ACORN INCOME

2008

Acorn Income Fund Limited

annual financial report
for the year ended
31 December 2008

PREMIER
ASSET MANAGEMENT

Investment Objectives and Policy

for the year ended 31 December 2008

The objectives of Acorn Income Fund Limited (the "Company") are to provide shareholders with a high income and also the opportunity for capital growth.

The Company's portfolio is invested in equities and high income and fixed interest securities in order to achieve its investment objectives. It is the aim of the Company to provide both income and capital growth predominantly through investment of approximately 70% of the portfolio in smaller capitalised United Kingdom companies admitted to the Official List of the United Kingdom Listing Authority and traded on the London Stock Exchange or traded on AIM. The Company also aims to further enhance income for shareholders by investing approximately 30% of its assets in high yielding securities which will be predominantly fixed interest securities (including corporate bonds, preference and permanent interest bearing shares, convertible and reverse convertible bonds and debentures) but may include up to 15% of the portfolio (measured at the time of acquisition) in high yielding investment company shares.

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Performance Summary

for the year ended 31 December 2008

Total Return Performance

	% Change	31/12/2008	31/12/2007
Total Return on Gross Assets *#	-32.55		
Total Return on Net Assets (assets attributable to shareholders) *	-44.24		
Hoare Govett Smaller Companies Index (ex Investment Companies)	-40.8	4.737	8,006
FTSE All Share Index	-29.9	2,759	3,938
FTSE SmallCap (ex Investment) Companies	-48.3	1,793	3,469

Capital Return Performance

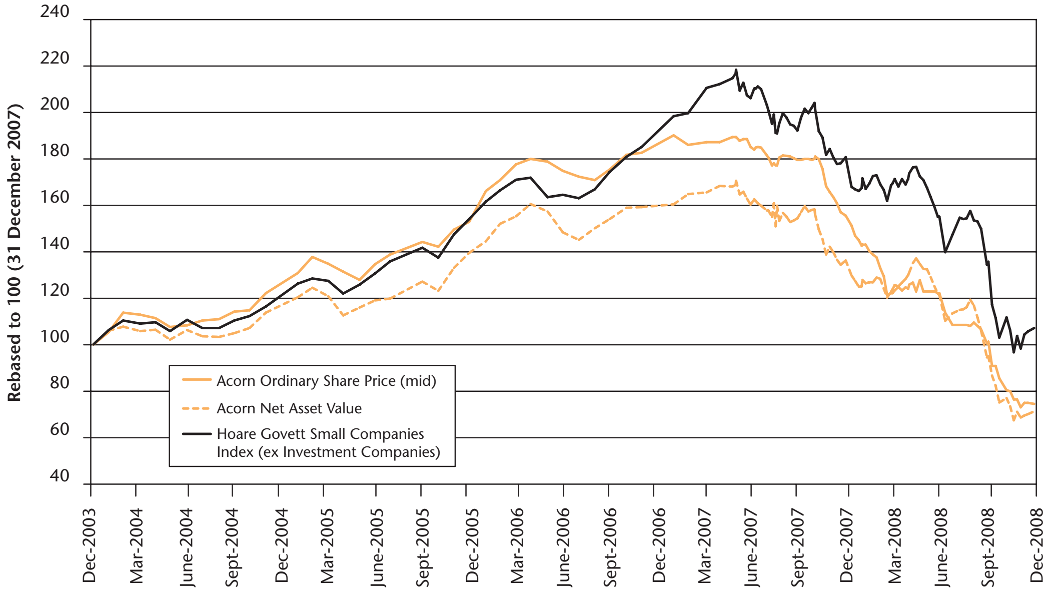
	% Change			
Gross Assets *	-35.45			
Net Assets (assets attributable to shareholders)	-47.71		8,035,854	15,365,659
Hoare Govett Smaller Companies Index (ex Investment Companies)	-43.0		2,277	3,998
FTSE All Share Index	-32.8		2,209	3,287
FTSE SmallCap (ex Investment Companies	-50.1		1,083	2,172

Share Price and NAV Returns

	31-Dec-08	31-Dec-07	% Change
Ordinary Share	77.00	162.50	-52.62
NAV	89.88	171.88	-47.86
Net Dividends Declared per Ordinary Share	8.2	8.0	

* assumes dividends reinvested
# adjusted for debt repayment

Acorn Income Fund Performance
31 December 2003 to 31 December 2008



Source: Bloomberg

Data as at 31 December 2008, all performance figures for the period ending 31 December 2008. Past performance and dividends paid are not a guide to future returns.

Up-to-date information can be found on www.premierassetmanagement.co.uk

Company Summary

Launch date	11 February 1999	
Domiciled	Guernsey	
Year end	31 December	
Shareholder funds	£8.04m at 31 December 2008	
Market Capitalisation	£6.88m at 31 December 2008	
Bank Loan	£6m Revolving Credit Facility arranged with the Bank of Scotland. £4.4m was drawn down as at 31 December 2008.	
Ordinary Income Shares	8,939,790	
Dividend History	In respect of year end 31 December	Total dividends declared Pence
	2008	8.2
	2007	8.0
	2006	9.0*
	2005	9.0*
	2004	9.0*
	2003	9.0*
	2002	12.0
	2001	12.0
	2000	11.0
	1999	8.5

*includes four interim dividends and one special dividend

Investment Manager	Premier Asset Management (Guernsey) Limited
Investment Advisers	Unicorn Asset Management Limited – Smaller Companies Portfolio
	Premier Fund Managers Limited – Income Portfolio
Management fee	0.7% per annum, charged 75% to Capital and 25% to Revenue, plus performance fee.

Chairman's Statement

Dear Shareholder,

It has been an extraordinary year and one in which the economic and market outcome has been worse than all but the most pessimistic would have anticipated twelve months ago. At the year end the FTSE 100 Index was down 36.02% from its peak on 31 December 1999 and 34.12% from its more recent high on 12 October 2007. During the course of the year, the banking sectors in the UK and most other western economies required government support to prevent major financial institutions from failing, and the Bank of England, in a desperate effort to revive credit markets, cut interest rates to the lowest level since the Bank was established in 1695. During the year, the FTSE All-Share Index (total return) fell 29.93%. Small companies, perceived as more vulnerable to recession, fared even worse with the FTSE Small Cap Index falling 48.32% and the Hoare Govett Smaller Companies (ex inv trusts) total return Index down 40.83%.

Much of the damage was done during the fourth quarter when the failure of Lehman Brothers triggered a global reappraisal of creditworthiness and caused panic selling in some markets.

With all mainstream asset classes under sustained pressure, asset allocation has been extremely challenging. At the year end 59.54% of the Company's gross assets were allocated to the Smaller Companies portfolio and 40.46% to the Income portfolio. Across the whole fund there was a 8.14% cash weighting.

Investment performance

The Company's total return on gross assets (adjusting for repayment of debt) showed a negative 32.55% over the year. This was a severe decline but significantly ahead of the small company indices. The Company's geared structure, however, meant that net assets total return was a negative 47.71%. The Net Asset Value per share fell from 171.88p at the start of the year to 89.88p at the year end.

The Smaller Companies portfolio had been underweight in the sectors most exposed to the economic downturn and this helped to generate a modest out performance of the small cap indices. In the bond sector, only the strongest investment grade bonds were able to weather the storm. Investment grade paper in the financial sector fell severely as did sub investment grade high yield bonds. The Merrill Lynch Euro High Yield Index (total return) fell 34.22% over the period. The Company's Income portfolio has exposure to investment grade and high yield bonds as well as to reverse convertible bonds. The latter carry an exposure to equity markets and could have pulled down the performance of the Income portfolio, but much of this equity risk had been hedged out through put options on the FTSE100 Index. Nevertheless, the residual equity exposure and the severe weakness in the high yield bonds sector meant that the Income portfolio suffered a sharp decline in capital value over the period.

Dividends

The revenue return per share for the year was 11.23p (8.52p) and dividends totalling 8.2 p (8.00p) were paid during the year. The medium-term outlook for earnings is difficult to predict with any certainty. Equity dividends will come under pressure as the recession deepens and the bond market may produce some unexpected defaults. Furthermore, the need to maintain a higher proportion of the Income portfolio in investment grade bonds for bank covenant purposes reduces scope for our Investment Advisers to target some of the higher yield bonds they might favour. Nevertheless, our earnings projections remain healthy for the moment.

Chairman's Statement

Gearing and Bank Facility

The Company started the year with £5.5 million drawn from the Company's loan facility with Bank of Scotland. As the Company's gross assets declined, the loan was reduced and at the year end, £4.4m was drawn down. The principal banking covenant requires a minimum value of qualifying assets of twice the value of the loan. Qualifying assets are equities with a market capitalisation over £75m and investment grade bonds. The margin over this covenant meant that our Investment Advisers, until recently, had not been restricted by the distinction between qualifying and non-qualifying assets. However, declining gross assets and the increase in the number of equities and bonds falling into the non-qualifying categories has meant that the portfolio has had to be managed with an eye to the proportion of non-qualifying assets that are held. As part of a modest restructuring to reduce exposure to non qualifying assets, most of the investment company holdings (which are non-qualifying) have been sold.

