

**Acorn Income Fund
Limited**

Half-yearly Financial Report

for the six months ended 30 June 2009

Acorn Income Fund Limited

INVESTMENT OBJECTIVES AND POLICY

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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Acorn Income Fund Limited
Registered in Guernsey No. 34778
PERFORMANCE SUMMARY
for the six months ended 30 June 2009

Total Return performance

	% change
Total Return on Gross Assets*#	6.93%
Total Return on Net Assets (assets attributable to shareholders)*	10.54%
Hoare Govett Smaller Companies Index (ex Investment Companies)	27.07%
FTSE All Share Index	0.81%
FTSE SmallCap (ex Investment Companies)	26.36%

Capital Return performance

Gross Assets*	4.56%
Net Assets (assets attributable to shareholders)	6.77%
Hoare Govett Smaller Companies Index (ex Investment Companies)	25.02%
FTSE All Share Index	-1.68%
FTSE Small Cap (ex Investment Companies)	24.07%

Share Price and NAV returns

	30 Jun 2009	31 Dec 2008	% change
	Pence	Pence	
Ordinary share			
NAV	95.97	89.88	6.77%
Mid price	84.5	77.00	9.74%

*assumes dividends reinvested

adjusted for debt repayment

Acorn Income Fund Limited

COMPANY SUMMARY

Launch date	11 February 1999	
Domiciled	Guernsey	
Year end	31 December	
Shareholder funds	£8.62m at 30 June 2009	
Market Capitalisation	£7.55m at 30 June 2009	
Bank Loan	£6m Revolving Credit Facility arranged with the Bank of Scotland. £4.2m was drawn down as at 30 June 2009.	
Ordinary Income Shares	8,939,790	
Dividend History	In respect of year end 31 December	Total dividends declared Pence
	2009 (to 30 June)	3.0
	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.	

Acorn Income Fund Limited

CHAIRMAN'S STATEMENT & INTERIM MANAGEMENT REPORT

Dear Shareholder,

In the 2008 Full Year Accounts I reported on one of the most severe stock market downturns since the 1970s bear market. The opening months of 2009 saw an intensification of the gloom surrounding the outlook for the UK economy with the FTSE 100 index falling a further 20% from the end of December 2008 to its low point in early March. However sentiment improved in April and May and by the period end the FTSE 100 had rallied from its low of just over 3500 to 4249.21, although this still represented a decline over the six months. The improvement in sentiment had a pronounced effect on small company shares, which had suffered particularly from the downturn, with the Hoare Govett Small Company total return index (ex investment trusts) up 27.07% over the six months whilst the FTSE All-Share index declined 1.68% over the period. This recovery in small capitalisation stocks was most pronounced for those stocks which had fallen the furthest over the previous six months.

Investment performance.

The Company's total assets (adjusted for alterations in bank debt drawn down) rose 4.7% over the six months to 30 June 2009. The Company's geared structure however meant that net, the NAV per share rose 7.60% from 89.63p at the start of the year to 96.44p at the end of the period. While the Company's NAV return was positive against a small decline in the broad market, performance of the fund significantly lagged the strong recovery in the Hoare Govett Small Company index. This was in part due to the indiscriminate recovery in the small cap sector which saw more speculative stocks recover the most after their precipitate decline. As a consequence our small company portfolio, with a focus on sound companies with strong earnings, did not participate in the recovery to the same degree.

Bond markets recovered over the six months to 30 June 2009 and as with equities, the riskier sub investment grade bonds staged the strongest rally. Our bond portfolio had some exposure to high yield bonds but as these are not qualifying assets for the purpose of our bank covenant calculations the emphasis has been on investment grade bonds. In a nutshell, the relatively cautious and defensive investment stance we adopted in 2008, which saw us through the market meltdown, has somewhat inhibited performance during the subsequent rebound.

Dividends

Earnings per share for the half year were 9.55p (-15.40p for half year to 30 June 2008) and dividends totalling 3.00p (4.00p) were paid during the period. The board took the decision

Acorn Income Fund Limited

CHAIRMAN'S STATEMENT & INTERIM MANAGEMENT REPORT

as a precautionary measure to reduce the quarterly interim distributions from 2p to 1.5p to keep dividend distributions in line with projected earnings. Whilst inevitably we have experienced some dividend cuts from our underlying investments, given our portfolio manager's focus on good quality companies with strong balance sheets we expect the majority of our companies to maintain their dividends.

