

Baillie Gifford British Smaller Companies Fund

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



Authorised Corporate Director's Interim Short Report for the period ended 31st July 2012

Investment Objective

The Fund aims to achieve capital growth.

Investment Policy

To invest in any economic sector of the UK, either directly or indirectly. Investment will be mainly in shares in smaller companies. We will decide what constitutes smaller companies.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

Typically lower rewards, lower risk			Typically higher rewards, higher risk		
1	2	3	4	5	6

Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases. Some risks which can't be easily measured may not be fully captured by the Risk and Reward Indicator. The Fund is classified in the category above because it invests in company shares which generally provide higher rewards and higher risks than other investments such as bonds or cash. The indicator does not take into account the following material risks of investing in this Fund: 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 you may not get back the amount invested.

Custody of assets may involve a risk of loss if the custodian becomes insolvent or breaches duties of care. Where possible, all charges are taken from the Fund's revenue. Where there is insufficient revenue, the remainder will be taken from capital. This will reduce the capital value of the Fund¹.

Investment Report

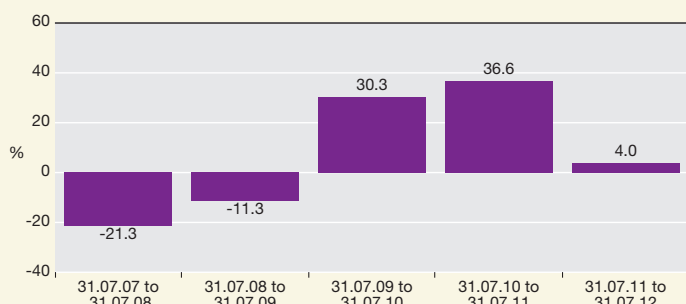
For the six months to 31st July 2012 the return on A Net Accumulation Shares was 10.0%² compared to the return on the FTSE Small Cap (ex Investment Trusts) Index of 5.7%². This strong relative performance translated into a top decile performance versus the Fund's peer group. While it is pleasing to see the Fund deliver robust performance in the continued tricky macro-economic environment, we continue to believe that shorter-term performance measurements are of limited relevance in assessing investment ability. In this regard we are satisfied that the long-term performance remains good with the Fund having returned a positive 29.1%² over the last five years against an Index that has fallen 24.6%².

The transfer of private sector debt on to the public sector has not removed the requirement for developed markets to reduce the overall level of debt in the system. This will be a relatively slow process and will likely be matched by a period of comparatively lacklustre economic growth. Moreover, the stress placed on European government finances and the resulting push for austerity have held back confidence at both the corporate and investor level. While such a backdrop may appear uninspiring we would highlight two important points. Firstly, individual stock markets are often not reflective of their respective economies given the significant international exposure of their constituents. Secondly, while overall economic growth may slow, we believe the rate of innovation and technology adoption is increasing, driven by compounding advances in areas such as semiconductors, advanced materials and healthcare.

With technology, innovation and globalisation making for an ever more dynamic business environment, we believe that the opportunities available through stock picking in the smaller companies' area remain good. Within the Fund we continue to identify well managed, soundly financed companies with good long-term structural growth potential.

Douglas Brodie, 8th August 2012

Past Performance²



The performance figures shown in this graph are for Class A Net Accumulation Shares. Performance figures reflect the ACD's annual fee of 1.5%, but exclude any initial charge paid. Performance figures for the other share classes in issue can be obtained by calling Client Relations. Your call may be recorded for training or monitoring purposes. You should be aware that past performance is not a guide to future performance.

Net Asset Values (as at the Period End)

Share Class	Net Asset Value per Share 31.07.12	Net Asset Value per Share 31.01.12
A Net Accumulation	365.8p	327.7p
B Net Income	310.3p	276.9p
B Net Accumulation	406.1p	362.4p
C Net Income	311.6p	277.1p
C Net Accumulation	440.1p	391.5p

Distributions (for the Calendar Year)

Share Class	Net Income per Share 2012	Net Income per Share 2011
A Net Accumulation	3.65p	4.48p
B Net Income	5.52p	5.85p
B Net Accumulation	7.02p	7.33p
C Net Income	7.39p	7.40p
C Net Accumulation	10.17p	9.90p

Ongoing Charges Figures (for the Financial Period)

Share Class	Ongoing Charges Figure 31.07.12	Ongoing Charges Figure 31.01.12
A Net Accumulation	1.55%	1.55%
B Net Income	0.69%	0.71%
B Net Accumulation	0.69%	0.72%
C Net Income	0.05%	0.05%
C Net Accumulation	0.05%	0.05%