Outlook

Markets have deteriorated further following the year end and towards the end of February some equity indices were setting new ten-year lows. There has been a significant recovery since then, driven by cheaper credit and a gradual return of confidence, although sentiment remains fragile. The immediate economic outlook is poor and there are still uncertainties regarding the full extent of potential losses within the banking sector. In the short term it is likely that UK unemployment rates will rise and gross domestic product continue to decline. However, a lot of bad news is now priced in to current equity and bond prices. The Investment Adviser for the Smaller Companies portfolio is encouraged by the potential for businesses with overseas earnings; by the prospect of corporate activity triggered by the need for companies to consolidate; and by the presence of significant, fundamental under-valuations in the small cap sector. In the bond markets, although risks have increased, the Investment Adviser believes that there are some outstanding investment opportunities, particularly (although selectively) in the high yield sector.

John Boothman
Chairman

Investment Advisers' Report

SMALLER COMPANIES PORTFOLIO

The Smaller Companies portfolio slightly outperformed the market during the year, falling by 38% compared to a fall of 39.57% by the Hoare Govett Smaller Companies Index. This is the second largest fall on record for the Index. The year was dominated by the collapse of the banking system and subsequent bail-outs by the UK Government.

Strong performances came from relatively defensive stocks with Spirax Sarco leading the way, rising by 3.1% over the year. Other notable performers during the year include Primary Health Properties which fell by 8.8%, Devro which fell by 13.6%, Halma which fell by 9.1% and De La Rue which fell by 8.0%.

BPI, the plastic packaging company, was added to the portfolio during the period. BPI is likely to benefit significantly from the fall in the value of sterling, lower raw material prices and falling energy prices. Holdings in RPC, Stobart Group, Acal, Macfarlane, Pendragon and Lupus Capital were all increased during the year. Outright sales were made of De La Rue and Electrocomponents both of whom have been long term holdings and ACP Capital. A number of stocks have been partially sold during the year including Abbey Protection, Spirax Sarco, IMI and Halma.

Corporate activity continued during the year with Avnet of America taking over Abacus Group. The bid was at a premium in excess of 100% which highlights the undervalued nature of small stocks to trade buyers where they wish to gain market share.

We continue to focus on stocks with significant overseas earnings where they will benefit from growth in developing markets. Despite significant share price falls, we believe it is too early to move into financials, housebuilders and pub companies as most are heavily indebted and will need to be refinanced. Corporate activity is likely to pick up during the year as consolidation takes place and investors recognise significant undervaluation. As such, we continue to believe the portfolio will perform well relative to other small company funds.

John McClure
Unicorn Asset Management Limited

Investment Advisers' Report

INCOME PORTFOLIO

The performance of high yield bonds over the year was dismal with the Merrill Lynch Euro High Yield Index falling 34.22%. Credit spreads have widened to historic levels resulting in losses across the credit spectrum. Equity markets have also severely weakened with the FTSE 100 Index falling 31.33% over the year. The FTSE Actuaries Government Securities All-Stocks Index returned +7.38% due to a flight to quality and assisted by rapidly declining inflation and substantial interest rate cuts. UK Rates were cut from 5.5% to 2% over the year and this path is unlikely to change direction shortly.

Over the past year, concerns over the deterioration of the financial markets have been realised. The rate of inflation rose into October, primarily due to higher energy and food prices until the weight of the economic slowdown took hold. As economic growth abated, the Bank of England's Monetary Policy Committee (MPC) finally began to cut interest rates with a 50 basis point cut during October. The threat of a global recession intensified and the major central banks, excluding Japan, reacted with a coordinated rate cut of 50 basis points in October. The MPC cut rates by a further 150 basis points in November and then another 100 basis points in December to 2% in an attempt to steer away from the impending recession and deflation, regrettably all too late.

The iTraxx Europe Crossover Generic 5yr Index, a barometer for the credit spreads of high yield bonds, widened from 340 basis points to 1027 basis points in the past year. Investment grade bonds also suffered shocking losses as depicted by the BarCap Sterling Bond Non Gilts All Maturities Average Yield Spread Index, widening by almost 259 basis points to 382 basis points. Losses in investment grade bonds were at least tempered by the forte of government bonds.

There have been few hideaways in the bond universe over the past year. Pleasingly the majority of holdings in the Income portfolio performed comparatively well. However, in order to generate higher income levels when credit spreads were tight, the portfolio was diversified away from traditional credit and a few of these positions fell sharply, namely CQS Rig Fund, European Equity Tranche and T2 Income Fund. Reverse Convertible Bond (RCB) holdings fell in value as equity markets experienced one of the worst calendar years in history. Thankfully the RCB exposures were partly hedged by purchases of FTSE 100 PUT options; this hedge has subsequently been reduced. In addition, the failure of Lehman Brothers resulted in sharp losses despite our senior bond exposure. The continuing struggle of financial institutions is general knowledge and we retain a proportion of assets exposed to large financials in the anticipation of their survival. Despite specific losses, the portfolio continued to outperform high yield bond indices.

We expect credit conditions to remain frozen for at least the next few quarters despite government interventions and quantitative easing. However, we are confident that corporate and financial bond markets now price in this dismal economic outcome and a level of defaults that is unlikely to materialise. Those companies that become increasingly likely to survive the next couple of years will experience a decline in their cost of finance and greater availability. As their credit spreads tighten, their debt will provide attractive returns for bond holders. Sovereign yields may begin to rise as risk aversion diminishes and inflationary pressures recoil following the anticipated increase in money supply. For this reason we have minimal government bond exposure although liquidity of the portfolio remains high given its relatively small size.

Investment Advisers' Report

The fall in your Company's assets during the year left assets in close proximity to the bank covenants and therefore ineligible holdings, such as high yield bonds, were reduced towards the end of the year. This may restrict gains if companies with high yield debt prove resilient to the economic recession. However, the investment grade holdings now yield the same as high yield bonds did a year ago offering an attractive profile. There might be a few defaults and the non-payment of coupons in the investment grade universe but these will be limited and investment grade credit spreads should tighten offering some potential capital recovery.

Paul Smith
Premier Fund Managers Limited

Schedule of Principal Investments

as at 31 December 2008

Top 10 holdings	Nominal holdings	Valuation GBP	Total assets %
Smaller Companies portfolio			
RPC Group plc	375,000	631,875	4.96
Primary Health Properties plc	172,230	494,300	3.88
Rotork plc	58,990	466,906	3.66
Diploma plc	378,135	461,325	3.62
James Halstead plc	112.750	411,538	3.23
Devro plc	525,000	409,500	3.21
Renishaw plc	80,703	398,673	3.13
Consort Medical plc	95,671	364,507	2.86
Nationwide Accident Repair plc	345,000	293,250	2.30
Abbey Protection plc	474,423	275,165	2.16
		4,207,039	33.01
Income portfolio			
Royal Bank of Scotland 10.5% 01/03/2013	200,000	220,740	1.73
HBOS 6.3673% Perpetual	350,000	177,808	1.40
Punch Taverns 5% 14/12/2010	200,000	169,000	1.33
Bear Stearns 26/09/2013	200,000	165,129	1.30
Bellway plc	150,000	151,500	1.19
Firstgroup 6.875% 15/04/2013	150,000	144,402	1.13
Marks & Spencer 5.875% 29/05/2012	150,000	137,283	1.08
Barclays 10.9% 16/08/2010	200,000	127,400	1.00
Aviva 5.9021% Perpetual	250,000	126,059	0.99
Merrill Lynch 4.875% 30/05/2014	150,000	121,180	0.95
		1,540,501	12.10
TOTAL		5,747,540	45.11

Schedule of Principal Investments

as at 31 December 2007

Top 10 holdings	Nominal holdings	Valuation GBP	Total assets %
Smaller Companies portfolio			
Fenner plc	374,340	904,000	4.30
Consort Medical plc	135,450	808,000	3.85
Weir Group plc	91,944	743,000	3.54
Renishaw plc	115,703	715,000	3.40
Diploma plc	75,627	703,000	3.35
VP plc	212,914	702,000	3.34
Rotork plc	68,990	667,000	3.17
James Halstead plc	120,250	658,000	3.13
Halma plc	281,410	619,000	2.95
Laird Group plc	102,777	596,000	2.84
		7,115,000	33.87
Income portfolio			
HBOS 6.3673% Perpetual	350,000	309,000	1.47
UK Treasury Gilts 8% 27/09/2013	250,000	293,000	1.39
Middlefield Canadian Income Trust	300,000	243,000	1.16
UK Treasury Gilts 6% 07/12/2028	200,000	241,000	1.15
Royal Bank of Scotland 10.5% 01/03/2013	200,000	236,000	1.12
Aviva 5.9021% Perpetual	250,000	230,000	1.09
CQS Rig Finance Fund	200,000	202,000	0.96
UK Treasury Gilts 8% 07/06/2021	150,000	201,000	0.96
Rabo/Prudential 9.62% 03/07/09	200,000	197,000	0.94
T2 Income Fund Ord	200,000	190,000	0.90
		2,342,000	11.14
TOTAL		9,457,000	45.01

Company Details

History

The Company was incorporated on 5 January 1999 and commenced its activities on 11 February 1999. 29,600,002 Ordinary shares were issued.