Gearing and Bank Facility

The company started the year with £4.4 million drawn from the Company's loan facility with Bank of Scotland. At 30 June 2009 the amount of loan drawn down was £4.2m. Our loan facility is at a rate of 1% over Libor. In the current climate these are very favourable terms. With Libor rates under 1% our recent total borrowing cost has been under 2%. The directors consider that there are good prospects of obtaining a return in excess of the cost of borrowing from both the bond investments and from equities and for this reason, as rising share prices have improved the margin over our capital cover requirements for our bank facility, further tranches of loan have been drawn down. As at 17 August 2009 £4.7m of the facility was drawn.

Outlook

Recent weeks have seen an improvement in the economic data from Europe and Japan and clear signs that an end to the global recession is in sight. The stock market, in anticipation of the broader economic recovery, has already rallied strongly. Since the half year end the FTSE 100 index (as at 17 August 2009) has risen 8.7%. In the bond markets the outlook is also much improved. A number of companies have successfully raised capital through new bond issues. Generally investors have recovered their nerve and are prepared to take a measure of risk in order to enhance returns over cash and gilts. There are still uncertainties ahead and after a strong rally in stock markets a period of consolidation is to be expected; however the likely length and depth of recession look to be less severe than many had projected during the first quarter of the year.

John Boothman
Chairman

Acorn Income Fund Limited

RESPONSIBILITY STATEMENT

for the period from 1 January 2009 to 30 June 2009

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 Interim Financial Reporting;

- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board of Directors on 28 August 2009

Helen Green
Director

Acorn Income Fund Limited

INVESTMENT ADVISERS' REPORT

Smaller Companies Portfolio

The fund has had a difficult first half of the year rising by 5.6% compared to a rise of 25.02% by the Hoare Govett Smaller Companies Index which rose significantly in April as the market focused on companies in recovery mode who do not pay dividends which we are unable to buy.

During the period under review a number of stocks performed very strongly. The strongest performance came from Pendragon which rose by over 1000% as investors realised the company could trade its way through these difficult times. Other notable performers were Lupus Capital (+51.7%), Weir Group (+49%), Fenner (+33.3%), Stobart (+30.2%), and RPC (+16.9%). Poor performers were Renishaw (-30.9%) following a profits warning and BPI (-24.1%) following a profits warning and group restructuring which will result in a factory closure.

New holdings include Brewin Dolphin, the UK's largest private client stockbroker which will benefit from any upturn in the stock market, A&J Mucklow a property investment company mainly based in the Midlands which trades on a very large discount to NAV and is well invested with low gearing and Fenner the conveyor belting and seals business entered the portfolio again. Sales during the period include Pendragon, Avesco, Halma and a reduction in the holding in Nationwide Accident Repair.

Despite very volatile markets the portfolio was subject to corporate activity as Avnet of the United States bid for Abacus at a price more than 100% above the share price at the time of the bid. Corporate activity is likely to increase as the market recovers and corporate buyers see value.

The fund continues to focus on well funded companies which are capable of generating cash and paying dividends. We continue to focus on international companies serving growth markets as we see debt problems for the UK economy. The fund has not taken part in funding rescue rights issues where the prospects of dividends are unlikely in the short to medium term. This has hit the fund in the very short term but rescue refinancing is normally for over-gearred unsound operations. As such we remain confident the fund will perform well as fundamentally strong companies re-rate and take advantage of opportunities which a weak economy provides.

John McClure

Unicorn Asset Management Limited

Acorn Income Fund Limited

INVESTMENT ADVISERS' REPORT (continued)

Income Portfolio

Despite a capital loss in the first quarter, the Income Portfolio surged ahead during the second quarter, leaving the portfolio positive since the beginning of the year.

Portfolio Commentary

Over the first quarter the loss on the portfolio was attributable to the weakness in financial bonds. In particular subordinated financial bonds suffered due to concerns over coupon payments being stopped and bonds being forced to absorb losses as has been the case with the equity. The price weakness in subordinated financials was demonstrated by the iTraxx Subordinated Financials Generic 5 year index which increased from 211 at the start of the year and peaked in mid March (12/03/09) at 421. The iTraxx index level depicts how much investors are prepared to pay for protection against bond defaults. Therefore a higher level implies more risk of defaults and hence the lower price of bonds.

