence, during the period from 19 October 2012 to 18 October 2013.

Canaccord Genuity Limited (**Canaccord**), which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for the Company in relation to the Placing Programme and is not advising any other person or treating any other person as its client in relation to the matters referred to in this document and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Canaccord nor for providing advice in connection with the Placing Programme or the contents of this document or any other matters referred to herein and has not authorised the contents of the Prospectus under Rule 5.5 of the Prospectus Rules. Nothing in this paragraph shall serve to exclude or limit any responsibilities which Canaccord may have under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder.

Apart from the responsibilities and liabilities, if any, which may be imposed on Canaccord by the Financial Services and Markets Act 2000 or the regulatory regime thereunder, Canaccord accepts no responsibility whatsoever nor makes any representation or warranty, express or implied, for or in respect of the contents of this document, including its accuracy, completeness or verification or regarding the legality of the Placing Programme or for any other statement made or purported to be made by Canaccord or on Canaccord's behalf, in connection with the Company, the Fund or the Placing Programme and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. Canaccord accordingly disclaims to the fullest extent permitted by applicable law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this document or any such statement.

The attention of potential investors is drawn to the Risk Factors set out on pages 12 to 16 of this document. The definitions used in this document are set out on pages 68 to 71.

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## SUMMARY

*Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A – E (A.1 – E.7).*

*This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.*

### *Section A – Introduction and Warnings*

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
A.1	Warning	<p>This summary should be read as an introduction to this Prospectus which comprises the whole of this document. Any decision to invest in the Fund’s securities should be based on a consideration of this Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court, a plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. The Company is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this document.

### *Section B – Issuer*

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
B.1	Legal and commercial name	Middlefield Canadian Income PCC (the <b>Company</b> ).
B.2	Domicile and legal form/legislation under which issuer operates/country of incorporation	<p>The Company was incorporated with limited liability in Jersey under the Companies (Jersey) Law, 1991 (as amended) (the <b>Companies Law</b>) on 24 May 2006 as a protected cell company. The only Cell of the Company is Middlefield Canadian Income – GBP PC (the <b>Fund</b>) which is a closed-ended Cell.</p> <p>The Company and the Fund operate under the Companies Law and ordinances and regulations made thereunder.</p>

		The Company changed its tax residency from Jersey to the United Kingdom with effect from 11 October 2011 and has sought approval as an investment trust under section 1158 of the UK Corporation Taxes Act 2010.																																										
B.5	Group description	Not applicable. The Company is not a member of a group.																																										
B.6	Notifiable interests	<p>Insofar as is known to the Company, the interests of each Director, including any connected person, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of the Fund as at the date of this document are:</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><i>Director</i></th> <th style="text-align: right;"><i>Number of Shares</i></th> </tr> </thead> <tbody> <tr> <td>Nicholas Villiers</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td>Raymond Apsey</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td>Philip Bisson</td> <td style="text-align: right;">310,000</td> </tr> <tr> <td>Thomas Grose</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>W. Garth Jestley</td> <td style="text-align: right;">200,000</td> </tr> </tbody> </table> <p>As at 16 October 2012 (being the latest practicable date prior to the publication of this document) (the <b>Latest Practicable Date</b>) insofar as is known to the Company, the following parties were known to be interested, directly or indirectly, in three per cent. or more of the Shares):</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><i>Shareholder</i></th> <th style="text-align: right;"><i>Number of Shares</i></th> <th style="text-align: right;"><i>% of Shares (and voting rights)</i></th> </tr> </thead> <tbody> <tr> <td>Henderson Global Investors</td> <td style="text-align: right;">12,087,562</td> <td style="text-align: right;">13.56%</td> </tr> <tr> <td>CCLA Investment Management Ltd</td> <td style="text-align: right;">4,156,689</td> <td style="text-align: right;">4.66%</td> </tr> </tbody> </table> <p>All Shareholders have the same voting rights in respect of the share capital of the Fund.</p> <p>As at the Latest Practicable Date, the Company and the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company or the Fund.</p>	<i>Director</i>	<i>Number of Shares</i>	Nicholas Villiers	10,000	Raymond Apsey	50,000	Philip Bisson	310,000	Thomas Grose	20,000	W. Garth Jestley	200,000	<i>Shareholder</i>	<i>Number of Shares</i>	<i>% of Shares (and voting rights)</i>	Henderson Global Investors	12,087,562	13.56%	CCLA Investment Management Ltd	4,156,689	4.66%																					
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B.7	Key financial information	<p>The selected financial information set out below has been extracted without material adjustment from the audited report and accounts of the Fund for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 and the unaudited half-yearly reports for the six months ended 30 June 2011 and 30 June 2012:</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: center;"><i>For the 6 months period ended 30 June 2012 (unaudited)</i></th> <th style="text-align: center;"><i>For the 6 months period ended 30 June 2011 (unaudited)</i></th> <th style="text-align: center;"><i>For the year ended 31 December 2011 (audited)</i></th> <th style="text-align: center;"><i>For the year ended 31 December 2010 (audited)</i></th> <th style="text-align: center;"><i>For the year ended 31 December 2009 (audited)</i></th> </tr> </thead> <tbody> <tr> <td>Net Assets (£'000)</td> <td style="text-align: right;">86,134</td> <td style="text-align: right;">88,058</td> <td style="text-align: right;">84,385</td> <td style="text-align: right;">82,092</td> <td style="text-align: right;">60,984</td> </tr> <tr> <td>Net Asset Value per Share (pence)</td> <td style="text-align: right;"><u>97.49</u></td> <td style="text-align: right;"><u>109.64</u></td> <td style="text-align: right;"><u>105.06</u></td> <td style="text-align: right;"><u>102.21</u></td> <td style="text-align: right;"><u>75.93</u></td> </tr> <tr> <td>Total Revenue (£'000)</td> <td style="text-align: right;"><u>(3,274)</u></td> <td style="text-align: right;"><u>7,199</u></td> <td style="text-align: right;"><u>6,337</u></td> <td style="text-align: right;"><u>26,613</u></td> <td style="text-align: right;"><u>28,711</u></td> </tr> <tr> <td>Dividend per Share (pence)</td> <td style="text-align: right;">2.50</td> <td style="text-align: right;">2.50</td> <td style="text-align: right;">5.00</td> <td style="text-align: right;">5.00</td> <td style="text-align: right;">5.50</td> </tr> <tr> <td>Net Gain (Loss)</td> <td style="text-align: right;">(4,332)</td> <td style="text-align: right;">6,969</td> <td style="text-align: right;">5,304</td> <td style="text-align: right;">26,129</td> <td style="text-align: right;">28,362</td> </tr> <tr> <td>Gain (Loss) per Share (pence)</td> <td style="text-align: right;">(4.98)</td> <td style="text-align: right;">8.68</td> <td style="text-align: right;">6.60</td> <td style="text-align: right;">32.53</td> <td style="text-align: right;">35.31</td> </tr> </tbody> </table>		<i>For the 6 months period ended 30 June 2012 (unaudited)</i>	<i>For the 6 months period ended 30 June 2011 (unaudited)</i>	<i>For the year ended 31 December 2011 (audited)</i>	<i>For the year ended 31 December 2010 (audited)</i>	<i>For the year ended 31 December 2009 (audited)</i>	Net Assets (£'000)	86,134	88,058	84,385	82,092	60,984	Net Asset Value per Share (pence)	<u>97.49</u>	<u>109.64</u>	<u>105.06</u>	<u>102.21</u>	<u>75.93</u>	Total Revenue (£'000)	<u>(3,274)</u>	<u>7,199</u>	<u>6,337</u>	<u>26,613</u>	<u>28,711</u>	Dividend per Share (pence)	2.50	2.50	5.00	5.00	5.50	Net Gain (Loss)	(4,332)	6,969	5,304	26,129	28,362	Gain (Loss) per Share (pence)	(4.98)	8.68	6.60	32.53	35.31
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		Save for the rise in the unaudited Net Asset Value from £86,134,235 as at 30 June 2012 to £93,040,788 as at 16 October 2012 (being the latest practicable date prior to the publication of this document) and a corresponding rise in the unaudited NAV per Share from 97.49p per Share to 104.36p per Share over the same period, there has been no significant change in the financial or trading position of the Company or the Fund since 30 June 2012, the date to which the latest unaudited half-yearly results of the Company and the Fund were published.
B.8	Key <i>pro forma</i> financial information	Not applicable. No pro-forma financial information is included in this Prospectus.
B.9	Profit forecast	Not applicable. No profit forecasts or estimates are made in this Prospectus.
B.10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. None of the Fund's annual audit reports on the historical financial information included in this Prospectus contained any qualifications by the Fund's auditors.
B.11	Qualified Working capital	Not applicable. In the opinion of the Company, the Company has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this Prospectus.
B.34	Investment 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.
		<p><i>Investment Portfolio</i></p> <ul style="list-style-type: none"> <li>• The Fund will seek to achieve its investment objective by investing predominantly in the securities of companies and REITs domiciled in Canada and listed on a Canadian Stock Exchange, that the Investment Manager believes will provide an attractive level of distributions, together with the prospect for capital growth. It is expected that the Fund's portfolio will generally comprise between 40-70 investments.</li> <li>• The Fund may also hold cash or cash equivalents.</li> <li>• 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.</li> <li>• The Fund will at all times invest and manage its assets in a manner which is consistent with the objective of spreading investment risk.</li> </ul> <p><i>Investment Restrictions</i></p> <p>The Fund will not at the time of making an investment:</p> <p>(a) have more than 10 per cent. of the value of its portfolio assets invested in the securities of any single issuer; or</p> <p>(b) have more than 50 per cent. of the value of its portfolio assets comprised of its ten largest security investments by value; or</p>

		<p>(c) have more than 10 per cent. of the value of its portfolio assets invested in securities listed on a recognised stock exchange outside Canada; or</p> <p>(d) have more than 10 per cent. of the value of its portfolio assets invested in unquoted securities; or</p> <p>(e) purchase securities on margin or make short sales of securities or maintain short positions in excess of 10 per cent. of the Fund's Net Asset Value.</p> <p><i>Hedging</i></p> <ul style="list-style-type: none"> <li>The Board reserves the right to employ currency hedging but, other than in exceptional circumstances, does not intend to hedge.</li> </ul>
B.35	Borrowing limits	The Fund has 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.
B.36	Regulatory status	The Fund is a listed fund and regulated pursuant to the Collective Investment Funds (Jersey) Law 1988 and the Jersey Listed Fund Guide.
B.37	Typical investor	The Directors believe that the profile of a typical investor in the Fund is an investor who is seeking an attractive level of income with the potential to obtain growth in both income and capital over the longer term. Such investors will typically be institutional investors, professionally advised private individuals or private individuals capable of evaluating the risks and merits of such an investment and investing in the Fund as part of a portfolio approach.
B.38	Investment of 20 per cent. or more in single underlying asset or investment company	Not applicable. The Fund's investment restrictions do not permit any investment in a single issuer to exceed 10 per cent. at the time of investment.
B.39	Investment of 40 per cent. or more in single underlying asset or investment company	Not applicable. The Fund's investment restrictions do not permit any investment in a single issuer to exceed 10 per cent. at the time of investment.
B.40	Applicant's service providers	<p><i>Investment Manager</i></p> <ul style="list-style-type: none"> <li>The investment manager is Middlefield International Limited (<b>MIL</b>), a member of the Middlefield Group. Under the terms of the Investment Management Agreement, until 28 June 2013 MIL will receive a management fee from the Fund, payable quarterly in arrear, equivalent to 0.867 per cent. per annum of the average Net Asset Value of the Fund calculated over the relevant quarterly period. Following 28 June 2013, the management fee will be payable quarterly in arrear at a rate of 0.70 per cent. per annum of the average Net Asset Value of the Fund calculated over the relevant quarterly period.</li> </ul>

		<p><i>Administrator</i></p> <ul style="list-style-type: none"> <li>Kleinwort Benson (Channel Islands) Corporate Services Limited (<b>KBCI</b>) acts as the Company's and the Fund's administrator and as such is responsible for the calculation of the Fund's Net Asset Value and the Net Asset Value per Share and the maintenance of accounting records. It has also been appointed to provide secretarial services to the Company and the Fund. KBCI is entitled to an administration fee payable quarterly in arrear at the rate of 0.1 per cent. per annum of the average Net Asset Value of the Fund calculated over the relevant quarter period.</li> </ul> <p><i>Custodian</i></p> <ul style="list-style-type: none"> <li>RBC Investor Services Trust has been appointed as the custodian of the assets of the Fund. The Custodian is entitled to a fee of 0.01 per cent. per annum of the Fund's NAV.</li> </ul> <p><i>Registrar</i></p> <ul style="list-style-type: none"> <li>Capita Registrars (Jersey) Limited acts as the Company's and the Fund's registrar. The Registrar is entitled to a fee for basic services provided by it relating to the creation and maintenance of the share register of £2.36 per Shareholder per account during the fee year, subject to an annual minimum fee of £6,489.32. If the Registrar has to process transfers in excess of the annual allowance, further transfers will incur additional charges of £1.07 per CREST transfer and £3.68 per non-CREST transfer. The Registrar will also be entitled to a fee of £2,000 per annum in relation to the maintenance of the register in Jersey and for the provision of a UK transfer agent.</li> </ul>
B.41	Regulatory status of investment manager and custodian	<ul style="list-style-type: none"> <li>MIL is authorised and regulated by the Financial Services Authority in the UK.</li> <li>RBC Investor Services Trust is regulated by the Office of the Superintendent of Financial Institutions in Canada.</li> </ul>
B.42	Calculation of Net Asset Value	<p>The Net Asset Value per Share is published via a Regulatory Information Service on a daily basis and calculated by the Administrator in accordance with the provisions of IFRS. In calculating the Net Asset Value (i) securities listed, traded or quoted on a stock exchange or over-the-counter market will be valued by reference to the last trade price on such stock exchange or over-the-counter market as at the close of business of the relevant stock exchange or over-the-counter market on the relevant valuation day as shown by the relevant exchange's or market's recognised method of publication of prices for such investments; (ii) any unlisted and unquoted investments will be valued by reference to fair value; (iii) derivative instruments will be valued by reference to fair value; and (iv) cash and bank deposits will be valued by reference to their face value. Notwithstanding the foregoing, the Directors are entitled, at their absolute discretion, to apply a method of valuing any asset different from that prescribed here if such method would in their opinion better reflect the fair value of such asset.</p>
B.43	Cross liability	<p>Not applicable. The Fund is not an umbrella collective investment scheme.</p>

B.44	No financial statements have been made up	Not applicable. The Company has commenced operations and historical financial information is included within the document.
B.45	Portfolio	As at 16 October 2012, the Fund's investment portfolio comprised 59 securities, being predominantly securities of companies and REITs domiciled in Canada and listed on a Canadian Stock Exchange, with the top ten investments representing 28.8 per cent. of the portfolio.
B.46	Net Asset Value	As at the Latest Practicable Date, the Fund's Net Asset Value was £93,040,787.58 (unaudited) and the Net Asset Value per Share was 104.36 pence (unaudited).

### *Section C: Securities*

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
C.1	Type and class of securities	<p>The Fund's listed, issued share capital is comprised of redeemable participating preference shares (<b>Shares</b>), which are traded on the main market for listed securities of the London Stock Exchange.</p> <p>The ISIN number of the Shares is GB00B15PV034.</p> <p>This document also relates to the 8,834,750 Shares issued by the Company previously during the period of 17 January 2012 to 19 July 2012.</p>
C.2	Currency	The Shares are denominated in Sterling.
C.3	Number of securities in issue	As at the Latest Practicable Date, 89,152,250 Shares were in issue, all of which were fully paid. The Shares do not have a par value.
C.4	Description of the rights attaching to the securities	<p><i>Income:</i></p> <p>The holders of Shares have the right to receive in proportion to their holdings all the revenue profits of the Fund (including accumulated revenue reserves) attributable to those Shares as a class available for distribution and determined to be distributed by way of interim and/or final dividend at such times as the Directors may determine.</p> <p><i>Capital:</i></p> <p>On a winding up of the Fund, after paying all the debts attributable to and satisfying all the liabilities of the Fund, holders of Shares shall be entitled to receive by way of capital any surplus assets of the Fund attributable to those Shares as a class in proportion to their holdings. The Shareholders are only entitled to participate in the assets of the Fund attributable to those Shares as a class and have no entitlement to participate in the distribution of any assets attributable to any other Cell.</p> <p><i>Voting:</i></p> <p>Holders of Shares shall receive one vote for every Share held on a poll and one vote per Shareholder on a show of hands. Holders of Shares are entitled to attend and vote at meetings of Shareholders of the Fund and any separate class meetings of holders of Shares. In addition, holders of Shares may, together with holders of shares in other Cells and holders of shares in the Company, vote on the appointment and removal of Directors of the Company in accordance with the Company's Articles.</p>

C.5	Restrictions on the free transferability of the securities	<p>Subject to the Companies Law, registration of transfers may be suspended and the register of members of the Fund closed by the Directors as they determine.</p> <p>No transfer, without the consent of the Directors, will be registered if it would result in more than 100 US Persons (as defined in Regulation S under the Securities Act) being the beneficial owners of Shares or other outstanding securities at any time, such number to be determined in accordance with Section 3(c)(1) of the US Investment Company Act of 1940, as amended (the <b>Investment Company Act</b>) or if it would otherwise require the Company or the Fund to register as an investment company under the Investment Company Act.</p>
C.6	Admission	<p>Applications will be made to the UK Listing Authority for all of the Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List of the UK Listing Authority and to the London Stock Exchange's main market for listed securities. No application will be made for the Shares to be listed or dealt in on any stock exchange or investment exchange other than the London Stock Exchange.</p>
C.7	Dividend policy	<p>Subject to unforeseen circumstances, the Fund intends to at least maintain its current dividend rate of five pence per Share per annum, with dividends of 1.25 pence per Share payable quarterly on the last Business Day in January, April, July and October in each year. These figures are targets only and do not constitute nor should they be interpreted as, a profit forecast.</p>

### ***Section D: Risks***

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
D.1	Key information on the risks specific to the issuer or its industry	<p>The key risks which are specific to the Fund and its investment strategy and portfolio are:</p> <ul style="list-style-type: none"> <li>• the success of the Fund and the achievement of its investment objective is heavily dependent on MIL's expertise;</li> <li>• the ability of the Fund to achieve its investment objective will be dependent upon market conditions and responses to market conditions and changes in economic conditions can substantially and adversely affect the Fund's prospects;</li> <li>• the Fund invests in securities which are denominated in currencies other than Sterling, the Fund's base currency, and whose operations are conducted in currencies other than Sterling. The Fund therefore has an exposure to foreign exchange rate risk as a result of changes, both unfavourable and favourable, in exchange rates between those currencies and Sterling, which, in particular, may affect the level of dividends that the Fund is able to pay; and</li> <li>• any change in the Fund's tax status, or in taxation legislation or in the interpretation or application of taxation legislation, could affect the value of investments held by the Fund, the Fund's ability to achieve its stated investment objective, the ability of the Fund to provide returns to Shareholders and/or to alter the post-tax returns to Shareholders.</li> </ul>

D.3	Key information on the key risks specific to the securities	<p>The key risks relating to the Shares are:</p> <ul style="list-style-type: none"> <li>• the value of the Shares and the income derived from the Shares (if any) can fluctuate and may go down as well as up;</li> <li>• there is no guarantee that the market price of the Shares will reflect their underlying Net Asset Value;</li> <li>• although the Shares will be listed on the Official List and admitted to trading on the main market for listed securities of the London Stock Exchange, the ability of Shareholders to sell their Shares and the price which they may receive, will depend on market conditions;</li> <li>• there is no guarantee that the Fund will be able to maintain its current dividend rate of five pence per Share per annum in any future periods and dividends payable by the Fund will be influenced by movements in the Canadian dollar/Sterling exchange rate; and</li> <li>• the Fund has the power under its Articles to borrow up to an amount equal to 25 per cent. of the value of its total assets at the time of drawdown. Whilst the use of borrowings should enhance the returns to the Fund and, as a result, the Net Asset Value of the Shares where the value of the Fund's underlying assets is rising, it will have the opposite effect where the value of the Fund's underlying assets is falling.</li> </ul>
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### *Section E: Offer*

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
E.1	Net proceeds and costs of the Issue	<p>Assuming 85 million Shares (being the maximum number of Shares available under the Placing Programme) are issued at a Placing Price of 105.4 pence per new Share (being a one per cent. premium to the Net Asset Value per Share as at the Latest Practicable Date), the net proceeds of the Placing Programme would be £88,524,100, after deduction of the fixed expenses of the Placing Programme in producing the Prospectus being £170,000 and the variable expenses of the Placing Programme being £895,900 (being one per cent. of the amount raised based on the assumptions set out above).</p>
E.2a	Reasons for the offer and use of proceeds	<p>The Board believes that the Placing Programme should yield the following principal benefits:</p> <ul style="list-style-type: none"> <li>• raise additional monies to enable the Fund to take advantage of opportunities to make further investments in accordance with the Fund's investment policy;</li> <li>• grow the Fund, thereby spreading operating costs over a larger capital base which should reduce the total expense ratio;</li> <li>• maintain the Fund's ability to issue new Shares tactically, such as to better manage the premium at which the Shares trade to NAV per Share; and</li> <li>• improve liquidity in the market for the Shares.</li> </ul> <p>The net proceeds of the Placing Programme (estimated to be £88,524,100 if 85 million Shares are issued at a Placing Price of 105.4 pence per Share, as calculated on the basis set out above) will be invested by MIL on behalf of the Fund in accordance with the Fund's published investment policy.</p>

E.3	Terms and conditions of the offer	Not applicable. There is no offer.
E.4	Material interests	Not applicable. No interest is material to the Placing Programme.
E.5	Name of person selling securities	Not applicable. No person or entity is offering to sell the security as part of the Placing Programme.
E.6	Dilution	In the event that the Placing Programme is fully subscribed as to 85 million Shares, an existing Shareholder holding shares representing 10 per cent. of the Fund's issued share capital would, following the completion of the Placing Programme, hold Shares representing approximately 5.12 per cent. of the Fund's issued share capital and this will result in a dilution of approximately 49 per cent. in existing Shareholders' voting control of the Fund. As no Shares will be issued under the Placing Programme at a price which is less than the NAV per Share at the time of allotment, there will be no dilution in the NAV per Share as a result of the issue of Shares under the Placing Programme.
E.7	Expenses charged to the investor	Not applicable. The Placing Price payable by an investor who subscribes for Shares under the Placing Programme will be inclusive of any expenses and no additional expenses will be charged to the investor.