The special resolution proposed at the Company's Annual General Meeting in 2006, that the Company ceased as an investment company, was not carried by the necessary 75% majority of votes cast. Nevertheless, to provide an exit opportunity for the shareholders the Company made a Tender Offer to repurchase up to all of its Ordinary shares at net asset value, calculated after taking account of all costs. Applications under the Tender Offer were received for 20,660,212 Ordinary shares, leaving 8,939,790 Ordinary shares in issue after the Extraordinary General Meeting on 5 January 2007.

At the 5 January 2007 Extraordinary General Meeting, it was resolved that the issued share capital of the Company be reduced from £7,400,000.50 to £296,000.02, effected by the cancellation of 24p per issued Ordinary share, thus reducing the nominal amount of such shares from 25p to 1p per Ordinary share. It was also resolved that £17,000,000 standing to the credit of the Company's share premium account be cancelled. The £7,104,000.48, resulting from the cancellation of share capital, and the £17,000,000, resulting from the cancellation of the share premium account, were credited to a distributable reserve.

As part of the Tender Offer the Manager changed from Collins Stewart Fund Management Limited to Premier Asset Management (Guernsey) Limited.

Investment Objectives

The Company's investment objectives are to provide Shareholders with a high income and also the opportunity for capital growth.

Investment Policy

The Company's investment policy is to allocate approximately 70% of the Company's assets to the Smaller Companies portfolio with the balance to the Income portfolio. (Prior to the Tender Offer, this was approximately 75% to the Smaller Companies portfolio with the balance allocated to the Income portfolio.)

The Smaller Companies portfolio is principally invested in UK equities with a market capitalisation of under £1 billion. Unicorn as the Investment Adviser of the Smaller Companies portfolio, focuses on companies with experienced and well motivated management products or services supplying growth markets, sound operational and management controls, good cash generation and a progressive dividend.

Premier Fund Managers Limited manages the Income portfolio and aim to maximise income with the objective of capital protection. The Income portfolio includes sterling denominated fixed interest securities including corporate bonds, preference and permanent interest bearing shares, convertibles, reverse convertibles, debentures and other similar securities. The Income portfolio may also contain higher yielding shares of other investment companies, including property investment companies, however these will not exceed 15% of the overall portfolio (at the time of acquisition).

Company Details

Bank Loan

On 13 February 2007, a new £6 million revolving credit loan facility was arranged with the Bank of Scotland. The interest payable on this facility is 1% over LIBOR with a non-utilisation charge of 0.5% on any undrawn part of the facility.

The capital covenant on the facility requires a ratio of specified investment to debt of 2:1. Specified investments includes UK listed securities with a market capitalisation of over £75 million, investment grade bonds and reverse convertible bonds meeting certain criteria relating to the issuer and the reference equity.

Management Fees

The management fee is 0.7% per annum of total assets together with a performance fee of 15% over a total return of 10% per annum. No performance fee was payable in 2008. The total expenses ratio of the Company is capped at 1.5% of total assets, excluding performance fees and non-routine administration and professional fees and with adjustments made to allow for repayment of debt or the buy back of shares. The application of these calculations for 2008 indicates that a refund of £43,175 is due from the Manager. This refund is not reflected in the financial statements as it is considered immaterial to the net assets of the Company.

Risk Factors

for the year ended 31 December 2008

Structure of the Company and gearing

The Company employs gearing in the form of a bank loan. This gearing means that for any movement, up or down, in the Company's total assets there will, in most circumstances, be a greater movement in the net asset value of the Ordinary shares. This in turn may be reflected in greater volatility in the share price of the Ordinary shares and adds to the risk associated with this investment. The Company is required to adhere to a number of covenants in respect of its gearing arrangements. Failure to meet these requirements could jeopardise the Company's future as these borrowings are secured by a prior charge on the Company's assets. The Board monitors the compliance with any covenants on a regular basis.

Risks associated with investments held in the Smaller Companies portfolio

Investing in smaller companies, including AIM companies and unlisted companies, can carry greater risks than those usually associated with larger capitalised companies. Liquidity, in particular, can be lower in such shares.

Risks associated with investments held in the Income portfolio

The Income portfolio will primarily contain fixed interest securities. Bond prices and interest rates are inversely correlated. Thus, when interest rates increase, the price of a bond with a fixed coupon will decline. Alternatively, when interest rates decline, the price of a bond with a fixed coupon will increase. Therefore, interest rate movements are carefully monitored by the Investment Adviser.

Reverse convertible bonds ("RCBs") will be redeemed in the form of an underlying equity security (or cash equivalent in the case of an index) in the event that the value of that equity security (or index) on the RCBs redemption date is lower than the RCBs strike price. This may result in such RCBs being redeemed at a capital loss. Also, the equity security that may be acquired in this manner might have a considerably lower dividend yield than that provided by the associated RCB.

The Income portfolio may contain higher yielding investment company shares (including shares of split capital investment trusts) and bonds (including reverse convertible bonds). As a result of the underlying gearing in some investment company shares, any increase or decrease in the value of such shares might magnify movements in their net asset values and consequently affect the value of the Income portfolio accordingly. In accordance with the Listing Rules, the Company will make monthly stock exchange announcements detailing its holdings in other UK listed investment companies which themselves do not have a stated investment policy to invest no more than 15% of their gross assets in other UK listed investment companies (including investment trusts).

Dividend levels

Dividends paid on the Company's Ordinary shares rely on receipt of interest payments and dividends from the securities in which the Company invests. The Company's revenue levels are monitored on a regular basis by the Board and the Investment Advisers.

Currency risk

The majority of the Company's assets and all of its liabilities are denominated in sterling. To the extent that the Company has fixed interest investments denominated in foreign currency, this exposure is likely to be hedged back to sterling. Therefore, there is unlikely to be any significant risk.

Risk Factors

for the year ended 31 December 2008

Market price risk

Since the Company invests in financial instruments, market price risk is inherent in these investments. In order to minimise this risk, a detailed analysis of the risk/reward relationship of each investee company is undertaken by the Investment Advisers prior to making investments.

Interest rate risk

The Company's investment portfolio consists of investments bearing interest at floating rates or non-interest bearing investments.

Liquidity risk

Liquidity risk is the risk that the Company will encounter in realising assets or otherwise raising funds to meet financial commitments.

Discount volatility

Being a closed-end fund, the Company's shares may trade at a discount to their net asset value. The magnitude of this discount fluctuates daily and can vary significantly. Thus, for a given period of time, it is possible that the market price could decrease despite an increase in the Company's net asset value. The Directors review the discount levels regularly. The Investment Advisers actively communicate with the Company's major shareholders and potential new investors, with the aim of managing discount levels.

Directors

for the year ended 31 December 2008

John Campbell Boothman (Chairman)

John is aged 57 and is a resident of Jersey. He is currently non-executive chairman of Aztec Financial Services Limited and a non-executive director of Jersey Telecom Group Limited. He was managing director of Deutsche Bank International Limited from 1994 to 2002. He is a director of a number of other investment funds and on the board of the Jersey Financial Services Commission.

John Michael McKean

Michael is aged 77 and is a resident of Guernsey. He is an English solicitor and consultant to a firm of advocates. He is a non executive director of several other Guernsey registered funds and of a company providing banking and related advice. He also holds an academic appointment with the Society of Trust and Estate Practitioners.

Helen Foster Green

Helen is aged 46 and is a chartered accountant. She has been employed by Saffery Champness since 1984. Since 2000 she has been based in the Guernsey office where she is client liaison director responsible for trust and company administration. She is on the board of four AIM quoted companies and three Official List companies. She is also a director of two non-listed property funds and a non-executive director of a number of Cayman Islands and Irish registered funds.

Management Report
for the year ended 31 December 2008

A description of important events which have occurred during the financial period, their impact on the performance of the Company as shown in the financial statements and a description of the principal risks and uncertainties facing the Company is given in the Chairman's Statement, Manager's Report, the schedule of Risk Factors and the notes to the financial statements and is incorporated here by reference.

There were no material related party transactions which took place in the financial period.

Responsibility Statement

The Board of Directors jointly and severally confirm that, to the best of their knowledge:

(a) the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) This Management Report includes or incorporates by reference a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Director	Director
H F Green	*J M McKean*

30 April 2009

Directors' Report

for the year ended 31 December 2008

The Directors present their report and financial statements of the Company for the year ended 31 December 2008.

Principal Activities and Business Review

The principal activity of the Company is to carry on business as an investment company. The Directors do not envisage any change in these activities for the foreseeable future. A description of the activities of the Company in the period under review is given in the Chairman's Statement on pages 3 to 4.

Status

The Company is a closed-ended investment company and was incorporated with limited liability in Guernsey on 5 January 1999 with registered number 34778. The Company operates under The Companies (Guernsey) Law, 2008 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended.

The Company's Ordinary shares are traded on the London Stock Exchange.

The Company's management and administration takes place in Guernsey and the Company has been granted exemption from income tax within Guernsey by the Administrator of Income Tax. It is the intention of the Directors to continue to operate the Company so that each year this tax-exempt status is maintained.

