Financial Statements

Galileo Absolute Return Fund

June 30, 2007

Galileo Absolute Return Fund
STATEMENTS OF NET ASSETS
As at June 30th, 2007 (unaudited) and December 31, 2006 (audited)

		2007		2006
Assets				
Investments at fair value	**$**	**3,741,906**	$	3,885,502
Cash including foreign currency holdings, at fair value		**140,490**		21,289
Receivable for portfolio securities sold		**311,597**		-
Investment income receivable		**9,920**		14,142
		4,203,913		3,920,933
Liabilities				
Accrued expenses		**12,328**		12,460
Distributions payable to unitholders		**-**		116,636
		12,328		129,096
Net Assets representing unitholders' equity	**$**	**4,191,585**	$	3,791,837
Total Net Assets per Class				
Class A	**$**	**19,678**	$	18
Class F	**$**	**4,171,907**	$	3,791,819
Net Asset Value per Unit (note 3)				
Class A	**$**	**17.64**	$	15.88
Class F	**$**	**17.04**	$	15.26

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:

Michael Waring
Galileo Funds Inc.

Peter Hanley
Galileo Funds Inc.

Galileo Absolute Return Fund
STATEMENTS OF OPERATIONS (unaudited)
For the six month period ended June 30th

		2007		2006
Income				
Interest	$	41,044	$	43,790
Dividends		10,067		11,823
Loss on derivatives		-		(208)
		51,111		55,405
Expenses (notes 4)				
Management fees		18,553		-
Custodial fees		17,888		11,715
Audit fees		1,935		2,777
		38,376		14,492
Expenses waived or absorbed by the Fund's Manager		(10,141)		(6,862)
		28,235		7,630
Net Investment Income		22,876		47,775
Realized and Unrealized Gain (Loss) on Investments and Transaction Costs				
Net realized gain on sale of investments		123,435		453,006
Net realized loss on foreign currency		(3,810)		(1,529)
Transaction costs (notes 2 and 5)		(14,058)		-
Change in unrealized appreciation (depreciation) of investments		311,091		(221,124)
Net Gain on Investments		416,658		230,353
Increase in Net Assets from Operations	$	439,534	$	278,128
Increase in Net Assets from Operations per Class				
Class A	$	1,072	$	-
Class F	$	438,462	$	278,128
Increase in Net Assets from Operations per Unit				
Class A	$	1.00	$	-
Class F	$	1.40	$	1.37

See accompanying notes

Galileo Absolute Return Fund
STATEMENTS OF CHANGES IN NET ASSETS (unaudited)
For the six month period ended June 30th

		2007		2006
CLASS A				
Net Assets, Beginning of Period	**$**	**18**	$	-
Adjustment for New Accounting Standards (note 2)		**-**		-
Adjusted Net Assets, Beginning of Period		**18**		-
Increase in Net Assets from Operations		**1,072**		-
Changes Due to Unitholder Transactions (note 3)				
Amount received from the issuance of units		**20,700**		-
Amount paid on redemptions of units		**(2,112)**		-
		18,588		-
Increase in Net Assets for the Period		**19,660**		-
Net Assets, End of Period	**$**	**19,678**	$	-
CLASS F				
Net Assets, Beginning of Period	**$**	**3,791,819**	$	3,053,295
Adjustment for new accounting standards (note 2)		**(8,586)**		-
Adjusted Net Assets, Beginning of Period		**3,783,233**		3,053,295
Increase in Net Assets from Operations		**438,462**		278,128
Changes Due to Unitholder Transactions (note 3)				
Amount received from the issuance of units		**126,337**		291,501
Amount paid on redemptions of units		**(176,125)**		(9,152)
		(49,788)		282,349
Increase in Net Assets for the Period		**388,674**		560,477
Net Assets, End of Period	**$**	**4,171,907**	$	3,613,772

See accompanying notes

Galileo Absolute Return Fund
STATEMENT OF INVESTMENT PORTFOLIO (unaudited)
As at June 30, 2007