Since the start of March credit has rallied and in particular financial bonds have performed well. The iTraxx Subordinated Financials Generic 5 year index stood at 193.5 at the end of June and as a further indication of how credit has rallied the iTraxx European Crossover Generic 5 year index (a high yield bond proxy) has fallen from highs of 1153 at the start of March to 715 by the end of June.

There still remain further potential gains as credit markets have been greatly marked down during the credit crisis. For instance, most of the recent gain has been from financial bonds and the Fund is only just beginning to benefit from a recovery in its largest corporate holdings. Large corporate holdings such as Enterprise Inns, the pub operator, have yet to see spreads tighten significantly despite growing interest in the sector. Company defaults continue to rise with the Moody's default rate increasing to 8.3% in April. Despite this the Fund has pleasingly experienced no defaults so far this year.

Portfolio activity in the first quarter concentrated on increasing the risk reward profile of the portfolio. However, by the end of the quarter we were largely restricted to investment grade bonds due to bank covenant restrictions. In the second quarter activity was focused on increasing exposure to financials, particularly with longer durations, and secondly investing in bonds issued by corporates that we already hold but with longer durations. Given the strength of the rally in financial bonds it is likely that the fund's exposure to financials will reduce.

Acorn Income Fund Limited

INVESTMENT ADVISERS' REPORT (continued)

The majority of the portfolio remains liquid despite bonds trading on wider quotes as compared to a few years ago. In addition, we feel confident that the pricing of our holdings is accurate on an executable basis.

The Monetary Policy Committee (MPC) cut interest rates from 2% at the start of the year down to 0.5% by March. March also witnessed the Bank of England announcing a quantitative easing programme with the intention of increasing money supply in the economy and improving liquidity in the credit markets to stimulate economic growth. The Fund directly benefited from this programme with the company debt of some of our largest holdings such as Marks & Spencer, FirstGroup and 3i Group being targeted. Interest rates have been maintained at 0.5% and the asset purchase programme approved in every MPC meeting since. The continuation of the asset purchase programme leads to concerns about the effectiveness of these actions, as the money supply has yet to reach households or even non financial institutions, and also concerns over future inflationary pressure.

Outlook

Most of the recent rally in risk assets has occurred because markets had finally become accustomed to expecting the worst economic outcome and subsequent economic releases surpassed these expectations. We now believe markets anticipate these 'green shoots' of recovery and will be disappointed if the economy proves unable to make the sharp 'V' shaped recovery so hoped for. In particular, inflationary pressures from quantitative easing, higher commodity prices and potentially higher rates for household borrowings will curb the economic recovery. Notwithstanding the difficult economic environment during the next few years we still predict that credit spreads have much further to tighten. By historic standards the bond market remains very attractive.

Paul Smith

Premier Fund Managers

Acorn Income Fund Limited

SCHEDULE OF INVESTMENTS
as at 30 June 2009

INVESTMENT SECURITIES PORTFOLIO
(Top 10 holdings)

	NOMINAL HOLDINGS	VALUATION GBP	TOTAL ASSETS %
Smaller Companies Portfolio			
RPC Group plc	375,000	721,875	5.61
Diploma plc	378,135	502,920	3.91
Rotork plc	58,990	488,142	3.79
Devro plc	525,000	480,375	3.73
James Halstead plc	112,750	473,550	3.68
Primary Health Properties plc	172,230	426,269	3.31
Brewin Dolphin Holdings plc	283,460	368,498	2.86
Consort Medical plc	95,671	353,983	2.75
Stobart Group Ltd	325,000	331,500	2.58
VP plc	212,914	315,113	2.45
		4,462,224	34.68
Income Portfolio			
Royal Bank of Scotland 10.5% 01/03/2013	200,000	206,712	1.61
HSBC Holdings 6.25%	200,000	179,593	1.40
Bellway 9.5% 06/04/2014	150,000	157,500	1.22
Bear Stearns 26/09/2013	200,000	155,710	1.21
Firstgroup 6.875% 15/04/2013	150,000	153,594	1.19
Marks & Spencer 5.875% 29/05/2012	150,000	150,510	1.17
Enterprise Inns 6 ½ 12/06/2018	280,000	147,000	1.14
Aviva 5.9021% Perpetual	250,000	141,589	1.10
Prudential 6.125%	200,000	140,672	1.09
3i Group 3.625% 29/05/2011	150,000	137,699	1.07
		1,570,578	12.21
TOTAL		6,032,803	46.89