Results and Dividends

The results attributable to Shareholders for the period are shown on page 25. The Company made a revenue return for the period of 11.23 pence (2007: 8.52 pence) per Ordinary share and a capital loss of 85.02 pence (2007: 24.15 pence) per Ordinary share.

The Company paid dividends during the year as follows:

	Payment date	**Dividend per share (pence)**
First interim	31 March 2008	2.0
Second interim	30 June 2008	2.0
Third interim	30 September 2008	2.1
Fourth interim	31 December 2008	2.1

The Directors do not propose a final dividend for the year.

Directors

The Directors in office are shown on page 14. Further details of the Directors' responsibilities are given on pages 19 to 22.

The interests of the Directors and their families in the Ordinary shares of the Company as at the date of this report are as follows:

Director	**Number of Ordinary shares**
John Boothman	25,000
Michael McKean	20,000
Mark Boothman	10,000

Other than the above share transactions, none of the Directors nor any persons connected with them had a material interest in any of the Company's transactions, arrangements or agreements during the period and 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, and which was effected by the Company during the reporting period.

At the date of this report, there are no outstanding loans or guarantees between the Company and any director.

Substantial Shareholdings

The Directors were aware of the following substantial interests in the Company's Ordinary share capital as 31 December 2008:

	Voting rights	% of total voting rights
HSBC Issuer Services Common Depository Nominee (UK) Limited A/c EUROCLEAR	6,468,572	72.36
HSBC Issuer Services Common Depository Nominee (UK) Limited A/c CLEARSTREAM	1,786,928	19.99

Net Asset Value

The net asset value of the Company's Ordinary shares, including revenue reserve, as at 31 December 2008 was 89.88 pence (2007: 171.88 pence) per share.

Management Agreement

The Board is responsible for the determination of the Company's investment policy and has overall responsibility for the Company's day-to-day activities. The Company has, however, entered into a Management Agreement with Premier Asset Management (Guernsey) Limited ("the Manager"), a wholly-owned, Guernsey incorporated subsidiary of Premier Asset Management Limited. The Manager receives a management fee of 0.7% per annum of total assets, calculated monthly and payable quarterly in arrears. The Manager is also potentially entitled to a performance fee for each financial period of the Company which shall accrue monthly and be payable after the end of each financial period. No performance fee was paid or is payable for the year under review. The Management Agreement may be terminated by either party on 12 months' written notice.

Under separate Investment Adviser Agreements, the Manager has delegated certain of its duties and responsibilities to Premier Fund Managers Limited ("Premier") and Unicorn Asset Management Limited ("Unicorn"), in relation to the Income portfolio and Smaller Companies portfolio respectively, as Investment Advisers which are responsible on behalf of the Manager for the identification and analysis of investments meeting the investment objectives and strategy of the Company. Premier and Unicorn are authorised and regulated by the FSA.

The Board keeps under review the performance of the Manager and the Investment Advisers. In the opinion of the Directors the continuing appointment of the Manager on the terms agreed is in the interest of shareholders as a whole. The reasons for this view are that the investment performance of the Company is satisfactory relative to the markets in which the Company invests and because the fund management teams haves experience and a proven track record in the chosen markets.

Directors' Report
for the year ended 31 December 2008

Administration Agreement

Under the terms of the Management Agreement, the Manager is responsible for, amongst other things, providing administration and secretarial services to the Company. With the consent of the Company, the Manager has delegated the provision of certain administrative and secretarial services to Anson Fund Managers Limited ("the Administrator") pursuant to an Administration Agreement. The Administrator carries out the general secretarial functions required by The Companies (Guernsey) Law, 2008 and ensures that the Company complies with its continuing obligations as a company listed on the Official List of the London Stock Exchange. The Administrator also carries out the Company's general administrative functions such as the calculation of net asset value, calculating the performance of the Company's investments and the maintenance of accounting records. The Administration Agreement is terminable by either party on giving not less than three months' written notice (after an initial period of one year).

Payment of Suppliers

It is the Company's payment policy to obtain the best possible terms for all business and, therefore, there is no consistent policy as to the terms used. The Company agrees with its suppliers the terms on which business will be transacted, and it is the Company's policy to abide by those terms. At 31 December 2008 all suppliers' invoices which had been received by that date had been settled.

Corporate Governance

Statement of Compliance with the Combined Code

As a Guernsey incorporated company, the Company was not for the year under review required to comply with the Combined Code on Corporate Governance (the "Combined Code") appended to the Listing Rules of the UK's Financial Services Authority. However, the Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and have therefore chosen voluntarily to comply with the provisions of the Combined Code to the extent that they are considered relevant to the Company.

The Company has complied with the main principles set out in Section 1 of the Combined Code, except as set out below.

The Combined Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the preamble to the Combined Code, the Board considers these provisions are not relevant to the Company's position, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions. Other areas of non-compliance with the Combined Code by the Company, and the reasons therefore, are as follows:

- The Chairman is the senior independent Director. This is not in accordance with provision A.3.3 of the Combined Code but is felt to be appropriate for the size and nature of the Company.

- There is no separate nomination committee, which is not in accordance with provision A.4.1 of the Combined Code. Given the small size of the Board, and the fact that all directors are independent and non-executive, it is felt that this function can be performed by the Board.
- The terms and conditions of appointment of the Directors are not available for inspection as required by provision A.4.4 of the Combined Code as the Board did not deem it necessary to formalise the terms and conditions of appointment or to sign letters of appointment. The Directors therefore do not have fixed time commitments but are expected to commit sufficient time to meet the needs of the Company on an ongoing basis.
- The Board did not undertake a formal performance evaluation of the Board, its committees or the individual Directors during the year as required by provision A.6.1 of the Combined Code. The Board decided that this was not appropriate given the nature of the Company but will keep this requirement under review.
- The Directors are not subject to re-election by the Shareholders at intervals of no more than three years as required by provision A.7.1 of the Combined Code, nor are they appointed for specific terms as required by provision A.7.2, as this is not felt to be appropriate for the size and nature of the Company.
- The Board has not established a remuneration committee as required by provision B.2.1 of the Combined Code as it does not have any executive directors and does not consider it to be appropriate for the size and composition of the Board.

The Combined Code is available on the following website: www.frc.org.uk.

Board Responsibilities

The Board comprises three Directors, who meet quarterly to consider the affairs of the Company in a prescribed and structured manner. All the Directors are independent of the Manager. Biographies of the Directors appear on page 14 demonstrating the wide range of skills and experience they bring to the Board. The Chairman is the senior independent Director.

The Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense. The Directors also have access to the advice and services of the Company Secretary through its appointed representatives who are responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information.

None of the Directors has a contract of service with the Company.

During the year ended 31 December 2008 the number of full scheduled Board meetings attended were as follows:

	Scheduled Board meetings
John Boothman	7 (9)
Helen Green	9 (9)
Michael McKean	9 (9)

The figures in brackets indicate the number of meetings held in the period in respect of which the individual was a Board member.

Board Committees

The audit committee is chaired by Mrs Green and each of the other Board members are members. The committee meets at least twice a year and reviews, inter alia, the financial reporting process and the system of internal control and management of financial risks including understanding the current areas of greatest financial risk and how these are managed by the Manager, reviewing annual financial statements, assessing the fairness of preliminary and interim statements and disclosures and reviewing the external audit process. The committee is responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The committee considers the nature, scope and results of the auditor's work and reviews, and develops and implements policy on the supply of any non-audit services that are to be provided by the external auditors. It receives and reviews reports from the Manager and the Company's external auditors relating to the Company's annual report and financial statements. The committee focuses particularly on compliance with legal requirements, accounting standards and the Listing Rules and ensures that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and financial statements remains with the Board.

The terms of reference of the audit committee are available from the Administrator on request.

The audit committee met twice in the year to consider the annual financial report to 31 December 2007 and the half-yearly financial report to 30 June 2008 and these meetings were attended by all committee members with the exception of Mr Boothman for the half-yearly financial report.

Internal Control and Financial Reporting

The Board is responsible for establishing and maintaining the Company's system of internal control. Internal controls are designed to meet the particular needs of the Company and the risks to which it is exposed, and by their very nature provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures which have been established to provide effective internal control are as follows:

- Investment management is provided by Premier and Unicorn under the Investment Adviser Agreements. The Board is responsible for setting the overall investment policy and monitors the actions of the Investment Advisers at regular Board meetings.
- Administration and company secretarial duties for the Company are performed by Anson Fund Managers Limited.
- Custody of assets is undertaken by BNP Paribas Trust Company (Guernsey) Limited.
- The duties of investment management, accounting and the custody of assets are segregated. The procedures of the individual parties are designed to complement one another.
- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers. The appointment of agents and advisers is conducted by the Board after consideration

of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements.

- Mandates for authorisation of investment transactions and expense payments are set out by the Board.
- The Board reviews detailed financial information produced by the Investment Advisers and the Administrator on a regular basis.

The Company does not have an internal audit department. All the Company's management and administration functions are delegated to independent third parties and it is therefore felt there is no need for the Company to have an internal audit facility.

