GALILEO

Galileo Funds
Annual Report 2007

Galileo Absolute Return Fund
Galileo Canadian Active/Passive Fund
Galileo Fund
Galileo Global Active/Passive Fund
Galileo High Income Plus Fund
Galileo Money Market Fund
Galileo Small/Mid Cap Fund

SMITH
NIXON

Smith Nixon LLP
Chartered Accountants
Suite 1900, 390 Bay Street
Toronto, Ontario
M5H 2Y2

T: 416.361.1622
F: 416.367.1238
www.smith-nixon.com

AUDITORS' REPORT

To the Unitholders of:

Galileo Absolute Return Fund
Galileo Canadian Active/Passive Fund
Galileo Fund
Galileo Global Active/Passive Fund
Galileo High Income Plus Fund
Galileo Money Market Fund
Galileo Small/Mid Cap Fund
(collectively the "Funds")

We have audited the statements of investment portfolio of each of the Funds as at December 31, 2007, the statements of net assets as at December 31, 2007 and 2006, and the statements of operations and changes in net assets for the periods then ended. These financial statements are the responsibility of the Funds' manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the investment portfolios of the Funds as at December 31, 2007, their net assets as at December 31, 2007 and 2006, and the results of each of their operations and changes in net assets for the periods then ended, in accordance with Canadian generally accepted accounting principles.

Smith Nixon LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Canada
February 15, 2008

Galileo Absolute Return Fund
STATEMENTS OF NET ASSETS
As at December 31

		2007		2006
Assets				
Investments at fair value	**$**	**3,143,354**	$	3,885,502
Cash including foreign currency holdings, at fair value		**61,082**		21,289
Accrued interest and dividends receivable		**9,824**		14,142
		3,214,260		3,920,933
Liabilities				
Accrued expenses		**7,959**		12,460
Distributions payable to unitholders		**100,687**		116,636
		108,646		129,096
Net Assets representing unitholders' equity	**$**	**3,105,614**	$	3,791,837
Total Net Assets per Class				
Class A	**$**	**38,986**	$	18
Class F	**$**	**3,066,628**	$	3,791,819
Net Asset Value per Unit (note 5)				
Class A	**$**	**14.81**	$	15.88
Class F	**$**	**14.42**	$	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
For the periods ended December 31

		2007		2006
Income				
Interest	$	**74,851**	$	93,717
Dividends		**17,220**		29,903
Loss on derivatives		**(2,611)**		-
		89,460		123,620
Expenses (note 6)				
Management fees		**33,077**		4,547
Custodial fees		**31,611**		24,295
Audit fees		**8,418**		12,036
Legal and regulatory fees		**27,128**		29,047
		100,234		69,925
Expenses waived/absorbed by the Manager		**48,425**		49,832
		51,809		20,093
Net Investment Income		**37,651**		103,527
Realized and Unrealized Gain (Loss) on Investments				
Net realized gain on sale of investments		**417,881**		464,724
Net realized loss on foreign currency		**(577)**		(2,167)
Transaction costs (notes 2 and 8)		**(26,863)**		-
Change in unrealized appreciation/depreciation of investments		**(100,032)**		(144,298)
Net Gain on Investments		**290,409**		318,259
Increase in Net Assets from Operations	$	**328,060**	$	421,786
Increase in Net Assets from Operations per Class				
Class A	$	**127**	$	2
Class F	$	**327,933**	$	421,784
Increase in Net Assets from Operations per Unit				
Class A	$	**0.10**	$	0.49
Class F	$	**1.45**	$	2.03

See accompanying notes

Galileo Absolute Return Fund
STATEMENTS OF CHANGES IN NET ASSETS
For the periods ended December 31

		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		**127**		2
Distributions Paid or Payable to Unitholders				
From net investment income		**(610)**		-
From net realized capital gains		**(4,738)**		(2)
		(5,348)		(2)
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		**50,100**		16
Amount received from reinvestment of distributions		**5,348**		2
Amount paid on redemptions of units		**(11,259)**		-
		44,189		18
Increase in Net Assets for the Period		**38,968**		18
Net Assets at End of Period	$	**38,986**	$	18

		2007		2006
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		**327,933**		421,784
Distributions Paid or Payable to Unitholders				
From net investment income		**(41,823)**		(99,683)
From net realized capital gains		**(384,930)**		(469,230)
		(426,753)		(568,913)
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		**166,629**		456,500
Amount received from reinvestment of distributions		**326,066**		452,277
Amount paid on redemptions of units		**(1,110,480)**		(23,124)
		(617,785)		885,653
Increase (Decrease) in Net Assets for the Period		**(716,605)**		738,524
Net Assets at End of Period	$	**3,066,628**	$	3,791,819

See accompanying notes

Galileo Absolute Return Fund
STATEMENT OF INVESTMENT PORTFOLIO
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
CANADIAN EQUITIES			
	Consumer Discretionary - 2.15%		
4,800	Yellow Pages Income Fund	67,055	66,672
	Energy - 11.77%		
59,800	NaiKun Wind Energy Group Inc.	92,237	198,536
4,800	Talisman Energy Inc.	101,461	88,128
7,500	Trinidad Energy Services Income Trust	47,531	78,750
		241,229	365,414
	Financials - 6.43%		
300	Fairfax Financial Holdings Limited	73,567	85,443
2,800	Power Financial Corporation	87,386	114,156
		160,953	199,599
	Industrials - 14.06%		
5,500	BFI Canada Income Fund	156,290	146,300
8,400	CAE Inc.	88,378	111,300
700	Finning International Inc.	13,855	20,048
1,900	ShawCor Ltd.	34,947	66,975
3,000	Sierra Wireless Inc.	63,848	44,070
1,000	SNC-Lavalin Group Inc.	33,657	48,140
		390,975	436,833
	Information Technology - 5.34%		
18,500	Allen-Vanguard Corporation	108,293	98,420
600	Research In Motion Limited	67,014	67,530
		175,307	165,950
	Materials - 20.48%		
2,700	Agrium Inc.	125,918	193,509
1,400	Cameco Corporation	64,736	55,398
23,100	Eastern Platinum Limited	63,130	66,066
2,900	Newmont Mining Corporation of Canada Limited, Exchangeable Shares	130,379	140,244
2,500	Teck Cominco Limited, Class 'B'	93,752	88,575
7,200	Yamana Gold Inc.	97,848	92,232
		575,763	636,024
	Telecommunication Services - 3.19%		
2,200	Rogers Communications Inc., Class 'B'	96,063	98,978

See accompanying notes

Galileo Absolute Return Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
CANADIAN EQUITIES (cont'd)			
	Utilities - 2.29%		
7,500	Inter Pipeline Fund	**73,254**	**71,100**
Total Canadian equities - 65.71%		**1,780,599**	**2,040,570**
FOREIGN EQUITIES			
	Energy - 2.98%		
3,400	Covanta Holding Corporation	**95,307**	**92,615**
	Financials -1.96%		
1,500	Bank of America Corporation	**63,369**	**60,905**
	Utilities - 2.37%		
1,600	Gamesa Corporation Tecnologica SA	**64,398**	**73,580**
	Other - 1.77%		
3,700	iShares MSCI Taiwan Index Fund	**65,872**	**54,958**
Total Foreign equities - 9.08%		**288,946**	**282,058**
MUTUAL FUNDS			
82,073	Galileo Money Market Fund*	**820,726**	**820,726**
Total mutual funds - 26.43%		**820,726**	**820,726**
Total investments		**2,890,271**	**3,143,354**
Transaction costs (note 2)		**(8,723)**	
Total investments - 101.22%		**2,881,548**	**3,143,354**
Other assets, net of liabilities - (1.22%)			**(37,740)**
Total net assets - 100.00%			**3,105,614**

* Refer to Galileo Money Market's Statement of Investment Portfolio as at December 31, 2007 for its asset composition.

See accompanying notes

Galileo Canadian Active/Passive Fund
STATEMENTS OF NET ASSETS
As at December 31

		2007		2006
Assets				
Investments at fair value	$	**631,264**	$	62,518
Cash		**64,206**		90,585
Accrued interest and dividends receivable		**697**		321
Receivable for portfolio securities sold		**9,190**		8,007
Receivable for units issued		**400**		-
		705,757		161,431
Liabilities				
Payable for portfolio securities purchased		**9,418**		6,564
Accrued expenses		**1,792**		126
		11,210		6,690
Net Assets representing unitholders' equity	$	**694,547**	$	154,741
Total Net Assets per Class				
Class A	$	**403,494**	$	12
Class F	$	**291,053**	$	154,729
Net Asset Value per Unit (note 4)				
Class A	$	**13.62**	$	12.35
Class F	$	**13.61**	$	12.36

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:

Michael Waring
Galileo Funds Inc.

Peter Hanley
Galileo Funds Inc.