Number of shares/units		Average cost $	Market value $
CANADIAN EQUITIES			
	Consumer Discretionary - 2.12%		
6,400	Yellow Pages Income Fund	89,547	88,832
	Energy - 20.13%		
17,400	Birchcliff Energy Ltd.	77,082	78,474
2,500	Bonavista Energy Trust	82,577	76,050
4,000	CCS Income Trust	69,167	182,920
5,900	Cyries Energy Inc.	81,150	66,552
79,800	Naikun Wind Energy Group	123,086	209,874
6,300	Progress Energy Trust	82,314	80,514
10,000	Trinidad Energy Services Income Trust	64,194	149,600
		579,570	843,984
	Financials - 9.36%		
5,300	GMP Capital Trust	118,785	125,345
3,800	Power Financial Corporation	118,596	153,710
2,000	Royal Bank of Canada	98,096	113,240
		335,477	392,295
	Industrials - 13.82%		
3,000	BFI Canada Income Fund	85,074	84,210
11,200	CAE Inc.	117,837	159,040
1,000	Finning International Inc.	19,793	30,090
4,500	Shawcor Ltd.	82,770	146,295
1,300	SNC-Lavalin Group Inc.	43,754	50,375
3,600	Systems Xcellence Inc.	76,209	109,260
		425,437	579,270
	Materials - 21.09%		
2,800	Agrium Inc.	124,058	130,732
4,000	Denison Mines Corp.	30,889	50,880
8,856	Goldcorp Inc.	245,207	223,171
7,700	Hangfeng Evergreen Inc.	67,104	92,015
10,100	IAMGOLD Corp.	82,874	82,214
10,000	Sino-Forest Corporation	60,300	152,500
200,000	Sparton Resources Inc.	72,680	68,000
4,700	Timberwest Forest Corp.	83,547	84,365
		766,659	883,877

See accompanying notes

Galileo Absolute Return Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd) (unaudited)
As at June 30, 2007

Number of shares/units		Average cost $	Market value $
CANADIAN EQUITIES (cont'd)			
	Information Technology - 2.75%		
15,000	Allen-Vanguard Corporation	63,075	115,200
	Utilities - 4.42%		
10,000	Inter Pipeline Fund	99,988	93,000
12,100	Plutonic Power Corp.	83,492	92,444
		183,480	185,444
Total Canadian equities - 73.69%		2,443,245	3,088,902
FOREIGN EQUITIES			
	Consumer Staples - 2.35%		
44,500	Neo-Neon Holdings Ltd.	94,242	98,332
	Industrials - 7.91%		
180,000	China Water Affairs Group	93,559	110,948
3,000	General Electric Co.	121,837	122,001
224,000	Xinjiang Tiayne Water Saving Irrigation System Co. Ltd.	97,263	98,751
		312,658	331,700
	Materials - 2.05%		
12,800	Idaho General Mines Inc.	88,419	86,053
	Utilities - 1.94%		
2,100	Gamesa Corp Tecnologica SA Eur	84,522	81,399
Total Foreign equities - 14.25%		579,842	597,484
MUTUAL FUNDS			
5,552	Galileo Money Market Fund*	55,520	55,520
Total Mutual Funds - 1.33%		55,520	55,520
Transaction costs (note 2)		(9,630)	-
Total investments - 89.27%		3,068,977	3,741,906
Other assets, net of liabilities - 10.73%			449,679
Total net assets - 100.00%			4,191,585

* Refer to Galileo Money Market's Statement of Investment Portfolio as at June 30, 2007 for its asset composition.

See accompanying notes

Galileo Absolute Return Fund
Notes to the Financial Statements
For the six months periods ended June 30, 2007 and 2006 (unaudited)

1. ESTABLISHMENT OF THE FUND

Galileo Absolute Return Fund [the "Fund"] is an open-ended unit trust established under the laws of Ontario pursuant to a Declaration of Trust dated June 15, 2000, as amended and restated from time to time. The Fund commenced operations on February 28, 2003. On November 7, 2006, Galileo Funds Inc. filed a simplified prospectus for an initial public offering to sell an unlimited number of class A and F units of the Fund.

Galileo Funds Inc. acts as the Trustee and the Manager of the Fund [the "Fund's Manager"]. As such, the Fund is dependent on the Fund's Manager for the administration and management of all matters relating to its operation. Galileo Equity Management Inc. is the portfolio advisor for the Fund.

On November 1, 2006, the name of the Fund was changed from Galileo Conservative Growth Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by the Fund's Manager that may affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Significant estimates include the valuation of investments. Actual results could differ from those estimates.

Significant accounting policies used in the preparing the semi-annual financial statements are consistent with those used in preparing the annual financial statements except for the adoption of new accounting standards as described below. These semi-annual financial statements should be read in conjunction with the Fund's most recent financial statements.

New Accounting Standards

On April 1 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, "Financial Instruments - Recognition and Measurement", effective for financial statements relating to fiscal years beginning on or after October 1, 2006. This section establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for long securities and the ask price for short securities. Prior to the implementation of this new standard, the fair value was based on the last traded price for the day, when available. Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities be charged to net income in the period. Prior to this new standard, these costs were added to the cost of the securities purchased or deducted from the proceeds of sale. Section 3855 has been applied retrospectively without restatement of prior periods. The cost of individual investments in the Statement of Investments are recorded at total cost including transaction costs. Accordingly, the opening net asset value in the Statement of Changes in Net Assets for the six month period ended June 30, 2007 has been adjusted. Refer to Note 6 for the amount adjusted per class.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New Accounting Standards (cont'd)