Dialogue with Shareholders

All holders of shares in the Company have the right to receive notice of, and attend, the Annual General Meeting during which the Board and the Manager are available to discuss issues affecting the Company.

The primary responsibility for shareholder relations lies with the Manager. However, the Directors are always available to enter into dialogue with shareholders and the Chairman is always willing to meet major shareholders as the Company believes such communication to be important.

Going Concern

The Directors have reviewed cash flow forecasts which indicate that the Company has adequate resources to continue in operational existence for the foreseeable future. In reviewing those forecasts the Directors have taken into account the key business risks set out on pages 12 to 13. Having taken into account these risks and uncertainties the Directors have concluded, based on the cash flow forecast, that it is appropriate to prepare the financial statements on a going concern basis.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Auditor

KPMG have expressed their willingness to continue in office as Auditor. A resolution proposing their reappointment will be submitted at the forthcoming Annual General Meeting.

Signed on behalf of the Board by:

Director	Director
H F Green	*J M McKean*

Independent Auditor's Report to the Members of Acorn Income Fund Limited

We have audited the financial statements (the "financial statements") of Acorn Income Fund Limited (the "Company") for the year ended 31 December 2008 which comprise Income Statement, Balance Sheet, Cash Flow Statements, Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements which give a true and fair view and are in accordance with International Financial Reporting Standards and are in compliance with applicable Guernsey law are set out in the Statement of Directors' Responsibilities on pages 21 to 22.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are in accordance with International Financial Reporting Standards and comply with The Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditor's Report to the Members of Acorn Income Fund Limited

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended
- are in accordance with International Financial Reporting Standards
- comply with The Companies (Guernsey) Law, 2008

KPMG Channel Islands Limited
Guernsey, Channel Islands

30 April 2009

Income Statement

for the year ended 31 December 2008

	Note	Revenue GBP	Year ended 31 Dec 2008 Capital GBP	Total GBP	Year ended 31 Dec 2007 Total GBP
Net losses on financial assets designated as at fair value through profit or loss	8	–	(6,930,545)	(6,930,545)	(1,990,000)
Losses on foreign currency contracts	3	–	(303,763)	(303,763)	(29,387)
Investment income	2	1,322,352	–	1,322,352	1,136,204
Total income and gains		1,322,352	(7,234,308)	(5,911,956)	(883,183)
Expenses	4	(234,910)	(116,147)	(351,058)	(373,448)
Return on ordinary activities before finance costs and taxation		1,087,442	(7,350,455)	(6,263,014)	(1,256,631)
Interest payable and similar charges		(83,435)	(250,304)	(333,739)	(282,400)
Return on ordinary activities before taxation		1,004,007	(7,600,759)	(6,596,752)	(1,539,031)
Taxation on ordinary activities		–	–	–	–
Return on ordinary activities for the year attributable to shareholders		1,004,007	(7,600,759)	(6,596,752)	(1,539,031)
		Pence	Pence	Pence	Pence
Return per Ordinary share	7	11.23	(85.02)	(73.79)	8.52
Dividend per Ordinary share	6	8.20	0.00	8.20	8.00

The Total column of this statement is the Income Statement of the Company. The supplementary revenue return and capital return columns have been prepared in accordance with the Statement of Recommended Practice ("SORP") issued by the Association of Investment Companies ("AIC").

In arriving at the results for the financial year, all amounts above relate to continuing operations.

No operations were acquired or discontinued in the year.

The notes on pages 30 to 43 form an integral part of the financial statements.

Balance Sheet

as at 31 December 2008

	Notes	31 Dec 2008 GBP	31 Dec 2007 GBP
NON-CURRENT ASSETS			
Financial assets designated as at fair value through profit or loss	8	11,277,410	20,311,037
CURRENT ASSETS			
Receivables	9	812,949	220,957
Cash and cash equivalents		653,898	477,211
		1,466,847	698,168
TOTAL ASSETS		12,744,257	21,009,205
CURRENT LIABILITIES			
Derivative financial liabilities	15	237,350	32,203
Payables – due within one year	10	71,053	111,333
NON-CURRENT LIABILITIES			
Payables – due after one year	11	4,400,000	5,500,000
TOTAL LIABILITIES		4,708,403	5,643,536
NET ASSETS		8,035,854	15,365,669
EQUITY			
Share capital	12	89,398	89,398
Share premium		79,173	79,173
Capital redemption reserve		–	206,602
Revenue reserve		1,282,796	805,250
Special reserve		10,000,000	10,000,000
Capital reserve		(3,415,513)	4,185,246
TOTAL EQUITY		8,035,854	15,365,669
		Pence	Pence
Net asset value per Ordinary Share		89.88	171.88

The financial statements on pages 25 to 29 were approved by the Board of Directors on 30 April 2009 and signed on its behalf by:

Director
H F Green

Director
J M McKean

The notes on pages 30 to 43 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2008

	Notes	Year ended 31 Dec 2008 GBP	Year ended 31 Dec 2007 GBP
Operating activities			
Return on ordinary activities before taxation		(6,596,752)	(1,539,031)
Add: Net losses on financial assets designated as at fair value through profit or loss	8	6,930,545	1,990,000
Less: Investment income	2	(1,322,352)	(1,136,204)
Add: Interest expense		333,739	282,400
Add: Increase in derivative financial liabilities	15	205,147	32,000
Less: Decrease in payables and appropriations	10	(40,280)	(266,550)
Less: Increase in receivables excluding accrued investment income and investing activities	9	114,999	(62,000)
Net cash outflow from operating activities before investment income		(604,952)	(699,385)
Investment income received		1,297,132	1,136,204
Net cash inflow from operating activities after taxation		692,180	436,819
Investing activities			
Purchase of financial assets	8	(7,408,639)	(21,335,037)
Sale of financial assets		9,059,948	20,977,000
Net cash inflow/(outflow) from investing activities		1,651,309	(358,037)
Financing activities			
Equity dividends paid	6	(733,063)	(715,183)
Redemption of redeemable participating preference shares		–	(41,650,987)
(Repayment)/drawdown of bank loan	11	(1,100,000)	5,500,000
Bank loan interest paid		(333,739)	(282,400)
Net cash outflow from financing activities		(2,166,802)	(37,148,570)
Increase/(Decrease) in cash and cash equivalents		176,687	(37,069,788)
Cash and cash equivalents at beginning of year		477,211	37,546,999
Cash and cash equivalents at end of year		653,898	477,211

The notes on pages 30 to 43 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2008

	Share Capital GBP	Share Premium GBP	Capital Redemption Reserve GBP	Revenue Reserve GBP	Special Reserve GBP	Capital Reserve GBP	Total GBP
Balances as at 1 January 2008	89,398	79,173	206,602	805,250	10,000,000	4,185,246	15,365,669
Return on ordinary activities for the year attributable to shareholders	–	–	–	1,004,007	–	(7,600,759)	(6,596,752)
Dividends	–	–	–	(733,063)	–	–	(733,063)
Transfer between reserves	–	–	(206,602)	206,602	–	–	–
Balance as at 31 December 2008	89,398	79,173	–	1,282,796	10,000,000	(3,415,513)	8,035,854

Following implementation of The Companies (Guernsey) Law, 2008, the Company is no longer required to maintain a Capital Redemption Reserve. Accordingly the balance brought forward on this account has been transferred to the Revenue Reserve.

Statement of Changes in Equity

for the year ended 31 December 2007

	Share Capital GBP	Share Premium GBP	Capital Redemption Reserve GBP	Revenue Reserve GBP	Special Reserve GBP	Capital Reserve GBP	Total GBP
Balances as at 1 January 2007	7,400,001	17,079,173	–	681,855	10,000,000	24,109,812	59,270,841
Transfer to distributable reserve	(7,104,000)	(17,000,000)	–	–	–	24,104,000	–
Tender offer	(206,603)	–	206,602	–	–	(41,650,987)	(41,650,988)
Return on ordinary activities for the year attributable to shareholders	–	–	–	838,578	–	(2,377,579)	(1,539,001)
Dividends	–	–	–	(715,183)	–	–	(715,183)
Balance as at 31 December 2007	89,398	79,173	206,602	805,250	10,000,000	4,185,246	15,365,669

1 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared in accordance with the Companies (Guernsey) Law, 2008, International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and with the AIC's SORP (as revised in December 2005) where this is consistent with the requirements of IFRS. All accounting policies adopted for the period are consistent with International Financial Reporting Standards issued by the IASB and as adopted by the European Union. The financial statements have been prepared on an historical cost basis except for the measurement at fair value of certain financial instruments.

For the year ended 31 December 2007 the financial statements were prepared under UK Accounting Standards. For the year ended 31 December 2008, the Company adopted International Financial Reporting Standards for the first time. The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2008, the comparative information presented for the year ended 31 December 2007 and the opening balance sheet at 1 January 2008 (the Company's date of transition). The Directors confirm that the application of IFRS has had no material impact on the Company's results as previously reported under UK Accounting Standards.

The directors are of the opinion that the following Standards or Interpretations which have been issued by the International Accounting Standards Board but not yet adopted by the Company may have an effect on future financial statements:

IFRS 8 *Operating Segments* effective for annual periods beginning on or after 1 January 2009.

