

Baillie Gifford Global Income Fund

a sub-fund of Baillie Gifford UK & Balanced Funds ICVC



Authorised Corporate Director's Annual Short Report for the year ended 31st January 2012

Investment Objective

To obtain a yield higher than that generally available from investment in global equities whilst, over the longer term, achieving growth in both capital and income.

Investment Policy

The Fund will invest principally in equities worldwide, but may also invest in convertibles and fixed and floating rate debt instruments from time to time. Up to (but no more than) 10% in value of the Fund may be invested in each of the following: collective investment schemes and deposits.

Risk Profile

Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and investors may not get back the amount invested. The Fund invests in overseas assets, priced in foreign currencies. Changes in the rates of exchange may cause the value of your shares to go down. Corporate bonds are generally perceived to carry a greater possibility of capital loss than investment in, for example, higher rated UK government bonds. Bonds issued by companies and governments may be adversely affected by changes in interest rates and expectations of inflation. Part or all of the Authorised Corporate Director's ('ACD') fee will be taken from the Fund's capital. This will reduce the capital value of your investment. Further details of the risks associated with investing in the Fund can be found in the Simplified Prospectus, copies of which are available at www.bailliegifford.com, or the full Prospectus which is available by calling the ACD.

Fees Charges to Capital

To assist in achieving the Fund's investment objective, 81% (2011: 95%) of the ACD's annual fee was charged to capital.

Investment Report

For the year to 31st January 2012 the return on A Net Income Shares was 0.7%¹ compared to the return on the comparative index (a composite of 25% FTSE All Share Index, 75% FTSE All World ex-UK Index) of -1.4%², in sterling terms.

Global markets drifted in the first half of the period under review, before plummeting on eurozone concerns over the summer. Since then they have made a volatile recovery, most notably at the end of the period, aided by steadily improving economic data from the US.

Portfolio additions have been typically in more cyclically-exposed names, albeit with strong underlying secular growth stories, such as IHS, the global leader in providing data and analytical services to energy and capital goods companies, and El Sewedy Electric, a key manufacturer of products for electrical transmission and distribution infrastructure in Africa and the Middle East.

We took advantage of market weakness to build the Fund's position in a number of Brazilian stocks where we see attractive stories benefiting from a strong domestic outlook, such as Brasil Insurance, the leading consolidator of the domestic insurance brokerage industry, and BM&F Bovespa, the incumbent stock, futures and commodities exchange.

Generally purchases have been funded from the sale of stocks where we believe that quality, consistency and growth is beginning to be over-valued, such as certain names in the tobacco sector, Schindler, the Swiss elevator manufacturer and servicer, and Walmex the dominant Mexican discount retailer. We also sold out of Cisco Systems and Johnson & Johnson where weak operational performance has led us to question the strength of their long-term competitive positioning.

We continue to see selective opportunities in the corporate bond market, where we expect to enjoy a strong income stream and equity market-like total returns, but have reduced the Fund's exposure to 8% from 11% over the period.

Overall the outlook for equity markets remains uncertain, but we continue to focus the Fund's investments on quality companies from around the world which we believe have strong and sustainable growth profiles irrespective of the prevailing economic climate. We continue to see an increasing commitment to dividends as a key component of shareholder returns globally, providing ongoing opportunities for investments which will drive the portfolio's income growth into the future.

Dominic Neary, 6th February 2012

Net Asset Values

Share Class	Net Asset Value per Share 31.01.12	Net Asset Value per Share 31.01.11
A Net Income	386.0p	401.7p
A Net Accumulation	647.9p	644.9p
B Net Income	421.8p	435.9p
B Net Accumulation	658.4p	649.9p
C Net Income	448.6p	461.2p
C Net Accumulation	665.7p	653.0p

Standardised Past Performance Record¹

Share Class	31.01.11 to 31.01.12	31.01.10 to 31.01.11	31.01.09 to 31.01.10	31.01.08 to 31.01.09	31.01.07 to 31.01.08
A Net Income	0.7%	n/a	n/a	n/a	n/a

The performance figures shown in this table are for Class A Net Income Shares. Performance figures reflect the annual charge of 1.5%, but exclude any initial charge paid. There are not five years of performance shown as the Fund's investment objective was amended on 1st March 2010. More recent performance for Class A Net Income Shares and the other share classes in issue can be obtained by calling the ACD. Your call may be recorded for training or monitoring purposes. Please note past performance is not a guide to future performance.

Distributions (for the Financial Year)³

Share Class	Net Income per Share 31.01.12	Net Income per Share 31.01.11	Net Income per Share 31.01.10	Net Income per Share 31.01.09	Net Income per Share 31.01.08
A Net Income	17.55p	16.75p	17.24p	20.30p	20.00p
A Net Accumulation	28.82p	26.17p	25.25p	28.28p	26.34p
B Net Income	19.82p	18.24p	18.46p	21.18p	22.21p
B Net Accumulation	30.12p	21.68p	n/a	n/a	n/a
C Net Income	21.59p	19.36p	19.34p	23.56p	23.72p
C Net Accumulation	30.91p	20.35p	n/a	n/a	n/a

Total Expense Ratios

Share Class	Total Expense Ratio 31.01.12	Total Expense Ratio 31.01.11
A Net Income	1.61%	1.66%
A Net Accumulation	1.61%	1.63%
B Net Income	0.76%	0.84%
B Net Accumulation	0.75%	0.83%
C Net Income	0.11%	0.18%
C Net Accumulation	0.11%	0.18%

Fund Facts

XD Dates: 30th April, 31st July, 31st October and 31st January
Distribution Payment Dates: 30th June, 30th September,
31st December and 31st March

¹Source: FE – bid to bid (10am prices), net income reinvested. ²Source: FE – net income return. ³With effect from 1st March 2010 the Fund's investment objective and policy were amended to allow the Fund to be managed as a global income portfolio. Please note past performance is not a guide to future performance.

