

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about what action you should take, it is recommended that you immediately consult your stockbroker or other independent financial adviser authorised under the Financial Services and Markets Act 2000 or, in the case of recipients outside the United Kingdom, your stockbroker or other financial adviser.

If you have sold or transferred all your Ordinary Shares and/or all your ZDP Shares in Acorn Income Fund Limited (the "**Company**"), please forward this document at once, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

ACORN INCOME FUND LIMITED

(a company incorporated in Guernsey with registered number 34778)

**Authorities to make market acquisitions of Ordinary Shares and ZDP Shares
Disapplication of Pre-Emption Rights
Authority to sell Ordinary Shares from treasury at a discount to Net Asset Value**

**and
REVISED NOTICE OF ANNUAL GENERAL MEETING**

Notice of an annual general meeting of the Company, to be held at 11.00 a.m. on 21 August 2013 at Anson Place, Mill Court, La Charroterie, St. Peter Port, Guernsey GY1 1EJ is set out at the end of this document. Ordinary Shareholders will find enclosed a Form of Proxy for use at the AGM. To be valid, the Form of Proxy must be completed and returned, in accordance with the instructions printed thereon, to the Registrar, Anson Registrars Limited, Anson Place, Mill Court, La Charroterie, St. Peter Port, Guernsey GY1 1EJ so as to arrive as soon as possible and, in any event, not later than 11.00 a.m. on 19 August 2013.

This document should be read as a whole. Your attention is drawn to the letter from the Chairman on page 3 of this document which recommends that you vote in favour of the Resolutions to be proposed at the Annual General Meeting.

Contents

LETTER FROM THE CHAIRMAN 3

DEFINITIONS 6

NOTICE OF ANNUAL GENERAL MEETING (AS AMENDED) 7

LETTER FROM THE CHAIRMAN

ACORN INCOME FUND LIMITED

(a company incorporated in Guernsey with registration number 34778)

Directors:

Helen Green (*Non-executive Chairman*)
Nigel Ward (*Non-executive Director*)
David Warr (*Non-executive Director*)

Registered Office:

Anson Place
Mill Court
La Charroterie
St. Peter Port
Guernsey
GY1 1EJ

26 July 2013

Dear Shareholder

Authorities to make market acquisitions of Ordinary Shares and ZDP Shares, disapplication of pre-emption rights, sale of Ordinary Shares from treasury at a discount to Net Asset Value and revised notice of Annual General Meeting

AMENDED NOTICE OF ANNUAL GENERAL MEETING

Notice of the Annual General Meeting was first given to Shareholders on pages 55 to 56 of the Company's financial report for the year ended 31 December 2012. Attached is a revised notice of AGM which is intended to replace in full that notice and which, in addition to the items in the previous notice, contains the resolutions referred to below and corrections to technical errors contained in the previous notice.

BACKGROUND TO THE PROPOSALS

At the extraordinary general meeting held on 24 April 2013, Shareholders voted in favour of resolutions authorising the Company to issue up to 14 million new Ordinary Shares and up to 19 million new ZDP Shares pursuant to a placing programme (the "**Placing Programme**").

The Placing Programme was implemented by the Company to enable it to satisfy demand for its Shares as well as to increase the size of the Company.

Following discussions with its corporate broker, Numis, the Company is proposing, in conjunction with the Placing Programme, the use of treasury shares with the objective of providing the Company with further flexibility in managing market demand for the Shares.

Under the Proposals, it is intended that the Company will place with Numis such number of Ordinary Shares and ZDP Shares as is equal to 10 per cent. of the issued Ordinary Shares and 10 per cent. of the issued ZDP Shares in issue on the date on which Resolutions 6 and 7 to be proposed at the AGM are passed, each at prices equal to the respective latest published NAV per Share on the date of such placing. Numis will immediately then sell the same number of Shares back to the Company at the same price for the Company to then hold in treasury. The Shares held in treasury will then be available to be sold pursuant to the Placing Programme to meet market demand and will enable the Company to save on the significant fixed listing costs associated with further issues of Shares.