IAS 1 (revised) Presentation of financial statements effective for annual periods beginning on or after 1 January 2009.

IAS 39 and IFRS 7 *Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets (Amendments) and Reclassification of Financial Assets: Effective Date and Transition* for annual periods beginning on or after 1 July 2008.

Some of these Standards and Interpretations are expected to require additional disclosure in future financial statements.

(b) Taxation

The Company has been granted exemption under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 from Guernsey Income Tax, and has elected to remain exempt following changes in the Guernsey tax regime. The Company pays an annual fee of £600.

(c) Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- expenses charged to this account in accordance with the policy below:
- increases and decreases in the valuation of the investments held at the year end; and
- unrealised exchange differences of a capital nature.

1 ACCOUNTING POLICIES (CONTINUED)

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to the capital reserve where a connection with the maintenance or enhancement of the value of the investments can be demonstrated.

75% of the Company's management fee and financing costs are charged to the capital reserve in line with the Board's expected long-term split of returns between income and capital gains from the investment portfolio.

100% of any performance fee is charged to the capital account.

All other expenses are charged through the revenue account.

(e) Investment income

Interest income and distributions receivable are accounted for on an accruals basis. Interest income relates only to interest on bank balances. Bond income is accounted for on the effective interest rate ("EIR") basis.

(f) Foreign currency translation

The currency of the primary economic environment in which the Company operates (the functional currency) is Great British Pounds (GBP) which is also the presentational currency.

Transactions denominated in foreign currencies are translated into GBP at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities, other than investments, denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement. Foreign exchange differences relating to investments are taken to the capital reserve. Realised and unrealised foreign exchange differences on non-capital assets or liabilities are taken to the Income Statement in the period in which they arise.

(g) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash, deposits at bank and money market deposits.

(h) Investments

All investments have been designated as financial assets at "fair value through profit or loss". Investments are initially recognised on the date of purchase at cost, being fair value of the consideration given. Subsequently, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the Income Statement. Investments are derecognised on the date of sale. Gains and losses on the sale of investments will be taken to the Income Statement in the period in which they arise. For investments actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices as at the close of business on the Balance Sheet date.

1 ACCOUNTING POLICIES (CONTINUED)

(i) Derivatives

Derivatives consist of forward exchange contracts which are stated at market value, with the resulting net realised and unrealised gains and losses being reflected in the Income Statement.

(j) Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the "trade date", i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within the timeframe generally established by regulation or convention in the market place.

(k) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

2 INVESTMENT INCOME

	Year ended 31 Dec 2008 GBP	Year ended 31 Dec 2007 GBP
Bank interest	18,775	27,762
Dividend income	844,171	775,061
Bond income	438,525	333,381
Sundry income	20,881	–
	1,322,352	1,136,204

3 FOREIGN CURRENCY CONTRACTS

	Year ended 31 Dec 2008 GBP	Year ended 31 Dec 2007 GBP
Unrealised loss on forward foreign currency contracts	(221,727)	(32,387)
Realised (loss)/gain on forward foreign currency contracts	(82,036)	3,000
	(303,763)	(29,387)

4 EXPENSES

	Revenue GBP	Year ended 31 Dec 2008 Capital GBP	Total GBP
Manager's fee	30,705	92,114	122,819
Administrator's fee	53,985	–	53,985
Registrar's fee	2,681	–	2,681
Directors' fees	49,999	–	49,999
Custody fees	3,978	–	3,978
Audit fees	36,298	–	36,298
Directors' and Officers' insurance	10,297	–	10,297
Annual fees	13,544	–	13,544
Bank charges	9,915	–	9,915
Commission paid	–	24,033	24,033
Sundry costs	(4,503)	–	(4,502)
Legal and professional fees	2,242	–	2,242
Loss on foreign exchange	25,769	–	25,769
	234,910	116,147	351,058

	Revenue GBP	Year ended 31 Dec 2007 Capital GBP	Total GBP
Manager's fee	38,146	114,439	152,585
Administrator's fee	52,213	–	52,213
Registrar's fee	–	–	–
Directors' fees	50,000	–	50,000
Custody fees	4,966	–	4,966
Audit fees	16,103	–	16,103
Directors' and Officers' insurance	–	–	–
Annual fees	–	–	–
Bank charges	–	–	–
Commission paid	–	35,461	35,461
Sundry costs	62,120	–	62,120
Loss on foreign exchange	–	–	–
	223,548	149,900	373,448

5 DIRECTORS' REMUNERATION

Under the terms of appointment, each Director is paid a fee of £15,000 per annum by the Company, except for the Chairman, who receives £20,000 per annum.

6 DIVIDENDS IN RESPECT OF EQUITY SHARES

	Year ended 31 Dec 2008 GBP	Pence per share
First interim payment	178,796	2.0
Second interim payment	178,796	2.0
Third interim payment	187,736	2.1
Fourth interim payment	187,735	2.1
	733,063	8.2

	Year ended 31 Dec 2007 GBP	Pence per share
First interim payment	178,796	2.0
Second interim payment	178,796	2.0
Third interim payment	178,796	2.0
Fourth interim payment	178,795	2.0
	715,183	8.0

7 EARNINGS PER SHARE

Ordinary shares

The total return per Ordinary share is based on the total return on ordinary activities for the year attributable to Ordinary shareholders of – £6,596,752 (2007: – £1,539,031) and on 8,939,790 (2007: 9,845,443) shares, being the weighted average number of shares in issue during the year. There are no dilutive instruments and therefore basic and diluted gain per share are identical.

The revenue return per Ordinary share is based on the revenue return on ordinary activities for the year attributable to Ordinary shareholders of £1,004,007 (2007: £839,395) and on 8,939,790 (2007: 9,845,443) shares, being the weighted average number of shares in issue during the year. There are no dilutive instruments and therefore basic and diluted gain per share are identical.

The capital return per Ordinary share is based on the capital return on ordinary activities for the year attributable to Ordinary shareholders of – £7,600,759 (2007: – £2,378,426) and on 8,939,790 (2007: 9,845,443) shares, being the weighted average number of shares in issue during the year. There are no dilutive instruments and therefore basic and diluted gain per share are identical.

8 INVESTMENTS

	31 Dec 2008 GBP	31 Dec 2007 GBP
Financial assets designated as at fair value through profit or loss		
Opening portfolio cost	18,019,037	15,297,000
Unrealised appreciation on valuation brought forward	2,292,000	6,646,000
Opening valuation	20,311,037	21,943,000
Movements in the period		
Purchases at cost	7,408,639	21,335,037
Sales		
– proceeds	(9,511,721)	(20,977,000)
– realised (losses)/gains on sales	(1,685,920)	2,364,000
Unrealised depreciation on valuation for the period	(5,244,625)	(4,354,000)
Fair value of investments at 31 December 2008	11,277,410	20,311,037
Closing book cost	14,230,035	18,019,037
Closing unrealised appreciation	(2,952,625)	2,292,000
	11,277,410	20,311,037
Realised (losses)/gains on sales	(1,685,920)	2,364,000
Decrease in unrealised appreciation	(5,244,625)	(4,354,000)
Net losses on financial assets designated as at fair value through profit or loss	(6,930,545)	(1,990,000)

As at 31 December 2008, the closing fair value of investments comprises £7,051,998 (2007: £14,516,000) of equity shares and £4,225,412 (2007: £5,795,000) of fixed income securities.

9 RECEIVABLES

	31 Dec 2008 GBP	31 Dec 2007 GBP
Prepayments	1,910	–
Accrued income	244,627	219,407
Investment transactions not settled	451,773	–
Sundry receivables	114,639	1,550
	812,949	220,957

10 PAYABLES

(amounts falling due within one year)

	31 Dec 2008 GBP	31 Dec 2007 GBP
Accrued expenses	71,053	111,333

11 PAYABLES

(amounts falling due after one year)

	31 Dec 2008 GBP	31 Dec 2007 GBP
Long term bank loan	4,400,000	5,500,000

Under a loan agreement dated 13 February 2007 between the Company and the Bank of Scotland a £6,000,000 Revolving Credit Facility was arranged for a period of 5 years. The interest rate payable on this facility is 1% over Libor with a non-utilisation charge of 0.5% on any undrawn part of the facility.

The capital covenant on the facility requites a ratio of specified investment to debt of 2:1. Specified investments include UK listed securities with a market capitalisation of over £75 million, investment grade bonds and reverse convertible bonds meeting certain criteria relating to the issuer and the reference equity, gifts or US treasury stock and cash. During the year, the Company has compiled with all loan covenants.

12 SHARE CAPITAL

	GBP
Authorised	
Ordinary shares of 1p each	10,000,000

	Shares
Issued	
Number of shares in issue at 31 December 2008 and 31 December 2007	8,939,790

	GBP
Issued capital as at 31 December 2008	89,398

		Number of shares
The issue of shares took place as follows:		
Ordinary shares	11 February 1999	29,600,002
Tender offer	17 January 2007	(20,660,212)
		8,939,790

13 RELATED PARTIES

Premier Asset Management (Guernsey) Limited is the Company's Manager and operates under the terms of the management agreement in force which gives it complete control over the Company's investment portfolio. For further details regarding the terms of the management agreement see the section in the Report of the Directors on page 18. £122,818 (2007: £152,585) of costs were incurred by the Company with this related party in the year, of which £22,353 (2007: £38,910) was due to this related party as at 31 December 2008.