## **RISK FACTORS**

Investment in the Shares carries a high degree of risk, including the risks in relation to the Fund and the Shares referred to below which could materially and adversely affect the Fund's business, financial condition and results. An investment in the Shares should not be regarded as short-term in nature. Potential investors should review this document carefully and in its entirety, and should consider consulting an independent financial adviser who specialises in advising on the acquisition of shares and other securities before investing in Shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss which may result.

The following risks are those material risks of which the Directors are aware. Additional risks which are not presently known to the Directors, or which the Directors currently deem immaterial, may also have an effect on the Fund's business, financial condition or results of operations.

### **Risks relating to the fund and its investment strategy**

#### ***Investment Objective***

There can be no guarantee that the investment objective of the Fund, which is to provide Shareholders with a high level of dividends as well as capital growth over the longer term, will be achieved. The ability of the Fund to achieve its investment objective will be dependent to a great extent on correct assessments of the future course of price movements of securities and other investments by the Investment Manager. There can be no assurance that the Investment Manager will be able to predict accurately these price movements. It will also be dependent upon market conditions and responses to market conditions that may affect the securities in which the Fund invests and which are subject to uncertainties due to possible changes in economic conditions, restricted availability of financing, unanticipated expenditures, changes in tax rates, changes in laws, governmental rules and fiscal policies, and other factors beyond the control of the Board or the Investment Manager.

#### ***Exposure to Canadian economy***

The Fund invests predominantly in the securities of companies and REITs domiciled in Canada and listed on a Canadian Stock Exchange. The Fund's performance will therefore be affected by the general performance of the Canadian economy.

The operations and financial condition of resource-based issuers, including companies operating in the oil and gas industry, and the amount of distributions or dividends paid on their securities, are dependent in part on prices applicable to the commodities sold by such issuers. Prices for commodities will vary and are determined by supply and demand factors, including weather, general economic conditions and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial conditions of such issuers and the amount of distributions or dividends paid on their securities. Other factors related to the Canadian economy include expectations regarding government, economic, monetary and fiscal policies, inflation rates, interest rates, and rates of economic expansion or contraction, which factors can substantially and adversely affect stocks and shares in which the Fund invests and, as a consequence, the Fund's prospects.

#### ***Foreign exchange risk***

The Fund invests predominantly in the securities of companies and REITs domiciled in Canada and listed on a Canadian Stock Exchange which are denominated in currencies other than Sterling and whose operations are conducted in currencies other than Sterling. The Company will therefore have an exposure to foreign exchange risk as a result of changes, both unfavourable and favourable, in exchange rates between those currencies and Sterling which, in particular, may affect the level of dividends that the Fund is able to pay. Foreign exchange risk may also increase the volatility of the NAV per Share. The Board reserves the right to employ currency hedging but, other than in exceptional circumstances, does not intend to hedge to mitigate foreign exchange risk.

### ***Dependence on the Investment Manager and its fund managers***

The success of the Fund's investment programme is dependent on the expertise of the Investment Manager and MCC (to whom it has delegated its investment management duties) and its and MCC's ability to attract and retain suitable staff. The Fund's ability to achieve its investment objective is largely dependent on the performance of the Investment Manager and MCC in the acquisition and disposal of assets, the management of such assets and the determination of any financing arrangements. The Board will have broad discretion to monitor the performance of the Investment Manager or to appoint a replacement but the Investment Manager's performance or that of any replacement cannot be guaranteed.

Past performance of any investment fund managed or advised by the Investment Manager or the Middlefield Group is no indication of the future performance of the Fund. No assurance can be given that profits will be achieved or that substantial losses will not be incurred.

There can be no guarantee that any individual referred to in this document or otherwise with a significant role in the management of the Fund's investments will remain with the Investment Manager or MCC or that the Investment Manager or MCC will be able to attract and retain other suitable staff. The departure of a key fund manager may have an adverse effect on the performance of the Fund.

### ***Potential conflicts of interest***

The Investment Manager and its affiliates may be involved in other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company, the Fund, or other Cells that may be created from time to time. In particular, the Investment Manager may provide investment management, investment advice or other services in relation to a number of funds which may have similar investment objectives and/or policies to those of the Fund.

Each of these parties is obliged to have regard to its obligations under its agreement with the Company in respect of the Fund or otherwise to act in the best interests of the Company and the Fund so far as is practicable having regard to its obligations to other clients, when potential conflicts of interest arise. In the event of a conflict of interest arising involving the Investment Manager, the Investment Manager is obliged to resolve such conflict of interest fairly and in a manner such that investment opportunities are fairly allocated to its respective clients.

The Investment Manager and their affiliates may carry on investment activities for their own accounts, for the accounts of their employees (and their families) and for other accounts in which the Fund or other Cells that may be created from time to time have no interest. The Investment Manager and its affiliates also provide investment advisory services to other clients, including other investment vehicles. The Investment Manager and its affiliates may give advice and recommend securities to other managed accounts or investment funds which may differ from advice given to, or securities recommended or bought for, the Fund even though their investment programmes may be the same or similar.

The Investment Manager and its affiliates are not restricted from forming additional investment funds, from entering into other investment management or advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the Fund. These activities could be viewed as creating a conflict of interest in that the time and effort of the Investment Manager and its affiliates and their respective directors, officers and employees will not be devoted exclusively to the business of the Fund, but will be allocated between the business of the Fund and the management of the monies and investments of other clients of the Investment Manager and its affiliates.

### ***Entity risk***

The Company has been constituted as a protected cell company under the Companies Law. The Fund is a protected cell of the Company. A protected cell company is a multi-cellular company whose principal feature is that each cell has its own distinct assets which are not available to creditors of other Cells of that company or the company as a whole. Jurisdictions other than Jersey may not be prepared to accept that creditors of a particular cell are prevented from gaining access to the cellular assets of other cells, or that creditors of the Company as a whole do not have access to those assets specifically designated as cellular assets. In order to minimise this risk: (i) service providers to the Company will generally be required to agree that their fees will be paid solely from the assets of the particular Cell to which the services relate; and (ii) each Shareholder will be required to agree when subscribing for Shares in the Company, the Fund or any Cell that any liability to that Shareholder will be satisfied only out of the

Company's non-cellular assets or assets of a particular Cell to which the liability relates. However, a court could determine that such agreements are not enforceable. Furthermore, the Companies Law has not yet been tested in the courts of Jersey, the UK or elsewhere.

Other Cells may be created by the Company from time to time. A separate portfolio will be maintained for each Cell and each Cell will bear its own liabilities. Each Cell will remain ultimately liable to third parties for its own liabilities and the assets of one Cell will not be available to meet the liabilities of any other Cell(s).

If the courts in Jersey, the United Kingdom or elsewhere were not to recognise and give effect to the segregation of each Cell's cellular assets and the agreements with service providers referred to above, and the cellular assets of the Fund were held to be available to meet the liabilities of Cells (if any) created by the Company, this could have a material and adverse effect on the Fund's financial condition and prospects and the value of the Shares.

#### ***Cross-cell liabilities***

The Company currently has one Cell. However, the structure of the Company does allow for the creation of new Cells in the future. Generally, the assets of each Cell are segregated, so that the assets of one Cell are not available to satisfy the liabilities of any other Cell. In the event of a particular Cell's portfolio suffering severe losses such that the liabilities of the Cell exceed the assets of the Cell, under the law currently in effect in Jersey, creditors of that Cell could not seek to recover from the assets of other Cells. However, there can be no assurance that such law will not change and thus that there will never be any cross-Cell liability risk.

If the courts in Jersey, the United Kingdom or elsewhere were not to recognise and give effect to the segregation of each Cell's cellular assets and the cellular assets of the Fund were held to be available to meet the liabilities of any other Cells (if any) created by the Company, this could have a material and adverse effect on the Fund's financial condition and prospects and the value of the Shares.

#### ***Gearing***

The Fund may employ gearing, that is to seek to enhance returns to Shareholders by borrowing funds for investment. Where the Company is geared, its Net Asset Value and price performance would be expected to represent an amplification of any upward or downward movement in the value of the portfolio as a result of changes in the prices of the investments contained therein. Similarly, where the level of income received from any assets acquired with borrowed funds exceeds the costs of servicing the relevant debt, it is likely that Shareholders' income returns will be enhanced. Where the level of income from any such investments is less than the debt service costs, Shareholders' income returns will be reduced.

The Articles permit the Fund to borrow up to an amount equal to 25 per cent. of the value of its total assets at the time of drawdown. Prospective investors should be aware that, whilst the use of borrowings should enhance the returns to holders of Shares where the value of the Fund's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling.

#### ***Hedging Risk***

Should the Fund elect to enter into any hedging arrangements to protect against inflation risk, currency risk and/or interest rate risk (and it is under no obligation to do so), the use of instruments to hedge a portfolio carries certain risks, including the risk that losses on a hedge position will reduce the Fund's earnings and funds available for distribution to investors and that such losses may exceed the amount invested in such hedging instruments. There is no perfect hedge for any investment and, in certain circumstances, hedging arrangements could increase such losses. The Fund may also be exposed to the risk that the counterparties with which the Fund trades may cease making markets and quoting prices in such instruments, which may render the Fund unable to enter into an offsetting transaction with respect to such open position. Although the Investment Manager would select the counterparties with which the Fund enters into hedging arrangements with due skill and care, there will be a residual risk that the counterparty may default on its obligations.

### ***Interest rates***

The dividend yield on the Company's Share price is 4.7 per cent. as at 16 October 2012 being the latest practicable date prior to the publication of this document. Investors may be attracted to the Company's Shares by the above average dividend yield they offer in the current low interest rate environment. Should interest rates rise, the relative attraction of the dividend yield offered by the Company's Shares may diminish and investor demand for the Company's Shares may be reduced so adversely affecting the share price.

The Company utilises floating rate borrowings and can currently borrow at an interest rate of less than 2 per cent. whilst it invests in an equity portfolio yielding in excess of 5 per cent. This enables the Company to generate additional income from the use of borrowings which is available to pay dividends. Should interest rates rise, this will reduce the amount of additional income available to pay dividends. In such circumstances the Company may need to use reserves in order to maintain the level of dividends paid.

### ***Accounting policies***

Without any capital growth in the Fund's assets, the Fund's policy of charging 60 per cent. of the management fee and any debt finance costs to the capital account may result in a diminution in the value of Shareholders' funds and a corresponding reduction in the NAV per Share.

### **Risks relating to the shares**

#### ***Discounts/Premiums***

There is no guarantee that the price of the Shares will reflect their underlying Net Asset Value. The price of Shares will be determined, among other things, by general economic and market conditions, the interaction of supply and demand for such Shares in the market, their dividend yield and prevailing interest rates, as well as the Net Asset Value per Share. The Share price can therefore fluctuate and may represent a discount or premium to the Net Asset Value per Share. This discount or premium is itself variable as conditions for supply and demand for the Shares change. This can mean that the Share price can fall when the Net Asset Value per Share rises, or *vice versa*.

While the Directors may seek to mitigate any discount to the Net Asset Value per Share at which the Shares trade through discount management mechanisms they consider to be appropriate, there can be no guarantee that the Board's discount control policy will always be successful or capable of being implemented and the Directors accept no responsibility for any failure of such policy to effect a reduction in any discount.

If the Shares trade at a discount to the Net Asset Value per Share, an investor may not be able to realise the Net Asset Value per Share until liquidation of the Fund or the occurrence of another corporate event (if any) which enables Shareholders to realise their Shares at or close to Net Asset Value per Share.

#### ***Liquidity of Shares***

Investment in the Shares should be viewed as a long-term investment. Shareholders have no right to have their Shares repurchased by the Fund at any time. Any Shareholder wishing to dispose of their Shares will therefore be required to dispose of such Shares by means of a market transfer.

Admission to the Official List and to trading on the main market for listed securities of the London Stock Exchange should not be taken as implying that there will be a liquid market for the Shares. There can be no guarantee that a liquid market will exist in the Shares and Shareholders may not be able to realise their investment at Net Asset Value or at all.

The London Stock Exchange has the right to suspend or limit trading in a company's securities. Any suspension or limitation on trading in the Shares may affect the ability of Shareholders to realise their investment.

#### ***Calculation of Net Asset Value***

In calculating the Fund's unaudited Net Asset Value, the Administrator may rely on estimates of the values of companies or their securities in which the Fund invests. Such estimates may be unaudited or may be subject to little verification or other due diligence and may not comply with IFRS, UK GAAP or other valuation principles. Accordingly, the published Net Asset Value per Share may not accurately reflect the value per Share which would be realised on liquidation of the Fund.

### ***Dividends and income***

The Fund's investment objective includes the aim of providing Shareholders with a high level of dividends. There is no guarantee that any dividends will be paid in respect of any financial year. The ability to pay dividends is dependent on the level of dividends earned from the portfolio. Income returns from the portfolio will be dependent, among other things, upon the Fund successfully pursuing its investment policy. The success of the Fund will depend on the Investment Manager's ability to identify, acquire and realise investments in accordance with the Fund's investment policy. This, in turn, will depend on the ability of the Investment Manager to apply its investment processes in a way which is capable of identifying suitable investments for the Fund to invest in. There can be no assurance that the Investment Manager will be able to do so or that the Fund will be able to invest its assets on attractive terms.

As the Fund's income is expected to be denominated in currencies other than Sterling, fluctuations in exchange rates between those currencies and Sterling could have a significant effect on the Sterling value of the Fund's distributable income.

### **Risks relating to taxation and regulation**

#### ***Chapter 4 of Part 24 of the Corporation Tax Act 2010***

Since the Company has changed its tax residency from Jersey to the United Kingdom it has sought approval as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010 (**Chapter 4**). While the Company foresees no reason why it should not be granted such status, there is a risk that it may be refused and in this event the capital gains within the Fund's portfolio might be subject to tax.

In order to qualify as an investment trust, the Company must comply with Chapter 4. Were the Company to breach Chapter 4 or any regulations made thereunder, it might not obtain, or could lose, investment trust status and, if this was the case, capital gains within the Fund's portfolio might be subject to tax.

#### ***Withholding taxes***

The Fund may purchase investments that will subject the Fund to withholding taxes. In the event that withholding taxes are imposed with respect to any of the Fund's investments, the effect will generally be to reduce the income received by the Fund on such investments. Any reduction in the income received by the Fund may lead to a reduction in the dividends, if any, paid by the Fund.

#### ***General taxation risks***

Representations in this document concerning the taxation of Shareholders and the Fund are based on current law and practice. These are, in principle, subject to change and Shareholders should be aware that such changes may affect the Fund's ability to generate returns for Shareholders and/or the taxation of such returns to Shareholders. If you are in any doubt as to your tax position you should consult an appropriate independent professional adviser.

Any change in the Fund's tax status, or in taxation legislation or the taxation regime, or in the interpretation or application of taxation legislation applicable to the Fund (including the Company electing to leave the investment trust regime or its approval as an investment trust being withdrawn) could affect the value of the investments held by the Fund, affect the Fund's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

#### ***Alternative Investment Fund Managers Directive***

The European Commission published the Alternative Investment Fund Managers Directive, designed to regulate private equity and hedge funds, on 21 July 2011. The Directive, which came into force on 21 July 2011, may have significant consequences for the Company (and all similar investment companies) which might materially increase compliance and regulatory costs. Whilst the Directive is now in force, the deadline for its transposition into national laws is currently July 2013. There is continuing debate on the so called third party provisions, which may materially affect the Company as it is incorporated in Jersey, which is not part of the EU. The Board and the Investment Manager will continue to monitor the progress and likely implications of the Directive.

## IMPORTANT INFORMATION

Investment in Shares will involve certain risks and special considerations. Investors should be able and willing to withstand the loss of their entire investment. There can be no guarantee that the investment objective of the Fund, which is to provide Shareholders with a high level of dividends as well as capital growth over the longer term, will be achieved. The investments of the Fund are subject to normal market fluctuations and the risks inherent in all investments and there can be no assurance that an investment will retain its value or that appreciation will occur. The value of the Shares and the income from them (if any) can fluctuate and may go down as well as up and investors may not get back all or any of their original investment. The past performance of the Fund and other investments managed by the Investment Manager or members of the Middlefield Group is not an indication of the future performance of the Fund.

No broker, dealer or other person has been authorised by the Company, the Fund, the Directors or Canaccord to issue any advertisement or to give any information or to make any representations in connection with the Placing Programme other than those contained in this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company, the Fund, the Directors or Canaccord.

Prospective investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Shares. Prospective investors must rely upon their own legal advisers, accountants and other financial advisers as to legal, tax, investment or any other related matters concerning the Company and the Fund and an investment in the Shares.

None of the Shares has been or will be registered under the laws of Australia, Canada, Japan, New Zealand, the Republic of South Africa or under the United States Securities Act of 1933, as amended, or with any securities regulatory authority of any state or other political subdivision of the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa. Accordingly, unless an exemption under such Act or laws is applicable, the Shares may not be offered, sold or delivered, directly or indirectly, within Australia, Canada, Japan, New Zealand, the Republic of South Africa or the United States (as the case may be). If you subscribe for Shares you will, unless the Fund agrees otherwise in writing, be deemed to represent and warrant to the Fund that you are not a US Person or a resident of Australia, Canada, Japan, New Zealand or the Republic of South Africa or a corporation, partnership or other entity organised under the laws of the United States, Australia or Canada (or any political subdivision of either), Japan, New Zealand or the Republic of South Africa and that you are not subscribing for such Shares for the account of any US Person or resident of Canada, Japan, Australia, New Zealand or the Republic of South Africa and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Shares in or into the United States, Canada, Japan, Australia, New Zealand or the Republic of South Africa or to any US Person or resident in Australia, Canada, Japan, New Zealand or the Republic of South Africa.

Statements made in this document are based on the law and practice in force in Jersey, England and Wales and Canada as at the date of their publication and are subject to changes therein.

Potential investors should read this document in its entirety before making any investment in the Shares. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Fund Articles and the Company Articles.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this document and any offering of Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this document is received are required to inform themselves about and to observe such restrictions.

Any persons (including, without limitation, custodians, nominees and trustees) who would or otherwise intend to, or may have a contractual or other legal obligation to forward this document or any accompanying documents in or into the United States, Australia, Canada, Japan, New Zealand, the Republic of South Africa or any other jurisdiction outside the United Kingdom should seek appropriate advice before taking any action.

#### **For the attention of United States Residents**

The Shares have not been and they will not be registered under the US Securities Act of 1933, as amended, (the **Securities Act**) or with any securities regulatory authority of any state or any other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the Securities Act (**Regulation S**)). In addition, the Company has not been and will not be registered under the US Investment Company Act of 1940, as amended, (the **Investment Company Act**), and investors will not be entitled to the benefits of the Investment Company Act. The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States and any re-offer or resale of any of the Shares in the United States or to US Persons may constitute a violation of US law or regulation. Applicants for Shares will be required to certify that they are not US Persons and are not subscribing for Shares on behalf of US Persons. Any person in the United States who obtains a copy of this document is requested to disregard it.