Acorn Income Fund Limited

SCHEDULE OF PRINCIPAL INVESTMENTS (continued) as at 31 December 2008

INVESTMENT SECURITIES PORTFOLIO (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	80,703	398,673	3.13
Consort Medical plc	96,671	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 9.5% 06/04/2014	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

Acorn Income Fund Limited

INCOME STATEMENT (UNAUDITED)

for the period from 1 January 2009 to 30 June 2009

	Note	1 Jan 2009 to 30 Jun 2009		1 Jan 2008 to 30 Jun 2008
		Revenue GBP	Capital GBP	Total GBP
Net gains / (losses) on financial assets designated as at fair value through profit or loss	8	-	498,871	498,871
Gains / (losses) on foreign currency contracts	3	-	164,872	164,872
Investment income	2	<u>382,163</u>	<u>-</u>	<u>382,163</u>
Total income and gains		382,163	663,743	1,045,906
Expenses	4	<u>(105,538)</u>	<u>(37,669)</u>	<u>(293,701)</u>
Return on ordinary activities before finance costs and taxation		276,625	626,075	902,700
Interest payable and similar charges		<u>(12,164)</u>	<u>(36,492)</u>	<u>(48,656)</u>
Return on ordinary activities before taxation		264,461	589,583	854,044
Taxation on ordinary activities		<u>-</u>	<u>-</u>	<u>-</u>
Return on ordinary activities for the period attributable to shareholders		<u>264,461</u>	<u>589,583</u>	<u>854,044</u>
Return per Ordinary share	7	<u>Pence 2.96</u>	<u>Pence 6.59</u>	<u>Pence 9.55</u>
				<u>Pence (15.40)</u>

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 period, all amounts above relate to continuing operations.

No operations were acquired or discontinued in the period.

The notes on pages 18 to 33 form an integral part of these financial statements.

Acorn Income Fund Limited

BALANCE SHEET (UNAUDITED) as at 30 June 2009

	Notes	30 Jun 2009 GBP	31 Dec 2008 GBP
NON-CURRENT ASSETS			
Financial assets designated as at fair value through profit or loss	8	<u>11,803,032</u>	<u>11,277,410</u>
CURRENT ASSETS			
Receivables	9	203,556	812,949
Cash and cash equivalents		758,343	653,898
Derivative financial assets		<u>101,743</u>	<u>-</u>
		1,063,642	1,466,847
TOTAL ASSETS		<u>12,866,674</u>	<u>12,744,257</u>
CURRENT LIABILITIES			
Derivative financial liability		-	237,350
Payables – due within one year	10	44,970	71,053
NON-CURRENT LIABILITIES			
Payables – due after one year	11	4,200,000	4,400,000
TOTAL LIABILITIES		<u>4,244,970</u>	<u>4,708,403</u>
NET ASSETS		<u>8,621,704</u>	<u>8,035,854</u>
EQUITY			
Share capital	12	89,398	89,398
Share premium		79,173	79,173
Revenue reserve		1,279,063	1,282,796
Special reserve		10,000,000	10,000,000
Capital reserve		<u>(2,825,930)</u>	<u>(3,415,513)</u>
TOTAL EQUITY		<u>8,621,704</u>	<u>8,035,854</u>
		Pence	Pence
Net Asset Value per Ordinary Share		<u>96.44</u>	<u>89.88</u>

The notes on pages 18 to 33 form an integral part of these financial statements.

Acorn Income Fund Limited

STATEMENT OF CASH FLOWS (UNAUDITED) for the period from 1 January 2009 to 30 June 2009

	Notes	1 Jan 2009 to 30 Jun 2009 GBP	1 Jan 2008 to 30 Jun 2008 GBP
Operating activities			
Return on ordinary activities before taxation		854,044	(1,376,441)
Less: Net (gains)/losses on financial assets designated as at fair value through profit or loss		(498,871)	1,595,527
Less: Investment income		(382,163)	(615,765)
Less: Decrease in payables and appropriations		(463,433)	(8,175)
Add: Increase in receivables excluding accrued investment income		<u>654,578</u>	<u>182,210</u>
Net cash inflow/(outflow) from operating activities after investment income		164,155	(222,644)
Investment income received		<u>235,234</u>	<u>384,521</u>
Net cash inflow from operating activities after taxation		<u>399,389</u>	<u>161,877</u>
Investing activities			
Purchase of financial assets		(2,221,365)	(4,158,810)
Sale of financial assets		<u>2,194,615</u>	<u>4,022,308</u>
Net cash outflow from investing activities		<u>(26,751)</u>	<u>(136,502)</u>
Financing activities			
Equity dividends paid	6	<u>(268,194)</u>	<u>(357,592)</u>
Net cash outflow from financing activities		<u>(268,194)</u>	<u>(357,592)</u>
Increase / (Decrease) in cash and cash equivalents		104,445	(332,217)
Cash and cash equivalents at beginning of period		<u>653,898</u>	<u>477,211</u>
Cash and cash equivalents at end of period		<u>758,343</u>	<u>144,994</u>

The notes on pages 18 to 33 form an integral part of these financial statements.