Directors' remuneration is disclosed in Note 5.

14 FINANCIAL INSTRUMENTS

The Company's main financial instruments comprise:

(a) Cash and cash equivalents that arise directly from the Company's operations;

(b) Investments in listed entities; and

(c) Long term bank loan.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The following table details the categories of financial assets and liabilities held by the Company at the reporting date:

	31 Dec 2008 GBP	31 Dec 2007 GBP
Assets		
Financial assets at fair value through profit or loss		
Designates at fair value through profit or loss on initial recognition		
Investments	11,277,410	20,311,037
Total financial assets at fair value through profit or loss	11,277,410	20,311,037
Loans and receivables	1,466,847	698,168
Total assets	12,744,257	21,009,205
Liabilities		
Financial assets at fair value through profit or loss		
Held for trading		
Derivative financial liabilities	237,350	32,203
Total financial liabilities at fair value through profit or loss	237,350	32,203
Financial liabilities measured at amortised cost	4,471,053	5,611,333
Total liabilities excluding net assets attributable to holders of Ordinary shares	4,708,403	5,643,536

Loans and receivables presented above represents cash and cash equivalents, balances due from brokers and other receivables as detailed in the balance sheet.

Financial liabilities measured at amortised cost presented above represents accrued expenses and loans payable as detailed in the balance sheet.

The main risks arising from the Company's financial instruments are market price risk, liquidity risk, interest rate risk and foreign exchange risk. The Board regularly review and agrees policies for managing each of these risks and these are summarised below:

(a) Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The investment manager actively monitors market prices and reports to the Board as to the appropriateness of the prices used for valuation purposes. The investment manager also attempts to minimise market price risk by undertaking a detailed analysis of the risk/reward relationship of each investee company prior to any investment being made.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Details of the Company's Investment Objective and Policy are given inside the front cover of this Report.

Price sensitivity

The following details the Company's sensitivity to a 25% increase and decrease on the market prices, with 25% being the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of the possible change in market prices. This percentage also reflects the relative volatility of the market over the past six months.

At 31 December 2008, if market prices had been 25% higher with all the other variables held constant, the net loss attributable to shareholders for the year would have been £2,819,353 (2007: £5,077,759) lower, due to the increase in the fair value of financial assets at fair value through profit or loss. This would represent an increase in Net Assets of 35.08% (2007: 33.05%).

If market prices had been 25% lower with all the other variables held constant, the net loss attributable to shareholders for the year would have been £2,819,353 (2007: £5,077,759) greater, due to the decrease in the fair value of financial assets at fair value through profit or loss. This would represent an decrease in Net Assets of 35.08% (2007: 33.05%).

(b) Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. The Directors receive financial information on a regular basis which is used to identify and monitor risk. It is Company policy not to invest more than 20% of the gross assets of the Company in the securities of any one company or group at the time the investment is made.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties. At 31 December 2008 the Company's largest exposure to a single investment was £631,875 (2007: £904,000), 4.96% (2007: 4.30%) of total assets.

Investors should be aware that the prospective returns to Shareholders mirror the returns under the Quoted Securities held or entered into by the Company and that any default by an issuer of any such Quoted Security held by the Company would have a consequential adverse effect on the ability of the Company to pay some or all of the entitlement to Shareholders. Such a default might, for example, arise on the insolvency of an issuer of a Quoted Security.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity Risk

The Company's financial assets exposed to credit risk are as follows:

	31 Dec 2008 GBP	31 Dec 2007 GBP
Investments	11,277,410	20,311,037
Cash and cash equivalents	653,898	477,211
Balances due from brokers	451,773	–
Interest, dividends and other receivables	361,176	220,957
	12,744,257	21,009,205

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The Company's main financial commitment is its ongoing operating expenses.

The Investment Manager ensures that the Company has sufficient liquid resources available to fulfil its operational plans and to meet its financial obligations as they fall due.

The table below details the residual contractual maturities of financial liabilities:

As at 31 December 2008:

	1-3 months GBP	Over 1 year GBP
Financial liabilities including derivatives		
Accrued expenses	71,053	–
Derivative financial instruments	237,350	–
Loans payable	–	4,400,000
	308,403	4,400,000

As at 31 December 2007:

	1-3 months GBP	Over 1 year GBP
Financial liabilities including derivatives		
Accrued expenses	111,333	–
Derivative financial instruments	32,203	–
Loans payable	–	5,500,000
	143,536	5,500,000

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest Rate Risk

The following table details the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying value of the assets and liabilities:

As at 31 December 2008:

	Less than 1 month GBP	1 to 3 months GBP	3 months to 1 year GBP	Over 1 year GBP	Fixed interest GBP	Non-interest bearing GBP	Total GBP
Assets							
Designated at fair value through profit or loss on initial recognition:							
Investments	–	73,680	65,300	4,086,432	–	7,051,998	11,277,410
Loans and receivables:							
Balances due from brokers	–	–	–	–	–	451,773	451,773
Cash and cash equivalents	653,898	–	–	–	–	–	653,898
Interest, dividends and other receivables	–	–	–	–	–	361,176	361,176
Total Assets	653.898	73,680	65,300	4,086,432	–	7,864,947	12,744,257
Liabilities							
Held for trading:							
Derivative financial instruments	–	–	–	–	–	237,350	237,350
Financial liabilities measured at amortised cost							
Accrued expenses	–	–	–	–	–	71,053	71,053
Loans payable	4,400,000	–	–	–	–	–	4,400,000
Total Liabilities	4,400,000	–	–	–	–	308,403	4,708,403
Total interest sensitivity gap	3,746,102	73,680	65,300	4,086,432			

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

As at 31 December 2007:

	Less than 1 month GBP	Over 1 year GBP	Fixed interest GBP	Non-interest bearing GBP	Total GBP
Assets					
Designated at fair value through profit or loss on initial recognition:					
Investments	–	–	5,795,000	14,516,037	20,311,037
Loans and receivables:					
Balances due from brokers	–	–	–	–	–
Cash and cash equivalents	477,211	–	–	–	477,211
Interest, dividends and other receivables	–	–	–	220,957	220,957
Total Assets	477,211	–	5,795,000	14,736,994	21,009,205
Liabilities					
Held for trading:					
Derivative financial instruments	–	–	–	32,203	32,203
Financial liabilities measured at amortised cost					
Accrued expenses	–	–	–	111,333	111,333
Loans payable	5,500,000	–	–	–	5,500,000
Total Liabilities	5,500,000	–	–	143,536	5,643,536
Total interest sensitivity gap	5,022,789	–			

Interest rate sensitivity

If interest rates had been 25 basis points higher and all other variables were held constant, the Company's net loss attributable to shareholders for the year ended 31 December 2008 would have increased by approximately £9,365 (2007: £12,557) or 0.07% (2007: 0.01%) of Total Assets due to an increase in the amount of interest receivable on the bank balances of £1,635 (2007: £1,193) offset by an increase in the amount of interest payable on the bank loan of £11,000 (2007: £13,750).

If interest rates had been 25 basis points lower and all other variables were held constant, the Company's net loss attributable to shareholders for the year ended 31 December 2008 would have decreased by approximately £9,365 (2007: £12,557) or 0.07% (2007: 0.01%) of Total Assets due to an decrease in the amount of interest receivable on the bank balances of £1,635 (2007: £1,193) offset by an decrease in the amount of interest payable on the bank loan of £11,000 (2007: £13,750).

(e) Foreign Exchange Risk

Forward currency transactions are used to hedge the foreign currency exposure in bonds, other investments and cash balances held within the portfolio. The purpose of the hedge is to protect the Company's assets from a decline in value that might arise from the depreciation of a foreign currency against sterling.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

At 31 December 2008, the Company's holdings in derivatives translated into GBP were as specified below:

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding	Fair value assets/ (liabilities) GBP
Forward	March 2009	Sold AUD	210,000	(9,561)
Forward	January 2009	Sold EUR	1,280,000	(224,119)
Forward	February 2009	Sold USD	370,000	(3,670)
				(237,350)

At 31 December 2007, the Company's holdings in derivatives translated into GBP were as specified below:

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding	Fair value assets/ (liabilities) GBP
Forward	March 2008	Sold AUD	470,000	(206,863)
Forward	January 2008	Sold EUR	519,000	(381,400)
Forward	March 2008	Purchase GBP	832,744	832,744
Forward	February 2008	Sold USD	550,000	(276,684)
				(32,203)

Exchange rate exposures are managed by minimising the amount of foreign currency held at any one time and entering into forward exchange contracts.

The following table sets out the Company's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities:

	Monetary assets GBP	Monetary liabilities GBP	Forward FX contracts GBP	Net exposure GBP
Euro	1,268,051	–	(1,001,505)	266,546
US Dollar	276,460	–	(249,997)	26,463
Australian Dollar	99,025	(100,153)	(92,551)	(93,679)

Amounts in the above table are based on the carrying value of monetary assets and liabilities and the underlying principle amount of forward currency contracts.