#### **Notice to prospective investors in the European Economic Area**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive and the 2010 PD Amending Directive other than the United Kingdom (each, a **Relevant Member State**), an offer to the public of the Shares may only be made once a prospectus has been passported in accordance with the Prospectus Directive as implemented by the Relevant Member State. This Prospectus has not been passported into any Relevant Member State; therefore, an offer of the Shares to the public in a Relevant Member State may only be made pursuant to the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive) subject to obtaining the prior consent of Canaccord for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive. Each person who initially acquires Shares or to whom any offer of Shares is made under the Placing Programme will be deemed to have represented, warranted and agreed with Canaccord, the Company and the Fund that it is a “qualified investor” within the meaning of the law of the Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any offer of shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression **Prospectus Directive** means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any implementing measure in each Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented, acknowledged and agreed that the Shares acquired by it under the Placing Programme have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of Canaccord has been obtained to each such proposed offer or resale. The Company, the Fund, Canaccord and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified Canaccord of such fact in writing may, with the consent of Canaccord, be permitted to subscribe for or purchase Shares pursuant to the Placing Programme.

During the period up to but excluding the date on which the Prospectus Directive is implemented in member states of the European Economic Area, this Prospectus may not be used for, or in connection with, and does not constitute, any offer of Shares or an invitation to purchase or subscribe for any Shares in any member state of the European Economic Area in which such offer or invitation would be unlawful.

### **Forward looking statements**

This document contains forward looking statements, including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Fund, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. Prospective investors should carefully consider the “Risk Factors” section of this document for a discussion of additional factors that could cause the Fund’s actual results to differ materially before making any investment decision. These forward looking statements speak only as at the date of this document. Subject to their legal and regulatory obligations (including under the Prospectus Rules), the Company and the Fund expressly disclaim any obligations to update or revise any forward looking statement contained in this document to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based unless required to do so by law or any appropriate regulatory authority, including FSMA, the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 11 of Part 7 of this document.

### **Tap Shares**

This document relates not only to the issue of the Shares, but also sets out information relating to the Tap Shares. The gross proceeds of the issues of the Tap Shares were £9.09 million and the net proceeds were £9.00 million. The net proceeds of the issues of the Tap Shares were used to pursue the Fund’s investment objective.

## EXPECTED TIMETABLE

Placing Programme opens	19 October 2012
Earliest date for new Shares to be issued pursuant to the Placing Programme	19 October 2012
Placing closes and last date for new Shares to be issued pursuant to the Placing Programme	18 October 2013

## PLACING STATISTICS

Maximum size of the Placing Programme	85 million Shares
Placing Price	Not less than the Net Asset Value per Share at the time of allotment*

\* The maximum Placing Price will not exceed a premium of 5 per cent. to the Net Asset Value per Share at the time of allotment.

## DEALING CODES

The dealing codes for the Shares are as follows:

ISIN	GB00B15PV034
SEDOL	B15PV03
Ticker	MCT

## DIRECTORS, MANAGER AND ADVISERS

Directors	Nicholas Villiers ( <i>Chairman</i> ) Raymond Apsey Philip Bisson Thomas Grose W. Garth Jestley  all of the Directors are non-executive and are of:  Kleinwort Benson House West Centre St Helier Jersey Channel Islands JE4 8PQ Tel: 01534 613 000
Investment Manager	Middlefield International Limited 288 Bishopsgate London EC2M 4QP
Administrator and Secretary	Kleinwort Benson (Channel Islands) Corporate Services Limited Kleinwort Benson House West Centre St Helier Jersey Channel Islands JE4 8PQ
Sponsor, financial adviser and corporate broker	Canaccord Genuity Limited 9th Floor 88 Wood Street London EC2V 7QR
Legal advisers to the Company (as to English law)	Norton Rose LLP 3 More London Riverside London SE1 2AQ
Legal advisers to the Company (as to Jersey law)	Carey Olsen 47 Esplanade St. Helier Jersey Channel Islands JE1 OBD
Legal advisers to the Company (as to Canadian law)	Fasken Martineau DuMoulin LLP Bay Adelaide Centre Box 20, Suite 2400 333 Bay Street Toronto, Ontario Canada, M5H 2T6
Auditor and Reporting Accountants	Deloitte LLP Lord Coutanche House 66-68 Esplanade St. Helier Jersey Channel Islands JE4 SWA

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

Custodian  
RBC Investor Services Trust  
335 – 8th Avenue SW  
23rd Floor  
Calgary, AB T2P 1C9  
Canada  
Tel: +1 403 476 7447

## PART 1

### THE COMPANY AND THE FUND

#### **Introduction**

The Company was incorporated in Jersey as a protected cell company on 24 May 2006. Its listed, issued share capital consists of 89,152,250 Shares in respect of Middlefield Canadian Income - GBP PC, a closed-ended protected cell established in accordance with the Companies Law which is the only Cell in the Company.

On 11 October 2011 the Company announced the successful completion of its plan to simplify the structure of the Fund which was approved at a meeting of Shareholders held on 19 September 2011. This involved the redemption of the Fund's entire holding of 10,000 units in the CIT Trust and the termination of its swap arrangements, through which it had previously gained exposure to the Canadian income trust market, including its Canadian dollar currency hedge, with the Fund henceforth investing directly in a portfolio of assets comprised predominantly of listed Canadian equity income securities.

As part of its restructuring, the Fund adopted a new investment objective and investment policy which are set out below. The Company also changed its tax residency from Jersey to the United Kingdom, and has subsequently sought approval as an investment trust under section 1158 CTA 2010.

The Company may create further Cells, each with specific investment objectives, and further Shares in respect of them at such times as the Directors shall determine with the consent of a special resolution.

#### **Investment Objective of 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.

#### **Investment Policy of the Fund**

##### ***Investment Portfolio***

The Fund will seek 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, and which the Investment Manager believes will provide an attractive level of distributions together with the prospect for capital growth. It is expected that the Fund's portfolio will generally comprise between 40 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 10 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 unquoted securities; or

- (e) purchase securities on margin or make short sales of securities or maintain short positions in excess of 10 per cent. of the Fund's Net Asset Value.

### ***Hedging***

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

### ***Gearing***

The Fund has 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.

### **Borrowings**

The Company, in respect of the Fund, entered into a credit agreement with Royal Bank of Canada (**RBC**) on 6 October 2011, as amended on 5 October 2012, under which RBC provides an on-demand credit facility (the **Credit Agreement**) with a maximum principal amount of the lesser of C\$50,000,000 and 25 per cent of the total asset value of the Fund. The total amount drawn under the facility as at 16 October 2012 (being the latest practicable date before the publication of this document) was C\$27,000,000. Further details of the Credit Agreement are set out in the paragraph 7.4 of Part 7 of this document.

In conjunction with entering into the Credit Agreement, the Company has also entered into the General Security Agreement under which the Company in respect of the Fund has granted RBC security over its assets in respect of its obligations under the Credit Agreement.

### **The Investment Manager**

The Investment Manager is Middlefield International Limited (**MIL**), a private limited company incorporated under the laws of England and Wales on 25 February 1991 with registered number 02585440. Under the terms of the Investment Management Agreement dated 18 August 2011, MIL has delegated its investment management duties to Middlefield Capital Corporation (**MCC**), which previously acted as the investment advisor to CIT Trust.

The Investment Manager and MCC are each members of the Middlefield Group (**Middlefield**). Formed in 1979, Middlefield creates and manages specialised investment products for institutional and individual investors. Investment products include closed-ended funds, open-ended funds, private and public resource funds and real estate funds. Middlefield has approximately 70 employees with offices located in Toronto, Calgary and London. Clients include Canadian and international financial institutions, corporations and individuals. Its services are provided internationally through MIL in London, England and in Canada primarily through MCC (which is a member of the Canadian organisation that regulates investment dealers). In addition to asset and investment management, the services provided by Middlefield include corporate finance, merchant banking, financial advisory and securities placement activities.

MIL's registered office is at 288 Bishopsgate, London EC2M 4QP and it is authorised and regulated by the Financial Services Authority.

### **Investment Outlook**

It is the expectation of the Board, as advised by MIL, that global growth will be stimulated in the short-term by policy actions that are expected to be implemented by most major economies. Longer-term, MIL has advised the Board that structural reforms will be required to facilitate debt repayment in Europe, the United States and other developed economies and to finance socio-economic improvements that will drive domestic demand in emerging markets. The Federal Reserve recently extended its maturity extension program (Operation Twist) as the U.S. economy is still experiencing tepid employment growth, low inflation and mounting pressure to extend tax breaks and defer spending cuts that are scheduled to take place in 2013. As a result, the Board expects the low interest rate environment in the U.S. and Canada to prevail for the foreseeable future.

Notwithstanding the recent volatility in global markets, the Board, as advised by MIL, believes that Canadian equity valuations remain attractive, corporate balance sheets are strong, profit margins are robust and the Canadian economy continues to perform relatively well. Canada’s governmental debt as a percentage of GDP is currently the lowest among G-7 nations and, given its well-capitalised banking system and abundance of natural resources, the Board believes that Canada continues to represent one of the most favourable investment jurisdictions in the world.

**The Canadian Equity Income Sector**

The Canadian equity income sector is comprised of corporations that offer investors a combination of high, sustainable monthly dividends together with the potential for capital appreciation. Having evolved from the conversion of income trusts into corporations, which occurred in conjunction with a tax change that came into effect at the end of 2010, Canadian equity income issuers continue to focus on distributing a substantial amount of their free cash flow in the form of regular dividend payments.

As represented by the S&P/TSX Equity Income Index as at 30 September 2012, the Canadian equity income sector has a market capitalisation of over C\$500 billion and provides an average dividend yield of more than approximately 5.5 per cent. per annum. The sector is comprised of dividend-paying stocks across a broad range of industry sectors as well as real estate investment trusts, which have remained tax-exempt vehicles.

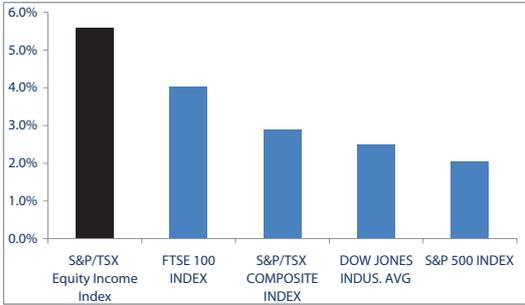
**S&P/TSX Equity Income Index**

Sector (GIC)	Index Weight	Number of Issuers	Market Cap C\$MM	Weighted Yield
Financials <sup>1</sup>	25.7%	13	313,541	5.5%
Telecommunications	9.5%	3	41,947	5.7%
Energy	22.4%	16	95,672	6.5%
Consumer Discretionary	14.0%	5	37,719	4.9%
Power and Pipeline	6.6%	5	22,331	4.9%
Utilities	8.6%	6	11,299	7.2%
Real Estate <sup>1</sup>	4.2%	13	38,709	5.3%
Industrials	5.5%	7	7,790	7.6%
Oil and Gas Services	0.9%	3	2,963	6.0%
Consumer Staples	0.8%	1	1,077	4.7%
Materials	0.8%	1	1,044	6.4%
Other	1.2%	2	1,508	9.5%
<b>Total</b>	<b>100%</b>	<b>75</b>	<b>575,600</b>	<b>5.6%</b>

1. Real Estate constitutes part of the Financials GIC

As at 30 September 2012

**Comparative Equity Index Yields**



Source: Bloomberg 30 September 2012

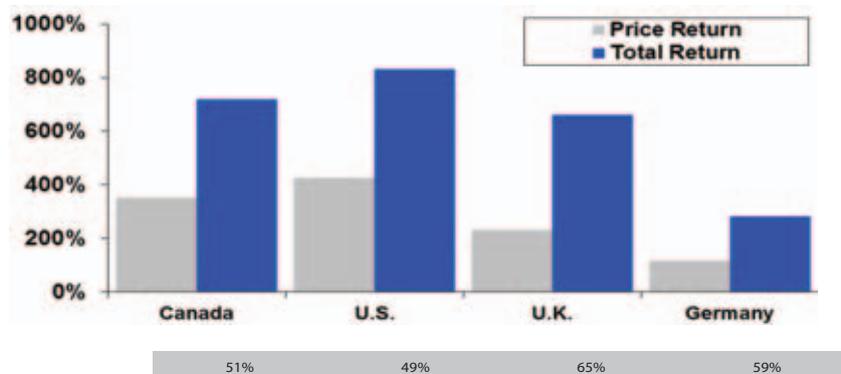
The Board, as advised by the Investment Manager, expects that the Canadian equity income sector will continue to provide investors with attractive total returns for the following reasons:

- Demographic trends, including the aging baby boomers, are expected to increase demand for investments that generate sustainable income and inflation protection;
- A high dividend payout rate imposes a strict cash management discipline on management, including an aversion to investing in non-core and low-yielding assets; and
- The Board’s belief that Canada is underpinned by strong economic fundamentals and, as a result, is well-positioned for continued growth and sustained strength in its currency.

### ***Dividend-Paying Equities Outperform***

It is the view of the Board, as advised by MIL, that dividend-paying stocks offer the potential for attractive returns with less volatility relative to non-dividend paying stocks. Over the past 25 years, dividends have accounted for more than 50 per cent. of the total returns generated by the following industrialised countries:

#### **Dividend as a percentage of total return**



Source: Bloomberg, MSCI 25 year data as of 31 December 2011

As conveyed above, the Canadian equity income universe in which the Fund invests consists of a number of industry sectors, the largest of which, as represented by market capitalisation within the S&P/TSX Equity Income index, are the energy and financial sectors.

### ***The Energy Sector***

Dividend-paying energy issuers have historically represented a significant portion of the Fund's investment portfolio. The Board, as advised by MIL, expects the combination of depleting oil and gas reserves and global demand growth, together with current geopolitical instability, will support crude oil and natural gas prices and create a favourable environment for growth in the Canadian oil and gas sector. Further, the Board believes that long-term oil prices will be in the range of US\$80 to US\$100 per barrel (WTI) during the next five to ten years as new supply remains expensive to develop. A much warmer than expected winter caused natural gas consumption to decline and working gas inventories to increase, which has placed downward pressure on natural gas prices over the last several months. Fundamentals suggest that shale gas production will not increase enough to offset declines in conventional, Gulf of Mexico and associated gas supply. Based upon advice received from MIL, the Board remains optimistic that medium-to-long term natural gas prices will increase as producers have already begun to announce production cuts and slow drilling activity, which could cause excess storage in North America to be absorbed in the coming months. Consumption is also expected to increase as industrial demand improves and utilities continue to switch from coal to gas fired electrical power generation. Given its long-term commodity price expectations, the Board believes that any material weakness within the energy sector represents a compelling buying opportunity.

### ***The Canadian Financial Sector***

The Canadian banking sector is characterised as a mature and stable oligopoly. The sector withstood the global financial crisis and the banks have since strengthened their balance sheets and improved margins to pre-recession levels. Looking forward, the Investment Manager has advised the Board that continued economic growth, supported by an improvement in unemployment and bankruptcies in Canada and the U.S., will promote commercial and industrial loan growth. The Board favours names within the banking sector which have capacity to grow their market share and demonstrate the capability to alter their asset mix in order to enhance returns.

### ***The Canadian Real Estate Sector and REITs***

The Board expects REITs, which constitute part of the Global Industry Classification “Financials”, to remain a core area of investment in the Fund’s portfolio. Supported by a widespread improvement in rents and occupancy, the Canadian real estate sector has performed exceptionally well, with the S&P/TSX Capped REIT Index having posted a total return of 428 per cent. on a GBP currency-adjusted basis over the past 10 years. The Investment Manager has advised the Board that the Canadian real estate sector, and specifically Canadian REITs, represents an attractive investment for the following reasons:

- Domestic and international demand for Canadian real estate should continue to be supported by the relative strength of the Canadian economy, a rising population and low domestic unemployment;
- Canadian life insurance companies and pension funds are expected to continue to increase their allocations to real estate relative to volatile publicly listed equities and low-yielding fixed income alternatives;
- Continued access to low-cost capital and strong fundamentals are expected to support cash flows and continue to drive REIT dividend increases in 2012 and 2013; and
- Canadian REITs have a proven track record in times of economic growth as well as periods of economic decline.

### **Capital Structure**

The Fund’s issued share capital is comprised of the Management Shares and the Shares. The Shares are admitted to trading on the main market for listed securities of the London Stock Exchange and are listed on the premium segment of the Official List.

The rights attaching to the Management Shares are summarised in paragraph 6.2.b of Part 7 of this document.

The Shares carry the right to receive all dividends declared by the Fund.

Shareholders are entitled to all dividends paid by the Fund and, on a winding-up, provided the Fund has satisfied all of its liabilities, the Shareholders are entitled to all of the surplus assets of the Fund.

Shareholders are entitled to attend and vote at all general meetings of the Fund and, on a poll, to one vote for each Share held.

On 24 May 2012, a special resolution was passed to disapply the pre-emption rights in respect of the allotment of up to 8,834,750 Shares, representing 10 per cent. of the Fund’s issued share capital as at that date. The issue of Shares on a non-pre-emptive basis will dilute the voting rights of existing Shareholders.

### **Dividend Policy**

Subject to unforeseen circumstances, the Fund intends to at least maintain its current dividend rate of five pence per Share per annum, with dividends of 1.25 pence per Share payable quarterly on the last Business Day in January, April, July and October. These figures are targets only and do not constitute nor should they be interpreted as, a profit forecast. The Fund intends to pay dividends out of current year net revenue. To the extent that current year net revenue falls short of the dividend target then, as a Cell of a Jersey incorporated company, the Fund can utilise certain brought forward reserves to make up the shortfall. Although net revenue after costs for the half year to 30 June 2012 only covered the first two quarterly dividends as to approximately 77 per cent., the Company expects that the final two quarterly dividends for the current year will be covered or nearly covered by net revenue earned in the second half of the year.

The Directors intend to introduce a progressive dividend policy going forward as the net revenue per Share of the Company grows.

## Share Repurchases

The Fund may purchase Shares in the market for cancellation with a view to addressing any imbalance between the supply of and demand for Shares, to increase the Net Asset Value per Share and to assist, when applicable, in maintaining a narrow discount to Net Asset Value per Share in relation to the price at which Shares may be trading.

A special resolution was passed on 24 May 2012, granting the Fund authority to make market purchases of up to 13,243,500 Shares (representing 14.99 per cent. of the issued share capital of the Fund as at that date). It is intended that this authority will be renewed at each subsequent annual general meeting or, more frequently at a general meeting of Shareholders if required. Purchases of Shares will be made within guidelines established from time to time by the Directors and the provisions of the Companies Law. The timing of any such purchases will be decided by the Directors.

Purchases will only be made through the market for cash at prices below the estimated prevailing Net Asset Value per Share where the Directors believe such purchases will result in an increase in the Net Asset Value per Share of the remaining Shares and as a means of addressing any imbalance between the supply of and demand for the Shares. Such purchases will only be made in accordance with the Companies Law and the Listing Rules, which currently provide that the maximum price to be paid per Share is the higher of (i) 105 per cent. of the average of the market values of the Shares from the Daily Official List of the London Stock Exchange for the five Business Days immediately preceding the date of the relevant purchase; (ii) the price of the last independent trade; and (iii) the highest current independent bid on the trading venues where the purchase is carried out.

**Investors should note that the exercise of the Fund's powers to repurchase Shares is entirely discretionary and they should place no expectation or reliance on the Directors exercising such discretion on any one or more occasions.**

As a Cell of a Jersey incorporated company with redeemable preference shares, the Board may also, at its discretion if it deems it appropriate, provide a redemption facility to Shareholders in accordance with the Fund Articles summarised in paragraph 6 of Part 7 of this document. Investors should note that there is no guarantee or comfort given that the Board would exercise its discretion to operate such a redemption facility in any given year.

## Life of the Company

At the annual general meeting of the Fund to be held in 2013, an ordinary resolution will be proposed to the effect that the Fund shall continue in existence on terms to be proposed by the Directors. If at that meeting the relevant ordinary resolution is not passed, the Directors shall within four months of the meeting convene an extraordinary general meeting of the Fund at which alternative proposals by the Directors regarding the future of the Fund shall be put to Shareholders.

## Further Cells

The PCC structure gives the Company the flexibility by special resolution to create further Cells in the future whose assets and liabilities will be separate from those of the Fund and whose investment objectives and policies may differ from those of the Fund. The Directors have no present intention to create any such Cells. If further Cells were created they may have similar investment strategies, policies and objectives to those of the Fund but be denominated in different currencies (a US\$ Cell, for example) or they may have different strategies, policies and objectives. The creation of additional Cells would benefit Shareholders by spreading the fixed running costs of the Company across a larger asset base. The formation and initial expenses of further Cells would be borne by the relevant Cell. In considering the allocation of investment opportunities between Cells with similar investment strategies, the Directors will take into account the relative net asset values of the Cells, their precise investment strategies and the level of uninvested cash available to each Cell in coming to a fair and equitable allocation between the Cells. As a matter of Jersey law, provided that the conditions laid down in the Companies Law are complied with, the cell structure permits the segregation and protection of assets of each Cell from other liabilities of the Company and any other Cells.

