

LOM BALANCED FUND LTD.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

LOM BALANCED FUND LTD.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
LOM Balanced Fund Ltd.

We have audited the accompanying statement of assets and liabilities of LOM Balanced Fund Ltd. (the "Fund"), including the schedule of investments, as of December 31, 2007, and the related statements of operations, changes in net assets and cash flows and financial highlights for the year then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of LOM Balanced Fund Ltd. as of December 31, 2007, and the results of its operations, changes in its net assets, its cash flows and its financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Marcum & Kliegman LLP

August 11, 2008

LOM BALANCED FUND LTD.
STATEMENT OF ASSETS AND LIABILITIES

December 31, 2007

ASSETS

Investments in other investment companies, at fair value (cost of \$9,690,426)	\$10,507,449
Cash and cash equivalents	466,932
Other assets	<u>49,706</u>
 TOTAL ASSETS	 \$ 11,024,087

LIABILITIES

Accounts payable and accrued expenses	<u>30,861</u>
 NET ASSETS	 <u>\$ 10,993,226</u>
 Number of shares in issue	 <u>989,432.313</u>
 Net asset value per share	 <u>\$ 11.110640</u>

Approved by the Board or Directors:

Director

Director

The accompanying notes are an integral part of these financial statements.

LOM BALANCED FUND LTD.

SCHEDULE OF INVESTMENTS

December 31, 2007

Principal Amount or Shares	Description	Cost	Percentage of Net Assets	Fair Value
<u>INVESTMENTS IN SECURITIES</u>				
<u>INVESTMENT FUNDS</u>				
United States				
2,000.00	Powershares DB Oil Fund	\$ 66,034	0.63%	\$ 69,420
1,750.00	Powershares DB Silver Fund	<u>48,715</u>	<u>0.44</u>	<u>48,629</u>
	Total United States	114,749	1.07	118,049
United Kingdom				
25,000,000.00	Alliance & Leic PLC Allnce FLOAT 08/07/09	209,646	2.02	221,566
Germany				
500.00	Ishares DJ Stock 600 Oil & Gas DE	31,769	0.30	32,711
Cayman				
3.00	Jupiter Merl. Abs. Return	690	0.01	1,018
42,128.58	LOM EUR Equity Growth Fund	690,461	7.22	793,911
120,565.16	LOM Fixed Income Fund	1,388,405	13.46	1,479,625
1,182.31	LOM Pangea Fund	1,200,025	10.80	1,187,024
156,420.20	LOM USD Equity Growth Fund	<u>1,171,431</u>	<u>16.54</u>	<u>1,818,070</u>
	Total Cayman	4,451,012	48.03	5,279,648
Gurnsey				
2,916.83	INVESTC GS american EQ-A	277,653	2.43	266,890
Ireland				
3,968.00	Ishares DJ Euro Stoxx Select Dividend	205,083	1.78	196,141
2,603.35	Man Ahl Diversified Plc	200,020	1.84	202,332
6,252.47	PIMCO Euro Bond	<u>264,512</u>	<u>1.19</u>	<u>130,815</u>
	Total Ireland	<u>669,615</u>	<u>4.81</u>	<u>529,288</u>
	Subtotal (Forward)	<u>\$ 5,754,444</u>	<u>58.66%</u>	<u>\$ 6,448,152</u>

The accompanying notes are an integral part of these financial statements.

LOM BALANCED FUND LTD.

SCHEDULE OF INVESTMENTS, Continued

December 31, 2007

Principal Amount or Shares	Description	Cost	Percentage of Net Assets	Fair Value
<u>INVESTMENTS IN SECURITIES, Continued</u>				
<u>INVESTMENT FUNDS, Continued</u>				
	Subtotal (Forward)	<u>\$ 5,754,444</u>	<u>58.66%</u>	<u>\$ 6,448,152</u>
Luxembourg				
7,490.58	ABN Amro Fds-Euro Govt BD-A	568,463	5.44	597,912
18,134.80	Aberdeen GL Europe HYLD B-A2	359,386	3.26	358,515
16,298.90	Fidelity FDS-FURO BL CHIP	474,894	4.30	472,748
13,795.18	Fidelity Funds - US High Yield	155,269	1.40	154,092
29,740.74	Frank Templeton Global Total Return Fund	420,085	3.93	432,430
22,810.21	JPMorgan F-GL CONVERT EU-A	346,208	3.49	383,387
1,096.95	JpMorgan Funds - EuroLand Eqty Fund	72,175	0.77	84,920
4,588.56	Orbis Sicav-Japan Equity	125,901	1.08	118,180
41,033.59	Schroder International Japan EQTY -AAC	354,849	2.99	328,555
12,997.71	Schroder International Selection Fund - GL INF LKD-A A	417,987	3.93	431,803
10,821.87	Schroder International Selection Fund	257,745	2.24	246,219
599.84	Schroder International BRIC-A	<u>100,020</u>	<u>1.41</u>	<u>155,047</u>
	Total Luxembourg	3,652,982	34.24	3,763,808
Switzerland				
777.90	UBS CH Commodity Fund CHF	79,481	0.75	81,961
8.00	ZKB Gold ETF	<u>203,521</u>	<u>1.94</u>	<u>213,528</u>
	Total Switzerland	<u>283,002</u>	<u>2.69</u>	<u>295,489</u>
	TOTAL INVESTMENTS IN SECURITIES	<u>\$ 9,690,428</u>	<u>95.59%</u>	<u>\$ 10,507,449</u>

The accompanying notes are an integral part of these financial statements.