Acorn Income Fund Limited

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) as at 30 June 2009

	Share Capital	Share Premium	Capital Redemption Reserve	Revenue Reserve	Special Reserve	Capital Reserve	Total
	30 Jun 2009 GBP	30 Jun 2009 GBP	30 Jun 2009 GBP	30 Jun 2009 GBP	30 Jun 2009 GBP	30 Jun 2009 GBP	30 Jun 2009 GBP
Balance as at 1 January 2009	89,398	79,173	-	1,282,796	10,000,000	(3,415,513)	8,035,854
Return on ordinary activities for the period attributable to Ordinary shareholders	-	-	-	264,461	-	589,583	854,044
Dividends	-	-	-	(268,194)	-	-	(268,194)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2009	<u>89,398</u>	<u>79,173</u>	<u>-</u>	<u>1,279,063</u>	<u>10,000,000</u>	<u>(2,825,930)</u>	<u>8,621,704</u>

The notes on pages 18 to 33 form an integral part of these financial statements.

Acorn Income Fund Limited

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued) as at 31 December 2008

	Share Capital	Share Premium	Capital Redemption Reserve	Revenue Reserve	Special Reserve	Capital Reserve	Total
	31 Dec 2008 GBP	31 Dec 2008 GBP	31 Dec 2008 GBP	31 Dec 2008 GBP	31 Dec 2008 GBP	31 Dec 2008 GBP	31 Dec 2008 GBP
Balance 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 period attributable to Ordinary 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	<u>89,398</u>	<u>79,173</u>	<u>-</u>	<u>1,282,796</u>	<u>10,000,000</u>	<u>(3,415,513)</u>	<u>8,035,854</u>

The notes on pages 18 to 33 form an integral part of these financial statements.

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited)
for the period from 1 January 2009 to 30 June 2009

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.

The financial statements have been prepared on an historical cost basis except for the measurement at fair value of certain financial instruments.

The following Standards or Interpretations have been issued by the IASB but not yet adopted by the Company:

IFRS 3 (revised 2008) *Business Combinations* effective for annual periods beginning on or after 1 July 2009

IAS 27 (revised 2008) *Consolidated and Separate Financial Statements* effective for annual periods beginning on or after 1 July 2009

IAS 28 *Investments in Associates* Consequential amendment effective for annual periods beginning on or after 1 July 2009

IAS 31 *Interests in Joint Ventures* Consequential amendment effective for annual periods beginning on or after 1 July 2009

IAS 39 *Financial Instruments: Recognition and Measurement* effective for annual periods beginning on or after 1 July 2009

Some of these Standards and Interpretations are expected to require additional disclosure in future financial statements. None are expected to affect the financial position of the Company.

(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 period end; and
- unrealised exchange differences of a capital nature.

(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.

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

1 ACCOUNTING POLICIES (continued)

(d) Expenses (continued)

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 Britain 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 rate 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 the 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.

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

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

	1 Jan 2009 to 30 Jun 2009 GBP	1 Jan 2008 to 30 Jun 2008 GBP
Bank interest	789	8,579
Dividend income	131,836	395,860
Bond income	206,356	211,326
Sundry income	43,182	-
	<u>382,163</u>	<u>615,765</u>

3 FOREIGN CURRENCY CONTRACT

	1 Jan 2009 to 30 Jun 2009 GBP	1 Jan 2008 to 30 Jun 2008 GBP
Unrealised gain / (loss) on forward foreign currency contracts	97,840	63,635
Realised gain / (loss) on forward foreign currency contracts	<u>67,032</u>	<u>(110,772)</u>
	<u>164,872</u>	<u>(47,137)</u>