**Tap Shares**

This document relates not only to the issue of the Shares, but also sets out information relating to the Tap Shares. The gross proceeds of the issues of the Tap Shares were £9.09 million and the net proceeds were £9.00 million. The net proceeds of the issues of the Tap Shares were used to pursue the Fund's investment objective.

## PART 2

### THE PLACING PROGRAMME

#### Introduction

The Fund intends to issue up to 85 million Shares pursuant to the Placing Programme. The Placing Programme is flexible and may have a number of closing dates in order to provide the Fund with the ability to issue Shares on multiple occasions over a period of time. The Placing Programme is intended to partially satisfy market demand for the Shares and to raise further money for investment in accordance with the Fund's investment policy. The maximum number of Shares available under the Placing Programme should not be taken as an indication of the number of Shares finally to be issued.

#### Background to and reasons for the Placing Programme

The Board remains committed to the continuing expansion of the Fund, which should benefit Shareholders as explained below. The Board intends that the proceeds of any issue of Shares be utilised to make further investments in accordance with the Fund's investment policy.

In view of the level of ongoing demand for the Fund's Shares, the implementation of the Placing Programme and publication of this document are necessary in order to allow the Fund to continue its current policy of issuing Shares on an ad hoc basis at a small premium to the Net Asset Value per Share where demand exceeds supply.

#### Benefits of the Placing Programme

The Board believes that the Placing Programme should yield the following principal benefits:

- raise additional monies to enable the Fund to take advantage of opportunities to make further investments in accordance with the Fund's investment policy;
- grow the Fund, thereby spreading the operating costs over a larger capital base which should reduce the total expense ratio;
- maintain the Fund's ability to issue new Shares tactically, such as to better manage the premium at which the Shares trade to NAV per Share; and
- improve liquidity in the market for the Shares.

#### The Placing Programme

The Placing Programme will open on 19 October 2012 and will close on 18 October 2013 (or any earlier date on which it is fully subscribed). The maximum number of Shares to be issued pursuant to the Placing Programme is 85 million. Such Shares will, subject to the Directors' decision to proceed with an allotment at any given time, be made available at the Placing Price to Canaccord for sale in the secondary market to investors and will be issued pursuant to the Share Issuance Agreement, which is summarised in paragraph 7.6 of Part 7 of this document. No Shares will be issued at a discount to the Net Asset Value per Share at the time of the relevant allotment. The Fund will not issue any Shares (including the remaining 8,030,000 Shares in respect of which the pre-emption rights contained in the Articles were disapplied at the Fund's annual general meeting held on 24 May 2012) at a discount of 10 per cent. or more to the middle market price of the Shares at the relevant time without further Shareholder approval.

The allotment of new Shares under the Placing Programme is at the discretion of the Directors. Allotments may take place at any time prior to the final closing date of 18 October 2013. An announcement of each allotment will be released through a Regulatory Information Service (**RIS**), including details of the number of new Shares allotted and the Placing Price for the allotment. It is anticipated that dealings in the new Shares will commence three Business Days after their allotment. Whilst it is expected that all new

Shares allotted pursuant to a Placing will be issued in uncertificated form, if any new Shares are issued in certificated form it is expected that share certificates will be despatched no more than ten Business Days after the relevant allotment date.

The Placing Programme is not being underwritten and, as at the date of this document, the actual number of Shares to be issued under the Placing Programme is not known. The number of Shares available under the Placing Programme should not be taken as an indication of the number of Shares finally to be issued.

Each allotment of Shares pursuant to the Placing Programme is conditional on, *inter alia*, Shareholder authority for the disapplication of pre-emption rights in respect of the relevant allotment being in place. The Directors' existing authority to issue Shares on a non-pre-emptive basis is limited to 8,030,000 Shares. If the existing authority is used in full, this will result in a dilution of approximately 8 per cent. in existing Shareholders' voting control of the Fund. If 85 million Shares were to be issued, assuming the Shareholders approve the increase in the authority, then the dilutive effect would be 49 per cent. As no Shares will be issued under the Placing Programme at a price which is less than the NAV per Share at the time of allotment, there will be no dilution in the NAV per Share as a result of the issue of Shares under the Placing Programme.

So far as the Directors are aware as at the date of this document, no major shareholders or members of the Company's or the Fund's management, supervisory or administrative bodies intend to make a commitment for Shares under the Placing Programme. In the event that a related party (as defined in the Listing Rules) wished to make a commitment for Shares under a Placing, the Company would comply with its obligations under Chapter 11 of the Listing Rules including, if required, seeking Shareholder approval for the allotment of Shares to that related party.

Applications will be made to the UK Listing Authority for the new Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List, and to the London Stock Exchange for such Shares to be admitted to trading on its main market for listed securities. All Shares issued pursuant to the Placing Programme will be allotted conditionally on such admission occurring. This Prospectus has been published in order to obtain Admission to the premium segment of the Official List of any Shares issued pursuant to the Placing Programme; this will include any Shares issued under the Directors' existing authority to issue Shares on a non-pre-emptive basis. If that authority is exhausted the Directors intend to convene another general meeting of the Fund to obtain further authority to issue Shares on a non-pre-emptive basis from Shareholders.

Shares issued pursuant to the Placing Programme will rank *pari passu* with the Shares then in issue (save for any dividends or other distributions declared, made or paid on the latter Shares by reference to a record date prior to the allotment of the relevant new Shares).

The Placing Programme will be suspended at any time when the Fund is unable to issue new Shares pursuant to the Placing Programme under any statutory provision or other regulation applicable to the Fund or otherwise at the Directors' discretion. The Placing Programme may resume when such conditions cease to exist.

### **Conditions**

Each allotment and issue of Shares pursuant to the Placing Programme is conditional on:

- Shareholder authority for the disapplication of pre-emption rights in respect of the relevant allotment being in place;
- the Placing Price being not less than the Net Asset Value per Share;
- Admission of those Shares; and
- the Share Issuance Agreement not being terminated in accordance with its terms, and the particular Placing not being suspended in accordance with the terms of the Share Issuance Agreement.

In circumstances in which these conditions are not fully met, the relevant issue of Shares pursuant to the Placing Programme will not take place.

### **The Placing Price**

Subject to the requirements of the Listing Rules, the price at which each new Share will be issued will be calculated by reference to the estimated prevailing Net Asset Value per Share. The minimum Placing Price in respect of any allotment of new Shares will not be less than the Net Asset Value per Share and the maximum Placing Price in respect of any allotment will not exceed a premium of 5 per cent. to the Net Asset Value per Share, in each case as determined at the time of allotment.

Fractions of Shares will not be issued and placing consideration will be allocated accordingly.

Where new Shares are issued, the total assets of the Fund will increase by that number of Shares multiplied by the relevant Placing Price less brokers' commission and expenses. It is not expected that there will be any material impact on the earnings and Net Asset Value per Share, as the net proceeds resulting from any issue are expected to be invested in investments consistent with the investment objective and policy of the Fund.

In the event that the Placing Programme is fully subscribed, an existing Shareholder holding Shares representing 10 per cent. of the Fund's issued share capital would, following the completion of the Placing Programme and assuming that such Shareholder does not subscribe for any new Shares pursuant to the Placing Programme, hold Shares representing approximately 5.12 per cent. of the Fund's issued share capital.

### **Use of proceeds**

The Investment Manager will seek to invest the net proceeds of the Placing Programme on behalf of the Fund in accordance with the Fund's published investment policy and to meet the costs and expenses of the Placing Programme described in paragraph 15 of Part 7 of this document.

### **Profile of typical investor**

The Directors believe that the profile of a typical investor in the Fund is an investor who is seeking an attractive level of income with the potential to obtain growth in both income and capital over the longer term. Such investors will typically be institutional investors, professionally advised private individuals or private individuals capable of evaluating the risks and merits of such an investment and investing in the Fund as part of a portfolio approach.

### **Settlement**

Payment for the Shares issued under the Placing Programme will be made through CREST or through Canaccord, in any such case in accordance with settlement instructions to be notified to placees by Canaccord. In the case of those subscribers not using CREST, monies received by Canaccord will be held in a segregated client account pending settlement.

To the extent that any placing commitment is rejected in whole or in part, any monies received will be returned without interest at the risk of the placee.

## PART 3

### THE FUND'S PORTFOLIO

The information in this Part 3 is unaudited.

#### 1 Largest investments

The following table shows the 20<sup>1</sup> largest investments in the Fund's portfolio as at 16 October 2012 (being the latest practicable date prior to the publication of this document):

<i>Company</i>	<i>Sector</i>	<i>Valuation £000s</i>	<i>Portfolio Percentage<sup>1</sup></i>
Peyto Exploration & Development Corp	Energy Producer	3,913	3.7%
ARC Resources Ltd	Energy Producer	3,338	3.2%
Enercare Inc.	Consumer Discretionary	3,163	3.0%
Keyera Corporation	Power and Pipeline	3,125	3.0%
Algonquin Power & Utilities Corporation	Utilities	2,998	2.8%
Bonavista Energy Corp	Energy Producer	2,923	2.8%
Canexus Corporation	Materials	2,826	2.7%
Brookfield Infrastructure Partners LP	Utilities	2,783	2.6%
Westshore Terminals Investment Corp	Industrials	2,620	2.5%
Chemtrade Logistics Income Fund	Materials	2,598	2.5%
Toronto-Dominion Bank	Financials	2,592	2.5%
Poseidon Concepts Corp	Energy Producer	2,570	2.4%
Labrador Iron Ore Royalty Corporation	Metals and Mining	2,433	2.3%
Progress Energy Resources Corp	Energy Producer	2,416	2.3%
Trilogy Energy Corp	Energy Producer	2,301	2.2%
TransCanada Corporation	Utilities	2,247	2.1%
Capstone Infrastructure Corp	Utilities	2,217	2.1%
Shaw Communication Inc	Telecommunications	2,135	2.0%
Pure Industrial Real Estate Trust	Real Estate	2,121	2.0%
Altagas Ltd	Energy Producer	2,117	2.0%
<b>Total</b>			<b>50.7%</b>

#### 2 Sectoral analysis

The following table shows the composition, by sector, of the Fund's portfolio as at 16 October 2012 (being the latest practicable date prior to the publication of this document):

<i>Sector</i>	<i>Portfolio Percentage<sup>1</sup></i>	<i>Benchmark Weightings</i>
Energy Producers	19.6%	22.3%
Bonds and Convertible Debentures	14.2%	0.0%
Utilities	11.6%	8.5%
Real Estate	10.0%	4.1%
Industrials	9.2%	5.5%
Financials	6.7%	26.0%
Materials	6.7%	0.8%
Telecommunications	5.7%	9.4%
Power and Pipeline	5.0%	6.6%
Consumer Discretionary	3.8%	13.9%
Metals and Mining	2.3%	0.0%
Consumer Staples	1.5%	0.9%
Oil and Gas Services	1.5%	0.9%
Other	2.2%	1.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup> Based on total investment portfolio holdings of £105.6 million.

## PART 4

### FINANCIAL INFORMATION

#### 1 Statutory accounts for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011

Statutory accounts of the Fund for the three financial years ended 31 December 2009, 31 December 2010, and 31 December 2011, in respect of which the Company's auditor, Deloitte LLP, made unqualified reports and have been properly prepared in accordance with the Companies Law and IFRS, have been incorporated by reference into this document. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales.

No separate financial statements have been prepared for the Company for the years ended 31 December 2009, 31 December 2010 or 31 December 2011 or for the six month period ended 30 June 2011. The Company has issued 2 management shares of no par value, issued at £1 each and with a net asset value of £1 each, which has remained the same since its incorporation.

#### 2 Published annual report and accounts for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 and the unaudited half-yearly reports for the six months ended 30 June 2011 and 30 June 2012

##### 2.1 *Historical financial information*

The published annual report and audited accounts for the Fund for the three financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 and the unaudited half-yearly reports for the six month periods ended 30 June 2011 and 30 June 2012, which have been incorporated by reference into this document, included on the pages specified in the table below, the following information:

<i>Nature of Information</i>	<i>For the 6 month period ended 30 June 2012 Page No(s)</i>	<i>For the 6 month period ended 30 June 2011 Page No(s)</i>	<i>For the year ended 31 December 2011 Page No(s)</i>	<i>For the year ended 31 December 2010 Page No(s)</i>	<i>For the year ended 31 December 2009 Page No(s)</i>
Statement of Comprehensive Income	9	8	23	22	22
Statement of Changes in Shareholders Equity	10	9	24	23	23
Balance Sheet	8	7	22	21	21
Cash Flow Statement	11	10	25	24	24
Accounting Policies	12	11	26	25	25
Notes to the Accounts	12	11	26	25	25
Report of Independent Auditors	n/a	n/a	20	19	19
Chairman's Report	n/a	n/a	3	3	3
Investment Manager's Report	4	4	4	5	4
Directors' Report	n/a	n/a	6	7	7

## 2.2 *Selected financial information*

The key figures that summarise the Fund's financial position in respect of the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 (audited), and for the six month periods ended 30 June 2011 (unaudited) and 30 June 2012 (unaudited), which have been extracted without material adjustment from the historical financial information referred to in paragraph 2.1 of this Part 4, are set out in the following table:

	<i>As at 30 June 2012 (unaudited)</i>	<i>As at 30 June 2011 (unaudited)</i>	<i>As at 31 December 2011 (audited)</i>	<i>As at 31 December 2010 (audited)</i>	<i>As at 31 December 2009 (audited)</i>
Net Assets (£'000)	86,134	88,058	84,385	82,092	60,984
Net Asset Value per Share (pence)	97.49	109.64	105.06	102.21	75.93
Total Revenue (£'000)	(3,274)	7,199	6,337	26,613	28,711
Dividend per Share (pence)	2.50	2.50	5.00	5.00	5.50
Net Gain (Loss)	(4,332)	6,969	5,304	26,129	28,362
Gain (Loss) per Share (pence)	(4.98)	8.68	6.60	32.53	35.31

## 2.3 *Operating and financial review*

The Fund's published annual report and audited accounts for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 and for six month periods ended 30 June 2011 (unaudited) and 30 June 2012 (unaudited) contain, on the pages specified in the table below, descriptions of the Fund's financial condition (in both capital and revenue terms), details of the Fund's investment activity and portfolio exposure and changes in its financial condition for each of those periods.

	<i>For the 6 month period ended 30 June 2012 Page No(s)</i>	<i>For the 6 month period ended 30 June 2011 Page No(s)</i>	<i>For the year ended 31 December 2011 Page No(s)</i>	<i>For the year ended 31 December 2010 Page No(s)</i>	<i>For the year ended 31 December 2009 Page No(s)</i>
Chairman's Report	n/a	n/a	3	3	3
Investment Manager's Report	4	4	4	5	4
Directors' Report	n/a	n/a	6	7	7

## 2.4 *Availability of annual report and accounts for inspection*

Copies of the Fund's published annual report and audited accounts for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 and the unaudited half-yearly reports for the six month periods ended 30 June 2011 and 30 June 2012 are available for inspection at the address set out in paragraph 18 of Part 7 of this document.

The last year of audited information is the financial period ended 31 December 2011, which is less than 15 months prior to the publication of this Prospectus.

## 3 **Net Asset Value**

As at 16 October 2012, being the latest practicable date prior to the publication of this document, the unaudited Net Asset Value of the Fund was £93,040,788 and the unaudited Net Asset Value per Share was 104.36 pence.

#### 4 Capitalisation and indebtedness statement

The following table, sourced from the Fund's internal accounting records, shows the Fund's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 28 September 2012 and the Fund's unaudited capitalisation as at 30 June 2012 (being the last date in respect of which the Company has published financial information).

	28 Sept 2012 (unaudited) £'000
Total Current Debt	
Guaranteed/secured	—
Unguaranteed/unsecured	1,177
Total Non-Current Debt	
Guaranteed	—
Secured <sup>1</sup>	13,821
Unguaranteed/unsecured	—

Note

1 The Fund has granted security interests to RBC over its assets under the General Security Agreement (as described in paragraph 7.5 of Part 7 of this document)

	30 June 2012 (unaudited) £'000
Shareholder equity	
Share capital	30,828
Retained earnings	55,306

As at 28 September 2012, there have been the following changes in the capitalisation of the Company since 30 June 2012 (being the last date in respect of which the Company has published financial information):

<i>Event</i>	<i>Date</i>
Issue of 804,750 Shares for cash at a price of 100.25 pence per Share	19 July 2012

The following table shows the Company's unaudited net indebtedness as at 28 September 2012.

	28 Sept 2012 (unaudited) £'000
A. Cash	903
B. Cash equivalents	—
C. Trading securities	106,006
D. Liquidity (A+B+C)	106,909
E. Current financial receivable	703
F. Current bank debt	
G. Current portion of non-current debt	
H. Trading securities payable	821
I. Other current financial debt	356
J. Current financial debt (F+G+H+I)	1,177
K. Net current financial indebtedness (J-E-D)	(106,435)
L. Non-current bank loans	13,821
M. Bonds issued	
N. Other non-current loans	
O. Non-current financial indebtedness (L+M+N)	13,821
P. Net financial indebtedness (K+O)	(92,614)

## PART 5

### DIRECTORS, MANAGEMENT AND ADMINISTRATION

#### 1 Directors of the Company

The Directors are responsible for the determination of the Fund's investment objective and policy and have overall responsibility for the Company's and the Fund's activities. All of the Directors are independent of the Investment Manager (with the exception of Mr Jestley).

The board of Directors meets on a quarterly basis (or on a more frequent basis if necessary) to review the investment strategy, the performance of the Fund and the performance of the Fund's functionaries.

The Directors are as follows:

Nicholas Villiers (*Chairman*)

Mr Villiers was Vice Chairman of Royal Bank of Canada Europe Ltd and Managing Director of RBC Capital Markets (previously RBC Dominion Securities). Mr Villiers joined the Royal Bank of Canada Group in 1983 as a Director and Head of Mergers and Acquisitions at Orion Royal Bank, London (a subsidiary of the Royal Bank of Canada). During his 19-year career with the RBC Group, Mr Villiers led the international mergers and acquisitions team based in London and was also responsible for the Royal Bank of Canada group's successful participation in privatisations. Prior to joining the Royal Bank of Canada Group, Mr Villiers served from 1977 to 1983 as joint Managing Director of Delcon Financial Corporation. Mr Villiers previously served as a non-executive director on the boards of Intrawest Corporation and Abercrombie & Kent. Mr Villiers is currently an advisor to a number of private companies.

Raymond Apsey

Mr Apsey is a Fellow of the Institute of Chartered Secretaries and Administrators with extensive experience at management level of the offshore finance industry in the Bahamas, the Channel Islands and the Cayman Islands. He joined Morgan Grenfell Offshore Group in 1975 to head the Corporate and Trust Division and held various senior appointments including Deputy Managing Director of Jersey, Managing Director of Cayman and Group Director before retiring in 1995. Mr Apsey is currently Chairman or director of a number of investment companies listed on the London, Irish and Channel Islands Stock Exchanges.

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 currently the Managing Director of the Philean Trust Company Limited.

Thomas Grose

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

W. Garth Jestley

Mr Jestley is Deputy Chairman of MCC and Middlefield International Limited with overall responsibility for Middlefield's international fund management and merchant banking operations. At the end of 2012, Mr Jestley will no longer assume responsibility for Middlefield's international fund management and merchant banking operation, but will remain the Deputy Chairman of MCC and MIL. Mr Jestley has over 30 years of experience in the financial services sector, including senior roles in investment management,

corporate banking, resource project financing and investment banking. Prior to joining Middlefield in 1985, Mr Jestley was employed with Citibank N.A., Bank of Montreal and The Prudential Insurance Company of America. Mr Jestley holds the Chartered Financial Analyst (CFA) designation and is an MBA graduate of the Richard Ivey School of Business (University of Western Ontario).

The Directors of the Company can be appointed and removed by an ordinary resolution of all the Shareholders of the Company and each Cell in accordance with the Company Articles.

## **2 Management of the Fund**

### **2.1 *Responsibility for management***

The Directors are responsible for the determination of the Fund's investment objective and policy and have overall responsibility for its activities. The Fund has, however, entered into an Investment Management Agreement with MIL under which the Investment Manager has been given responsibility for the day-to-day discretionary management of the Fund's assets in accordance with the Fund's investment objective and policy, subject to the overall supervision of the Directors. The Investment Manager may delegate its investment management duties to an affiliated company and has done so to MCC which previously acted as the investment advisor to the CIT Trust.