Galileo Canadian Active/Passive Fund
STATEMENTS OF OPERATIONS
For the periods ended December 31

		2007		2006
Income				
Interest	$	**2,168**	$	360
Dividends		**2,589**		321
Loss on derivatives		**(46)**		29
		4,711		710
Expenses (note 6)				
Management fees		**6,412**		174
Custodial fees		**35,717**		5,089
Audit fees		**5,849**		12,036
Legal and regulatory fees		**27,128**		31,717
		75,106		49,016
Expenses waived/absorbed by the Manager		**66,302**		48,890
		8,804		126
Net Investment Income (Loss)		**(4,093)**		584
Realized and Unrealized Gain (Loss) on Investments				
Net realized gain on sale of investments		**15,628**		710
Net realized loss on foreign currency		**(211)**		-
Transaction costs (notes 2 and 8)		**(7,545)**		-
Change in unrealized appreciation of investments		**21,348**		3,435
Net Gain on Investments		**29,220**		4,145
Increase in Net Assets from Operations	$	**25,127**	$	4,729
Increase in Net Assets from Operations per Class				
Class A	$	**5,663**	$	-
Class F	$	**19,464**	$	4,729
Increase in Net Assets from Operations per Unit				
Class A	$	**0.31**	$	0.35
Class F	$	**1.21**	$	0.39

See accompanying notes

Galileo Canadian Active/Passive Fund
STATEMENTS OF CHANGES IN NET ASSETS

For the periods ended December 31

		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		**5,663**		-
Distributions Paid or Payable to Unitholders				
From net realized capital gains		**(1,588)**		-
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		**435,666**		12
Amount received from reinvestment of distributions		**1,588**		-
Amount paid on redemptions of units		**(37,847)**		-
		399,407		12
Increase in Net Assets for the Period		**403,482**		12
Net Assets at End of Period	$	**403,494**	$	12
CLASS F				
Net Assets, Beginning of Period	$	**154,729**	$	-
Adjustment for New Accounting Standards (note 2)		**(935)**		-
Adjusted Net Assets, Beginning of Period		**153,794**		-
Increase in Net Assets from Operations		**19,464**		4,729
Distributions Paid or Payable to Unitholders				
From net realized capital gains		**(4,126)**		(262)
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		**117,795**		150,000
Amount received from reinvestment of distributions		**4,126**		262
		121,921		150,262
Increase in Net Assets for the Period		**137,259**		154,729
Net Assets at End of Period	$	**291,053**	$	154,729

See accompanying notes

Galileo Canadian Active/Passive Fund
STATEMENT OF INVESTMENT PORTFOLIO
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
CANADIAN EQUITIES			
	Consumer Discretionary - 3.60%		
65	Canadian Tire Corporation, Class 'A'	5,258	4,808
54	Magna International Inc., Class 'A'	5,230	4,312
240	Shaw Communications Inc.	5,270	5,662
115	The Thomson Corp.	5,267	4,632
153	Tim Hortons Inc.	5,288	5,601
		26,313	25,015
	Consumer Staples - 1.32%		
106	Loblaw Companies Limited	5,284	3,601
104	Shoppers Drug Mart Corporation	5,298	5,539
		10,582	9,140
	Energy - 17.57%		
74	Canadian Natural Resources Ltd.	5,245	5,371
3,000	CGX Energy Inc.	7,610	11,340
2,000	Creststreet Power & Income Fund L.P.	10,648	11,420
6,000	EarthFirst Canada Inc.	12,689	10,560
6,100	EarthFirst Canada Inc., Warrants, 11/12/2009, $2.60	1,486	1,524
79	EnCana Corporation	5,242	5,333
118	Husky Energy Inc.	5,232	5,255
103	Imperial Oil Limited	5,248	5,622
5,400	NaiKun Wind Energy Group Inc.	11,103	17,928
164	Nexen Inc.	5,276	5,258
1,000	Pacific Stratus Energy Ltd.	12,912	12,240
96	Petro-Canada	5,282	5,112
3,500	Rochester Energy Corporation, Warrants, 7/19/09, $1.00	-	-
21,100	Rochester Energy Corporation	10,311	9,179
56	Suncor Energy Inc.	5,276	6,043
239	Talisman Energy Inc.	5,275	4,388
134	TransCanada Corporation	5,293	5,428
250	Western Canadian Coal Corp., Warrants, 6/28/2012, $3.25	-	-
		114,128	122,001
	Financials - 7.39%		
74	Bank of Montreal	5,255	4,163
98	Bank of Nova Scotia	5,271	4,916
114	Brookfield Asset Management Inc., Class 'A'	5,273	4,040
49	Canadian Imperial Bank of Commerce	5,233	3,456
147	Great-West Lifeco Inc.	5,276	5,216

See accompanying notes

Galileo Canadian Active/Passive Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
CANADIAN EQUITIES (cont'd)			
	Financials - (cont'd)		
95	IGM Financial Inc.	**5,257**	**4,753**
132	Manulife Financial Corporation	**5,287**	**5,339**
80	National Bank of Canada	**5,251**	**4,174**
89	Royal Bank of Canada	**5,254**	**4,511**
104	Sun Life Financial Inc.	**5,266**	**5,781**
72	The Toronto-Dominion Bank	**5,226**	**5,000**
		57,849	**51,349**
	Industrials - 6.09%		
1,106	Bombardier Inc., Class 'B'	**5,309**	**6,592**
90	Canadian National Railway Company	**5,255**	**4,199**
68	Canadian Pacific Railway Limited	**5,254**	**4,367**
168	Finning International Inc.	**5,237**	**4,812**
137	SNC-Lavalin Group Inc.	**5,268**	**6,595**
5,000	Zongshen PEM Power Systems Inc.	**15,581**	**15,721**
		41,904	**42,286**
	Information Technology - 1.86%		
188	Nortel Networks Corporation	**5,298**	**2,816**
90	Research In Motion Limited	**5,286**	**10,130**
		10,584	**12,946**
	Materials - 20.03%		
143	Agnico-Eagle Mines Limited	**5,277**	**7,771**
126	Agrium Inc.	**5,277**	**9,030**
1,200	Aquiline Resources Inc.	**10,762**	**10,920**
700	Banro Corporation	**7,775**	**7,910**
169	Barrick Gold Corporation	**5,288**	**7,042**
7,000	Benton Resources Corporation	**7,520**	**5,600**
96	Cameco Corp.	**5,255**	**3,799**
3,500	Eastern Platinum Limited	**7,633**	**10,010**
216	Goldcorp Inc.	**5,281**	**7,290**
1,000	Hanfeng Evergreen Inc.	**13,873**	**14,600**
380	Kinross Gold Corporation	**5,293**	**6,943**
2,000	Osisko Exploration Ltd.	**11,387**	**11,720**
73	Potash Corporation of Saskatchewan Inc.	**5,263**	**10,446**
12,000	Sprott Molybdenum Participation Corporation, Warrants, 4/16/2009, $7.50	**11,387**	**7,800**
123	Teck Cominco Limited, Class 'B'	**5,288**	**4,358**

See accompanying notes

Galileo Canadian Active/Passive Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
CANADIAN EQUITIES (cont'd)			
	Materials - (cont'd)		
6,000	Waratah Coal Inc.	**14,722**	**13,500**
372	Yamana Gold Inc.	**5,271**	**4,765**
		132,552	**143,504**
	Telecommunication Services - 1.34%		
120	Rogers Communications Inc., Class 'B'	**5,258**	**5,399**
79	Telus Corporation	**5,223**	**3,904**
		10,481	**9,303**
	Utilities - 7.44%		
133	BCE Inc.	**5,272**	**5,267**
141	Enbridge Inc.	**5,285**	**5,641**
200	Fortis Inc.	**5,606**	**5,784**
1,500	Plutonic Power Corporation	**8,941**	**11,205**
186	TransAlta Corporation	**5,264**	**6,194**
4,500	U.S. Geothermal Inc.	**12,956**	**17,550**
		43,324	**51,641**
Total Canadian equities - 66.63%		**447,717**	**467,185**
FOREIGN EQUITIES			
	Industrials - 3.60%		
4,000	China High Speed Transmission Equipment Group Co. Ltd.	**8,699**	**10,531**
300	ZhongDe Waste Technology AG	**15,944**	**14,502**
		24,643	**25,033**
	Information Technology - 1.86%		
600	China Security & Surveillance Technology Inc.	**11,290**	**12,933**
	Materials - 1.00%		
1,000	Felix Resources Limited	**5,706**	**6,932**
Total Foreign equities - 6.46%		**41,639**	**44,898**
SHORT-TERM INVESTMENTS			
	Government - 17.16%		
120,000	Government of Canada Treasury Bills, 06/03/08, 3.87%	**119,181**	**119,181**
Total short-term investments - 17.16%		**119,181**	**119,181**

See accompanying notes

Galileo Canadian Active/Passive Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2007

Number of shares/units	Average cost $	Fair value $
Total investments	**608,537**	**631,264**
Transaction costs (note 2)	**(1,230)**	
Total investments - 90.26%	**607,307**	**631,264**
Other assets, net of liabilities - 9.74%		**63,283**
Total net assets - 100.00%		**694,547**

See accompanying notes

Galileo Fund
STATEMENTS OF NET ASSETS
As at December 31

		2007		2006
Assets				
Investments at fair value	**$**	**4,273,636**	$	1,823,760
Cash including foreign currency holdings, at fair value		**374,052**		26,470
Accrued interest and dividends receivable		**1,388**		8,382
Receivable for portfolio securities sold		**121,166**		196,555
Unrealized gain on derivatives		**-**		8
		4,770,242		2,055,175
Liabilities				
Payable for portfolio securities purchased		**148,676**		102,216
Accrued expenses		**13,717**		6,387
Payable for units redeemed		**106,616**		-
Distributions payable to unitholders		**237**		-
Unrealized loss on derivatives		**1,073**		-
		270,319		108,603
Net Assets representing unitholders' equity	**$**	**4,499,923**	$	1,946,572
Total Net Assets per Class				
Class A	**$**	**2,865,265**	**$**	13
Class F	**$**	**1,634,658**	**$**	1,946,559
Net Asset Value per Unit (note 5)				
Class A	**$**	**12.86**	**$**	10.92
Class F	**$**	**13.70**	**$**	11.57

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:

Michael Waring
Galileo Funds Inc.