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

4 EXPENSES

	Revenue GBP	1 Jan 2009 to 30 Jun 2009 Capital GBP	Total GBP
Manager's fee	11,880	35,639	47,518
Administrator's fee	27,274	-	27,274
Registrar's fee	944	-	944
Directors' fees	25,000	-	25,000
Custody fees	6,061	-	6,061
Audit fees	10,553	-	10,553
Directors' and Officers' insurance	5,576	-	5,576
Annual fees	4,743	-	4,743
Bank charges	5,006	-	5,006
Commission paid	-	2,030	2,030
Sundry costs	2,343	-	2,343
Legal and professional fees	8,342	-	8,342
Profit on foreign exchange	(2,184)	-	(2,184)
	<u>105,538</u>	<u>37,669</u>	<u>143,206</u>

	Revenue GBP	1 Jan 2008 to 30 Jun 2008 Capital GBP	Total GBP
Investment Manager's fee	17,307	51,921	69,228
Administrator's fee	27,567	-	27,567
Registrar's fee	1,895	-	1,895
Directors' fees	24,999	-	24,999
Custody fees	1,070	-	1,070
Audit fees	20,744	-	20,744
Directors' and Officers' insurance	6,609	-	6,609
Annual fees	8,968	-	8,968
Bank charges	420	-	420
Commission paid	-	9,360	9,360
Sundry costs	(7,640)	-	(7,640)
Legal and professional fees	-	-	-
Profit on foreign exchange	(1,925)	-	(1,925)
	<u>100,014</u>	<u>61,281</u>	<u>161,295</u>

5 DIRECTORS' REMUNERATION

Under their 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.

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

6 DIVIDENDS IN RESPECT OF EQUITY SHARES

	1 Jan 2009 to 30 Jun 2009	
	GBP	Pence per share
First interim payment	134,097	1.5
Second interim payment	134,097	1.5
	<hr/>	<hr/>
	268,194	3.0
	<hr/>	<hr/>
	1 Jan 2008 to 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
	<hr/>	<hr/>
	733,063	8.2
	<hr/>	<hr/>

7 EARNINGS PER SHARE

Ordinary shares

The total return per Ordinary share is based on the total return on ordinary activities for the period attributable to Ordinary shareholders of £854,044 (2008 : £1,376,441) and on 8,939,790 (2008 : 8,939,790) shares, being the weighted average number of shares in issue during the period. 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 period attributable to Ordinary shareholders of £264,461 (2008 : £480,481) and on 8,939,790 (2008 : 8,939,790) shares, being the weighted average number of shares in issue during the period. 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 period attributable to Ordinary shareholders of £589,583 (2008: -£1,856,922) and on 8,939,790 (2008: 8,939,790) shares, being the weighted average number of shares in issue during the period. There are no dilutive instruments and therefore basic and diluted gain per share are identical.

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

8 INVESTMENTS

	30 Jun 2009 GBP	31 Dec 2008 GBP
FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Opening portfolio cost	14,230,035	18,019,037
Unrealised (depreciation) / appreciation on valuation brought forward	<u>(2,952,625)</u>	<u>2,292,000</u>
Opening valuation	11,277,410	20,311,037
Movements in the period		
Purchases at cost	2,221,365	7,408,639
Sales		
- proceeds	(2,194,615)	(9,511,721)
- realised gains on sales	(905,038)	(1,685,920)
Unrealised appreciation / (depreciation) on valuation for the period	<u>1,403,909</u>	<u>(5,244,625)</u>
Fair value of investments at 30 June 2009	<u>11,803,032</u>	<u>11,277,410</u>
Closing book cost	13,351,748	14,230,035
Closing unrealised appreciation	<u>(1,548,716)</u>	<u>(2,952,625)</u>
	<u>11,803,032</u>	<u>11,277,410</u>
Realised losses on sales	(905,038)	(1,685,920)
Increase / (decrease) in unrealised appreciation	<u>1,403,909</u>	<u>(5,244,625)</u>
Net gains / (losses) on financial assets designated as at fair value through profit or loss	<u>498,871</u>	<u>(6,930,545)</u>

As at 30 June 2009, the closing fair value of investments comprises £8,459,361 (2008: £7,051,998) of equity shares and £3,343,669 (2008: £4,225,412) of fixed income securities.