### **2.2 *The Investment Manager***

The Investment Manager is a private limited company and was incorporated under the laws of England and Wales on 25 February 1991 with registered number 02585440. Its registered office is at 288 Bishopsgate, London EC2M 4QP and it is authorised and regulated by the Financial Services Authority.

The Directors have noted that the Investment Manager has other clients and have satisfied themselves that the Investment Manager has procedures in place to address potential conflicts of interest.

The members of MCC principally involved in the management of the Fund are:

**Dean Orrico** is President and Chief Investment Officer of MCC and is responsible for overseeing the creation and ongoing management of all of Middlefield's investment funds. Mr Orrico has 20 years of experience in the financial services sector. Prior to joining Middlefield in 1996, Mr Orrico was an account officer in the commercial banking division of the Toronto Dominion Bank. Mr Orrico is a registered portfolio manager and is an MBA graduate of the Schulich School of Business (York University) and holds a B.Comm degree from the Rotman School of Management (University of Toronto).

**Richard L. Faiella** is Managing Director, International and a Senior Portfolio Manager of Middlefield Capital Corporation. Mr Faiella is responsible for the development and structuring of all of Middlefield's international investment funds and is the Senior Portfolio Manager of the Fund. Mr Faiella joined Middlefield in 1998. He is an MBA graduate of the Rotman School of Management (University of Toronto) and holds the Chartered Financial Analyst designation (CFA).

**Andy Nasr** is an Executive Director, Portfolio Manager of MCC and has over 10 years of industry experience. He was previously a Senior Vice-President and Equity Analyst at Raymond James Ltd. where he spent five years covering high-yielding equities and companies operating in the consumer and alternative energy sectors. He has also spent over five years at two other asset management firms, where he was registered as a Portfolio Manager. Mr Nasr holds the Chartered Financial Analyst (CFA) designation and graduated with a B.Comm degree from the Rotman School of Management (University of Toronto).

Further details of the Investment Manager are set out in Part 1 of this document.

### **2.3 *Investment Management Agreement***

From 6 October 2011 (being the date of termination of the Swap) until 28 June 2013 (when the Swap would otherwise have terminated) the Investment Manager is entitled to a management fee from the Fund, payable quarterly in arrears, equivalent to 0.867 per cent. per annum of the average

Net Asset Value of the Fund calculated over the relevant quarterly period. Following 28 June 2013, the management fee will be payable quarterly in arrears at a rate of 0.70 per cent. per annum of the average Net Asset Value of the Fund calculated over the relevant quarterly period.

The Investment Manager is responsible for the payment of any fees to any person to whom it delegates the provision of its services out of its own management fee.

Further details of the Investment Management Agreement are summarised in paragraph 7.1 of Part 7 of this document.

### **3 Other Arrangements**

#### **3.1 Administrator and Company Secretary**

Kleinwort Benson (Channel Islands) Corporate Services Limited is responsible for the Fund's general administrative functions, such as calculation of the Fund's Net Asset Value and the Net Asset Value per Share and the maintenance of accounting records. It has also been appointed to provide secretarial services to the Company and the Fund required by the Companies Law and for assisting the Board in ensuring that the Company complies with its continuing obligations as a company with a premium listing on the Official List.

The Administrator is entitled to an administration fee payable quarterly in arrears at the rate of 0.1 per cent. per annum of the average Net Asset Value of the Fund calculated over the relevant quarterly period.

Further details of the Administration Agreement are summarised in paragraph 7.2 of Part 7 of this document.

#### **3.2 Registrar**

The Fund utilises the services of Capita Registrars (Jersey) Limited as its registrar. The Registrar is entitled to a fee for basic services provided by it relating to the creation and maintenance of the share register of £2.36 per Shareholder per account during the fee year, subject to an annual minimum fee of £6,489.32. If the Registrar has to process transfers in excess of the annual allowance, further transfers will incur additional charges of £1.07 per CREST transfer and £3.68 per non-CREST transfer. The Registrar will also be entitled to a fee of £2,000 per annum in relation to the maintenance of the register in Jersey and for the provision of a UK transfer agent.

#### **3.3 CREST agent and transfer agent**

Capita Registrars has been appointed to act as the Fund's CREST agent and transfer agent in relation to the transfer and settlement of Shares in uncertificated form. Capita Registrars also act as the Fund's UK paying agent.

#### **3.4 Custodian**

RBC Investor Services Trust has been appointed as the custodian of the assets of the Fund pursuant to the Custodian Agreement (further details of which are set out in paragraph 7.3 of Part 7 of this document).

The Custodian is entitled to a fee of 0.01 per cent. per annum of the Fund's NAV.

RBC Investor Services Trust is a Canadian trust company and is regulated by the Office of the Superintendent of Financial Institutions in Canada.

The address and telephone number of the Custodian are 335 – 8th Avenue SW, 23rd Floor, Calgary, AB T2P 1C9, tel: +1 403 476 7447. Investors should note that it is not possible for the Custodian to provide any investment, legal, tax or financial advice.

#### **3.5 Auditor**

Deloitte LLP provides audit services to the Company. The annual report and accounts are prepared according to accounting standards laid out under IFRS.

#### **4 Ongoing and Annual Expenses**

The Company and Fund incur ongoing and annual fees and expenses. These fees and expenses are incidental to the management, administration and continuation of the Fund during the Company's life. These fees and expenses include, among others, fees payable to the Investment Manager, the Administrator, the Directors (each Director is paid a fee of £20,000 per annum, save for the Chairman who is paid a fee of £25,000 per annum), the Custodian, the auditors, the Company's broker and interest on any bank borrowings. Other ongoing operational expenses of the Company and the Fund are borne solely by the Fund until further Cells (if any) are created, including travel, accommodation, printing and legal fees. All out of pocket expenses of the Investment Manager, the Administrator, the Registrar, the CREST agent and the Directors are borne solely by the Fund until further Cells (if any) are created.

The management fee and any debt finance costs incurred by the Fund are charged as to 60 per cent. to the capital account and as to 40 per cent. to the revenue account in line with the Directors' expectations as to the returns, in the form of income and capital gains, from the Fund's investment portfolio.

#### **5 Meetings and reports to Shareholders**

Following the transfer of the Company's residency for tax purposes to the UK with effect from 11 October 2011, all general meetings of the Company and separate shareholder meetings relating to each Cell (including the Fund) shall be held in the UK. The Company and each Cell (including the Fund) will hold a general meeting as its annual general meeting each year, which is expected to be in May each year.

The Company's and the Fund's audited annual report and accounts will be prepared to 31 December each year, and it is expected that copies will be made available to the public and sent to Shareholders in April each year, or earlier, if possible. This is in accordance with FSA DTR 4.1.

Shareholders will also receive an unaudited interim report each year in respect of the period to 30 June, expected to be made available to the public in August and despatched to Shareholders in September each year, or earlier, if possible.

All accounts will be drawn up in Sterling and in compliance with IFRS.

#### **6 Net Asset Value**

The Net Asset Value per Share is published via an RIS on a daily basis and calculated by the Administrator in accordance with the provisions of IFRS.

In calculating the Net Asset Value:

- (a) securities listed, traded or quoted on a stock exchange or over-the-counter market will be valued by reference to the last trade price on such stock exchange or over-the-counter market as at the close of business of the relevant stock exchange or over-the-counter market on the relevant valuation day as shown by the relevant exchange's or market's recognised method of publication of prices for such investments;
- (b) any unlisted and unquoted investments will be valued by reference to fair value;
- (c) derivative instruments will be valued by reference to fair value;
- (d) cash and bank deposits will be valued by reference to their face value; and
- (e) notwithstanding the foregoing, the Directors shall be entitled, at their absolute discretion, to apply a method of valuing any asset different from that prescribed above if such method would in their opinion better reflect the fair value of such asset.

The Directors may temporarily suspend the calculation of Net Asset Value per Share during a period when:

- (a) as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility or power of the Board, disposal or valuation of investments of the Fund or other transactions in the ordinary course of the Fund's business is not reasonably practicable without this being materially detrimental to the interests of Shareholders or if, in the opinion of the Board, the Net Asset Value cannot be fairly calculated;

- (b) there is a breakdown of the means of communication normally employed in determining the calculation of the Net Asset Value; or
- (c) it is not reasonably practicable to determine the Net Asset Value on an accurate and timely basis.

Such a suspension will be communicated to Shareholders by an RIS.

## **7 Corporate Governance**

The Listing Rules require premium-listed companies, such as the Company, to include in their annual report and accounts a statement of how they apply the principles of good corporate governance set out in the UK Corporate Governance Code and whether or not they have complied with the best practice provisions set out in the UK Corporate Governance Code throughout their accounting period. Where any of the provisions have not been complied with, the relevant company must state the provisions in question, the period within which non-compliance occurred and the reasons for non-compliance.

The Fund is a member of the Association of Investment Companies and as such the AIC Code, which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts, applies to it. The Financial Reporting Council have confirmed that, by following the AIC Corporate Governance Guide for Investment Companies (which was produced in conjunction with the AIC Code in October 2010) (the **AIC Guide**), investment company boards should fully meet their obligations in relation to the UK Corporate Governance Code and paragraph 9.8.6 of the Listing Rules.

The AIC Code provides that, to give greater transparency to investors, it should be best practice for members to state in their annual report whether they are adhering to the principles and following the recommendations contained in the AIC Code and if not, to explain why and, where appropriate, to detail the steps they intend to take to bring themselves into compliance in the future. AIC member companies may also make a statement that, by reporting against the AIC Code and by following the AIC Guide, they are meeting their obligations under the UK Corporate Governance Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) and as such do not need to report further on issues contained in the UK Corporate Governance Code which are irrelevant to them (as explained in the AIC Guide).

Other than as outlined below, the Fund complies with the principles of good governance contained in the UK Corporate Governance Code and the AIC Code.

The structure of the Board is such that it is considered unnecessary to identify a senior independent non-executive director other than the Chairman as the Board currently has a majority of independent Directors.

All of the Directors are non-executives and, apart from Mr Jestley, they are independent of the Investment Manager for the purposes of the Listing Rules.

The Board has delegated certain responsibilities and functions to the Audit Committee and the Nomination and Remuneration Committee, which are summarised below.

### ***Audit Committee***

The Audit Committee, chaired by Philip Bisson, comprises all the independent Directors and meets at least twice a year. The members of the Audit Committee consider that they collectively have the requisite skills and experience to fulfil the responsibilities of the Audit Committee. The Audit Committee considers the financial reporting by the Fund, the internal controls and relations with the Fund's external auditors. In addition, the Audit Committee reviews the independence and objectivity of the auditors.

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

### ***Nomination and Remuneration Committee***

The Nomination and Remuneration Committee, chaired by Raymond Apsey, comprises all the Directors and meets on an *ad hoc* basis, as and when necessary. The Committee considers and monitors the level and structure of remuneration of the Directors, considers the overall level of insurance cover for the Fund,

including Directors' and Officers' Liability insurance and considers such other topics as directed by the Board. The Committee also conducts a process in January each year to evaluate the performance of the Board and individual Directors.

The terms of reference for both the Audit Committee and the Nomination and Remuneration Committee are available for inspection at the Fund's registered office during normal business hours.

## PART 6

### TAXATION

#### **UK Taxation**

The following paragraphs are intended as a general guide only and are based on current legislation and HMRC practice, which is in principle subject to change at any time. They summarise advice received by the Directors as to the position of Shareholders who (unless the position of non-resident Shareholders is expressly referred to) are resident or ordinarily resident in the United Kingdom (UK) for tax purposes, who are the absolute beneficial owners of their Shares, who have not acquired their Shares by virtue of an office or employment and who hold their Shares as an investment. Certain Shareholders, such as dealers in securities, insurance companies and collective investment vehicles, may be taxed differently and are not considered below.

**If you are in any doubt as to your tax position or if you are subject to tax in a jurisdiction outside the UK, you should consult an appropriate professional adviser without delay.**

#### **The Fund**

It is the intention of the Directors to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust under Chapter 4 of Part 24 of the CTA 2010 (**Chapter 4**), so that the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way. However, following changes post 1 July 2009, it should be noted that dividend income from overseas companies is typically not taxable. As such it is not anticipated that the Company will suffer UK corporation tax in practice. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates, but double taxation relief may be available.

The rules relating to investment trusts have been changed with effect for accounting periods which begin on or after 1 January 2012.

For the accounting period beginning on 1 January 2012, and subsequent accounting periods, the new investment trust rules will apply. The principal requirements to qualify as an investment trust under Chapter 4 and the regulations made thereunder are that: (1) the shares making up the ordinary share capital of the Company (i.e. the Shares) must be admitted to trading on a regulated market; (2) the Company's business must consist of investing in shares, land or other assets with the aim of spreading investment risk, and giving members the benefit of the result of the management of its funds; (3) the Company must not retain, in respect of any accounting period, an amount which is greater than 15 per cent. of its income for the accounting period; and (4) the Company is not a close company. Once approved, the Company will remain within the investment trust regime until it elects to leave or the approval is withdrawn.

#### **Shareholders**

##### ***Taxation of capital gains***

Depending on their personal circumstances, UK resident Shareholders may be subject to capital gains tax or, in the case of corporate Shareholders, corporation tax on chargeable gains, in respect of any gain arising on a transfer or disposal of their Shares, including a disposal on a winding-up of the Fund.

For Shareholders who are individuals, or otherwise not within the charge to UK corporation tax, UK capital gains tax may be payable on a disposal of the Shares at the flat rate of 18 per cent. for basic rate taxpayers or 28 per cent. for higher or additional rate taxpayers. No indexation allowance is available to such holders, but Shareholders may be entitled to an annual exemption from capital gains (for the year 2012/2013, this is £10,600).

Individual Shareholders who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief).

Shareholders within the charge to UK corporation tax may be liable to UK corporation tax (currently 24 per cent.) on chargeable gains on a disposal of their Shares. Indexation allowance may be available to reduce the amount of any chargeable gain (but cannot be used to create or increase an allowable loss).

### ***Taxation of dividends and distributions***

Under current law, the Fund will not be required to withhold tax at source when paying a dividend.

UK resident individual Shareholders will be liable to income tax on the amount of any dividends received. Basic rate taxpayers will be liable to income tax at 10 per cent., higher rate taxpayers at 32.5 per cent. and additional rate taxpayers at 42.5 per cent. (2013/2014: 37.5 per cent.). A tax credit equal to 10 per cent. of the gross dividend (also equal to one-ninth of the cash dividend received) should be available to set off against a Shareholder's total income tax liability. The effect of the tax credit is that a basic rate taxpayer will not have to account for any additional tax to HMRC, a higher rate taxpayer will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which equals 25 per cent. of the cash dividend received) and an additional rate taxpayer will have to account for additional tax equal to 32.5 per cent. (2013/2014: 27.5 per cent.) of the gross dividend received (which equals 36.11 per cent. (2013/2014: 30.56 per cent.) of the cash dividend received).

There will be no repayment of all or part of the tax credit to an individual Shareholder whose liability to income tax on all or part of the gross dividend is less than the amount of the tax credit. This will include a Shareholder who holds Shares through an Individual Savings Account (**ISA**).

Dividends received by UK corporate Shareholders will be subject to UK corporation tax, unless the dividend falls within one of the exempt classes set out in Part 9A of the Corporation Tax Act 2009. It is likely that dividends will fall within one of such exempt classes but Shareholders within the charge to UK corporation tax are advised to consult their independent professional tax advisers to determine whether dividends received will be subject to UK corporation tax.

Shareholders who are not resident in the UK may be entitled to a payment from HMRC of a proportion of the tax credit relating to their dividends but such entitlement will depend, in general, on the provisions of any double taxation agreement or convention which exists between the UK and their country of residence. Non-UK resident Shareholders may be subject to local taxation on dividend income in their country of residence. Any person who is not resident in the UK should consult his own tax adviser on the question of the double taxation position applying between his country of residence and the UK.

### ***Stamp duty and stamp duty reserve tax (SDRT)***

The following comments are intended as a guide to the general UK stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services to whom special rules apply.

UK stamp duty (at the rate of 0.5 per cent., rounded up where necessary to the next £5, of the amount of the value of the consideration for the transfer) is payable on any instrument of transfer of Shares executed within, or in certain cases brought into, the UK. Provided that the Shares are not registered in any register of the Fund kept in the UK, any agreement to transfer Shares should not be subject to SDRT. The Fund intends to maintain its registers in Jersey accordingly.

### ***ISAs and Self-Invested Personal Pensions (SIPPs)***

Although the Shares are eligible for inclusion in an ISA (subject to applicable subscription limits), Shares acquired pursuant to the Placing may not be acquired or held in an ISA. The Shares will be permissible assets for a SIPP.

## **Canadian Taxation**

The following paragraphs are intended as a general guide only and are based on current provisions of the Income Tax Act (Canada) and its regulations (**Canadian Tax Act**), the Canada – U.K. Income Tax Convention (**UK/Canada Treaty**) and the current publicly available published administrative policies and assessing practices of the Canada Revenue Agency.

They summarise advice received by the Directors as to the position of the Fund and its Shareholders who are resident or ordinarily resident in the UK for tax purposes and not resident in Canada for purposes of the Tax Act, who are the absolute beneficial owners of their Shares, and who hold their Shares as capital property.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the proposed amendments, does not take into account any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder.

### ***The Fund***

For purposes of the Canadian Tax Act, the Company rather than the Fund is considered a taxpayer. The Company will be managed and controlled in such a way that it should not be resident in Canada for Canadian income tax purposes. Accordingly, and provided that the Company does not carry on business in Canada for Canadian income tax purposes, the Company will not be subject to Canadian income tax other than Canadian withholding tax on its Canadian source income as described in more detail below.

The following assumes that the Company will be a resident of the UK for purposes of the UK/Canada Tax Treaty, will be the beneficial owner of payments received on Canadian securities and will not hold 10 per cent. or more of the voting power in any Canadian corporation.

#### *Dividends from Canadian Corporations*

Dividends paid to the Company on shares of a Canadian corporation will be subject to a 15 per cent. Canadian withholding tax.

#### *Distributions from Canadian REITs*

Distributions of income, capital gains and returns of capital paid on units of a Canadian REIT to the Company (whether paid in cash or units) will be subject to a 15 per cent. Canadian withholding tax.

#### *Distribution from Canadian Trusts that are not REITs*

If the Fund holds units of a Canadian trust that is not a REIT, distributions of income paid on such units to the Company will be subject to a 15 per cent. Canadian withholding tax whereas distributions of returns of capital and capital gains may not be subject to Canadian withholding tax or will be subject to a 15 per cent. Canadian withholding tax. In general, withholding tax will apply on such distributions if the units of the Canadian trust are listed on a “designated stock exchange”, the trust is a “mutual fund trust” and more than 50 per cent. of the fair market value of the unit is attributable to Canadian real estate or resource properties. In addition, in general terms, distributions by a trust of capital gains realised from the disposition of “taxable Canadian property” are subject to Canadian withholding tax if paid by a “mutual fund trust” that has more than 5 per cent. of its units held by holders who are not residents of Canada.

#### *Interest on Canadian Debt Instruments*

Interest paid to the Company on debt instruments of Canadian issuers will not be subject to Canadian withholding tax provided that the Company deals at arm’s length with the Canadian issuer and further provided that the interest is not a “participating debt interest” as defined in the Canadian Tax Act.

#### *Capital Gains*

Under the Canadian Tax Act, the Company will not be liable to pay Canadian income tax on any capital gain realised on a disposition of a security provided that such security is not “taxable Canadian property.”

In general, securities that are listed on a “designated stock exchange” (e.g. the Toronto Stock Exchange) will not be “taxable Canadian property” to the Company unless at any time in the 60-month period prior to the disposition (a) in the case of shares, 25 per cent. or more of the issued shares of any class of the corporation, or in the case of a trust, 25 per cent. or more of the issued units of the trust, are owned or belonged to one or any combination of the Company and persons who do not deal at arm’s length with

the Company, and (b) more than 50 per cent. of the fair market value of the security was derived directly or indirectly from real property situated in Canada, Canadian resource properties or options or interests in such property.

If securities are “taxable Canadian property,” then the Company will be exempt from paying tax on any capital gain realised on a disposition of such securities under the provisions of the UK/Canada Treaty, if,

- (a) In the case of shares of a corporation, (i) the shares are listed on an “approved stock exchange” (which includes the Toronto Stock Exchange), or (ii) the Company (including any person related or connected with the Company) owns immediately before the disposition less than 10 per cent. of each class of the shares capital of the Canadian corporation, and
- (b) in the case of units of trust, the Company (including any person related or connected with the Company) owns immediately before the disposition less than 10 per cent. of the units of the Canadian trust.

### **Shareholders**

UK resident Shareholders will not be subject to Canadian withholding tax on distributions paid by the Fund to the Shareholder.