Peter Hanley
Galileo Funds Inc.

Galileo Fund
STATEMENTS OF OPERATIONS
For the periods ended December 31

		2007		2006
Income				
Interest	$	**20,239**	$	41,581
Dividends		**6,801**		15,771
Loss on derivatives		**(11,863)**		(1,347)
		15,177		56,005
Expenses (note 6)				
Management fees		**62,521**		2,267
Custodial fees		**57,341**		36,501
Audit fees		**10,643**		12,036
Legal and regulatory fees		**32,572**		29,047
		163,077		79,851
Expenses waived/absorbed by the Manager		**80,368**		68,902
		82,709		10,949
Net Investment Income (Loss)		**(67,532)**		45,056
Realized and Unrealized Gain (Loss) on Investments				
Net realized gain on sale of investments		**278,650**		186,074
Net realized loss on foreign currency		**(24,772)**		(324)
Transaction costs (notes 2 and 8)		**(151,356)**		-
Change in unrealized appreciation/depreciation of investments		**189,717**		(67,269)
Net Gain on Investments		**292,239**		118,481
Increase in Net Assets from Operations	$	**224,707**	$	163,537
Increase (Decrease) in Net Assets from Operations per Class				
Class A	$	**(209,713)**	$	1
Class F	$	**434,420**	$	163,536
Increase (Decrease) in Net Assets from Operations per Unit				
Class A	$	**(1.26)**	$	0.31
Class F	$	**3.31**	$	1.09

See accompanying notes

Galileo Fund

STATEMENTS OF CHANGES IN NET ASSETS

For the periods ended December 31

		2007		2006
CLASS A				
Net Asset Value, Beginning of Period	$	**13**	$	-
Adjustment for New Accounting Standards (note 2)		**-**		-
Net Assets, Beginning of Period		**13**		-
Increase (Decrease) in Net Assets from Operations		**(209,713)**		1
Distributions Paid or Payable to Unitholders				
From net realized capital gains		**(25,557)**		(2)
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		**5,635,599**		12
Amount received from reinvestment of distributions		**25,320**		2
Amount paid on redemptions of units		**(2,560,397)**		-
		3,100,522		14
Increase in Net Assets for the Period		**2,865,252**		13
Net Assets at End of Period	$	**2,865,265**	$	13

		2007		2006
CLASS F				
Net Asset Value, Beginning of Period	$	**1,946,559**	$	1,767,039
Adjustment for New Accounting Standards (note 2)		**(14,841)**		-
Net Assets, Beginning of Period		**1,931,718**		1,767,039
Increase in Net Assets from Operations		**434,420**		163,536
Distributions Paid or Payable to Unitholders				
From net realized capital gains		**(24,270)**		(201,484)
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		**530,046**		18,000
Amount received from reinvestment of distributions		**24,270**		201,484
Amount paid on redemptions of units		**(1,261,526)**		(2,016)
		(707,210)		217,468
Increase (Decrease) in Net Assets for the Period		**(297,060)**		179,520
Net Assets at End of Period	$	**1,634,658**	$	1,946,559

See accompanying notes

Galileo Fund
STATEMENT OF INVESTMENT PORTFOLIO
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
CANADIAN EQUITIES			
	Energy - 22.71%		
35,000	CGX Energy Inc.	**84,593**	**132,301**
25,000	Creststreet Power & Income Fund L.P.	**131,307**	**142,750**
96,500	EarthFirst Canada Inc.	**202,115**	**169,840**
70,000	EarthFirst Canada Inc., Warrants, 11/12/2009, $2.60	**15,732**	**17,500**
100,000	NaiKun Wind Energy Group Inc.	**182,425**	**332,000**
10,000	Pacific Stratus International Energy Ltd.	**139,067**	**122,400**
241,300	Rochester Energy Corporation	**162,128**	**104,966**
100,000	Rochester Energy Corporation, Warrants, 7/19/09, $1.00	**-**	**-**
5,250	Western Canadian Coal Corp., Warrants, 6/28/2012	**-**	**-**
		917,367	**1,021,757**
	Financials - 5.06%		
800	Fairfax Financial Holdings Limited	**219,800**	**227,848**
	Industrials - 3.50%		
50,000	Zongshen PEM Power Systems Inc.	**152,794**	**157,580**
	Materials - 19.03%		
15,000	Aquiline Resources Inc.	**149,833**	**136,500**
10,000	Banro Corporation	**115,525**	**113,000**
60,000	Benton Resources Corp.	**76,345**	**48,000**
50,000	Eastern Platinum Limited	**109,347**	**143,000**
40,000	Fancamp Exploration Ltd.	**84,839**	**56,800**
27,500	Osisko Exploration Ltd.	**159,965**	**161,150**
225,000	Sparton Resources Inc.	**85,969**	**63,000**
60,000	Waratah Coal Inc.	**164,936**	**135,000**
		946,759	**856,450**
	Utilties - 7.66%		
20,000	Plutonic Power Corporation	**117,151**	**149,400**
50,000	US Geothermal Inc.	**174,599**	**195,249**
		291,750	**344,649**
Total Canadian equities - 57.96%		**2,528,470**	**2,608,284**
FOREIGN EQUITIES			
	Consumer Staples - 1.97%		
90,000	Neo-Neon Holdings Limited	**133,101**	**88,627**

See accompanying notes

Galileo Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
FOREIGN EQUITIES (cont'd)			
	Energy - 3.03%		
5,000	Covanta Holding Corporation	**134,334**	**136,199**
	Industrials - 21.27%		
100,000	Asia Environment Holding Ltd.	**58,637**	**55,537**
240,000	China Everbright International Ltd.	**86,053**	**118,170**
60,000	China High Speed Transmission Equipment Co. Ltd.	**118,724**	**157,965**
5,200	Hong Kong Aircraft Engineering Co. Ltd.	**129,885**	**139,404**
70,000	Luks Group (Vietnam Holdings) Co. Ltd.	**87,566**	**84,349**
134,000	Sinofert Holdings Ltd.	**104,381**	**123,136**
8,000	Solar Integrated Technologies Inc.	**15,714**	**15,560**
2,000	Terra Industries Inc.	**64,593**	**94,037**
3,500	ZhongDe Waste Technology AG	**167,454**	**169,188**
		833,007	**957,346**
	Information Technology - 2.63%		
5,500	China Security & Surveillance Technology Inc.	**114,252**	**118,552**
	Materials - 8.10%		
1,200	Cleveland-Cliffs Inc.	**97,529**	**118,884**
20,000	Felix Resources Limited	**104,361**	**138,655**
50,000	Straits Asia Resources Limited	**108,775**	**106,617**
		310,665	**364,156**
Total Foreign equities - 37.00%		**1,525,359**	**1,664,880**
MUTUAL FUNDS			
47	Galileo Money Market Fund*	**472**	**472**
Total mutual funds - 0.01%		**472**	**472**
Total investments		**4,054,301**	**4,273,636**
Transaction costs (note 2)		**(25,682)**	
Total investments - 94.97%		**4,028,619**	**4,273,636**
Other assets, net of liabilities - 5.03%			**226,287**
Total net assets - 100.00%			**4,499,923**

* Refer to Galileo Money Market's Statement of Investment Portfolio as at December 31, 2007 for its asset composition.
See accompanying notes

Galileo Fund
SCHEDULE OF DERIVATIVE INVESTMENTS
As at December 31, 2007

Forward Currency Contracts Counterparty	Delivery date	Currency bought	Par Value	Currency sold	Par Value	Contract price	Market price	Unrealized loss
CIBC Mellon Global Security Service Company	1/2/2008	CAD	24,366	USD	24,975	1.0250	1.0132	($283)
	1/2/2008	GBP	8,056	CAD	15,916	1.9757	1.9646	(89)
	1/3/2008	HKD	169,864	CAD	21,627	0.1273	0.1266	(125)
	1/3/2008	SGD	16,264	CAD	11,211	0.6893	0.6858	(58)
	1/4/2008	CAD	50,908	USD	51,941	1.0203	1.0133	(353)
	1/4/2008	CAD	23,767	USD	24,249	1.0203	1.0133	(165)
								($1,073)

See accompanying notes

Galileo Global Active/Passive Fund
STATEMENTS OF NET ASSETS

As at December 31

		2007		2006
Assets				
Investments at fair value	$	**2,413,148**	$	477,216
Cash including foreign currency holdings, at fair value		**345,543**		46,765
Accrued interest and dividends receivable		**2,341**		140
Receivable for portfolio securities sold		**51,263**		2,369
Receivable for units issued		**-**		11,465
Unrealized gain on derivatives		**-**		4
		2,812,295		537,959
Liabilities				
Payable for portfolio securities purchased		**28,309**		19,751
Unrealized loss on derivatives		**475**		-
Accrued expenses		**7,677**		448
		36,461		20,199
Net Assets representing unitholders' equity	$	**2,775,834**	$	517,760
Total Net Assets per Class				
Class A	$	**1,379,820**	$	153,262
Class F	$	**1,396,014**	$	364,498
Net Asset Value per Unit (note 5)				
Class A	$	**11.92**	$	12.31
Class F	$	**12.09**	$	12.35

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:

Michael Waring
Galileo Funds Inc.