9 RECEIVABLES

	30 Jun 2009 GBP	31 Dec 2008 GBP
Prepayments	13,453	1,910
Accrued income	146,928	244,627
Investment transactions not settled	-	451,773
Sundry receivables	<u>43,175</u>	<u>114,639</u>
	<u>203,556</u>	<u>812,949</u>

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

10 PAYABLES

(amounts falling due within one year)	30 Jun 2009 GBP	31 Dec 2008 GBP
Accrued expenses	<u>44,970</u>	<u>71,053</u>
	<u>44,970</u>	<u>71,053</u>

11 PAYABLES

(amounts falling due after one year)	30 Jun 2009 GBP	31 Dec 2008 GBP
Long term bank loan	<u>4,200,000</u>	<u>4,400,000</u>

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 requires a ratio of specified investments 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, gilts or US treasury stock and cash. During the year, the Company has complied with all loan covenants.

12 SHARE CAPITAL

Authorised		GBP
Ordinary shares of 1p each		<u>10,000,000</u>
Issued		SHARES
Number of shares in issue at 30 June 2009 and 31 December 2008		<u>8,939,790</u>
		GBP
Issued capital as at 30 June 2009		<u>89,398</u>
The issue of shares took place as follows:		Number of shares
Ordinary shares	11 February 1999	29,600,002
Tender offer	17 January 2007	<u>(20,660,212)</u>
		<u>8,939,790</u>

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

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. £47,518 (2008: £69,228) of costs were incurred by the Company with this related party in the year, of which £21,699 (2008: £46,334) was due to this related party as at 30 June 2009.

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.

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

15 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

	30 Jun 2009 GBP	31 Dec 2008 GBP
Assets		
Financial assets at fair value through profit or loss		
<i>Designated at fair value through profit or loss on initial recognition</i>		
Investments	11,803,032	11,277,410
Total financial assets at fair value through profit or loss	11,803,032	11,277,410
Derivative financial assets	101,743	-
Loans and receivables	961,899	1,466,847
Total assets	12,866,674	12,744,257
Liabilities		
Financial assets at fair value through profit and loss		
<i>Held for trading</i>		
Derivative financial liabilities	-	237,350
Total financial liabilities at fair value through profit or loss	-	237,350
Financial liabilities measured at amortised cost	4,244,970	4,471,053
Total liabilities excluding net assets attributable to holders of Ordinary shares	4,244,970	4,708,403

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

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

15 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(a) Market Price Risk (continued)

minimise market price risk by undertaking a detailed analysis of the risk/reward relationship of each investee company prior to any investment being made.

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 30 June 2009, if market prices had been 25% higher with all other variables held constant, the net gain attributable to shareholders for the year would have been £2,950,758 (2008: £2,819,353) higher, 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 34.22% (2008: 35.08%).

If market prices had been 25% lower with all the other variables held constant, the net gain attributable to shareholders for the year would have been £2,950,758 (2008: £2,819,353) lower, due to the decrease in the fair value of financial assets at fair value through profit or loss. This would represent a decrease in Net Assets of 34.22% (2008: 35.08%).

(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 30 June 2009 the Company's largest exposure to a single investment was £721,875 (2008: £631,875) 5.61% (2008: 4.96%) 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.

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

15 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(c) Liquidity Risk

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

	30 Jun 2009	31 Dec 2008
	GBP	GBP
Investment in equities	11,803,032	11,277,410
Cash and cash equivalents	758,343	653,898
Balances due from brokers	-	451,773
Derivative financial assets	101,743	-
Interest, dividends and other receivables	203,556	361,176
	<u>12,866,674</u>	<u>12,744,257</u>

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 30 June 2009:

	1-3 months	Over 1 year
	GBP	GBP
<i>Financial liabilities including derivatives</i>		
Accrued expenses	44,970	-
Derivative financial instruments	-	-
Loans payable	-	4,200,000
	<u>44,970</u>	<u>4,200,000</u>

As at 31 December 2008:

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

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

15 FINANCIAL RISK MANAGEMENT OBJECTIVE 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 30 June 2009

	Less than 1 Month GBP	1 to 3 Months GBP	3 Months to 1 year GBP	Over 1 year GBP	Non-interest Bearing GBP	Total GBP
Assets						
<i>Designated at fair value through profit or loss on initial recognition:</i>						
Investments	21,640	97,639	-	3,224,390	8,459,361	11,803,030
<i>Loans and receivables:</i>						
Balances due from brokers					-	-
Cash and cash equivalents	758,343	-	-	-		758,343
Derivative financial asset	-	-	-	-	101,743	101,743
Interest, dividends and other receivables	-	-	-	-	203,556	203,556
Total Assets	779,983	97,639	-	3,224,390	8,764,660	12,866,672
Liabilities						
<i>Held for trading:</i>						
Derivative financial instruments	-	-	-	-	-	-
<i>Financial Liabilities measured at amortised cost</i>						
Accrued expenses	-	-	-	-	44,970	44,970
Sundry payables	-	-	-	-	-	-
Investment purchases not settled	-	-	-	-	-	-
Loans payable	4,200,000	-	-	-	-	4,200,000
Total Liabilities	4,200,000	-	-	-	44,970	4,244,970
Total interest sensitivity gap	3,420,017	(97,639)	-	(3,224,390)	-	-