A UK resident Shareholder will not be liable to pay Canadian income tax on any capital gain realised on a disposition of Shares provided that the Shares continue to be listed on the Official List and admitted to trading on the London Stock Exchange (or another “approved stock exchange”).

If the Shares are not listed on the Official List and admitted to trading on the London Stock Exchange (or another “approved stock exchange”), the UK resident Shareholder will be liable to pay Canadian income tax on a capital gain realised on a disposition of Shares only if (a) immediately prior to the disposition the UK resident Shareholder (including an person related or connected with the Shareholder) owned 10 per cent. or more of a class of shares of the Company, and (b) the Shares are “taxable Canadian property.” In general, the Shares will be “taxable Canadian property” to such a UK resident Shareholder if at any time in the 60-month period prior to the disposition more than 50 per cent. of the fair market value of the Shares was derived directly or indirectly from real property situated in Canada, Canadian resource properties or options or interests in such property.

### **Foreign Account Tax Compliance Act (“FATCA”) proposals**

Under the FATCA provisions of the US Hiring Incentives to Restore Employment (**HIRE**) Act, where a company invests directly or indirectly in US assets, payments to that company of US-source income after 31 December 2013, gross proceeds of sales of US property by that company after 31 December 2014 and certain other payments received by that company after 31 December 2016 will be subject to 30 per cent. US withholding tax unless that company complies with FATCA. Whilst the Fund does not directly invest in US assets, it is likely to receive payments from other foreign financial institutions (**FFIs**), such as the Custodian. FATCA compliance can be achieved by entering into an agreement with the US Secretary of the Treasury under which the Fund would agree to certain US tax reporting and withholding requirements as regards holdings of and payments to certain investors in the Fund or, if the Fund is eligible, by becoming a deemed compliant fund. However, the form of the agreement has not been provided by the US Government, the US regulations which set out the detailed rules have not been finalised and there may be agreements reached between certain governments and the United States that could impact upon compliance with FATCA. A draft of the rules provides that FFIs may be required to make a withholding if the counterparty to whom they are making a payment is not either a deemed compliant fund or party to an agreement with the US Treasury. FATCA could therefore affect the Fund, despite it not investing in US assets, and it is too early to say whether the Fund will be “deemed compliant” or be able to enter into an agreement with the US Treasury. Any amounts of US tax withheld may not be refundable by the Internal Revenue Service (**IRS**). Potential investors should consult their advisors regarding the application of the withholding rules and the information that may be required to be provided and disclosed to the Fund’s counterparties and in certain circumstances to the IRS as will be set out in the final FATCA regulations. The application of the withholding rules and the information that may be required to be reported and disclosed are uncertain and subject to change. Investors are encouraged to consult their tax advisors regarding the possible implications of FATCA on their investment in the Shares.

## PART 7

### GENERAL INFORMATION

#### 1 Incorporation and Administration

- 1.1 The Company was incorporated with limited liability in Jersey under the Companies Law on 24 May 2006 with registered number 93546 as a protected cell company in which different Cells may be created. The Company changed its name from Middlefield Canadian Income Trusts Investment Company PCC to Middlefield Canadian Income PCC on 8 June 2011.
- 1.2 The Fund is a closed-ended protected cell of the Company formed pursuant to a special resolution of the Company dated 30 May 2006. The Fund changed its name from Middlefield Canadian Income Trusts – GBP PC to Middlefield Canadian Income – GBP PC on 8 June 2011.
- 1.3 The registered office and principal place of business of the Company is Kleinwort Benson House, Wests Centre, St Helier, Jersey, Channel Islands JE4 8PQ, and the telephone number is 01534 613 000.
- 1.4 The Company operates under the Companies Law and ordinances and regulations made thereunder. The Fund is a listed fund and regulated pursuant to the Collective Investment Funds (Jersey) Law 1988 and the Jersey Listed Fund Guide. The Company is not authorised or regulated as a collective investment scheme by the Financial Services Authority. However, it is subject to the Listing Rules of the UK Listing Authority and the Disclosure and Transparency Rules.
- 1.5 The Company's and the Fund's accounting period terminates on 31 December of each year. The annual report and accounts are prepared in accordance with IFRS.
- 1.6 Changes in the issued share capital of the Company and the Fund since 31 December 2008 are summarised in paragraph 2 below.
- 1.7 Deloitte LLP has been the auditor of the Company for the three financial years ending on 31 December 2011. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales.

#### 2 Share Capital

- 2.1 The authorised share capital of the Company on incorporation was represented by two management shares of no par value. These management shares were issued at £1.00 each and are beneficially owned by the Administrator. The rights attaching to the management shares in the Company are summarised in paragraph 6.2(a) of this Part 7.
- 2.2 The authorised share capital of the Fund on establishment was represented by an unlimited number of Shares and two Management Shares of no par value. Two Management Shares were issued at £1.00 each and are beneficially owned by the Administrator. The Management Shares were created to comply with the Companies Law, under which there must be a class of non-redeemable shares in issue in order that the Shares may be redeemable preference shares in accordance with the Companies Law. The rights attaching to the Management Shares are summarised in paragraph 6.2(b) of this Part 7.
- 2.3 As at the date of this document there are 89,152,250 Shares in issue.
- 2.4 The Company's issued share capital comprises two management shares of no par value and there has been no change in the Company's issued share capital since 24 May 2006.
- 2.5 The Fund's issued share capital history since 31 December 2008 is as follows:
  - (a) as at 31 December 2008 there were 80,317,500 Shares and two Management Shares in issue;
  - (b) on 17 January 2012, the Fund issued 750,000 new Shares for cash, each of no par value. The number of Shares in issue as at 31 January 2012 was 81,067,500;

- (c) on 2 February 2012, the Fund issued 7,280,000 new Shares for cash, each of no par value. The number of Shares in issue as at 29 February 2012 was 88,347,500; and
  - (d) on 19 July 2012, the Fund issued 804,750 new Shares for cash, each of no par value. As at the date of this document the Fund's issued share capital comprises 89,152,250 Shares and two Management Shares.
- 2.6 If the Placing Programme is fully subscribed, the issued share capital of the Fund will on final Admission consist of 174,152,250 Shares.
- 2.7 Save as disclosed in this paragraph 2, since 31 December 2008 no share or loan capital of the Company or the Fund has been issued or been agreed to be issued, fully or partly paid, either for cash or for a consideration other than cash, and no such issue is now proposed.
- 2.8 Neither the Company nor the Fund has granted any options over its share or loan capital which remain outstanding and has not agreed, conditionally or unconditionally to grant any such options.
- 2.9 At the annual general meeting of the Fund held on 24 May 2012, the following special resolutions were passed:
- (a) the Directors were authorised to issue or allot up to 8,834,750 Shares (representing 10 per cent. of the issued share capital of the Fund as at the annual general meeting held on 24 May 2012) for cash as if the pre-emption rights conferred by Articles did not apply to the allotment, provided that such Shares shall be allotted for cash at a price per Share which is not less than the Net Asset Value per Share at the time of the issue. This authority shall expire on the earlier of 30 September 2013 or the conclusion of the annual general meeting of the Fund to be held in 2013, whichever is earlier, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry pursuant to any such offer or agreement as if the power conferred by the resolution had not expired. This power applies in relation to the sale of Shares held in treasury as if all references in the resolution to an issue or allotment included any such sale; and
  - (b) the Fund was authorised pursuant to Article 57 of the Companies Law to make market purchases of Shares, provided that:
    - (i) the maximum number of Shares authorised to be purchased shall be up to an aggregate of 13,243,500 (representing 14.99 per cent. of the issued share capital of the Fund as at the date of the annual general meeting held on 24 May 2012, excluding Shares held in treasury);
    - (ii) the minimum price, exclusive of any expenses, which may be paid for a Share is £0.01;
    - (iii) the maximum price, exclusive of any expenses, which may be paid for a Share shall be the higher of:
      - (A) an amount equal to 105 per cent. of the average middle market quotation for Shares (as taken from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the day on which such Shares are contracted to be purchased; and
      - (B) the higher of (i) the price of the last independent trade and (ii) the highest current independent bid on the London Stock Exchange at the time the purchase is carried out, provided that the Fund shall not be authorised to acquire Shares at a price above the prevailing Net Asset Value per Share on the date of purchase.

This authority shall expire on the earlier of 30 September 2013 or the conclusion of the annual general meeting of the Fund to be held in 2013, whichever is earlier, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require the purchase of Shares after such expiry pursuant to any such offer or agreement as if the power conferred by the resolution had not expired.

The Fund is permitted to fund the payments for purchases of Shares in any manner permitted by the Companies Law and the Directors must reasonably believe that the Fund meets the solvency tests prescribed by the Companies Law before making such purchases.

- 2.10 If it shall come to the attention of the Directors that any Shares are owned directly or beneficially by any person in breach of any law or requirement of any country or governmental authority or by virtue of which such person is not qualified to hold such Shares or in any other circumstances which in the opinion of the Directors might prejudice the tax status of the Fund or any Shareholders or any of them or cause the Fund or any Shareholders or any of them a legal, regulatory, pecuniary, fiscal or other material administrative disadvantage or cause the Fund to be required to comply with any registration or filing requirements in any jurisdiction with which it would not otherwise be required to comply, the Directors shall be entitled to compulsorily redeem such Shares or give notice to such person requiring him to transfer such Shares to a person who is qualified or entitled to own the same. Until the redemption or transfer is effected, the person shall not be entitled to any of the rights or privileges attaching to the Shares, including, any right to attend or vote at any general meeting of the Fund.

### 3 Directors' and other interests

- 3.1 Insofar as is known to the Company, the interests of each Director, including any connected person, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of the Fund as at the date of this document are:

	<i>Number of Shares</i>
Nicholas Villiers	10,000
Raymond Apey	50,000
Philip Bisson	310,000
Thomas Grose	20,000
W. Garth Jestley	200,000

- 3.2 All Shares held by the Directors are beneficially held by such Directors unless otherwise stated.
- 3.3 Each of the Directors is entitled to receive a fee of £20,000 per annum from the Company in respect of his position as a director of the Company, save for the Chairman who is entitled to receive a fee of £25,000 per annum. No commissions or performance related payments have been or will be made to the Directors by the Fund. For the financial year ended 31 December 2011, Nicholas Villiers received £16,250, Raymond Apey received £18,750, Philip Bisson received £15,000 and Thomas Grose (appointed 11 October 2011) received £3,000. W. Garth Jestley waived his entitlement to a director's fee.
- 3.4 The aggregate remuneration and benefits in kind of the Directors in respect of the Fund's accounting period ending on 31 December 2012 which will be payable out of the assets of the Fund is not expected to exceed £85,000 (on the basis that W. Garth Jestley has waived his entitlement to a Director's fee in respect of the current accounting period). As W. Garth Jestley is retiring from his executive role at Middlefield before 31 December 2012, he does not intend to waive his Director's fee in respect of subsequent accounting periods. The Directors have not been paid any amount of remuneration by way of benefits in kind, pension contributions or any contingent or deferred compensation by the Fund for their services in all capacities to the Company and the Fund. Accordingly, there are no amounts set aside or accrued by the Fund to provide pension, retirement or similar benefits to the Directors.
- 3.5 No Director has a service contract with the Company or the Fund, nor are any such contracts proposed. Nicholas Villiers, Raymond Apey and Philip Bisson were appointed as non-executive directors on the launch of the Fund. W. Garth Jestley was appointed as a non-executive Director on 18 March 2010 and Thomas Grose was appointed as a non-executive director on 11 October 2011. The Directors' appointments can be terminated in accordance with the Company Articles and without compensation. There is no notice period specified in the Company Articles for the

removal of Directors. The Company Articles provide that the office of Director shall be terminated by, among other things, written resignation and a resolution of a majority of all the shareholders of the Company and all Cells eligible to vote.

- 3.6 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company or the Fund.
- 3.7 Save for W. Garth Jestley who is Deputy Chairman of MCC, a member of the Middlefield Group, and accordingly who is not treated as being independent of the Investment Manager, there are currently no conflicts of interest between any of the Directors' duties to the Company and the Fund and their private interest and/or other duties. If a Director has a potential conflict of interest between his duties to the Company and the Fund and his private interests or other obligations owed to third parties on any matter, the relevant Director will disclose his conflict of interest to the rest of the Directors, not participate in any discussion by the Board in relation to such matter and not vote on any resolution in respect of such matter.
- 3.8 None of the Directors has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or the Fund and which has been effected by the Company or the Fund since their respective incorporation or establishment.
- 3.9 As at the date of this document, none of the Directors:
- (a) has any convictions in relation to fraudulent offences for at least the previous five years;
  - (b) has been bankrupt or been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer at the time of any receivership or compulsory or creditors' voluntary liquidation for at least the previous five years; or
  - (c) has been subject to any official public incrimination or sanction of him by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer, for at least the previous five years.
- 3.10 The Company maintains directors' and officers' liability insurance on behalf of the Directors at the expense of the Fund.
- 3.11 In addition to their directorships of the Company, the Directors are or have been members of the administrative, management or supervisory bodies or partners of the following companies or partnerships, at any time in the previous five years:

	<i>Present directorships and partnerships</i>	<i>Past directorships and partnerships</i>
Nicholas Villiers	—	Intrawest Corp (Vancouver) Abercrombie & Kent Group
Raymond Apsey	Casuarina Investments Limited Casuarina Property Limited Aviva Alternative Investment Funds PCC Sovereign Credit Opportunities Master Investment Company Limited FRM Strategic Fund PCC Limited FRM Strategic Master Fund Limited FRM Credit Strategies Fund PCC Limited FRM Credit Strategies Master Fund PCC Limited FRM Emerging Markets Fund SPC	HSBC Global Absolute Limited Speymill Deutsche Immobilien Company plc

	<i>Present directorships and partnerships</i>	<i>Past directorships and partnerships</i>
	FRM Emerging Markets Master Fund SPC	
	Japan Residential Investment Company Limited (Chairman)	
Philip Bisson	Philean Trust Company Limited	—
	Beg Kaaleh Limited	
	Vaans Investments Limited	
	Colchester Holdings Limited	
	Sunbird Investments Limited	
	Dropsa Spa	
	Watercrown Inc.	
	Timeous Investments Limited	
	Beg Kaleh Services Limited	
	Chart Investments Limited	
	Avon Holdings Limited	
	Randolph Limited	
	Gaidhal Limited	
	C.I. Enterprises Limited	
	Ampney Limited	
	Sara Nominees Limited	
	Food Products International Limited	
	Vitis Limited	
	Carson Trust Company (Jersey) Limited	
	Implex Consultants Limited	
	Probitas Trust Company Limited	
	Lenville Overseas Limited	
	Industrial Support Limited	
	Philean Trust Company (Pty) Limited	
	Tetbury Ventures Limited	
	G.d. Group Investments S.A.	
	Courlux Holdings Limited	
	Hautefort Holdings Limited	
	Hautefort Holdings Limited	
	Jerman Investments Limited	
	Abante Holdings Limited	
	Terindle Investments Limited	
	Nanking Ventures Limited	
	Oceanspray Holdings Limited	
	Eccleston Property Limited	
	China Sea Holdings Limited	
	Barrhead Holdings Limited	
	E.T.G Holdings Limited	
	European Trust Services Group UK Limited	
	T.S.P. Investments Limited	
	Levantine Property Holdings Limited (formerly Levantine)	
	Stanley Investment Management Limited	
	Double Dunes Inc	
	South Sound Limited	
	Mandarin Group Holdings Limited	
	Kamea International S.A.	
	Integritec Limited	
	Keystone Holdings International Limited	
	Euro Professional Services Limited	

*Present directorships and partnerships*

*Past directorships and partnerships*

Antipodean Investments Limited  
Fortnox Holdings Limited  
Abenaki Holdings Limited  
Chickasaw Enterprises Limited  
Philean Enterprises Limited  
Advanced Portfolio Structuring Limited  
Powhatan Holdings Limited  
Timucua Holdings Limited  
I.T.H. Europe S.A. (formerly Courlux S.A.)  
I.T.H. Holdings Limited  
Imago Properties Limited  
Primephilean Trust Company Limited  
Londolozzi Investments Limited  
Aleixo Company Limited  
Safari Sunset Limited  
I-field Reservoir Dynamics Limited  
Beg Kaleh Pension Limited  
Briarhill Associates Inc.  
Bodmin Developments SA  
SJR Holdings Limited  
Cygnus Properties Limited  
Park Properties Ltd  
MJH Asset Holdings Limited  
Emeritus Properties Limited  
Maipo Limited  
Keycold Investments Limited  
Suez Holdings Limited  
Bowi Technologies Limited  
Perry Street Holdings Limited  
Deojuvante Investments Limited  
Delgratia Investments Limited  
Mirabile Visu Limited  
Deojuvante Holdings Limited  
Daresbury Investments Limited  
Asgard Investments Limited  
DTP Holdings Limited  
Freeport Bio Diesel Inc.  
Murmuration Holdings Limited  
Subrosa Development Limited  
Mantori Properties Limited  
Proactive Investment Management Limited  
Proactive Investment Holdings Limited

Thomas Grose

—

—

W. Garth Jestley

Middlefield Capital Corporation

OilSands Canada Corporation  
Middlefield Bancorp Limited  
MBN Corporation  
Middlefield Mutual Funds Limited

- 3.12 The business address of each of the Directors is Kleinwort Benson House, Wests Centre, St Helier, Jersey, Channel Islands JE4 8PQ.
- 3.13 Pursuant to the provisions of the Company Articles, the Directors may be removed, *inter alia*, by a majority of all Company and Cell shareholders.

#### **4 Cells and allocations of assets and liabilities**

- 4.1 The Company was incorporated with a Jersey protected cell company structure and is required by the Companies Law to keep the income, profits and assets attributable to each Cell separate from those of the other Cells and those not attributable to any Cell. Under the Companies Law, the creditors of a particular Cell only have access to assets attributable to that Cell. Accordingly, each Cell will bear its own liabilities and will remain ultimately liable to third parties for its own liabilities.
- 4.2 The Company may from time to time, by special resolution, create one or more Cells each comprising of one or more classes of shares. Holders of shares attributable to a Cell will only be entitled to participate in the income, profits and assets attributable to that Cell. Different classes of shares may be created within each Cell having different rights of participation in the Cell.
- 4.3 The Company currently has one Cell, the Fund, which is called Middlefield Canadian Income – GBP PC.
- 4.4 There are two management shares of the Company and two Management Shares of the Fund in issue and they are beneficially owned by the Administrator. No further classes of shares of the Fund (other than Shares) may be created without the consent at a general meeting of a majority of holders of Shares eligible to vote.
- 4.5 The net proceeds of the Placing Programme will be attributable as assets of, and credited to, the Fund in the books of the Company and will be invested for the benefit of Shareholders. The costs incurred in the management and administration of the Company and the Fund will be charged solely to the Fund until a further participating Cell is created.
- 4.6 The Directors shall have discretion to determine the allocation of assets, liabilities, income and expenses between the Cells in existence at the time of the allocation.
- 4.7 Where Directors have determined to issue one or more share classes in respect of a Cell, the Directors shall have discretion to determine the allocation of assets, liabilities, income and expenses between the share classes of the Cell.

#### **5 Major interests**

- 5.1 As at 16 October 2012 (being the latest practicable date prior to the publication of this document) insofar as is known to the Company, the following parties were known to be interested in three per cent. or more of the Shares:

<i>Shareholder</i>	<i>Number of Shares</i>	<i>% of Shares (and voting rights)</i>
Henderson Global Investors	12,087,562	13.56%
CCLA Investment Management Ltd	4,156,689	4.66%

- 5.2 All Shareholders have the same voting rights in respect of the share capital of the Fund.
- 5.3 As at 16 October 2012 (being the latest practicable date prior to the publication of this document), the Company and the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company or the Fund.
- 5.4 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company or the Fund.

#### **6 Memoranda and Articles of Association**

- 6.1 The Memoranda of Association of the Company and the Fund, copies of which are available for inspection at the registered office of the Company, do not restrict the activities of the Company or the Fund. There is no doctrine of *ultra vires* applicable to the Company or the Fund pursuant to the Companies Law.

6.2 The Articles and the Company Articles contain provisions, *inter alia*, to the following effect:

(a) ***Management shares of the Company***

(i) *Income*

The management shares of the Company carry the right to a fixed annual dividend equal to 0.0001 per cent. of their issue price (being £1.00).

(ii) *Capital*

On a winding-up of the Company, the holders of management shares of the Company are not entitled to any share of the profits of the Company or any Cell, and while any Cells are in existence their only rights as to capital shall be repayment of the amount paid up on the management shares of the Company.

(iii) *Voting*

The holder or holders of management shares of the Company are entitled to attend and vote at general meetings of the Company.