Peter Hanley
Galileo Funds Inc.

Galileo Global Active/Passive Fund
STATEMENTS OF OPERATIONS

For the periods ended December 31

		2007		2006
Income				
Interest	**$**	**7,252**	$	465
Dividends		**38,191**		305
Loss on derivatives		**(11,459)**		(77)
Other income		**-**		32
		33,984		725
Expenses (note 6)				
Management fees		**33,682**		433
Custodial fees		**63,864**		5,846
Audit fees		**8,420**		12,036
Legal and regulatory fees		**27,128**		29,047
		133,094		47,362
Expenses waived/absorbed by the Manager		**88,268**		46,914
		44,826		448
Net Investment Income (Loss)		**(10,842)**		277
Realized and Unrealized Gain (Loss) on Investments				
Net realized gain (loss) on sale of investments		**(28,950)**		683
Net realized loss on foreign currency		**(18,860)**		(112)
Transaction costs (notes 2 and 8)		**(33,727)**		-
Change in unrealized appreciation/depreciation of investments		**(111,813)**		7,635
Net Gain (Loss) on Investments		**(193,350)**		8,206
Increase (Decrease) in Net Assets from Operations	**$**	**(204,192)**	$	8,483
Increase (Decrease) in Net Assets from Operations per Class				
Class A	**$**	**(106,637)**	$	985
Class F	**$**	**(97,555)**	$	7,498
Increase (Decrease) in Net Assets from Operations per Unit				
Class A	**$**	**(1.22)**	$	0.26
Class F	**$**	**(1.09)**	$	0.34

See accompanying notes

Galileo Global Active/Passive Fund
STATEMENTS OF CHANGES IN NET ASSETS
For the periods ended December 31

		2007		2006
CLASS A				
Net Assets, Beginning of Period	$	**153,262**	$	-
Adjustment for New Accounting Standards (note 2)		**(102)**		-
Adjusted Net Assets, Beginning of Period		**153,160**		-
Increase (Decrease) in Net Assets from Operations		**(106,637)**		985
Distributions Paid or Payable to Unitholders				
From net investment income		**-**		(124)
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		**1,358,882**		152,277
Amount received from reinvestment of distributions		**-**		124
Amount paid on redemptions of units		**(25,585)**		-
		1,333,297		152,401
Increase in Net Assets for the Period		**1,226,660**		153,262
Net Assets at End of Period	$	**1,379,820**	$	153,262

		2007		2006
CLASS F				
Net Assets, Beginning of Period	$	**364,498**	$	-
Adjustment for New Accounting Standards (note 2)		**(242)**		-
Adjusted Net Assets, Beginning of Period		**364,256**		-
Increase (Decrease) in Net Assets from Operations		**(97,555)**		7,498
Distributions Paid or Payable to Unitholders				
From net investment income		**-**		(222)
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		**1,294,151**		357,000
Amount received from reinvestment of distributions		**-**		222
Amount paid on redemptions of units		**(164,838)**		-
		1,129,313		357,222
Increase in Net Assets for the Period		**1,031,758**		364,498
Net Assets at End of Period	$	**1,396,014**	$	364,498

See accompanying notes

Galileo Global Active/Passive Fund
STATEMENT OF INVESTMENT PORTFOLIO
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
CANADIAN EQUITIES			
	Materials - 5.52%		
5,000	Aquiline Resources Inc.	**45,448**	**45,500**
2,000	Banro Corp.	**23,679**	**22,600**
8,000	Osisko Exploration Ltd.	**47,233**	**46,880**
17,000	Waratah Coal Inc.	**45,761**	**38,250**
		162,121	**153,230**
	Energy - 7.04%		
10,000	CGX Energy Inc.	**23,584**	**37,800**
19,300	EarthFirst Canada Inc.	**40,420**	**33,968**
33,200	EarthFirst Canada Inc., Warrants, 11/12/2009, $2.60	**9,002**	**8,300**
20,000	NaiKun Wind Energy Group Inc.	**62,706**	**66,400**
4,000	Pacific Stratus Energy Ltd.	**53,353**	**48,960**
100	Rochester Energy Corp.	**44**	**44**
		189,109	**195,472**
Total Canadian equities - 12.56%		**351,230**	**348,702**
FOREIGN EQUITIES			
	Materials - 5.26%		
460	Anglo American PLC, ADR	**15,455**	**13,788**
211	Bayer AG, ADR	**16,321**	**18,990**
287	BHP Billiton Ltd., ADR	**16,388**	**19,839**
5,000	Felix Resources Ltd.	**24,855**	**34,664**
54	Rio Tinto PLC, ADR	**16,229**	**22,379**
17,000	Straits Asia Resources Ltd.	**36,654**	**36,250**
		125,902	**145,910**
	Energy - 6.81%		
218	BP PLC, ADR	**16,353**	**15,491**
186	Chevron Corp.	**16,311**	**17,100**
206	ConocoPhillips	**16,318**	**17,942**
2,000	Covanta Holding Corp.	**54,515**	**54,480**
215	Eni SPA, ADR	**16,347**	**15,369**
183	ExxonMobil Corp.	**16,376**	**16,912**
204	Royal Dutch Shell PLC, ADR, Class 'A'	**16,364**	**16,926**
194	Schlumberger Ltd.	**16,382**	**18,795**
197	TOTAL SA, ADR	**16,381**	**16,060**
		185,347	**189,075**

See accompanying notes

Galileo Global Active/Passive Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
FOREIGN EQUITIES (cont'd)			
	Consumer Discretionary - 5.23%		
407	CVS Corp.	**16,388**	**15,935**
175	DaimlerChrysler AG, Registered	**16,333**	**16,517**
435	Honda Motor Co. Ltd., ADR	**16,376**	**14,228**
452	Kraft Foods Inc., Class 'A'	**16,426**	**14,534**
295	McDonald's Corp.	**16,363**	**17,128**
361	Koninklijke Philips Electronics NV, ADR	**16,394**	**15,231**
268	Sony Corp., ADR	**16,399**	**14,362**
692	Time Warner Inc.	**16,417**	**11,249**
123	Toyota Motor Corp.	**16,345**	**12,888**
412	Walt Disney Co. (The)	**16,429**	**13,122**
		163,870	**145,194**
	Industrials - 18.38%		
174	3M Co.	**16,316**	**14,480**
653	ABB Ltd., ADR	**16,475**	**18,561**
242	ArcelorMittal, Registered	**16,570**	**18,474**
45,000	Asia Environment Holding Ltd.	**26,340**	**24,992**
113	BASF AG, ADR	**16,130**	**16,511**
157	Boeing Co. (The)	**16,330**	**13,537**
80,000	China Everbright International	**29,829**	**39,390**
18,000	China High Speed Transmission Equipment Co. Ltd.	**35,612**	**47,389**
399	General Electric Co.	**16,403**	**14,562**
1,200	Hong Kong Aircraft Engineering Co. Ltd.	**29,895**	**32,170**
30,000	Luks Group (Vietnam Holdings) Co. Ltd.	**37,843**	**36,150**
724	Matsushita Electric Industrial Co. Ltd., ADR	**16,404**	**14,605**
26,000	Shenzhen Expressway Co. Ltd., Class 'H'	**27,918**	**27,775**
120	Siemens AG, ADR	**16,277**	**18,637**
40,000	Sinofert Holdings Ltd.	**29,992**	**36,757**
2,000	Solar Integrated Technologies Inc.	**3,929**	**3,890**
211	United Parcel Service Inc., Class 'B'	**16,395**	**14,704**
217	United Technologies Corp.	**16,373**	**16,365**
4,000	Weichai Power Co. Ltd., Class 'H'	**31,619**	**28,606**
1,500	ZhongDe Waste Technology AG	**73,530**	**72,509**
		490,180	**510,064**