In connection with the proposals outlined above, the Company requires Ordinary Shareholder authority (i) to make market acquisitions of its Ordinary Shares and ZDP Shares; (ii) to sell Ordinary Shares from treasury otherwise than *pro rata* to existing Ordinary Shareholders; and (iii) in certain circumstances, to issue or sell Ordinary Shares from treasury at a discount to the prevailing Net Asset Value per Ordinary Share. Resolutions 5 to 8 to be proposed at the Annual General Meeting seek such Ordinary Shareholder approval.

MARKET ACQUISITIONS OF THE COMPANY'S OWN SHARES

The maximum number of Shares that may be bought back pursuant to the authorities contained in Resolutions 6 and 7 to be proposed at the AGM is 14.99 per cent. of the issued Ordinary Shares and 14.99 per cent. of the issued ZDP Shares as at the date those Resolutions are passed. In addition, pursuant to the Companies Law the number of Ordinary Shares or ZDP Shares that may be held as treasury shares must not at any time exceed 10 per cent. of the total number of issued Ordinary Shares or ZDP Shares respectively.

The Company will not make any purchases of its own Shares unless (i) the Cover Test would be met immediately following any such purchase or (ii) Cover is otherwise increased following any such purchase. The Company will hold any Shares purchased in treasury and issue them out of treasury in order to meet market demand.

The minimum price payable by the Company for each Ordinary Share or ZDP Share shall be 1p and the maximum price payable by the Company for each Ordinary Share or ZDP Share shall be the higher of (i) an amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary Share or a ZDP Share as derived from the London Stock Exchange for the five business days immediately preceding the day on which the Ordinary Shares or the ZDP Shares are purchased and (ii) the higher of the price of the last independent trade and highest bid on the London Stock Exchange when the purchase is carried out. These authorities will expire (unless renewed) at the annual general meeting in 2014.

DISAPPLICATION OF PRE-EMPTION RIGHTS

At the extraordinary general meeting of the Company held on 24 April 2013, Shareholders voted in favour of a resolution to disapply pre-emption rights in connection with the issue for cash of up to 14 million new Ordinary Shares. In connection with the proposals described above and pursuant to the Listing Rules and the Articles, the Company is required to seek Ordinary Shareholder approval to sell Ordinary Shares from treasury otherwise than *pro rata* to existing Ordinary Shareholders. Resolution 8 to be proposed at the AGM is seeking Ordinary Shareholder approval for the disapplication of pre-emption rights in connection with such sales.

The power to disapply pre-emption rights in relation to the sale of Ordinary Shares from treasury will be limited to 1,756,000 million Ordinary Shares in aggregate (being 15 per cent. of the issued Ordinary Shares at the date of this document, excluding treasury shares). This power will expire (unless renewed) at the annual general meeting in 2014.

AUTHORITY TO SELL ORDINARY SHARES FROM TREASURY AT A DISCOUNT TO NET ASSET VALUE

At the extraordinary general meeting held on 24 April 2013, Shareholders voted in favour of the issue of new Ordinary Shares at a discount to the prevailing Net Asset Value per Ordinary Share in certain circumstances. In connection with the Proposals, the Company may also sell Ordinary Shares from treasury at a discount to NAV per Ordinary Share where ZDP Shares are issued or sold at the same time at a premium such that the combined effect of the sale of Ordinary Shares at a discount to NAV and the issue or sale of ZDP Shares at a premium is that NAV per Ordinary Share is increased and where there is no increase in gearing as a result of the transaction. The Listing Rules prohibit the issue of shares (including sales of shares from treasury) at a discount to net asset value (otherwise than *pro rata* to existing shareholders) unless shareholders authorise such an issue or sale. Accordingly, Resolution 5 to be proposed at the AGM seeks Ordinary Shareholder approval for the issue or sale of Ordinary Shares from treasury at a discount to the prevailing Net Asset Value per Ordinary Share in the circumstances described above.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is being convened for 11.00 a.m. on 21 August 2013 to be held at the Company's registered office at Anson Place, Mill Court, La Charroterie, St. Peter Port, Guernsey GY1 1EJ at which the following Resolutions will be proposed:

- Resolution 1: to receive the annual financial report for the year ended 31 December 2012;
- Resolution 2: to reappoint KPMG Channel Islands Limited as auditor to the Company;
- Resolution 3: to re-elect Helen Green as a director;
- Resolution 4: to re-elect David Warr as a director;
- Resolution 5: to authorise the Company to issue (or sell from treasury) Ordinary Shares at a discount to the prevailing Net Asset Value per Ordinary Share in certain specified circumstances;
- Resolution 6: to authorise the Company to make market acquisitions of its Ordinary Shares;
- Resolution 7: to authorise the Company to make market acquisitions of its ZDP Shares; and
- Resolution 8: to disapply pre-emption rights in connection with the sale of Ordinary Shares from treasury.

Resolutions 1 to 5 will be proposed as ordinary resolutions and Resolutions 6 to 8 will be proposed as special resolutions. An ordinary resolution requires a simple majority of the votes cast to be cast in favour for it to be passed. A special resolution requires a majority of 75 per cent. of the votes cast to be cast in favour for it to be passed. The notice convening the Annual General Meeting is set out at the end of this document.

ACTION TO BE TAKEN BY ORDINARY SHAREHOLDERS

A Form of Proxy is enclosed with this document for use at the Annual General Meeting. If you are an Ordinary Shareholder, whether or not you intend to attend the Annual General Meeting, you are requested to complete the enclosed Form of Proxy in accordance with the instructions printed on it and return it to the Registrar, Anson Registrars Limited, Anson Place, Mill Court, La Charroterie, St. Peter Port, Guernsey GY1 1EJ so as to arrive as soon as possible and, in any event, not later than 11.00 a.m. on 19 August 2013.

Please note that the enclosed Form of Proxy is intended to replace that which was sent to Shareholders on 27 March 2013.

Proxy votes which have been received or are received subsequently using the incorrect form of proxy will not be treated as valid and the Registrar will seek to contact any Shareholder who has already submitted or subsequently submits the incorrect form of proxy with a view to ensuring that such Shareholder resubmits the correct Form of Proxy.

RECOMMENDATION

The Board considers the Proposals to be in the best interests of the Company and Shareholders as a whole and unanimously recommends that Ordinary Shareholders vote in favour of the Resolutions to be proposed at the AGM.

Yours sincerely

Helen Green
Non-Executive Chairman

DEFINITIONS

“Annual General Meeting” or “AGM”	the annual general meeting of the Company convened for 11.00 a.m. on 21 August 2013, amended notice of which is set out at the end of this document
“Articles”	the articles of incorporation of the Company
“Companies Law”	The Companies (Guernsey) Law, 2008, as amended
“Company”	Acorn Income Fund Limited
“Cover”	the ratio of (i) the gross assets of the Company less current liabilities and accrued charges (other than debt and liabilities to ZDP Shareholders), less the amount standing to the credit of the Company’s revenue reserves as at the date of the Company’s most recently published balance sheet to (ii) the aggregate amount which would be paid to the holders of the ZDP Shares in issue on the date of calculation as a class (and on all shares ranking as to capital in priority thereto or <i>pari passu</i> therewith) on the ZDP Repayment Date plus the Company’s borrowings (if any) plus the cumulative management fees to be charged to capital over the period from the date of calculation of the Cover to the ZDP Repayment Date
“Cover Test”	the ZDP Shares in issue having a Cover of not less than 1.85 times
“Directors” or “Board”	the directors of the Company
“Form of Proxy”	the form of proxy accompanying this document for use at the AGM
“Listing Rules”	the listing rules of the United Kingdom Listing Authority
“Net Asset Value” or “NAV”	the net asset value of the Company calculated in accordance with the Company’s normal accounting principles
“Net Asset Value per Ordinary Share” or “NAV per Ordinary Share”	NAV divided by the number of Ordinary Shares in issue
“Numis”	Numis Securities Limited
“Ordinary Shareholders”	holders of Ordinary Shares
“Ordinary Shares”	the ordinary shares of 1p each in the capital of the Company
“Proposals”	the proposals contained in this document in relation to the market acquisition of its Shares and the subsequent sale of those Shares from treasury
“Registrar”	Anson Registrars Limited
“Resolutions”	the resolutions to be proposed at the AGM
“Shareholders”	Ordinary Shareholders and/or ZDP Shareholders, as the context requires
“Shares”	Ordinary Shares and ZDP Shares
“ZDP Repayment Date”	the date on which the ZDP Shares are due to be redeemed, being 31 January 2017
“ZDP Shareholders”	holders of ZDP Shares
“ZDP Shares”	the redeemable zero dividend preference shares of 1p each in the capital of the Company

