

PARTNERS IN THE HORN OF AFRICA

FINANCIAL STATEMENTS

(Audited)

December 31, 2006

MURRAY ROSSWORN INC.
Chartered Accountants

PARTNERS IN THE HORN OF AFRICA

December 31, 2006

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AUDITORS' REPORT

To the Directors of
Partners in the Horn of Africa:


We have audited the balance sheet of Partners in the Horn of Africa as at December 31, 2006 and the statements of income, net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 common with many non-profit organizations, the Corporation derives revenue from various fund raising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to fund raising revenues, assets and net assets.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

December 31, 2006



Murray R.
Inc.

May 10, 2007

Chartered Accountants

PARTNERS IN THE HORN OF AFRICA

(Incorporated under the laws of Canada)

Balance Sheet

(Audited)

As at December 31, 2006

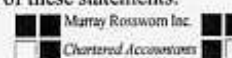
	2006	2005
Assets		
Current		
Cash	\$ 228,747	\$ 145,939
Marketable securities(Note 2)	290,602	204,578
	\$ 519,349	\$ 350,517
Current		
Net assets		
Net assets available	\$ 519,366	\$ 350,515
	\$ 519,366	\$ 350,517

Approved by the Directors:

Director

Director

The accompanying summary of significant policies, notes to financial statements and schedule are an integral part of these statements.



PARTNERS IN THE HORN OF AFRICA

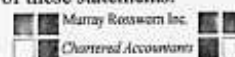
Statement of Net Assets

(Audited)

For the year ended December 31, 2006

	2006	2005
Net assets beginning of year	\$ 350,515	\$ 143,215
Excess of revenue over expenditures	168,851	207,300
Net assets end of year	\$ 519,366	\$ 350,515

The accompanying summary of significant policies, notes to financial statements and schedule are an integral part of these statements.



PARTNERS IN THE HORN OF AFRICA

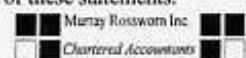
Statement of Income

(Audited)

For the year ended December 31, 2006

	2006	2005
Donations received	\$ 593,435	\$ 391,012
Interest income	7,837	2,062
	<u>601,272</u>	393,074
Expenses		
Donations to projects	<u>432,421</u>	189,617
Income before the following:	<u>168,851</u>	203,457
Gain on disposal of marketable securities		(3,843)
Excess of revenue over expenditures	<u>\$ 168,851</u>	<u>\$ 207,300</u>

The accompanying summary of significant policies, notes to financial statements and schedule are an integral part of these statements.



PARTNERS IN THE HORN OF AFRICA

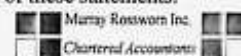
Statement of Changes in Financial Position

(Audited)

For the year ended December 31, 2006

	2006	2005
Cash provided by (used for)		
Donations received for the year	\$ 591,915	\$ 345,105
Contributions to projects	(432,156)	(189,617)
Interest received	6,344	2,732
	<u>166,103</u>	<u>158,220</u>
Investments		
Marketable securities	<u>(83,295)</u>	<u>(58,674)</u>
Increase in cash	82,808	99,546
Cash beginning of year	<u>145,939</u>	<u>46,393</u>
Cash end of year	<u>\$ 228,747</u>	<u>\$ 145,939</u>

The accompanying summary of significant policies, notes to financial statements and schedule are an integral part of these statements.



PARTNERS IN THE HORN OF AFRICA

Notes to Financial Statements

(Audited)

For the year ended December 31, 2006

The Corporation is a registered charity that solicits donations in Canada to be applied towards joint projects in Ethiopia.

1. Significant accounting policies

a) Revenue recognition

The Corporation follows the deferral method of accounting for revenue.

Unrestricted revenues are recognized as revenue when earned or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted revenue is recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purpose of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

b) Marketable securities

Investments in temporary marketable securities are carried at cost.

2. Marketable securities

Marketable securities consist of the following:

	2006	2005
Portfolio investments	\$ 32,915	\$ 28,815
Term deposit	255,846	100,000
Manulife GIC	93	75,509
Accrued interest	1,748	254
	<u>\$ 290,602</u>	<u>\$ 204,578</u>

3. Contractual obligations and contingencies

Partners has entered into a number of partnerships with various organizations within Africa to do various projects. As of December 31, 2006 there were eighteen unfinished projects. US bank drafts are acquired to pay the obligations. Upon completion of these contracts, the organization will pay Ethiopian Birr 1,552,615 (approximately \$193,300 Canadian.)

4. Subsequent events

Subsequent to year end, Partners entered into 10 contracts to complete projects in Africa. Upon completion of these contracts, the organization will pay Ethiopian Birr 3,068,385 (approximately \$382,013 Canadian.)

5. Related parties

A charitable foundation, "Friends of the Horn of Africa" has been established to support Partners' mandate, and to pay for costs to manage and administer the Corporation. Funding for this organization is derived from contributions from directors of Partners in the Horn of Africa.

PARTNERS IN THE HORN OF AFRICA

Notes to Financial Statements

(Audited)

For the year ended December 31, 2006

6. Financial instruments

Partners' financial instruments consist of cash and marketable securities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. Marketable securities are carried at cost. The FMV of these securities is \$297,126. Unless otherwise noted, it is management's opinion that Partners' is not exposed to significant interest, currency or credit risks arising from these financial instruments.

7. Use of estimates

The financial statements of Partners in the Horn of Africa have been prepared by management in accordance with Canadian generally accepted accounting principles. As such, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in the opinion of management been prepared using careful judgement within the reasonable limits of materiality and within the framework of the accounting policies identified.