See accompanying notes

Galileo Global Active/Passive Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
FOREIGN EQUITIES (cont'd)			
	Telecommunication Services - 5.67%		
374	AT&T Inc.	**16,379**	**15,318**
233	BT Group PLC, ADR	**16,364**	**12,399**
849	Deutsche Telekom AG, ADR	**16,435**	**18,158**
300	Enel SPA, ARD	**16,807**	**17,608**
497	France Telecom SA, ADR	**16,397**	**17,477**
31	Google Inc., Class 'A'	**16,128**	**21,152**
217	Telefonica SA, ADR	**16,364**	**20,873**
361	Verizon Communications Inc.	**16,369**	**15,548**
509	Vodafone Group PLC, ADR	**16,419**	**18,748**
		147,662	**157,281**
	Financials - 10.56%		
671	Allianz SE, ADR	**16,423**	**14,073**
235	American Express Co.	**16,390**	**12,065**
208	American International Group Inc.	**16,364**	**11,944**
326	AXA, ADR	**16,396**	**12,777**
603	Banco Bilbao Vizcaya Argentaria SA, ADR	**16,423**	**14,432**
814	Banco Santander Central Hispano SA, ADR	**16,425**	**17,305**
290	Bank of America Corp.	**16,367**	**11,775**
338	Bank of New York Mellon Corp.	**16,151**	**16,262**
256	Barclays PLC, ADR	**16,342**	**10,139**
274	Citigroup Inc.	**16,367**	**7,926**
196	Credit Suisse Group, ADR	**16,323**	**11,626**
94	Deutsche Bank AG, Registered	**16,338**	**11,987**
65	Goldman Sachs Group Inc.	**16,257**	**13,773**
158	HSBC Holdings PLC, ADR	**16,291**	**13,054**
326	ING Groep NV, ADR	**16,399**	**12,519**
284	JPMorgan Chase & Co.	**16,394**	**12,210**
317	Lloyds TSB Group PLC, ADR	**16,375**	**11,758**
160	Merrill Lynch & Co. Inc.	**16,350**	**8,470**
1,341	Mitsubishi UFJ Financial Group Inc., ADR	**16,419**	**12,348**
173	Morgan Stanley	**16,344**	**9,049**
233	UBS AG, Registered	**16,398**	**10,578**
432	U.S. Bancorp	**16,392**	**13,503**
305	Wachovia Corp.	**16,312**	**11,415**
414	Wells Fargo & Co.	**16,396**	**12,299**
		392,636	**293,287**

See accompanying notes

Galileo Global Active/Passive Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
FOREIGN EQUITIES (cont'd)			
	Health Care Services - 5.37%		
255	Abbott Laboratories	**16,372**	**14,096**
246	Amgen Inc.	**16,349**	**11,275**
278	AstraZeneca PLC, ADR	**16,423**	**11,749**
498	Bristol-Myers Squibb Co.	**16,408**	**13,035**
264	GlaxoSmithKline PLC, ADR	**16,358**	**13,129**
232	Johnson & Johnson	**16,314**	**15,252**
278	Medtronic Inc.	**16,358**	**13,773**
283	Merck & Co. Inc.	**16,380**	**16,228**
259	Novartis AG, ADR	**16,387**	**13,883**
551	Pfizer Inc.	**16,423**	**12,339**
317	Sanofi-Aventis, ADR	**16,371**	**14,245**
		180,143	**149,004**
	Information Technology - 7.67%		
115	Apple Computer Inc.	**16,469**	**22,481**
254	Canon Inc., ADR	**16,412**	**11,489**
2,000	China Security & Surveillance Technology Inc.	**41,367**	**43,110**
547	Cisco Systems Inc.	**16,390**	**14,598**
335	Hewlett-Packard Co.	**16,385**	**16,674**
144	IBM Corp.	**16,406**	**15,336**
666	Intel Corp.	**16,386**	**17,484**
488	Microsoft Corp.	**16,408**	**17,141**
583	Nokia OYJ, ADR	**16,389**	**22,089**
778	Oracle Corp.	**16,416**	**17,292**
304	SAP AG, ADR	**16,503**	**15,317**
		205,531	**213,011**
	Utilities - 1.19%		
188	Exelon Corp.	**16,108**	**15,122**
220	National Grid PLC, ADR	**17,381**	**18,023**
		33,489	**33,145**

See accompanying notes

Galileo Global Active/Passive Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
FOREIGN EQUITIES (cont'd)			
	Consumer Staples - 8.23%		
213	Altria Group Inc.	**16,370**	**15,876**
232	British American Tobacco PLC, ADR	**16,406**	**17,913**
10,000	China Resources Enterprise Ltd.	**38,966**	**42,086**
282	Coca-Cola Co. (The)	**16,364**	**17,050**
174	Diageo PLC, ADR	**16,314**	**14,740**
40,000	Neo-Neon Holdings Ltd.	**58,588**	**39,390**
140	Nestle SA, ADR, Registered	**16,102**	**15,866**
220	Pepsico Inc.	**16,381**	**16,448**
238	Procter & Gamble Co.	**16,368**	**17,218**
481	Unilever NV, (New York Shares)	**16,417**	**17,308**
311	Wal-Mart Stores Inc.	**16,398**	**14,580**
		244,674	**228,475**
Total Foreign equities - 74.37%		**2,169,434**	**2,064,446**
Total investments		**2,520,664**	**2,413,148**
Transaction costs (note 2)		**(3,598)**	
Total investments - 86.93%		**2,517,066**	**2,413,148**
Other assets, net of liabilities - 13.07%			**362,686**
Total net assets - 100.00%			**2,775,834**

See accompanying notes

Galileo Global Active/Passive Fund
SCHEDULE OF DERIVATIVE INVESTMENTS
As at December 31, 2007

Forward Currency Contracts Counterparty	Delivery date	Currency bought	Par Value	Currency sold	Par Value	Contract price	Market price	Unrealized loss
CIBC Mellon Global Security	1/2/2008	GBP	2,014	CAD	3,979	1.97570	1.96462	**($22)**
Service Company	1/3/2008	HKD	28,311	CAD	3,605	0.12659	0.12659	**(21)**
	1/3/2008	HKD	39,823	CAD	5,070	0.12658	0.12658	**(29)**
	1/3/2008	SGD	8,132	CAD	5,606	0.68578	0.68578	**(29)**
	1/3/2008	SGD	5,954	CAD	4,104	0.68578	0.68578	**(21)**
	1/4/2008	CAD	50,908	USD	51,941	1.02030	1.01328	**(353)**
								($475)

See accompanying notes

Galileo High Income Plus Fund
STATEMENTS OF NET ASSETS

As at December 31

		2007		2006
Assets				
Investments at fair value	**$**	**3,010,883**	$	603,418
Cash including foreign currency holdings, at fair value		**334,696**		79,728
Accrued interest and dividends receivable		**34,588**		5,864
Receivable for units issued		**46,642**		-
		3,426,809		689,010
Liabilities				
Payable for portfolio securities purchased		**86,498**		1,919
Accrued expenses		**9,306**		656
Distributions payable to unitholders		**7,119**		-
		102,923		2,575
Net Assets representing unitholders' equity	**$**	**3,323,886**	$	686,435
Total Net Assets per Class				
Class A	**$**	**3,130,967**	$	529,733
Class F	**$**	**192,919**	$	156,702
Net Asset Value per Unit (note 5)				
Class A	**$**	**12.53**	$	12.53
Class F	**$**	**12.69**	$	12.53

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:

Michael Waring
Galileo Funds Inc.

Peter Hanley
Galileo Funds Inc.

Galileo High Income Plus Fund
STATEMENTS OF OPERATIONS
For the periods ended December 31

		2007		2006
Income				
Interest	**$**	**142,074**	$	800
Dividends		**16,495**		6,087
Other income		**-**		29
		158,569		6,916
Expenses (note 6)				
Management fees		**39,595**		573
Custodial fees		**32,428**		5,370
Audit fees		**9,054**		12,036
Legal and regulatory fees		**27,128**		29,047
		108,205		47,026
Expenses waived/absorbed by the Manager		**58,146**		46,370
		50,059		656
Net Investment Income		**108,510**		6,260
Realized and Unrealized Gain (Loss) on Investments				
Net realized gain (loss) on sale of investments		**(104,026)**		219
Transaction costs (notes 2 and 8)		**(15,597)**		-
Change in unrealized appreciation/depreciation of investments		**(21,777)**		2,045
Net Gain (Loss) on Investments		**(141,400)**		2,264
Increase (Decrease) in Net Assets from Operations	**$**	**(32,890)**	$	8,524
Increase (Decrease) in Net Assets from Operations per Class				
Class A	**$**	**(41,046)**	$	1,822
Class F	**$**	**8,156**	$	6,702
Increase (Decrease)in Net Assets from Operations per Unit				
Class A	**$**	**(0.29)**	$	0.12
Class F	**$**	**0.60**	$	0.53

See accompanying notes

Galileo High Income Plus Fund
STATEMENTS OF CHANGES IN NET ASSETS
For the periods ended December 31