National Instruments 81-106 (NI 81-106), Section 14.2, issued by the Canadian Securities Administrators ("CSA") in 2005, requires the daily net asset value of an investment fund to be calculated in accordance with Canadian GAAP. The CSA has granted temporary relief to investment funds from complying with Section 3855, for the purpose of calculating and reporting of Net Asset Value (other than for financial reporting purposes) until September 30, 2007, to permit review of the suitability of these financial reporting requirements for purposes other than the financial statements, such as the purchase and redemption price of an investment fund. Under this temporary relief, funds are permitted to have two different net asset values: one for financial statements, which will be prepared in accordance with Canadian GAAP (referred to as "GAAP NAV"); and another for all the other purposes including unit pricing (referred to as "transactional NAV"). These financial statements have been prepared on a basis consistent with the proposed amendments including a reconciliation between GAAP NAV and transactional NAV (note 6).

As a result of the adoption of 3855, changes to the accounting policies for the Fund are as follows:

(a) Valuation of Investments
   i. Securities listed upon a recognized public exchange are valued at their bid prices on the valuation date. Securities with no available bid prices are valued at the closing sale prices.
   ii. Securities not listed upon a recognized public exchange are valued using valuation techniques, on such basis and in such manner established by the Fund's Manager.
   iii. Short-term notes, treasury bills and bonds are valued at the average bid quotations from recognized investment dealers.

(b) Transaction Costs

In accordance with Section 3855, transaction costs are expensed and are included in "Transaction costs" in the Statements of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers, and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Prior to the adoption of Section 3855, Transaction costs were capitalized and included in the cost of purchases or proceeds from sales of investments. There is no impact on the net asset value of the investment fund in using either of these methods. The cost of investments for each security is determined on an average cost basis.

3. UNITS OF THE FUND

Units of the Fund are redeemable at the option of the unitholder, in accordance with the provisions of the Declaration of Trust, at their net asset value. Investors of each Class of units of the Fund are entitled to participate in the distribution of net income and net realized capital gains on a proportionate basis. Unit transactions during the periods were as follows:

	Class A	
	2007	**2006**
	Number of units	**Number of Units**
Subscriptions	**1,237**	**-**
Redemptions	**123**	**-**

The number of issued and outstanding Class A units at the period ended June 30, 2007 is 1,115 [June 30, 2006 - nil].

	Class F	
	2007	**2006**
	Number of units	**Number of units**
Subscriptions	**7,793**	**17,160**
Redemptions	**11,336**	**524**

The number of issued and outstanding Class F units at the period ended June 30, 2007 is 244,877 [June 30, 2006 – 209,918].

4. EXPENSES AND RELATED PARTY TRANSACTIONS

In accordance with the amended Declaration of Trust, dated November 1, 2006, the Fund's Manager began charging management fees directly to the Fund. During the six month period ended June 30, 2007, the Fund's Manager charged management fees of $18,553 [June 30, 2006 – nil] Other reasonable expenses incurred in the operation of the Fund, such as audit, legal, custodian and other professional fees are charged in the Statements of Operations.

The Fund's Manager has, at its discretion, agreed to absorb certain expenses. The absorbed amounts are shown in the Statements of Operations. Such absorbed amounts can be terminated at any time, but can be expected to continue until such time as the Fund is of sufficient size to reasonably absorb all management and operating expenses incurred.

The management fee of Class A units is 1.9% per annum on average net assets plus GST and the management fee of the Class F units is 0.9% per annum on average net assets plus GST.

All transactions with the Fund's Manager, a related company, are measured at exchange amounts and occur within the normal course of business.

Galileo Absolute Return Fund
Notes to the Financial Statements
For the six months periods ended June 30, 2007 and 2006 (unaudited)

5. BROKERAGE FEES

Commissions paid to brokers/dealers in connection with the purchase and sale of securities during the six month period ended June 30, 2007 totalled $14,058 [June 30, 2006 - $9,751]. No soft dollar expenses were incurred by the Fund during the period.

6. RECONCILIATION OF GAAP NAV TO TRANSACTIONAL NAV

In accordance with NI 81-106, a reconciliation of GAAP NAV, calculated in accordance with Section 3855 of an investment fund, and Transactional NAV, calculated in accordance with the Fund's Manager's fair value policies and procedures for unit pricing as at June 30, 2007, is as follows:

Class	Transactional NAV $	Adjustment for New Accounting Standards (note 2) $	GAAP NAV $
Class A	19,761	(83)	19,678
Class F	4,189,787	(17,880)	4,171,907

7. Basis of Presentation

Per the notice required under NI 81-106, "Investment Fund Continuous Disclosure" part 2.12(2), the financial statements for the period ended June 30, 2007 have not been reviewed by an external auditor.