Financial Statements

Galileo Small/Mid Cap Fund

June 30, 2007

Galileo Small/Mid Cap Fund
STATEMENTS OF NET ASSETS

As at June 30th, 2007 (unaudited) and December 31, 2006 (audited)

		2007		2006
Assets				
Investments at fair value	$	**7,873,824**	$	6,769,587
Cash including foreign currency holdings, at fair value		**35,118**		224,217
Investment income receivable		**18,519**		24,404
Receivable for securities sold		**105,948**		-
		8,033,409		7,018,208
Liabilities				
Accrued expenses		**23,399**		23,532
Payable for units redeemed		**3,337**		-
		26,736		23,532
Net Assets representing unitholders' equity	$	**8,006,673**	$	6,994,676
Total Net Assets per Class				
Class A	$	**76,109**	$	12
Class F	$	**7,930,564**	$	6,994,664
Net Asset Value per Unit (note 3)				
Class A	$	**14.83**	$	12.47
Class F	$	**14.52**	$	12.15

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:

Michael Waring
Galileo Funds Inc.

Peter Hanley
Galileo Funds Inc.

Galileo Small/Mid Cap Fund
STATEMENTS OF OPERATIONS (unaudited)
For the six month period ended June 30th

		2007		2006
Income				
Interest	$	**82,352**	$	76,865
Dividend		**10,346**		21,160
Loss on derivatives		**-**		(443)
		92,698		97,582
Expenses (notes 4)				
Management fees		**37,068**		-
Custodial fees		**14,980**		18,253
Audit fees		**3,699**		4,639
		55,748		22,892
Expenses waived or absorbed by the Fund's Manager		**(141)**		(8,857)
		55,607		14,035
Net Investment Income		**37,091**		83,547
Realized and Unrealized Gain (Loss) on Investments and Transaction Costs				
Net realized gain on sale of investments		**206,738**		1,162,562
Net realized loss on foreign currency		**(4,504)**		(3,262)
Transaction costs (notes 2 and 5)		**(21,530)**		-
Change in unrealized appreciation (depreciation) of investments		**1,146,350**		(724,169)
Net Gain on Investments		**1,327,054**		435,131
Increase in Net Assets from Operations	$	**1,364,145**	$	518,678
Increase in Net Assets from Operations per Class				
Class A	$	**3,351**	$	-
Class F	$	**1,360,794**	$	518,678
Increase in Net Assets from Operations per Unit				
Class A	$	**2.09**	$	-
Class F	$	**2.40**	$	0.87

See accompanying notes

Galileo Small/Mid Cap 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	$	12	$	-
Adjustment for New Accounting Standards (note 2)		-		-
Adjusted Net Assets, Beginning of Period		12	$	-
Increase in Net Assets from Operations		3,351		-
Changes Due to Unitholder Transactions (note 3)				
Amount received from the issuance of units		78,272		-
Amount paid on redemptions of units		(5,526)		
		72,746		-
Increase in Net Assets for the Period		76,097		-
Net Assets, End of Period	$	76,109	$	-
CLASS F				
Net Assets, Beginning of Period	$	6,994,664	$	6,682,822
Adjustment for New Accounting Standards (note 2)		(23,652)		-
Adjusted Net Assets, Beginning of Period		6,971,012		6,682,822
Increase in Net Assets from Operations		1,360,794		518,678
Changes Due to Unitholder Transactions (note 3)				
Amount received from the issuance of units		2,000		-
Amount paid on redemptions of units		(403,242)		(437,532)
		(401,242)		(437,532)
Increase in Net Assets for the Period		959,552		81,146
Net Assets, End of Period	$	7,930,564	$	6,763,968

See accompanying notes

Galileo Small/Mid Cap Fund
STATEMENT OF INVESTMENT PORTFOLIO (unaudited)
As at June 30, 2007