Major Holdings

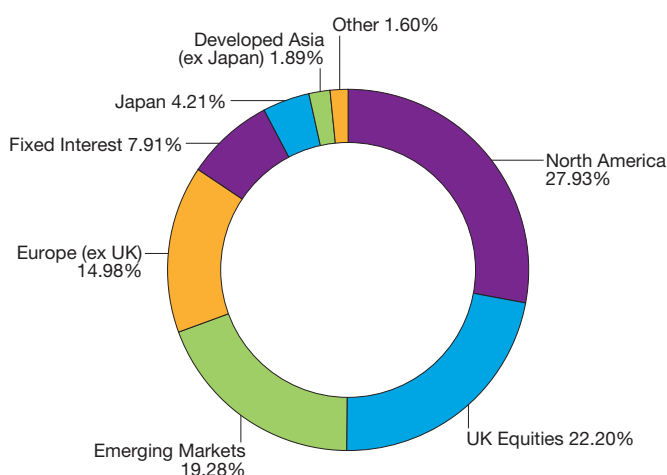
The Fund's 10 largest holdings at the end of this year and the previous financial year end are as shown below.

Holdings	% of Fund Value as at 31.01.12
1 Penn West Petroleum	2.99
2 Philip Morris International	2.90
3 Tortoise Energy Infrastructure	2.87
4 Reynolds American	2.59
5 Svenska Handelsbanken	2.47
6 Roche Holding	2.46
7 Fukuoka REIT Corp	2.13
8 Nestlé	2.07
9 Total	1.92
10 New York Community Bancorp	1.92

Holdings	% of Fund Value as at 31.01.11
1 Philip Morris International	2.82
2 Tortoise Energy Infrastructure	2.76
3 Svenska Handelsbanken	2.75
4 New York Community Bancorp	2.70
5 Penn West Petroleum	2.63
6 LBG Capital 2 Plc 15% 2019	2.62
7 Total	2.58
8 Reynolds American	2.27
9 Roche Holding	2.16
10 Bank of China H	2.08

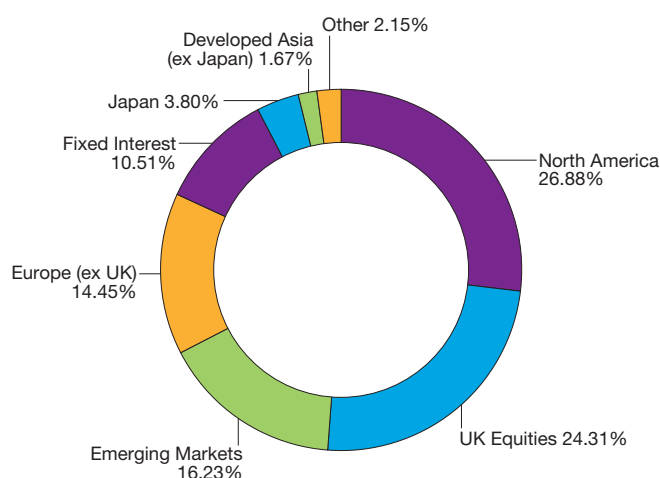
Classification of Investments

31st January 2012



Net assets: £20,900,000

31st January 2011



Net assets: £11,840,000

Report and Accounts

Copies of the annual and interim Long Report and Financial Statements of the Fund are available free of charge on request by calling the ACD.

Other Information

The Fund is a UCITS retail scheme under the Financial Services Authority's Collective Investment Schemes Sourcebook ('COLL'). Shareholders are not liable for the debts of the ICVC beyond the amount subscribed. The information in this report is designed to enable shareholders to make an informed judgement on the activities of the Fund during the year it covers and the result of those activities at the end of the year. For more information about the activities and performance of the Fund during this and previous years, please contact the ACD. Any comments expressed in this report should not be taken as a recommendation or advice.

Minimum Investment Levels

The minimum initial investment is £1,000 for Class A Shares (£50 per month for the Monthly Savings Plan) and £250,000 for Class B Shares. Class C Shares are only available to persons to whom an associate of the ACD provides services under an investment management agreement. Details of the minimum holding and redemption levels can be found in the Simplified Prospectus and full Prospectus.

Change of Depositary

As part of an internal re-structuring in 2011 The Royal Bank of Scotland Group Plc transferred its Trustee and Depositary Services business from The Royal Bank of Scotland Plc to National Westminster Bank Plc and consequently National Westminster Bank Plc was appointed as Depositary of the Fund on 23rd September 2011.

As Depositary, National Westminster Bank Plc has the same duties and responsibilities as The Royal Bank of Scotland Plc and the change of Depositary has no impact on the way the Fund is operated.

Replacement of Simplified Prospectus

Under the UCITS IV rules, the Simplified Prospectus ('SP') will be replaced by the Key Investor Information Document ('KIID') together with a Supplementary Information Document ('SID'). The KIID is designed to replace the SP and to provide investors with clearer information. The SID ought to be read in conjunction with the KIID. This document includes additional information which an investor needs to be aware of and which is not in the new KIID. We will replace the SP with the KIID with effect from 4th June 2012.

Authorised Corporate Director

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FSA Register No. 119179)
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Depositary

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Investment Manager

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Registrar

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