		2007		2006
CLASS A				
Net Assets, Beginning of Period	$	529,733	$	-
Adjustment for New Accounting Standards (note 2)		(1,699)		-
Adjusted Net Assets, Beginning of Period		528,034		-
Increase (Decrease) in Net Assets from Operations		(41,046)		1,822
Distributions Paid or Payable to Unitholders				
From net investment income		(99,589)		(336)
From net realized capital gains		-		(240)
Return of capital		(51,785)		-
		(151,374)		(576)
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		2,970,865		527,957
Amount received from reinvestment of distributions		109,993		530
Amount paid on redemptions of units		(285,505)		-
		2,795,353		528,487
Increase in Net Assets for the Period		2,602,933		529,733
Net Assets at End of Period	$	3,130,967	$	529,733
CLASS F				
Net Assets, Beginning of Period	$	156,702	$	-
Adjustment for New Accounting Standards (note 2)		(503)		-
Adjusted Net Assets, Beginning of Period		156,199		-
Increase (Decrease) in Net Assets from Operations		8,156		6,702
Distributions Paid or Payable to Unitholders				
From net investment income		(6,147)		(60)
From net realized capital gains		-		(70)
Return of capital		(5,479)		-
		(11,626)		(130)
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		168,615		150,000
Amount received from reinvestment of distributions		11,575		130
Amount paid on redemptions of units		(140,000)		-
		40,190		150,130
Increase in Net Assets for the Period		36,720		156,702
Net Assets at End of Period	$	192,919	$	156,702

See accompanying notes

Galileo High Income Plus Fund
STATEMENT OF INVESTMENT PORTFOLIO
As at December 31, 2007

Number of shares/units/ par value		Average cost $	Fair value $
CANADIAN EQUITIES			
	Consumer Staples - 4.50%		
23,000	Royal Host REIT	**163,565**	**149,500**
	Energy - 25.63%		
10,000	Black Diamond Income Fund	**88,463**	**122,300**
4,500	Bonavista Energy Trust	**131,391**	**127,710**
7,000	Crescent Point Energy Trust	**137,796**	**172,830**
40,000	Creststreet Power & Income Fund L.P.	**209,255**	**228,400**
30,000	Essential Energy Services Trust	**152,456**	**91,500**
6,000	Newalta Income Fund	**128,070**	**109,200**
		847,431	**851,940**
	Financials - 7.56%		
6,500	DirectCash Income Fund	**95,725**	**79,300**
7,000	GMP Capital Trust	**156,065**	**172,200**
		251,790	**251,500**
	Industrial Products - 6.96%		
16,000	Westshore Terminals Income Fund	**224,233**	**231,360**
	Materials - 9.36%		
8,000	Acadian Timber Income Fund	**90,082**	**80,800**
6,000	Fording Canadian Coal Trust	**210,741**	**230,280**
		300,823	**311,080**
	Utilities - 14.91%		
3,500	Bell Aliant Regional Communications Income Fund	**107,044**	**103,005**
9,000	EPCOR Power L.P.	**217,781**	**209,340**
15,000	Northland Power Income Fund	**194,491**	**183,150**
		519,316	**495,495**
Total Canadian equities - 68.92%		**2,307,158**	**2,290,875**
PREFERRED SECURITIES			
	Corporate - 5.72%		
10,000	Bombardier Inc. Series B, variable rate, perpetual	**193,903**	**190,100**
Total preferred securities - 5.72%		**193,903**	**190,100**

See accompanying notes

Galileo High Income Plus Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2007

Number of shares/units/ par value		Average cost $	Fair value $
BONDS			
	Corporate - 3.98%		
140,000	Trinidad Energy Services Income Trust, 7.750%, 7/31/12	**139,170**	**132,314**
Total bonds - 3.98%		**139,170**	**132,314**
SHORT-TERM INVESTMENTS			
	Government - 11.96%		
200,000	Government of Canada Treasury Bills, 2/21/08, 3.75%	**198,959**	**198,959**
200,000	Government of Canada Treasury Bills, 3/6/08, 3.87%	**198,635**	**198,635**
Total short-term investments - 11.96%		**397,594**	**397,594**
Total investments		**3,037,825**	**3,010,883**
Transaction costs (note 2)		**(6,275)**	
Total investments - 90.58%		**3,031,550**	**3,010,883**
Other assets, net of liabilities - 9.42%			**313,003**
Total net assets - 100.00%			**3,323,886**

See accompanying notes

Galileo Money Market Fund
STATEMENTS OF NET ASSETS
As at December 31

		2007		2006
Assets				
Investments at fair value	**$**	**4,290,109**	$	224,705
Cash		**9,475**		1,260
		4,299,584		225,965
Liabilities				
Accrued expenses		**3,612**		33
Net assets representing unitholders' equity	**$**	**4,295,972**	$	225,932
Net Asset Value per Unit (note 5)	**$**	**10.00**	$	10.00

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:

Michael Waring
Galileo Funds Inc.

Peter Hanley
Galileo Funds Inc.

Galileo Money Market Fund
STATEMENTS OF OPERATIONS
For the periods ended December 31

		2007		2006
Income				
Interest	$	**115,895**	$	965
Expenses (note 6)				
Management fees		**12,904**		125
Custodial fees		**21,381**		3,225
Audit fees		**5,000**		12,036
Legal and regulatory fees		**27,128**		31,717
		66,413		47,103
Expenses waived/absorbed by the Manager		**50,507**		47,070
		15,906		33
Net Investment Income		**99,989**		932
Increase in Net Assets from Operations	$	**99,989**	$	932
Increase in Net Assets from Operations per Unit	$	**0.40**	$	0.05

See accompanying notes

Galileo Money Market Fund
STATEMENTS OF CHANGES IN NET ASSETS
For the periods ended December 31

		2007		2006
Net Assets, Beginning of Period	$	**225,932**	$	-
Adjustment for New Accounting Standards (note 2)		**-**		-
Adjusted Net Assets, Beginning of Period		**225,932**		-
Increase in Net Assets from Operations		**99,989**		932
Distributions Paid or Payable to Unitholders				
From net investment income		**(99,989)**		(932)
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		**8,247,656**		225,000
Amount received from reinvestment of distributions		**99,620**		932
Amount paid on redemptions of units		**(4,277,236)**		-
		4,070,040		225,932
Increase in Net Assets for the Period		**4,070,040**		225,932
Net Assets at End of Period	$	**4,295,972**	$	225,932

See accompanying notes

Galileo Money Market Fund
STATEMENT OF INVESTMENT PORTFOLIO
As at December 31, 2007

Par Value		Average cost $	Fair value $
SHORT-TERM INVESTMENTS			
	Corporate - 99.86%		
755,000	Bank of Montreal Bearer Deposit Note, 2/12/08, 4.57%	**751,054**	**751,054**
500,000	Royal Bank of Canada Banker's Acceptance, 1/11/08, 4.66%	**499,365**	**499,365**
340,000	Royal Bank of Canada Banker's Acceptance, 1/29/08, 4.50%	**338,831**	**338,831**
536,000	Royal Bank of Canada Banker's Acceptance, 2/1/08, 4.59%	**533,935**	**533,935**
933,000	Royal Bank of Canada Banker's Acceptance, 2/13/08, 4.63%	**927,966**	**927,966**
410,000	Royal Bank of Canada Banker's Acceptance, 3/3/08, 4.65%	**406,797**	**406,797**
840,000	Royal Bank of Canada Banker's Acceptance, 3/14/08, 4.72%	**832,161**	**832,161**
Total short-term investments - 99.86%		**4,290,109**	**4,290,109**
Total investments - 99.86%		**4,290,109**	**4,290,109**
Other assets, net of liabilities - 0.14%			**5,863**
Total net assets - 100.00%			**4,295,972**

See accompanying notes

Galileo Small/Mid Cap Fund
STATEMENTS OF NET ASSETS
As at December 31

		2007		2006
Assets				
Investments at fair value	$	**7,921,316**	$	6,769,587
Cash including foreign currency holdings, at fair value		**85,224**		224,217
Accrued interest and dividends receivable		**16,407**		24,404
Receivable for units issued		**9,542**		-
		8,032,489		7,018,208
Liabilities				
Accrued expenses		**17,842**		23,532
Net Assets representing unitholders' equity	$	**8,014,647**	$	6,994,676
Total Net Assets per Class				
Class A	$	**77,688**	$	12
Class F	$	**7,936,959**	$	6,994,664
Net Asset Value per Unit (note 5)				
Class A	$	**14.77**	$	12.47
Class F	$	**14.40**	$	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
For the periods ended December 31,

		2007		2006
Income				
Interest	$	**123,760**	$	165,114
Dividends		**58,889**		48,408
Loss on derivatives		**(5,743)**		(3,235)
		176,906		210,287
Expenses (note 6)				
Management fees		**70,634**		8,616
Custodial fees		**31,676**		35,301
Audit fees		**14,776**		12,036
Legal and regulatory fees		**27,128**		29,047
		144,214		85,000
Expenses waived/absorbed by the Manager		**34,584**		47,845
		109,630		37,155
Net Investment Income		**67,276**		173,132
Realized and Unrealized Gain (Loss) on Investments				
Net realized gain on sale of investments		**1,127,051**		1,162,075
Net realized loss on foreign currency		**(2,632)**		(1,373)
Transaction costs (notes 2 and 8)		**(41,805)**		-
Change in unrealized appreciation/depreciation of investments		**218,806**		(550,218)
Net Gain on Investments		**1,301,420**		610,484
Increase in Net Assets from Operations	**$**	**1,368,696**	$	783,616
Increase (Decrease) in Net Assets from Operations per Class				
Class A	**$**	**(814)**	$	-
Class F	**$**	**1,369,510**	$	783,616
Increase (Decrease) in Net Assets from Operations per Unit				
Class A	**$**	**(0.13)**	$	0.44
Class F	**$**	**2.47**	$	1.36