Acorn Income Fund Limited

Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

15 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(d) Interest Rate Risk (continued)

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	Non-interest Bearing GBP	Total GBP
Assets						
<i>Designated at fair value through profit or loss on initial recognition:</i>						
Investments	-	73,680	65,300	4,086,432	7,051,998	11,227,410
<i>Loans and receivables:</i>						
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						
<i>Held for trading:</i>						
Derivative financial instruments	-	-	-	-	237,350	237,350
<i>Financial Liabilities measured at amortised cost</i>						
Accrued expenses	-	-	-	-	71,053	71,053
Sundry payables	-	-	-	-	-	-
Investment purchases not settled	-	-	-	-	-	-
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 OBJECTIVE AND POLICIES (continued)

(d) Interest Rate Risk (continued)

Interest rate sensitivity

Interest rate sensitivity only takes account of the effect of interest rate movements on cash balances and loan amounts. Any other interest rate risks are already reflected in the market price risk disclosure at note 15a.

If interest rates had been 25 basis points higher and all other variables were held constant, the Company's net gain attributable to shareholders for the period ended 30 June 2009 would have decreased by approximately £9,552 (2008: £9,365) or 0.07% (2008: 0.07%) of Total Assets due to an increase in the amount of interest receivable on the bank balances of £943 (2008: £1,635) offset by an increase in the amount of interest payable on the bank loan of £10,500 (2008: £11,000).

If interest rates had been 25 basis points lower and all other variables were held constant, the Company's net gain attributable to shareholders for the period ended 30 June 2009 would have increased by approximately £9,552 (2008: £9,365) or 0.07% (2008: 0.07%) of Total Assets due to a decrease in the amount of interest receivable on the bank balances of £948 (2008: £1,635) offset by a decrease in the amount of interest payable on the bank loan of £10,500 (2008: £11,000).

(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.

As at 30 June 2009, the Company's holdings in derivatives translated into GBP were as specified as below:

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding	Fair value assets/ (liabilities) GBP
Forward	July 2009	Sold EUR	1,500,000	76,700
Forward	August 2009	Sold USD	370,000	18,957
Forward	July 2009	Sold EUR	169,280	5,673
Forward	September 2009	Sold AUD	210,000	413
				101,743

As 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)

Acorn Income Fund Limited
Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

15 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(e) Foreign Exchange Risk (continued)

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	1,465,201	-	(1,505,519)	(40,319)
US Dollar	265,081	-	(243,771)	21,310
Australian Dollar	<u>88,280</u>	<u>-</u>	<u>(103,314)</u>	<u>(15,034)</u>

Amount 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.

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.

Acorn Income Fund Limited
Notes to the Financial Statements (Unaudited) (continued)
for the period from 1 January 2009 to 30 June 2009

15 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(f) Capital Management (continued)

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	11,279,063
Share capital and share premium	168,571
Non distributable reserves	(2,825,930)
Total	<u>8,621,704</u>

Included in distributable reserves are the revenue reserves 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.

Acorn Income Fund Limited

DIRECTORS AND ADVISERS

Directors

John Campbell Boothman (Chairman)
 John Michael McKean
 Helen Foster Green

Manager	Custodian
Premier Asset Management (Guernsey) Limited PO Box 405 Anson Place Mill Court La Charroterie St Peter Port Guernsey GY1 3GF	BNP Paribas Trust Company (Guernsey) Limited BNP Paribas House St Julian's Avenue St Peter Port Guernsey GY1 3WE
Investment Advisers	United Kingdom Stockbrokers
Unicorn Asset Management Limited Preacher's Court The Charterhouse Charterhouse Square London EC1M 6AU	Fairfax I.S. PLC 46 Berkeley Square Mayfair London W1J 5AT
	Auditor
Premier Fund Managers Limited Eastgate Court High Street Guildford GU1 3DE	KPMG Channel Islands Limited PO Box 20 20 New Street St Peter Port Guernsey GY1 4AN
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	