(b) ***Management Shares of the Fund***

(i) *Income*

The Management Shares carry the right to a fixed annual dividend equal to 0.0001 per cent. of their issue price (being £1.00).

(ii) *Capital*

On a winding-up of the Fund, the holders of Management Shares are entitled, after payment of all creditors of the Fund, only to be repaid the amount paid up on those Management Shares.

(iii) *Voting*

The holder or holders of Management Shares are entitled to attend and vote at general meetings of the Fund together with general meetings of the Company at which resolutions concerning the Directors are to be considered.

(c) ***Shares of the Fund***

(i) *Income*

The holders of Shares have the right to receive in proportion to their holdings all the revenue profits of the Fund (including accumulated revenue reserves) attributable to those Shares as a class available for distribution and determined to be distributed by way of interim and/or final dividend at such times as the Directors may determine.

(ii) *Capital*

On a winding up of the Fund, after paying all the debts attributable to and satisfying all the liabilities of the Fund, holders of Shares shall be entitled to receive by way of capital any surplus assets of the Fund attributable to those Shares as a class in proportion to their holdings. The Shareholders are only entitled to participate in the assets of the Fund attributable to those Shares as a class and have no entitlement to participate in the distribution of any assets attributable to any other Cell.

(iii) *Voting*

The rights as to voting attributable to the Shares are as follows:

The Company shall not without the previous consent in writing of the holders of not less than two-thirds of the Shares in issue or the sanction of a resolution passed at a separate general meeting of the Shareholders by a majority of not less than two-thirds of the votes cast at such meeting:

(A) issue any further class of Cell Shares the rights or liabilities of which are attributable to the Fund where such new class of Cell Shares are expressed to rank in priority to the Shares; or

- (B) pass any resolution amending, altering or abrogating any of the rights attaching to the Shares as a class.

The Company shall not without the passing of an ordinary resolution by a simple majority of the holders of Shares make any material change in the investment policy of the Fund.

Holders of Shares shall receive one vote for every Share held on a poll and one vote per Shareholder on a show of hands. Holders of Shares are entitled to attend and vote at meetings of Shareholders of the Fund and any separate class meetings of holders of Shares. In addition, holders of Shares may, together with holders of shares in other Cells and holders of shares in the Company, vote on the appointment and removal of Directors of the Company in accordance with the Company Articles.

(d) ***Pre-emption***

There are no provisions in Jersey law which confer rights of pre-emption in respect of the allotment and issue of Shares. However, the Articles provide that the allotment of equity securities (being redeemable preference shares, such as the Shares, or rights to subscribe for or convert into redeemable preference shares) shall not be permitted on any terms unless (i) the Fund has made an offer to allot to each person who holds shares of such class on the same or more favourable terms a proportion of those shares which is as nearly as practicable equal to the proportion in number of such class then held by him of the aggregate of all shares of such class in issue, and (ii) the period during which such offer to existing shareholders may be accepted has expired or the Fund has received notice of the acceptance or refusal of the offer so made. Such pre-emptive rights may be disapplied by a special resolution of the Fund.

(e) ***Expenses***

The Directors shall have discretion to determine the allocation of assets, liabilities, income and expenses between the Cells to the extent to which such assets, liabilities, income and expenses are attributable to more than one Cell.

Where the Directors have determined to issue one or more share classes in respect of a Cell, the Directors shall have discretion to determine the allocation of assets, liabilities, income and expenses between the share classes of such Cell.

(f) ***Voting at General Meetings of the Fund***

The Fund shall in each calendar year hold a general meeting as its Annual General Meeting at such time and place as may be determined by the Directors.

The Directors may whenever they think fit and upon a requisition of Shareholders of the Fund pursuant to the provisions of the Companies Law forthwith proceed to convene an Extraordinary General Meeting of the Fund for a date not later than two months after the receipt of the requisition. If there are not sufficient Directors to convene the Extraordinary General Meeting of the Fund any Director or any Shareholder of the Fund may convene such a meeting. At any Extraordinary General Meeting called pursuant to a requisition unless such meeting is called by the Directors no business other than that stated in the requisition as the objects of the meeting shall be transacted.

At least fourteen days' notice shall be given of every Annual General Meeting of the Fund and all other general meetings of the Fund, provided that a meeting of the Fund shall notwithstanding that it is called by shorter notice be deemed to have been duly called if it is so agreed: (i) in the case of an Annual General Meeting of the Fund by all of the Shareholders entitled to attend and vote thereat; and (ii) in the case of any other meeting by a majority holding not less than ninety-five per cent. of the Shares in issue. Every such notice shall specify the place, the day and the time of the meeting and the general nature of the business to be transacted and in the case of an Annual General Meeting of the Fund shall specify the meeting as such.

Subject to any special rights or restrictions for the time being attached to any class of shares, on a show of hands every member present in person or by proxy has one vote. Upon a poll every member present in person or by proxy has one vote for each share held by him.

A Shareholder shall not be entitled in respect of any Share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company unless all amounts payable by him in respect of that share have been paid.

(g) ***Voting at General Meetings of the Company***

Save as discussed in paragraph 6.2(c) as holders of Shares, investors will have no right to attend or vote at general meetings of the Company (as opposed to general meetings of the Fund).

(h) ***Winding up of the Company***

If the Company or any Cell (including the Fund) shall be wound up the liquidator may with the authority of a special resolution of holders of shares of any relevant Cell divide among the holders *in specie* the whole or any part of the assets of the Cell in question and whether or not the assets shall consist of property of a single kind and may for such purposes set such value as the liquidator deems fair upon any asset or classes of assets and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may with the like authority vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator with the like authority shall think fit and determine but so that no member shall be compelled to accept any shares in respect of which there is liability.

(i) ***Rights as to redemption***

Each holder of Shares may, at the sole option of the Directors, on any Redemption Date in the manner and subject to the provisions of the Articles, request the redemption of the whole or any number of Shares comprised in his holding of Shares at the Net Asset Value per Share of the Fund (less the costs of redemption and, as determined by the Directors, any penalty charges resulting from the realisation of underlying investments) be calculated on the Redemption Date.

On any Redemption Date on which the Directors at their sole discretion resolve to give effect to redemption requests 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 of Shares in respect of which the Directors decide to give effect to redemption requests. If on any Redemption Date the number of Shares for which valid redemption requests shall have been delivered would, if the same were given effect, cause the limit described in this paragraph to be exceeded, the number of Shares to be redeemed on such Redemption Date will be reduced *pro rata* according to the number of Shares to which each redemption request relates.

The ability to redeem Shares in certificated form may be exercised by the holder delivering to the Company at its registered office (or to such other address or such other person as the Directors may designate for the purpose) a duly completed Redemption Notice not less than 60 days prior to the relevant Redemption Date provided that if such 60th day is not a Business Day, then the immediately preceding Business Day, together with the certificate(s) (if any have been issued) in respect of the Shares to be redeemed and such other evidence as the Directors may reasonably require to prove the title of the holder and the due execution by him of the Redemption Notice or, if the Redemption Notice is executed by some other person on his behalf, the authority of that other person to do so. The ability to redeem Shares in uncertificated form may be exercised by delivery to the Company (or such other person as the Directors may designate for the purpose) of a Redemption Notice not less than 60 days prior to a Redemption Date, provided that if such 60th day is not a Business Day, then the immediately preceding Business Day, in accordance with the procedures prescribed by the Directors. For the purposes of the provisions of the Articles described in this paragraph 6.2(i), the expression “Redemption Notice” means a notice of redemption relating to any relevant

Shares in such form as the Directors may from time to time prescribe and may in the case of Shares in uncertificated form mean an instruction sent by means of a relevant system in such form as the Directors may from time to time prescribe. The Directors may in their absolute discretion reject any Redemption Notice in respect of a Redemption Date given at any time on or prior to such 60th day and/or given otherwise than in accordance with the Articles. A Redemption Notice once given may not be withdrawn without the consent of the Company.

Redemption will become effective on the Redemption Date. The redemption moneys payable in respect of redemption of any certificated Shares will be paid to the holder (or, in the case of joint holders, to the holder whose name stands first in the register in respect of the Shares) by cheque despatched at his own risk within 15 Business Days of the completion of the calculation of the Net Asset Value of the Fund as at the Redemption Date (or as soon as practicable) or, if later, within 10 Business Days of the receipt of the certificate(s) (if any have been issued) or an indemnity in a form satisfactory to the Directors in lieu of the certificate(s) in respect of the Shares being redeemed. If a certificate includes Shares not redeemable on that occasion, a new certificate for the balance of the certificated Shares shall be issued to the holder without charge. If a holder whose certificated Shares are to be redeemed fails to deliver the certificate(s) (if issued) for those Shares to the Company, the Fund may retain the redemption moneys until such certificate or indemnity is delivered. No person has a claim against the Fund for interest on retained redemption moneys. The redemption moneys payable in respect of the redemption of any uncertificated Shares will be paid within 15 Business Days of the completion of the calculation of the Net Asset Value of the Fund as at the Redemption Date (or as soon as practicable) to the holder by such method as may be determined by the Directors.

The Fund shall not be liable for any loss or damage suffered or incurred by any holder of Shares or any other person as a result of or arising out of late settlement or indemnity howsoever such loss or damage may arise.

(j) ***Variation of rights and alteration of capital***

- (i) The special rights attached to the Management Shares or any class of shares issued in the Fund (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of two-thirds of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of such shares. The provisions of the Articles relating to general meetings apply, *mutatis mutandis*, to every such separate general meeting except that the quorum is at least two members representing not less than 10 per cent. of the issued shares of that class and if at any adjourned meeting of such holders a quorum is not present the shareholders of the class present shall constitute a quorum. Every holder of shares of the class concerned shall be entitled at such meeting to one vote for every share held by him on a poll.
- (ii) The special rights conferred upon the holders of Shares shall be deemed not to be varied by the creation or issue of further Cell Shares ranking after or *pari passu* therewith.
- (iii) Subject to the provisions of the Companies Law, the Company or the Fund may purchase, or enter into a contract under which it will or may purchase, any of its own shares of any class.
- (iv) Subject to the provisions of the Companies Law, the Company may by special resolution reduce its capital accounts in any manner.

(k) ***Creation of additional Cells and issues of shares***

Subject to the provisions of the Company Articles, the Company may from time to time determine to create one or more Cells and to issue one or more classes of shares thereof and the Company's and each such Cell's unissued shares shall be at the disposal of the Board which may offer, allot, grant options over or otherwise dispose of them to such persons

(subject to the rights of pre-emption conferred by the Fund Articles), for such consideration, on such terms and at such times as the Board determines but so that no share shall be issued at a discount to its estimated prevailing net asset value and so that the amount payable on application on each share shall be fixed by the Board.

(l) ***Transfer of Shares***

- (i) Subject to such of the restrictions noted below as may be applicable and to paragraph 6.2(o) below, any Shareholder may transfer all or any of his/her Shares in any form which the Board may accept. Any written instrument of transfer of a Share must be signed by or on behalf of the transferor and, in the case of a partly-paid Share, the transferee and the transferor will be deemed to remain the holder of the Share until the name of the transferee is entered in the register. The Board may, in its absolute discretion and without assigning any reasons therefor, refuse to register a transfer of any Share.
- (ii) The Board may also refuse to register any transfer of a Share unless:
  - (A) the instrument of transfer is lodged with the Company;
  - (B) the instrument of transfer is in respect of only one class of share; and
  - (C) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four.
- (iii) If the Board refuses to register a transfer it must, within two months of the date on which the instrument of transfer was lodged with the Company, send notice of the refusal to the transferee.
- (iv) In the case of the death of any one of joint holders, the survivor or survivors, and in the case of the death of a sole holder the executor, shall be the only person or persons recognised by the Company as having any title or interest in the Shares of the deceased holder.
- (v) Subject to the Companies Law, registration of transfers may be suspended and the register of members of the Fund closed by the Directors as they determine.
- (vi) The Articles provide that the Directors may implement such arrangements as they may think fit in order for any class of shares to be admitted to settlement by means of the CREST system. If the Directors implement any such arrangement, no provision of the Articles applies or has effect to the extent that it is in any respect inconsistent with:
  - (A) the holding of shares of that class in uncertificated form;
  - (B) the transfer of title to shares of that class by means of the CREST system; or
  - (C) the CREST Jersey Requirements.
- (vii) Where any class of shares is for the time being admitted to settlement by means of the CREST system such shares may be issued in uncertificated form in accordance with and subject as provided in the CREST Jersey Requirements. Unless the Directors otherwise determine, such shares held by the same shareholder or joint shareholders in certificated form and uncertificated form at the same time shall be treated as separate holdings. Such shares may be changed from uncertificated to certificated form and from certificated to uncertificated form in accordance with and subject as provided in the CREST Jersey Requirements.
- (viii) Title to such Shares that are recorded on the register of members of the Fund as being held in uncertificated form may be transferred only by means of the CREST system. Every transfer of Shares from a CREST account of a CREST member to a CREST account of another CREST member shall vest in the transferee a beneficial interest in the Shares transferred, notwithstanding any agreement or arrangements to the contrary however and whenever arising and however expressed.

- (ix) No transfer, without the consent of the Directors, will be registered if it would result in more than 100 US Persons (as defined in Regulation S under the Securities Act) being the beneficial owners of Shares or other outstanding securities at any time, such number to be determined in accordance with Section 3(c)(1) of the US Investment Company Act of 1940, as amended (the **Investment Company Act**) or if it would otherwise require the Company or the Fund to register as an investment company under the Investment Company Act.

(m) **Directors**

The Company Articles and the Articles provide that:

- (i) Unless otherwise determined by ordinary resolution, the number of the Directors shall not be less than two.
- (ii) The remuneration of each Director shall be determined from time to time by the Directors provided always that the aggregate remuneration of all Directors shall not exceed £180,000 per annum or such higher amount as may be approved by the Company in general meeting.
- (iii) The Directors shall also be entitled to be paid their reasonable travelling, hotel and incidental expenses of attending meetings of the Directors or general meetings and all expenses properly incurred by them in the conduct of the Company's or the Fund's business or in the discharge of their duties as Directors.
- (iv) The Directors, secretary and other officers or servants or agents for the time being of the Company shall be indemnified out of the assets of the Company and the Fund from and against all actions, costs, charges, losses, damages and expenses in respect of which they may lawfully be indemnified which they or any of them shall or may incur or sustain by reason of any contract entered into or any act done, concurred in, or omitted, in or about the execution of their duty or supposed duty or in relation thereto, except such (if any) as they shall incur or sustain by or through their own wilful act, neglect or default respectively, and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company or the Fund shall or may be lodged or deposited for safe custody, or for any bankers, brokers, or other persons into whose hands any money or assets of the Company or the Fund may come, or for any defect of title of the Company or the Fund to any property purchased, or for the insufficiency or deficiency or defect of title of the Company or the Fund, to any security upon which any moneys of the Company or the Fund shall be invested, or for any loss or damage occasioned by an error of judgement or oversight on their part, or for any other loss, damage or misfortune whatsoever which shall happen in the execution of their respective offices or in relation thereto, except where the same shall happen by or through their own wilful neglect or default respectively.
- (v) The Company may purchase and maintain insurance cover for the benefit of the Directors and other officers of the Company or any subsidiary including insurance against costs, charges, expenses, losses or liabilities suffered or incurred by such persons in respect of any act or omission in the actual or purported discharge of their respective duties, powers and discretions in relation to the Company or the Fund.
- (vi) A Director who to his knowledge is in any way, directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company or the Fund, otherwise than by virtue of his interests in shares or debentures or otherwise in or through the Company or any Cell, shall disclose the nature of his interest to the Board. A Director may having made such disclosure vote or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning

any contract or arrangement or any other proposals in which he is to his knowledge alone or together with any person connected with him materially interested, other than on matters concerning his own terms of appointment.

- (vii) The Company Articles do not contain a provision which disqualifies any person from being appointed as a Director and which requires him to vacate the office of Director by reason only of the fact that he has attained 70 years of age.
- (viii) The Board shall have the power at any time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors.
- (ix) No share qualification is required for Directors.

(n) ***Borrowing powers***

The Board may exercise all the powers of the Fund to borrow money of an amount up to such limit and subject to such limits as are contained in the Articles and to guarantee, mortgage, hypothecate, pledge or charge all or part of its undertaking property or assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any liability or obligation of the Company, the Fund, any Cell or of any third party. The Articles currently limit any such borrowing to 25 per cent. of the Fund's total assets at the relevant time.

Any person lending money to the Fund shall be entitled to assume that the Fund is acting in accordance with the Articles and shall not be concerned to enquire whether such provisions have in fact been complied with.

(o) ***Disclosures of interests in Shares***

The Directors may serve notice on any holder of Shares requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the Shares held by the member and the nature of such interest. Any such notice shall require any information, in response to such notice to be given within such reasonable time as the Directors may determine. The Directors may be required to exercise their powers under the relevant Article on the requisition of Cell members holding at the date of the deposit of the requisition not less than one-tenth of the issued Shares of the Fund which carry the right of voting at general meetings of the Fund.

If any member is in default in supplying to the Company the information required within the prescribed period (which is 28 days after service of the notice or 14 days if the Shares concerned represent 0.25 per cent. or more of the issued shares of the relevant class), the Directors in their absolute discretion may serve a direction notice on the member. The direction notice may direct that in respect of the Shares in respect of which the default has occurred (the **default Shares**) and any other Shares held by the member, the member shall not be entitled to vote in general meetings or class meetings of the Company or Cell. Where the default Shares represent at least 0.25 per cent. of the issued shares of the relevant class of shares concerned the direction notice may additionally direct that dividends on such Shares will be retained by the Fund (without interest), and that no transfer of Shares (other than a transfer approved under the Articles) shall be registered until the default is rectified.

(p) ***Untraced Shareholders***

The Fund shall be entitled to sell (at a price which the Board shall use its reasonable endeavours to ensure is the best obtainable) the Shares of a member or the Shares to which a person is entitled by virtue of transmission death or bankruptcy or otherwise by operation of law if and provided that:

- (i) during the period of not less than 12 years prior to the date of the publication of the advertisements referred to below (or if published on different dates, the first thereof) at least three dividends in respect of the Shares in question have become payable and no dividend in respect of those Shares has been claimed;

- (ii) the Company shall following the expiry of such period of 12 years have inserted advertisements, both in a national newspaper and in a newspaper circulating in the area in which the last known address of the member at which service of notices may be effected under the Articles is located, giving notice of its intention to sell the said Shares; and
- (iii) during the period of three months following the publication of such advertisements (or, if published on different dates, the last thereof) the Company shall have received indication neither of the whereabouts nor of the existence of such member or person; and
- (iv) notice shall have been given to the London Stock Exchange of its intention to make such sale.

In the case of Shares in uncertificated form, the foregoing provisions of this paragraph 6.2(p) are subject to any restrictions applicable under any regulations relating to the holdings and/or transferring of securities in any paperless system as may be introduced from time to time.

(q) ***Dividends***

The holders of Shares have the right to receive in proportion to their holdings all the revenue profits of the Fund (including accumulated revenue reserves) attributable to those Shares as a class available for distribution as determined to be distributed by way of interim and/or final dividend at such time as the Directors may determine.

All unclaimed dividends in relation to Shares may be invested or otherwise made use of by the Directors for the benefit of the Fund until claimed. No unclaimed dividend shall bear interest against the Fund. Any dividend unclaimed after a period of ten years from the date of declaration of such dividend shall be forfeited and shall revert to the Fund.

The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to distribute.

## **7 Material contracts**

Save as described below, the Company has not (i) entered into any material contracts (other than in the ordinary course of business) within the two years immediately preceding the date of this document; or (ii) entered into any contracts that contain provisions under which the Company has any obligation or entitlement that is material to the Company as at the date of this document.

### **7.1 *Investment Management Agreement***

The Investment Management Agreement, dated 18 August 2011, is between the Company in respect of the Fund and the Investment Manager. The Investment Manager has been given responsibility for the day-to-day discretionary management of the Fund's assets in accordance with the Fund's investment objective and investment policy, subject to the overall supervision of the Directors. The Investment Manager may delegate its investment management duties to an affiliated company and the provision of these services has been delegated to MCC which previously acted as investment advisor to the CIT Trust.

The Investment Manager is entitled to a management fee, details of which are set out in Part 5 of this document.

The Investment Management Agreement contains provisions under which the Fund indemnifies the Investment Manager (together with its associates or any of their respective directors, officers, employees or agents) against all liabilities suffered by the Investment Manager in carrying out its duties except for liabilities caused by the Investment Manager's negligence, wilful default, fraud, bad faith or material breach of the FSA Rules or the regulatory system by the Investment Manager. The indemnities given by the Fund are standard for an agreement of this nature. There is no cap on the Fund's liability.