See accompanying notes

Galileo Small/Mid Cap Fund
STATEMENTS OF CHANGES IN NET ASSETS

For the periods ended December 31,

		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 (Decrease) in Net Assets from Operations		**(814)**		-
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		**382,717**		12
Amount paid on redemptions of units		**(304,227)**		-
		78,490		12
Increase in Net Assets for the Period		**77,676**		12
Net Assets at End of Period	$	**77,688**	$	12

		2007		2006
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		**1,369,510**		783,616
Distributions Paid or Payable to Unitholders				
From net investment income		**(74,864)**		(173,712)
Changes Due to Unitholder Transactions				
Amount received from the issuance of units		**1,998**		-
Amount received from reinvestment of distributions		**74,864**		173,712
Amount paid on redemptions of units		**(405,561)**		(471,774)
		(328,699)		(298,062)
Increase in Net Assets for the Period		**965,947**		311,842
Net Assets at End of Period	$	**7,936,959**	$	6,994,664

See accompanying notes

Galileo Small/Mid Cap Fund
STATEMENT OF INVESTMENT PORTFOLIO
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
CANADIAN EQUITIES			
	Consumer Discretionary - 2.53%		
14,600	Yellow Pages Income Fund	**202,181**	**202,794**
	Energy - 12.03%		
175,000	NaiKun Wind Energy Group Inc.	**171,580**	**581,000**
12,300	Talisman Energy Inc.	**259,979**	**225,828**
15,000	Trinidad Energy Services Income Trust	**98,732**	**157,500**
		530,291	**964,328**
	Financials - 4.11%		
6,400	Cominar Real Estate Investment Trust	**141,320**	**130,176**
700	Fairfax Financial Holdings Limited	**171,657**	**199,367**
		312,977	**329,543**
	Industrials - 17.44%		
14,300	BFI Canada Income Fund	**406,888**	**380,380**
19,800	CAE Inc.	**208,320**	**262,350**
3,000	Finning International Inc.	**59,382**	**85,920**
8,800	ShawCor Ltd.	**161,861**	**310,200**
7,700	Sierra Wireless Inc.	**163,875**	**113,113**
5,100	SNC-Lavalin Group Inc.	**139,467**	**245,514**
		1,139,793	**1,397,477**
	Information Technology - 3.05%		
45,900	Allen-Vanguard Corporation	**255,989**	**244,188**
	Materials - 21.25%		
6,800	Agrium Inc.	**315,961**	**487,356**
3,500	Cameco Corporation	**161,840**	**138,495**
58,400	Eastern Platinum Limited	**159,601**	**167,024**
56,000	Equinox Minerals Limited	**243,846**	**305,760**
7,200	Newmont Mining Corporation of Canada Limited, Exchangeable Shares	**323,699**	**348,192**
20,000	Yamana Gold Inc.	**260,800**	**256,200**
		1,465,747	**1,703,027**
	Utilities - 1.12%		
9,500	Inter Pipeline Fund	**91,594**	**90,060**
Total Canadian equities - 61.53%		3,998,572	4,931,417

See accompanying notes

Galileo Small/Mid Cap Fund
STATEMENT OF INVESTMENT PORTFOLIO (cont'd)
As at December 31, 2007

Number of shares/units		Average cost $	Fair value $
FOREIGN EQUITIES			
	Energy - 2.86%		
8,400	Covanta Holding Corporation	**235,465**	**228,814**
	Utilities - 2.24%		
3,900	Gamesa Corporation Tecnologica SA	**156,970**	**179,351**
Total Foreign equities - 5.10%		**392,435**	**408,165**
MUTUAL FUNDS			
258,173	Galileo Money Market Fund*	**2,581,734**	**2,581,734**
Total mutual funds - 32.21%		**2,581,734**	**2,581,734**
Total investments		**6,972,741**	**7,921,316**
Transaction costs (note 2)		**(21,152)**	
Total investments - 98.84%		**6,951,589**	**7,921,316**
Other assets, net of liabilities - 1.16%			**93,331**
Total net assets - 100.00%			**8,014,647**

* Refer to Galileo Money Market's Statement of Investment Portfolio as at December 31, 2007 for its asset composition.

See accompanying notes

Galileo Mutual Funds
Notes to the Financial Statements
For the periods ended December 31, 2007 and 2006

1. THE FUNDS

The following Funds are open-ended mutual fund trusts formed under the laws of Ontario by Declarations of Trust, as amended and restated from time to time, on the dates as noted below:

Galileo Absolute Return Fund	June 15, 2000
Galileo Canadian Active/Passive Fund	September 14, 2006
Galileo Fund	June 15, 2000
Galileo Global Active/Passive Fund	September 14, 2006
Galileo High Income Plus Fund	September 14, 2006
Galileo Money Market Fund	September 14, 2006
Galileo Small/Mid Cap Fund	June 15, 2000

[the "Funds"]

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 Funds, except the Galileo Money Market Fund which only has Class A units.

The Funds are referred to individually as a "Fund" and collectively as the "Funds". Galileo Funds Inc. acts as the Trustee and the Manager of the Funds (the "Funds' Manager"). As such, the Funds are dependent on the Funds' Manager for the administration and management of all matters relating to their operation. Galileo Global Equity Advisors Inc. is the portfolio advisor for the Funds.

2. ADOPTION OF 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.

The provisions of Section 3855 have been applied retrospectively without restatement of prior periods. Accordingly, the opening net asset value in the Statements of Changes in Net Assets for the year ended December 31, 2007 have been adjusted.

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 generally accepted accounting principles ("GAAP"). The CSA has granted relief to investment funds from complying on an interim basis with Section 3855, for the purpose of calculating and reporting Net Asset Value (other than for financial reporting purposes). This is to permit review of the suitability of these financial reporting requirements for the purpose of calculating 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

2. ADOPTION OF NEW ACCOUNTING STANDARDS (cont'd)

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. Refer to Note 9 for this reconciliation as at December 31, 2007.

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.
   ii. Securities with no available bid prices are valued at the closing sale prices.
   iii. Securities not listed upon a recognized public exchange are valued using valuation techniques, on such basis and in such manner established by the Funds' Manager.
   iv. Short-term notes, treasury bills and bonds are valued at the average bid quotations from recognized investment dealers.
   v. Warrants which do not have a quoted bid price are valued using the Black-Scholes model for valuation unless sufficient and reliable observable market inputs are not available. If no such market inputs are available, the warrants are carried at the difference between the exercise price and the quoted bid price of the underlying security if the exercise price is lower than the quoted bid price.

(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 commissions 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 funds in using either of these methods. The cost of investments for each security is determined on an average cost basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles within the framework of the significant accounting policies summarized below:

Use of estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Significant estimates include the valuation of investments. Actual results could differ from those estimates.

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

Translation of foreign currencies

Purchases and sales of investments and investment income denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the respective dates of the transactions.

Realized and unrealized foreign currency gains or losses on investments are included in the Statements of Operations in "Net realized gain (loss) on sale of investments" and "change in unrealized appreciation/depreciation of investments."

Realized foreign currency gains or losses on assets, liabilities and income other than investments denominated in foreign currency are included in the Statements of Operations in "Net realized gain (loss) on foreign currency".

The fair values of investments, short-term notes and other assets and liabilities are translated into Canadian dollars at the rates of exchange prevailing at the end of the period.

Investment transactions and income recognition

Investment transactions are accounted for on the trade date. Gains and losses arising from the sale of investments are determined using the average cost basis. Income and expenses are recorded on an accrual basis with dividend income being recorded on the ex-dividend date. Distributions from income trusts, mutual funds and REITs are recognized on the ex-distribution date and are recorded as income, capital gains or a return of capital, based on the best information available to the Funds' Manager. Distributions from investment trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment.

Fund unit transactions and valuation

The units of each class of the Funds are issued and redeemed at their net asset value per unit. The units of the Funds are valued on each "Valuation Date". The Funds are valued on each day the markets trade. The net asset value per unit is calculated by dividing the excess of the Fund's assets over its liabilities by the number of units outstanding for that class on that day.

The net assets of each class is computed by calculating the value of that class' proportionate share of the Fund's assets less that class' proportionate share of the Fund's common liabilities, and less any class specific liabilities.

Expenses directly attributable to a class are charged to that class while common fund expenses are allocated to each class in a reasonable manner as determined by the Funds' Manager.

Income and realized and unrealized gains and losses are allocated to each class based on their relative average net asset value.

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

Increase (decrease) in net assets from operations per unit

Increase (decrease) in net assets from operations per unit in the Statements of Operations represents the net increase (decrease) in net assets from operations for the year, by class, divided by the weighted average units outstanding per class during the year.

Foreign currency contracts

Foreign currency contracts are valued at the gain or loss that would be realized if, on the valuation date, the positions were closed out. They are reflected in the Statements of Operations as part of "change in unrealized appreciation/depreciation on investments" and in the Statements of Net Assets in "unrealized gain or loss on derivatives". When foreign currency contracts are closed out, gains and losses are realized and are included in "gain or loss on derivatives" in the Statements of Operations.