Highest and Lowest Prices (for the Calendar Year)

Share Class	Highest Price per Share 2012	Lowest Price per Share 2012	Highest Price per Share 2011	Lowest Price per Share 2011
A Net Accumulation	380.5p	310.3p	369.7p	295.4p
B Net Income	322.1p	267.1p	317.0p	253.6p
B Net Accumulation	421.5p	342.9p	406.9p	325.5p
C Net Income	322.9p	269.1p	318.2p	254.7p
C Net Accumulation	456.1p	370.2p	437.8p	350.4p

Fund Facts

XD Date: 31st January

Distribution Payment Date: 31st March

¹Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by calling Client Relations on 0800 917 2113.

²Source: FE, bid to bid, net income reinvested. You should be aware that past performance is not a guide to future performance.

Major Holdings

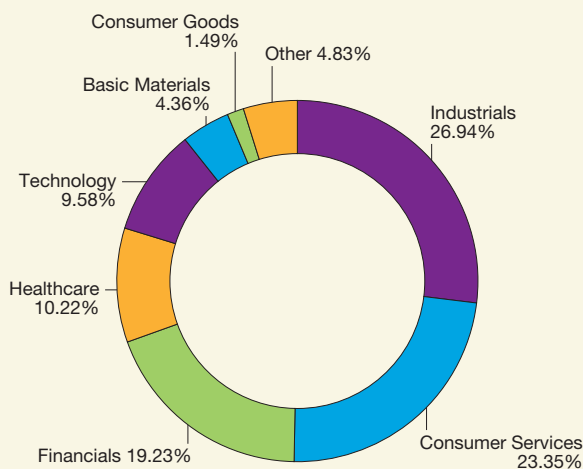
The Fund's 10 largest holdings at the end of this period and the previous financial year end are shown below.

Holdings	% of Fund Value as at 31.07.12
1 IP Group	5.29
2 Abcam	4.73
3 Genus	4.46
4 SDL	4.37
5 Rightmove	4.12
6 ASOS	4.00
7 Victrex	3.65
8 Oxford Instruments	3.40
9 Hargreaves Lansdown	3.32
10 Diploma	3.13

Holdings	% of Fund Value as at 31.01.12
1 SDL	4.33
2 Abcam	4.08
3 Victrex	4.05
4 ASOS	3.99
5 Rightmove	3.89
6 Genus	3.72
7 IP Group	3.39
8 Hardy Underwriting	3.34
9 Diploma	3.32
10 Oxford Instruments	2.99

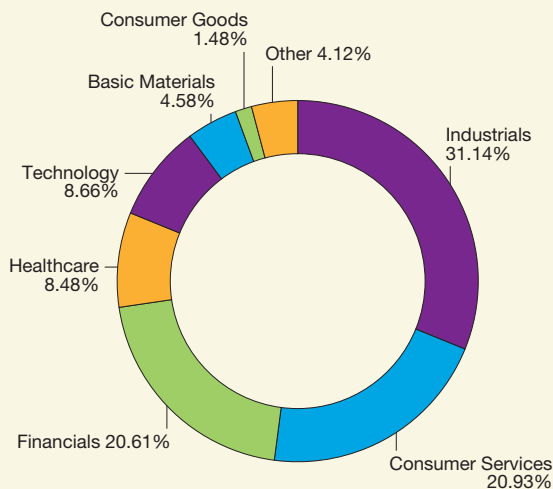
Classification of Investments

31st July 2012



Net assets: £187,917,000

31st January 2012



Net assets: £179,704,000

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 Client Relations.

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 period it covers and the result of those activities at the end of the period. For more information about the activities and performance of the Fund during this and previous periods, please call Client Relations on 0800 917 2113 (fax 0131 275 3955) or visit our website at www.bailliegifford.com or email us at trutenquiries@bailliegifford.com. 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 Supplementary Information Document and Prospectus.

Replacement of Simplified Prospectus

As part of a European Directive³, the Simplified Prospectus ('SP') has been 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 replaced the SP with the KIID with effect from 4th June 2012.

³Directive 2009/65/EC of the European Parliament and of the Council of 13th July 2009.

Authorised Corporate Director

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Depository

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FSA Register No. 121878)
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Edinburgh EH12 9RH

Investment Manager

Baillie Gifford & Co
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FSA Register No. 142597)
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Edinburgh EH1 3AN

Auditor

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Saltire Court,
20 Castle Terrace,
Edinburgh EH1 2EG

Registrar

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