The Investment Management Agreement also contains an indemnity from the Investment Manager in favour of the Fund which is substantially similar in nature to the indemnity given to the Investment Manager by the Fund save that the Investment Manager's liability is limited to an amount equal to ten times the aggregate of the management fee actually received under the Investment Management Agreement.

The Investment Management Agreement is terminable by notice where:

- (a) any party materially breaches the terms of the Investment Management Agreement and such breach (if capable of remedy) is not remedied within 30 days of written notice of such breach; or
- (b) any party commences liquidation or similar proceedings; or
- (c) 90 days' prior written notice is given by the Investment Manager; or
- (d) 90 days' prior written notice is given by the Fund; or
- (e) the Investment Manager ceases to be authorised to act as the investment manager.

Termination shall be without prejudice to the completion of any transactions already initiated and shall be without any penalty or other additional payment save that the Fund shall be obliged to pay the accrued contractual fees and other costs and expenses due to the Investment Manager.

## **7.2 Administration Agreement**

The Administration Agreement, dated 18 August 2011, is between the Company in respect of the Fund and the Administrator. The Administrator is responsible for the Fund's general administrative functions, such as the calculation of the Fund's Net Asset Value and the Net Asset Value per Share and the maintenance of accounting records.

The Administrator is entitled to an administration fee, details of which are set out in Part 5 of this document.

The Administration Agreement contains provisions under which the Fund exempts the Administrator from all liabilities and indemnifies the Administrator against all liabilities suffered by the Administrator in carrying out its duties except where due to the Administrator's negligence, wilful default, dishonesty, bad faith, fraud or breach of the agreement or of applicable laws or regulations by the Administrator. The indemnities given by the Fund are standard for an agreement of this nature. There is no cap on the Fund's liability.

Either party may terminate the Administration Agreement at any time on not less than 6 months' notice in writing or by forthwith notice where:

- (a) either party materially breaches the Administration Agreement and such breach (if capable of remedy) is not remedied within 30 days; or
- (b) either party commences liquidation or similar proceedings; or
- (c) where the Administrator ceases to be permitted to act as such under the Companies Law.

Termination shall be without any penalty or other additional payment save that the Fund shall be obliged to pay the accrued contractual fees and other costs and expenses due to the Administrator.

## **7.3 Custodian Agreement**

The Custodian Agreement, dated 19 September 2011, is between the Company in respect of the Fund and the Custodian. The Custodian is appointed to act as custodian of the assets of the Company.

The Custodian is entitled to a fee, details of which are set out in Part 5 of this document.

The Custodian Agreement contains provisions under which the Fund exempts the Custodian from all liabilities except where it has not complied with the Standard of Care (as defined in the Custodian Agreement) and indemnifies the Custodian against all liabilities suffered by the Custodian in carrying out its duties except where due to the Custodian's negligence, wilful misconduct or lack of good faith. The indemnities given by the Fund are standard for an agreement of this nature. There is no cap on the Fund's liability.

Either party may terminate the Custodian Agreement at any time on not less than 30 days' notice in writing or by forthwith notice where:

- (a) either party is declared bankrupt, is insolvent or becomes subject to or avails itself of any creditor protection legislation; or
- (b) the assets or the business of either party shall become liable to seizure or confiscation by any public or governmental authority; or
- (c) the Company's powers and authorities to represent the Fund have been revoked or terminated.

#### **7.4 Credit Agreement**

The Credit Agreement, dated 6 October 2011 as amended on 5 October 2012, between the Company in respect of the Fund and RBC under which RBC has agreed to provide an on-demand credit facility with a maximum principal amount of the lesser of CAD 50,000,000 and 25 per cent. of the total asset value of the Fund. The facility is repayable by the Company on demand by RBC.

The facility may be utilised by way of bankers' acceptance and prime loans. Interest is calculated at an annual percentage equal to, in the case of monies drawn as prime loans, the Prime Rate (as defined in the Credit Agreement) minus 0.35 per cent. In the case of a bankers' acceptance, a stamping fee of 0.60 per cent. per annum is payable.

The Credit Agreement contains various covenants of the type ordinarily found in such agreements, including keeping proper books of accounts as required by IFRS, filing all tax returns and complying with all laws and material agreements.

#### **7.5 General Security Agreement**

The General Security Agreement, dated 6 October 2011, between the Company in respect of the Fund and RBC under which the Fund has granted RBC security interests over its assets, as security for the Fund's obligations under the Credit Agreement.

#### **7.6 Share Issuance Agreement**

The Share Issuance Agreement, dated 19 October 2012, between the Company, the Investment Manager and Canaccord under which Canaccord agrees to act as sponsor, broker and financial adviser in connection with the publication of this Prospectus and the admission of the Shares issued by the Company pursuant to the Placing Programme to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. For its services in connection with the Share Issuance Agreement and subject to certain conditions, Canaccord is entitled to the following fee and commission:

- a corporate finance fee of £50,000 (reducing to £25,000 in the event that less than 10 million new Shares are issued pursuant to the Placing Programme, in which event £25,000 will be repayable by Canaccord to the Company twelve months after the publication of the Prospectus); and
- a placing commission of 1 per cent. of the gross proceeds of any placing of Shares under the Placing Programme.

In addition, Canaccord will be entitled to be reimbursed for its reasonable out-of-pocket expenses incurred in connection with the Share Issuance Agreement and its services thereunder.

The Fund has indemnified Canaccord in respect of any losses suffered by Canaccord or its associates in relation to the services to be provided under the Share Issuance Agreement. The Company and the Investment Manager have also given Canaccord certain warranties under the Share Issuance Agreement, certain of which will be repeated each time application is made for additional Shares to be admitted to the Official List or to trading on the main market for listed securities of the London Stock Exchange or if a supplementary prospectus is published by the Company.

In addition to the fee and commission payable to Canaccord under the Share Issuance Agreement, Canaccord is also paid a quarterly retainer in arrears equal to 0.2 per cent. per annum of the average Net Asset Value of the Fund calculated on a quarterly basis in respect of its appointment as the corporate broker to the Company and the Fund.

#### **7.7 Securities Lending Agency Agreement**

The Securities Lending Agency Agreement dated 6 October 2011, between RBC and the Company, under which RBC was appointed to act as the Fund's securities lending agent in relation to any stock lending transactions to be undertaken by the Fund.

### **8 Litigation**

There have been no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which the Company is aware) in the previous 12 months which may have, or have had in the recent past, significant effects on the Company's or the Fund's financial position or profitability.

### **9 Related Party Transactions**

Save as disclosed in Notes 15 to the financial statements of the Fund for the financial years ended 31 December 2009 and 31 December 2010 set out on page 34 in each of the annual report and accounts for those financial years and Note 15 to the financial statements of the Fund for the financial year ended 31 December 2011 on page 35 of the annual report and accounts for that financial year, which have been incorporated by reference into this document, the Company was not a party to, nor had any interest in, any related party transaction (as defined in the Standards adopted according to Regulation (EC) No 1606/2002) at any time during the three financial years to 31 December 2009, 2010 and 2011 or during the period from 1 January 2012 to 16 October 2012 (being the latest practicable date before the publication of this document).

### **10 Investment restrictions**

10.1 For so long as the Shares are admitted to the Official List, the Fund is required to abide by applicable Listing Rules. If and for so long as required by the Listing Rules in relation to closed-ended investment companies, the Fund has adopted the following investment and other restrictions:

- (a) the Fund will at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy which is described in Part 1 of this document;
- (b) the Fund will not conduct any trading activity which is significant in the context of the Fund (or, if applicable, its group as a whole); and
- (c) not more than 10 per cent. in aggregate of the value of the total assets of the Fund at the time of the investment may be invested in other closed-ended investment funds (including listed investment trusts) except that this restriction shall not apply to investments in listed investment companies and investment trusts which themselves have stated investment policies to invest no more than 15 per cent. of their total assets in other listed investment companies (including listed investment trusts).

In the event of any material breach of the investment restrictions applicable to the Fund, Shareholders will be informed of the actions to be taken by the Investment Manager through an announcement via an RIS and in the annual report and accounts of the Fund.

## **11 Working Capital**

In the Company's opinion the Company has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

## **12 No significant change in financial position**

Save for the rise in the unaudited Net Asset Value from £86,134,235 as at 30 June 2012 to £93,040,788 as at 16 October 2012 (being the latest practicable date prior to the publication of this document) and a corresponding rise in the unaudited NAV per Share from 97.49p per Share to 104.36p per Share over the same period, there has been no significant change in the financial or trading position of the Company or the Fund since 30 June 2012, the date to which the latest unaudited half-yearly results of the Company and the Fund were published.

## **13 General**

13.1 Neither the Company nor the Fund has any subsidiaries.

13.2 The Company is a member of the Association of Investment Companies.

13.3 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by written instrument. The Articles permit the holding of Shares under the CREST system. The Directors intend to apply for all new Shares issued pursuant to the Placing Programme to be admitted to CREST with effect from Admission. Accordingly it is intended that settlement of transactions in the new Shares issued pursuant to the Placing Programme following Admission may take place within the CREST system if the relevant Shareholders so wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so upon request from the Registrar.

13.4 Where new Shares are issued pursuant to the Placing Programme, the total assets of the Fund will increase by that number of new Shares multiplied by the relevant Placing Price. It is not expected that there will be any material impact on the earnings and Net Asset Value per Share, as the net proceeds resulting from any issue are expected to be invested in investments consistent with the investment objective and policy of the Fund.

13.5 Neither the Company nor the Fund has had any employees since their respective incorporation and establishment and neither the Company nor the Fund owns or leases any premises.

13.6 Where information in this document has been sourced from a third party, such information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the relevant third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

13.7 All of the Shares that are currently in issue are admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange. The new Shares that are issued pursuant to the Placing Programme will also be so admitted.

13.8 As the Shares do not have a par value, the price at which Shares are issued under the Placing Programme will be reflected in the stated capital account of the Fund.

13.9 The ISIN number of the Shares is GB00B15PV034.

13.10 The Shares are in registered form and are eligible for settlement in CREST. The Company's Registrar, Capita Registrars (Jersey) Limited, can be contacted at the address given on page 22 of this document.

## **14 Admission to trading and dealing arrangements**

- 14.1 Application will be made for all of the new Shares issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange. All allotments of Shares under the Placing Programme will be conditional on Admission. The timing of the applications for Admission and their approval are not known as at the date of this document but no Shares will be issued if they will not be so admitted. No application will be made for the Shares to be listed or dealt in on any stock exchange or investment exchange other than the London Stock Exchange.

## **15 Costs of the Placing Programme**

- 15.1 The Company's fixed expenses in connection with the publication of this document are estimated to amount to approximately £170,000. Assuming that the Placing Programme is fully subscribed and 85 million Shares are issued at a Placing Price of 105.4 pence per new Share, the gross proceeds would be £89,590,000, the fixed costs of the Placing Programme would be £170,000, commission of £895,900 would be payable and the net proceeds of the Placing Programme would be £88,524,100.
- 15.2 Any commission payable to Canaccord is included within the Placing Price.

## **16 City Code Mandatory bids, squeeze-out and sell-out rules relating to the Shares**

- 16.1 The City Code on Takeovers and Mergers (the **City Code**) applies to all takeover and merger transactions in relation to the Company and the Fund and operates principally to ensure that shareholders are treated fairly, are not denied an opportunity to decide on the merits of a takeover and to ensure that all shareholders of the same class are offered equivalent treatment. The City Code provides an orderly framework within which takeovers are conducted and the Panel on Takeovers and Mergers has now been placed on a statutory footing.
- 16.2 Under Rule 9 of the City Code, for so long as the Fund is the only Cell of the Company and the Company's share capital only comprises two management shares, if:
- (a) a person acquires an interest in the Shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Shares; or
  - (b) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Fund acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquiror and, depending on the circumstances, his concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding Shares and for the management shares in the capital of the Company and in the Fund at a price not less than the highest price paid for any interests in the Shares by the acquiror or his concert parties during the previous 12 months.

### **16.3 Squeeze-out**

Under Articles 117 and 118 of the Companies Law, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in number) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to holders of outstanding shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and make payment to the Company, which would hold that payment on trust for the holders of outstanding shares. The payment offered to the holders whose shares are compulsorily acquired under the Companies Law must, in general, be the same as the payment that was available under the takeover offer.

In addition, pursuant to Article 119 of the Companies Law, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in number) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of any period specified in the notice served on the holder of shares notifying them of their sell-out rights, and no such period shall end less than three months after the end of the period within which the offer can be accepted. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

## **17 Miscellaneous**

- 17.1 MIL accepts responsibility for the information contained under the heading “Investment Outlook” in Part 1 of this document. MIL has taken all reasonable care to ensure that the information contained under the heading “Investment Outlook” in Part 1 of this document is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import. MIL has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 17.2 Canaccord is acting as sponsor in respect of the Placing Programme. Canaccord has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

## **18 Availability of documents**

- 18.1 Copies of this document can be obtained during normal business hours until the Placing Programme closes from any of the following:

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

Middlefield International Limited  
288 Bishopsgate  
London EC2M 4QP

### **18.2 Documents available for inspection**

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until 18 October 2013:

- (a) the Company Articles and the Fund Articles;
- (b) the annual report and accounts of the Fund for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 and the half-yearly reports for the six month periods ended 30 June 2011 and 30 June 2012;
- (c) the material contracts referred to in paragraph 7 of this Part 7; and
- (d) this document.

In addition, a copy of this document has been submitted to the National Storage Mechanism and will shortly be available for inspection at [www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm)

Dated 19 October 2012

## DEFINITIONS

The following definitions apply throughout this document except where the context otherwise requires:

<b>Administration Agreement</b>	the administration agreement, dated 18 August 2011, made between the Administrator and the Fund, a summary of which is set out in paragraph 7.2 of Part 7 of this document
<b>Administrator</b>	Kleinwort Benson (Channel Islands) Corporate Services Limited
<b>Admission</b>	admission of the new Shares to be issued pursuant to the Placing Programme to the premium segment of the Official List of the UKLA and to trading on the main market for listed securities of the London Stock Exchange
<b>AIC Code</b>	the Association of Investment Companies Code of Corporate Governance, as amended from time to time
<b>AIFM Directive</b>	the EU Directive on Alternative Investment Fund Managers
<b>Articles or Fund Articles</b>	the articles of association of the Fund, as amended from time to time
<b>Business Day</b>	a day on which the London Stock Exchange and banks in London are normally open for business
<b>C\$ or CAD</b>	the lawful currency of Canada
<b>Canaccord</b>	Canaccord Genuity Limited
<b>capital gains tax or CGT</b>	UK taxation of capital gains or corporation tax on chargeable gains, as the context may require
<b>Cell</b>	any cell created pursuant to the Companies Law and the Articles for the purposes of segregating and protecting cellular assets and representing the assets of that cell in the manner provided for in the Companies Law
<b>certificated or in certificated form</b>	not in uncertificated form
<b>CIT Trust</b>	CIT Fund, a Canadian unit trust created to invest predominantly in Canadian income trusts, and units of which were the reference investment under the Swap
<b>Companies Law</b>	the Companies (Jersey) Law 1991 (as amended) and subordinate legislation made thereunder and every modification or re-enactment thereof for the time being in force
<b>Company</b>	Middlefield Canadian Income PCC
<b>Company Articles</b>	the articles of association of the Company, as amended from time to time
<b>Credit Agreement</b>	the credit agreement, dated 6 October 2011 as amended on 5 October 2012, made between RBC and the Fund, a summary of which is set out in paragraph 7.4 of Part 7 of this document
<b>CREST</b>	the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertificated form

<b>CREST Jersey Requirements</b>	Rule 8 and other such rules and requirements of Euroclear as may be applicable to issuers as from time to time specified in the CREST Manual
<b>CREST Manual</b>	the compendium of documents entitled CREST Manual issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and the CREST Glossary of Terms
<b>CTA 2010</b>	the Corporation Tax Act 2010
<b>Custodian</b>	RBC Investor Services Trust
<b>Custodian Agreement</b>	the custodian agreement, dated 6 October 2011, between the Fund and the Custodian a summary of which is set out in paragraph 7.3 of Part 7 of this document
<b>Directors or Board</b>	the board of directors of the Company
<b>EU</b>	the European Union
<b>Euroclear</b>	Euroclear UK & Ireland Limited, being the operator of CREST
<b>FATCA</b>	means the Foreign Account Tax Compliance Act
<b>FSA</b>	the Financial Services Authority
<b>FSMA</b>	the Financial Services and Markets Act 2000
<b>Fund</b>	Middlefield Canadian Income – GBP PC, the first Cell of the Company and, where the context permits the Company acting in respect of Middlefield Canadian Income – GBP PC
<b>General Security Agreement</b>	the general security agreement, dated 6 October 2011, made between RBC and the Fund, a summary of which is set out in paragraph 7.5 of Part 7 of this document
<b>HMRC</b>	Her Majesty’s Revenue and Customs
<b>IFRS</b>	International Financial Reporting Standards
<b>Investment Company Act</b>	the US Investment Company Act of 1940, as amended
<b>Investment Management Agreement</b>	the investment management agreement, dated 18 August 2011, made between the Administrator and the Company in respect of the Fund, a summary of which is set out in paragraph 7.1 of Part 7 of this document
<b>Investment Manager or MIL</b>	Middlefield International Limited
<b>ISA</b>	UK individual savings account
<b>listed investment companies or listed investment trusts</b>	investment companies or investment trusts (within the meaning of section 1158 CTA 2010) listed on the Official List of the UK Listing Authority and admitted to trading on the main market for securities of the London Stock Exchange
<b>Listing Rules</b>	the listing rules made by the UK Listing Authority under Section 74 of FSMA
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>MCC</b>	Middlefield Capital Corporation

<b>Middlefield Group</b>	Middlefield International Limited and its subsidiaries
<b>Net Asset Value or NAV</b>	the value of the assets of the Fund less its liabilities determined in accordance with the Fund Articles and the principles adopted by the Directors for calculating the net asset value of the Fund (which includes any accrued income not yet paid as a dividend)
<b>Net Asset Value per Share</b>	the Net Asset Value divided by the number of Shares then in issue (excluding Shares held in treasury) and expressed in Sterling
<b>Official List</b>	the list maintained by the UK Listing Authority pursuant to Part VI of FSMA
<b>Placing</b>	a placing of Shares made pursuant to the Placing Programme
<b>Placing Price</b>	the price at which new Shares will be issued pursuant to the Placing to placees, being such price, not less than the prevailing Net Asset Value per Share nor more than a 5 per cent. premium to the Net Asset Value per Share at the time of allotment, as shall be determined by the Directors, subject to the requirements of the Listing Rules
<b>Placing Programme</b>	the proposed programme of placings of up to 85 million Shares in aggregate, as described in this document
<b>Prospectus</b>	this document
<b>Prospectus Rules</b>	the prospectus rules made by the Financial Services Authority under Part VI of FSMA, as amended from time to time
<b>protected cell company or PCC</b>	a single legal entity out of which individual sub-funds, each a Cell, may be created and which provides for each Cell, legal segregation and protection of assets and liabilities under the provisions of the Companies Law
<b>RBC</b>	Royal Bank of Canada
<b>Register</b>	the register of members of the Fund
<b>Registrar</b>	Capita Registrars (Jersey) Limited, or such other person or persons from time to time appointed by the Company
<b>Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
<b>REITs</b>	real estate investment trusts
<b>RIS or Regulatory Information Service</b>	a regulatory information service approved by the FSA
<b>SDRT</b>	stamp duty reserve tax
<b>Securities Act</b>	the US Securities Act of 1933, as amended
<b>Securities Lending Agency Agreement</b>	the securities lending agency agreement, dated 6 October 2011, a summary of which is set out in paragraph 7.7 of Part 7 of this document
<b>Share Issuance Agreement</b>	the share issuance agreement, dated 19 October 2012, made between the Company in respect of the Fund, the Investment Manager and Canaccord, a summary of which is set out in paragraph 7.6 of Part 7 of this document
<b>Shareholders</b>	holders of Shares

<b>Shares</b>	redeemable participating preference shares of no par value in the capital of the Fund
<b>Sterling or £ or GBP</b>	the lawful currency of the United Kingdom
<b>Swap</b>	the swap between the Fund and Canadian Imperial Bank of Commerce, through which the Fund previously achieved efficient currency hedged economic exposure to the Canadian income trust market and which was terminated on 3 October 2011 in connection with the Fund's adoption of a new investment objective and investment policy
<b>Tap Shares</b>	the Shares issued by way of tap issues during the period from 17 January 2012 to 19 July 2012, numbering 8,834,750 in aggregate
<b>UK Corporate Governance Code</b>	the UK Corporate Governance Code as published by the Financial Reporting Council
<b>UK GAAP</b>	United Kingdom Generally Accepted Accounting Principles
<b>US Person</b>	any person who is a US person within the meaning of Regulation S adopted under the Securities Act
<b>VAT</b>	value added tax