4. DISTRIBUTION OF INCOME AND CAPITAL GAINS

Net investment income and net realized capital gains are distributed by the issuance of an equivalent amount of units in the Funds, such that the Funds are not subject to tax. Distributions are recorded on the business day immediately following the record date.

For the Galileo Money Market Fund, all of the net investment income is credited to the unitholders pro rata on a daily basis and paid monthly.

For the Galileo High Income Plus Fund, the net investment income is distributed to unitholders monthly and net realized capital gains on the sale of investments are distributed to unitholders annually at the end of the calendar year.

For the other Galileo Funds, the net investment income and net realized capital gains on the sale of investments are distributed to unitholders annually at the end of the calendar year.

5. UNITS OF THE FUNDS

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

January 1 to December 31st, 2007

Fund	Units Outstanding Beginning of Year	Issued	Redeemed	Reinvested from Distributions	Units Outstanding End of Year
Galileo Absolute Return					
Class A	1	2,907	636	360	2,632
Class F	248,420	10,115	68,419	22,531	212,647
Galileo Canadian Active/Passive					
Class A	1	32,219	2,718	116	29,618
Class F	12,521	8,563	-	302	21,386
Galileo Fund					
Class A	1	412,124	191,305	1,946	222,766
Class F	168,295	36,659	87,381	1,752	119,325
Galileo Global Active/Passive					
Class A	12,453	105,326	2,057	-	115,722
Class F	29,510	98,438	12,508	-	115,440
Galileo High Income Plus					
Class A	42,268	221,156	21,837	8,376	249,963
Class F	12,510	12,107	10,279	868	15,206
Galileo Money Market					
Class A	22,593	824,766	427,724	9,962	429,597
Galileo Small/Mid Cap					
Class A	1	25,791	20,532	-	5,260
Class F	575,693	158	29,768	5,181	551,264

5. UNITS OF THE FUNDS (cont'd)

January 1 to December 31st, 2006

Fund	Units Outstanding Beginning of Year	Issued	Redeemed	Reinvested from Distributions	Units Outstanding End of Year
Galileo Absolute Return					
Class A	-	1	-	-	1
Class F	193,282	26,846	1,338	29,630	248,420
Galileo Canadian Active/Passive					
Class A	-	1	-	-	1
Class F	-	12,500	-	21	12,521
Galileo Fund					
Class A	-	1	-	-	1
Class F	149,586	1,450	161	17,420	168,295
Galileo Global Active/Passive					
Class A	-	12,443	-	10	12,453
Class F	-	29,492	-	18	29,510
Galileo High Income Plus					
Class A	-	42,226	-	42	42,268
Class F	-	12,500	-	10	12,510
Galileo Money Market					
Class A	-	22,500	-	93	22,593
Galileo Small/Mid Cap					
Class A	-	1	-	-	1
Class F	600,976	-	39,535	14,252	575,693

6. EXPENSES

The Funds' Manager began charging management fees directly to the Funds upon the receipt of the simplified prospectus on November 14th, 2006. Other reasonable expenses incurred in the operation of the Funds, such as audit, legal, custodian and other professional fees are charged in the Statements of Operations.

The Funds' 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 Funds are of sufficient size to reasonably absorb all management and operating expenses incurred.

6. EXPENSES (cont'd)

The management fees before GST for the Class A and Class F units are based on a percentage of average net assets per annum as follows:

Fund	Class A	Class F
Galileo Absolute Return Fund	1.90%	0.90%
Galileo Canadian Active/Passive Fund	1.85%	0.85%
Galileo Fund	1.90%	0.90%
Galileo Global Active/Passive Fund	1.95%	0.95%
Galileo High Income Plus Fund	1.90%	0.90%
Galileo Money Market Fund	0.50%	N/A
Galileo Small/Mid Cap Fund	1.95%	0.95%

During the year, certain Funds held units of other Galileo mutual funds. Adjustments to the management fees were made to ensure no duplication of management fees applied to the Funds holding units of another Galileo mutual fund.

7. INCOME TAXES

The Funds are unit trusts under the provisions of the Income Tax Act (Canada) and accordingly, are subject to taxes on their net investment income, including net realized capital gains for the period which are not paid or payable to their unitholders as at the end of the year. The Funds pay out sufficient net investment income and net realized capital gains to unitholders so that no provision for income taxes is required in the financial statements. Occasionally, distributions by a fund will exceed the net investment income and taxable capital gains realized by the fund. To the extent that the excess is not designated by the fund to be income for Canadian tax purposes and taxable to the unitholders, this excess distribution is a return on capital and is not immediately taxable to unitholders.

As at December 31, 2007, the Funds had the following net capital and non-capital losses to be carried forward. The non-capital losses will expire in 2027.

Fund	Net Capital Loss	Total Non Capital Loss
Galileo Fund	-	75
Galileo Global Active/Passive Fund	37,854	13,345
Galileo Small/Mid Cap Fund	998,383	-
Galileo High Income Plus Fund	54,187	-

8. TRANSACTION COSTS

The total fees paid to brokers in connection with investment portfolio transactions for the periods ended December 31, 2007 and 2006 are as follows:

Fund	2007	2006
Galileo Absolute Return Fund	26,863	19,633
Galileo Canadian Active/Passive Fund	7,545	403
Galileo Fund	151,356	33,862
Galileo Global Active/Passive Fund	33,727	597
Galileo High Income Plus Fund	15,597	1,411
Galileo Money Market Fund	-	-
Galileo Small/Mid Cap Fund	41,805	42,822

9. RECONCILIATION OF TRANSACTIONAL NAV TO GAAP 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 Funds' Manager's fair value policies and procedures for unit pricing as at December 31, 2007, is as follows:

Fund	Transactional NAV $	Adjustment for New Accounting Standards (note 2) $	GAAP NAV $
Galileo Absolute Return			
Class A	39,119	(133)	38,986
Class F	3,077,460	(10,832)	3,066,628
Galileo Canadian Active/Passive			
Class A	405,442	(1,948)	403,494
Class F	292,445	(1,392)	291,053
Galileo Fund			
Class A	2,897,876	(32,611)	2,865,265
Class F	1,652,540	(17,882)	1,634,658
Galileo Global Active/Passive			
Class A	1,385,017	(5,197)	1,379,820
Class F	1,401,272	(5,258)	1,396,014
Galileo High Income Plus			
Class A	3,144,159	(13,192)	3,130,967
Class F	193,736	(817)	192,919
Galileo Money Market			
Class A	4,295,972	-	4,295,972
Galileo Small/Mid Cap			
Class A	77,962	(274)	77,688
Class F	7,966,566	(29,607)	7,936,959

9. RECONCILIATION OF TRANSACTIONAL NAV TO GAAP NAV (cont'd)

The reconciliation of GAAP NAV and Transactional NAV, on a per unit basis as at December 31, 2007, is as follows:

Fund	Transactional NAV $	Adjustment for New Accounting Standards (note 2) $	GAAP NAV $
Galileo Absolute Return			
Class A	14.87	0.06	14.81
Class F	14.47	0.05	14.42
Galileo Canadian Active/Passive			
Class A	13.69	0.07	13.62
Class F	13.67	0.06	13.61
Galileo Fund			
Class A	13.01	0.15	12.86
Class F	13.85	0.15	13.70
Galileo Global Active/Passive			
Class A	11.97	0.05	11.92
Class F	12.14	0.05	12.09
Galileo High Income Plus			
Class A	12.58	0.05	12.53
Class F	12.74	0.05	12.69
Galileo Money Market			
Class A	10.00	0.00	10.00
Galileo Small/Mid Cap			
Class A	14.82	0.05	14.77
Class F	14.45	0.05	14.40

10. SOFT DOLLARS

No soft dollar expenses were incurred by the Funds during the year.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

Financial instruments of the Fund include cash, accrued income receivable, receivable for portfolio securities sold, payable for portfolio securities purchased and accrued expenses. There are no significant differences between the carrying values of these financial instruments and their fair value. Investments are carried at their fair values as described in note 2.

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities in the market. All trading instruments are recognized at fair value and all changes in market conditions directly affect increase (decrease) in net assets from operations.

Interest Rate Risk

The Funds are exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its investments.

Currency Risk

The Funds may invest in financial instruments denominated in currencies other than the Canadian dollar. Consequently, certain Funds are exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Funds' assets or liabilities denominated in currencies other than Canadian dollars.

Counterparty Risk

The Funds are exposed to counterparty or credit risk arising from its transactions with its counterparties and brokers, related to securities purchases and sales. Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

Liquidity Risk

The Funds invest the majority of assets in investments that are traded in an active market and can be readily realized through sale.

12. RELATED PARTY TRANSACTIONS

The Funds' Manager, its officers and directors may invest in units of the Funds from time to time in the normal course of business.

All transactions with related parties are measured at the exchange amounts.

13. STATEMENT OF PORTFOLIO TRANSACTIONS

An unaudited statement of portfolio transactions for the Funds for the year ended December 31, 2007 may be obtained, without charge, by writing to the Funds' Manager:

Galileo Funds Inc.
TD Canada Trust Tower
Suite 4730, 161 Bay Street, PO Box 205
Toronto, Ontario M5J 2S1