Number of shares/units		Average cost $	Market value $
CANADIAN EQUITIES			
	Consumer Discretionary - 2.53%		
14,600	Yellow Pages Income Fund	**202,501**	**202,649**
	Energy - 22.21%		
33,700	Birchcliff Energy Ltd.	**149,291**	**151,986**
8,700	Bonavista Energy Trust	**273,988**	**264,654**
9,000	CCS Income Trust	**94,930**	**411,570**
11,100	Cyries Energy Inc.	**153,592**	**125,208**
175,000	Naikun Wind Energy Group	**171,580**	**460,250**
11,000	Progress Energy Trust	**140,717**	**140,580**
15,000	Trinidad Energy Services Income Trust	**99,962**	**224,400**
		1,084,060	**1,778,648**
	Financials - 4.55%		
6,400	Cominar Real Estate Investment Trust	**143,612**	**137,216**
9,600	GMP Capital Trust	**214,936**	**227,040**
		358,548	**364,256**
	Industrials - 15.28%		
6,000	BFI Canada Income Fund	**170,726**	**168,420**
19,800	CAE Inc.	**208,320**	**281,160**
3,000	Finning International Inc.	**59,382**	**90,270**
8,800	Shawcor Ltd.	**161,861**	**286,088**
5,100	SNC-Lavalin Group Inc.	**139,467**	**197,625**
6,600	Systems Xcellence Inc.	**139,717**	**200,310**
		879,473	**1,223,873**
	Information Technology - 2.88%		
30,000	Allen-Vanguard Corporation	**112,800**	**230,400**
	Materials - 17.69%		
5,400	Agrium Inc.	**239,255**	**252,126**
9,700	Denison Mines Corp.	**65,699**	**123,384**
15,100	Hangfeng Evergreen Inc.	**131,250**	**180,445**
19,100	IAMGOLD Corp.	**156,721**	**155,474**
20,000	Sino-Forest Corporation	**54,611**	**305,000**
9,100	Timberwest Forest Corp.	**161,762**	**163,345**
20,000	Yamana Gold Inc.	**260,800**	**236,600**
		1,070,098	**1,416,374**

See accompanying notes

Galileo Small/Mid Cap Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd) (unaudited)
As at June 30, 2007

Number of shares/units		Average cost $	Market value $
	Utilities - 7.64%		
9,500	Inter Pipeline Fund	93,794	88,350
68,500	Plutonic Power Corpation	182,642	523,340
		276,436	611,690
Total Canadian equities - 72.78%		3,983,916	5,827,890
FOREIGN EQUITIES			
	Consumer Staples - 2.44%		
88,500	Neo-Neon Holdings Ltd.	187,425	195,559
	Industrials - 5.23%		
360,000	China Water Affairs Group	187,118	221,896
446,000	Xinjiang Tiayne Water Saving Irrigation System Co. Ltd.	193,657	196,621
		380,775	418,517
	Materials - 2.05%		
24,400	Idaho General Mines Inc.	168,557	164,039
	Utilities - 1.89%		
3,900	Gamesa Corp Tecnologica SA Eur	156,970	151,167
Total Foreign equities - 11.61%		893,727	929,282
MUTUAL FUNDS			
111,665	Galileo Money Market Fund*	1,116,652	1,116,652
Total Mutual Funds - 13.95%		1,116,652	1,116,652
Transaction costs (note 2)		(21,530)	-
Total investments - 98.34%		5,972,765	7,873,824
Other assets, net of liabilities - 1.66%			132,849
Total net assets - 100.00%			8,006,673

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

See accompanying notes

Galileo Small/Mid Cap Fund
Notes to the Financial Statements
For the six months periods ended June 30, 2007 and 2006 (unaudited)

1. ESTABLISHMENT OF THE FUND

Galileo Small/Mid Cap 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, and commenced operations on July 14, 2000. 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 Special Equity 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	**5,508**	**-**
Redemptions	**377**	**-**

The number of issued and outstanding Class A units at the period ended June 30, 2007 is 5,132 [June 30, 2006 - nil].

	Class F	
	2007	**2006**
	Number of units	**Number of units**
Subscriptions	**158**	**-**
Redemptions	**29,610**	**36,664**

The number of issued and outstanding Class F units at the period ended June 30, 2007 is 546,241 [June 30, 2006 – 564,312].

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 $37,068 [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 1.95% per annum on average net assets plus GST and the management fee of the Class F units is 0.95% 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 Small/Mid Cap 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 $21,530 [June 30, 2006 - $19,632]. 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	76,401	(292)	76,109
Class F	7,959,969	(29,405)	7,930,564

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.