ACORN INCOME FUND LIMITED

(a company incorporated in Guernsey with registration number 34778)

NOTICE OF ANNUAL GENERAL MEETING (AS AMENDED)

Notice is hereby given that the annual general meeting of Acorn Income Fund Limited (the “**Company**”) will be held at 11.00 a.m. on 21 August 2013 at its registered office at Anson Place, Mill Court, La Charroterie, St. Peter Port, Guernsey GY1 1EJ (the “**Annual General Meeting**”) for the purpose of considering and, if thought fit, passing the following Resolutions of which Resolutions 1 to 5 will be proposed as ordinary resolutions and Resolutions 6 to 8 will be proposed as special resolutions:

ORDINARY BUSINESS

- 1 To receive the Annual Financial Report for the year ended 31 December 2012.
- 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 to be held in 2014 under section 199 of the Companies Law, and to authorise the directors to determine their remuneration.
- 3 To re-elect Helen Foster Green as a director.
- 4 To re-elect David John Warr as a director.
- 5 THAT in addition to any existing authority granted to the Directors prior to the passing of this Resolution in relation to the issue of Ordinary Shares at a discount to Net Asset Value, the Company be and is hereby authorised to issue new Ordinary Shares and to sell Ordinary Shares from treasury at a discount to the prevailing Net Asset Value per Ordinary Share PROVIDED THAT the authority hereby conferred shall be limited to issues or sales of Ordinary Shares at the same time as ZDP Shares are issued or sold from treasury at a premium such that the combined effect of the issue or sale of Ordinary Shares at a discount to the prevailing Net Asset Value per Ordinary Share and the issue or sale of ZDP Shares at a premium is that (i) Net Asset Value per Ordinary Share is thereby increased; and (ii) gearing is not thereby increased.

SPECIAL BUSINESS

- 6 THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 315 of the Companies Law (subject to the Listing Rules and all other applicable legislation and regulations) to make one or more market acquisitions (as defined in the Companies Law) of its Ordinary Shares in issue, PROVIDED THAT:
 - (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be 14.99 per cent. of the issued Ordinary Shares in issue on the date this resolution is passed;
 - (b) the minimum price (exclusive of expenses) payable by the Company for each Ordinary Share shall be £0.01;
 - (c) the maximum price (exclusive of expenses) which may be paid by the Company for each Ordinary Share shall be the higher of (i) 105 per cent. of the average market value of an Ordinary Share for the five business days prior to the day the purchase is made and (ii) the higher of the price of the last independent trade and the highest independent bid at the time of the purchase for any number of the Ordinary Shares on the trading venue where the purchase is carried out;
 - (d) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2014 unless such authority is varied, revoked or renewed prior to such time; and
 - (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make an acquisition of Ordinary Shares pursuant to any such contract.
- 7 THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 315 of the Companies Law (subject to the Listing Rules and all other applicable legislation and regulations) to make one or more market acquisitions (as defined in the Companies Law) of its ZDP Shares in issue, PROVIDED THAT:
 - (a) the maximum aggregate number of ZDP Shares hereby authorised to be purchased shall be 14.99 per cent. of the issued ZDP Shares in issue on the date this resolution is passed;
 - (b) the minimum price (exclusive of expenses) payable by the Company for each ZDP Share shall be £0.01;
 - (c) the maximum price (exclusive of expenses) which may be paid by the Company for each ZDP Share shall be the higher of (i) 105 per cent. of the average market value of a ZDP Share for the five business days prior to the day the purchase is made and (ii) the higher of the price of the last independent trade and the highest independent bid at the time of the purchase for any number of the ZDP Shares on the trading venue where the purchase is carried out;