(f) Capital Management

The principal investment objectives of the Company are to provide shareholders with a high income and also the opportunity for income and capital growth by investing primarily in smaller capitalised United Kingdom companies admitted to the Official List of the United Kingdom Listing Authority and traded on the London Stock Exchange or traded on AIM.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The Company's portfolio is invested in equities and high income and fixed interest and other income-bearing securities in order to achieve its investment objectives. It is the aim of the Company to provide both income and capital growth predominantly through investment of approximately 70% of the portfolio in smaller capitalised United Kingdom companies. The Company also aims to further enhance income for shareholders by investing approximately 30% of its assets in high yielding securities which will be predominantly fixed income securities (including corporate bonds, preference and permanent interest bearing shares, convertible and reverse convertible bonds and debentures) but may include up to 15% of the portfolio (measured at time of acquisition) in high yielding investment company shares.

The Company employs gearing in the form of a bank loan. This gearing means that for any movement, up or down, in the Company's total assets there will, in most circumstances be a greater movement in the net asset value of the Ordinary shares. This in turn may be reflected in greater volatility in the share price of the Ordinary shares and adds to the risk associated with this investment. The Company is required to adhere to a number of covenants in respect of its gearing arrangements. Failure to meet these requirements could jeopardise the Company's future as these borrowings are secured by a prior charge on the Company's assets. The Board monitors the compliance with any covenants on a regular basis.

As the Company's Ordinary shares are traded on the London Stock Exchange, the Ordinary shares may trade at a discount to their Net Asset Value per Share on occasion. However, the Directors and the manager monitor the discount on a regular basis.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet. Capital for the reporting periods under reviews is summarised as follows:

	GBP
Distributable reserves	11,282,796
Share capital and share premium	168,571
Non distributable reserves	(3,415,513)
	8,035,854

Included in distributable reserves are the revenue reserve and a special reserve. The special reserve was created on the cancellation of part of the Company's share premium account. The Directors have resolved that the capital reserve is a non distributable reserve.

Risk Warning

An investment in the Company is only for financially sophisticated investors who are capable of evaluating the risks and merits of such investments, or other investors who have been professionally advised with regard to investment, and who have sufficient resources to bear any loss which might result from such investment. There can be no guarantee that investors will recover their initial investment. This investment employs gearing and may be subject to sudden and large falls in value. You should be aware that movements in the net asset value of the Company, and therefore the price of shares, may be more volatile than movements in the price of the underlying investments and that there is a risk that you may lose all the money that you have invested. Investors considering an investment should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser.

Investors contemplating an investment in Ordinary Shares should recognise that the market value of, and the income derived from, such shares can fluctuate and may not always reflect the underlying value of the Company's portfolio. Securities listed on recognised exchanges are valued at their bid market prices as at close of business on 31 December 2008. The market prices at which these investments are valued may not be the realisable value of those investments, taking into account both the size of the Group's holding, the frequency with which such investments are traded and the spread between the bid and offer prices.

Future dividends on the Ordinary Shares will depend on the dividend capital growth of investments in the underlying portfolio. Dividend cuts by companies within the portfolio or falls in the share prices of the underlying investments may be result in the Ordinary Shares yielding less in future years. Falling bond prices or reduction in bond yields may also lead to a reduction in dividends on the Ordinary Shares. Any change in the tax treatment of dividends or interest paid or received by the Company may reduce the level of dividend received by Ordinary Shareholders.

There can be no guarantee that the Company's investment objectives will be met.

Directors and Advisers

Directors	John Campbell Boothman (Chairman) John Michael McKean Helen Foster Green
Manager	Premier Asset Management (Guernsey) Limited PO Box 405 Anson Place Mill Court La Charroterie St Peter Port Guernsey GY1 3GF
Investment Adviser – Smaller Companies portfolio	Unicorn Asset Management Limited Preacher's Court The Charterhouse Charterhouse Square London EC1M 6AU
Investment Adviser – Income portfolio	Premier Fund Managers Limited Eastgate Court High Street Guildford GU1 3DE
Administrator, Secretary, Registrar and Registered Office	Anson Fund Managers Limited PO Box 405 Anson Place Mill Court La Charroterie St Peter Port Guernsey GY1 3GF
Custodian	BNP Paribas Trust Company (Guernsey) Limited BNP Paribas House St Julian's Avenue St Peter Port Guernsey GY1 3WE
United Kingdom Stockbrokers	Fairfax I.S. PLC 46 Berkeley Square Mayfair London W1J 5AT
Auditors	KPMG Channel Islands Limited PO Box 20 20 New Street St Peter Port Guernsey GY1 4AN

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the voting Members of Acorn Income Fund Limited (the "Company") will be held at Anson Place, Mill Court, La Charroterie, St Peter Port, Guernsey, Channel Islands on Wednesday 26 August 2009 at 10:00 a.m. You will be asked to consider and vote on the resolutions below, each of which will be proposed as an ordinary resolution:

ORDINARY BUSINESS:

1. To receive the Annual Financial Report for the year ended 31 December 2008.
2. To reappoint KPMG Channel Islands Limited as Auditor to the Company, to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting, and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS:

3. THAT the Company be and hereby is generally and unconditionally authorised in accordance with the Companies (Guernsey) Law, 2008 (as amended) (the "Law") to make one or more market acquisitions (as defined in section 316 of the Law) of ordinary shares in the Company ("Ordinary shares") provided that:

   (i) the maximum aggregate number of Ordinary shares authorised to be purchased is 1,340,074 or, if less, the number representing 14.99 per cent. of the issued Ordinary share capital of the Company in issue on the date this resolution is passed;

   (ii) the minimum price payable by the Company for each Ordinary share is £0.01 and the maximum price payable by the Company for each Ordinary share is an amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary share as derived from The London Stock Exchange for the five business days immediately preceding the day on which that Ordinary share is purchased;

   (iii) subject to paragraph (iv), this authority shall expire at the conclusion of the next annual general meeting of the Company; and

   (iv) notwithstanding paragraph (iii), the Company may make a contract to purchase Ordinary shares under this authority before the expiry of this authority which will or may be executed wholly or partly after the expiry of this authority and may make a purchase of Ordinary shares in pursuance of any such contract after such expiry.

BY ORDER OF THE BOARD
Anson Fund Managers Limited
Secretary

30 April 2009

Registered Office:
Anson Place, Mill Court
La Charroterie, St Peter Port
Guernsey, Channel Islands

Notes:

- Ordinary Resolution: This resolution requires a simple majority of the votes cast by those Shareholders voting in person or by proxy at the Annual General Meeting to be passed.
- A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude members from attending or voting at the meeting, if they so wish.
- To be valid the Form of Proxy, together with the power of attorney or other authority, if any, under which it is executed (or a notarially certified copy of such power of authority) must be deposited with the Company's agent, for this purpose being Computershare Investor Services (Channel Islands) Limited, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW, not less than 48 hours before the time for holding the meeting. A Form of Proxy is enclosed with this Notice.
- None of the directors has a contract of service with the Company.

Form of Proxy

FOR USE BY HOLDERS OF VOTING SHARES AT THE ANNUAL GENERAL MEETING OF ACORN INCOME FUND LIMITED (THE "COMPANY") CONVENED FOR 10:00 A.M. ON WEDNESDAY 26 AUGUST 2009, AND AT ANY ADJOURNMENT THEREOF

I/We ....
(BLOCK LETTERS)

of..
(BLOCK LETTERS)

being [a] member[s] of the Company, hereby appoint the Chairman of the Meeting*

or ....as my/our proxy to vote for me/us on my/our behalf, as directed below on the Resolutions to be proposed at the annual general meeting of the Company to be held on Wednesday 26 August 2009 at 10:00 a.m., and at any adjournment thereof.

*Note: If it is desired to appoint as proxy any person other than the Chairman of the Meeting, his/her name and address should be inserted in the relevant place and reference to the Chairman of the meeting deleted and the alternation initialled.

I/We direct the proxy to vote on the Resolutions as follows:

Ordinary Business:	FOR	AGAINST	WITHHELD
1. To receive the Annual Financial Report for the year ended 31 December 2008.			
2. To reappoint KPMG Channel Islands Limited as Auditor to the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, and to authorise the directors to determine their remuneration.			
Special Business:			
3. THAT the Company be authorised to make market acquisitions of Ordinary shares in the Company on the terms set out in the Notice of Meeting.			

Please indicate with an X in the appropriate space how you wish your vote to be cast. On receipt of the form duly executed and in the absence of a specific direction, your proxy will vote or abstain as he or she thinks fit on the resolutions.

Signed: ....

Dated: ....

Notes:

1. If the shareholder is a Corporation, this form must be executed under its common seal or under the hand of its duly authorised officer or attorney.
2. In the case of joint members, the vote of the senior who tenders a vote, whether in person, or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority is determined by the order in which the names stand in the Register of Members in respect of the joint holding.
3. Any alterations to this proxy should be initialled by the person who signs it.

Do not affix Postage Stamps if posting in
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1

Computershare Investor Services (CI) Ltd
PO Box 83
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31 Pier Road
St Helier
Jersey
JE4 8PW

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