- (d) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2014 unless such authority is varied, revoked or renewed prior to such time; and
 - (e) the Company may make a contract to purchase ZDP Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make an acquisition of ZDP Shares pursuant to any such contract.
- 8 THAT the Directors be and are hereby empowered to sell from treasury up to 1,756,000 Ordinary Shares for cash otherwise than *pro rata* to existing Ordinary Shareholders PROVIDED THAT the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2014 unless such authority is previously renewed, varied or revoked by the Company in general meeting (save that the Company may at any time before such expiry make an offer or agreement which might require Ordinary Shares to be sold after such expiry and the Directors may sell Ordinary Shares after such expiry in pursuance of such offer or agreement as if the authority conferred hereby had not expired).

Words and expressions defined in the circular to Shareholders dated 26 July 2013 shall, save where the context otherwise requires, have the same meanings in these Resolutions.

26 July 2013

By Order of the Board
Company Secretary

Registered office:
Anson Place
Mill Court
La Charroterie
St. Peter Port
Guernsey
GY1 1EJ

Notes:

- 1 A member entitled to attend and to speak and vote at the meeting is entitled to appoint one or more proxies to speak and vote instead of them. 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.
- 2 More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares.
- 3 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 Registrar, Anson Registrars Limited, Anson Place, Mill Court, La Charroterie, St. Peter Port, Guernsey GY1 1EJ, not less than 48 hours before the time for holding the meeting. A Form of Proxy is enclosed with this notice.
- 4 All persons recorded on the register of members as holding Ordinary Shares in the Company as at 5.00 p.m. on 19 August 2013 or, if the meeting is adjourned, as at 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote (either in person or by proxy) at the meeting and shall be entitled to one vote per share held.
- 5 The quorum for the Annual General Meeting is one or more members present in person or by proxy and holding 5% or more of the voting rights available at such meeting whether or not the company has one member. If the meeting is not quorate, it will be adjourned to the same time and place fourteen clear days later, whereupon such member or members who shall attend in person or by proxy at any such adjourned meeting shall form the quorum.
- 6 Where there are joint registered holders of any shares such persons shall not have the right of voting individually in respect of such shares but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the person whose name stands first on the register of Ordinary Shareholders shall alone be entitled to vote.
- 7 On a poll, votes may be given either personally or by proxy and a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
- 8 Any corporation which is a member may by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at this meeting. Any person so authorised shall be entitled to exercise on behalf of the corporation which he represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual member of the Company.
- 9 As at 18 July 2013 (being the last practicable date prior to the publication of this notice), the Company's issued share capital comprised 11,706,739 ordinary shares of 1p each and 15,714,142 ZDP Shares of 1p each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 18 July 2013 is 11,706,739. Pursuant to the Articles, every member (being an individual) present in person or by proxy or (being a corporation) present by a duly authorised representative shall have one vote on a show of hands, subject to any special voting powers or restrictions, and one vote per Ordinary Share on a poll (other than the Company itself where it holds its own shares as treasury shares), subject to any special voting powers or restrictions.