LOM BALANCED FUND LTD.

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2007

INVESTMENT INCOME

Interest \$ 13,258

EXPENSES

Management fees	\$ 66,554
Professional fees	18,099
Administration fees	6,083
Custodian fees	5,120
Interest expense	5,087
Miscellaneous	<u>8,655</u>

TOTAL EXPENSES 109,598

NET INVESTMENT LOSS (96,340)

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Net realized gain on sale of investments	1,095,351
Net change in unrealized appreciation of investments	<u>(330,040)</u>

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS 765,311

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$ 668,971

The accompanying notes are an integral part of these financial statements.

LOM BALANCED FUND LTD.

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2007

INCREASE (DECREASE) IN NET ASSETS

FROM OPERATIONS

Net investment loss	\$ (96,340)
Net realized gain on sale of investments	1,095,351
Net change in unrealized appreciation of investments	<u>(330,040)</u>

NET INCREASE IN NET ASSETS RESULTING
FROM OPERATIONS

\$ 668,971

INCREASE (DECREASE) IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS

Proceeds from issuance of 248,178.731 shares	2,650,842
Payment on redemption of 42,591.468 shares	<u>(478,863)</u>

NET INCREASE IN NET ASSETS RESULTING
FROM CAPITAL SHARE TRANSACTIONS

2,171,979

NET INCREASE IN NET ASSETS

2,840,950

NET ASSETS - Beginning

8,152,276

NET ASSETS - Ending

\$10,993,226

The accompanying notes are an integral part of these financial statements.

LOM BALANCED FUND LTD.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Net increase in net assets resulting from operations		\$ 668,971
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Purchase of investment securities	\$(10,429,853)	
Proceeds from sale of investment securities	8,328,548	
Net realized gain on sale of investments	(1,095,351)	
Net change in unrealized appreciation of investments	330,040	
Changes in operating assets and liabilities:		
Other assets	(46,552)	
Accounts payable and accrued expenses	<u>5,727</u>	
 TOTAL ADJUSTMENTS		<u>(2,907,441)</u>
 NET CASH USED IN OPERATING ACTIVITIES		(2,238,470)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issuance of shares	2,650,842	
Payment on redemption of shares	<u>(478,863)</u>	
 NET CASH PROVIDED BY FINANCING ACTIVITIES		<u>2,171,979</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS		(66,491)
 <u>CASH AND CASH EQUIVALENTS</u> – Beginning		<u>533,423</u>
 <u>CASH AND CASH EQUIVALENTS</u> – Ending		<u>\$ 466,932</u>

The accompanying notes are an integral part of these financial statements.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Organization and Operations

LOM Balanced Fund Ltd. (the "Fund") is an open-ended investment company which was incorporated as an exempt company under the laws of the Cayman Islands on March 13, 2000. The Fund is registered as a regulated mutual fund pursuant to Section 4(3) of the Mutual Funds Law (2001 Revision) with the Cayman Islands Monetary Authority. The Fund is listed on the Bermuda Stock Exchange.

The Fund is a fund of funds and as such does not directly invest in equities or debt securities but instead invests in mutual funds which make such investments. It is the intent of the Fund to achieve above average long-term appreciation of capital while controlling risk through an effective program of diversification. The Fund will seek to achieve its investment objective by purchasing investments in mutual funds while maintaining disciplined and effective money management strategies.

Dundee Leeds Management Services (Cayman) Ltd. (the "Administrator") acts as Administrator, Registrar and Transfer Agent for the Fund (see Note 12). LOM Asset Management Limited ("LOMAM") (a related party to the Fund) acts as Investment Manager and owns 100% of the Management Shares (Note 3). Lines Overseas Management, Ltd. (a related party to the Fund) acts as paying agent and custodian to the Fund.

Certain directors of the Fund are also principals, directors and officers of companies affiliated with LOMAM.

NOTE 2 - Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

Investment Valuation and Revenue Recognition

Investment transactions are accounted for on a trade date basis. Investments in other investment companies are valued at the net asset value or bid prices of the Fund, as published or otherwise reported by the fund. The other investment companies in which the Fund invests will generally value securities traded on a national securities exchange or reported on a national market at the last reported sales price on the day of the valuation. Investments in exchange traded funds are stated at the last reported sales price on the day of valuation or at the last quoted bid price, if no sale was reported on the valuation date.

Realized and unrealized gains and losses on investments are calculated using the first-in-first-out (FIFO) method, which approximates the average cost method, and are reported in the accompanying statement of operations.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - Summary of Significant Accounting Policies, continued

Income Recognition

Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date and is presented net of withholding taxes.

Foreign Currency Translation

The Fund's functional currency is U.S. dollars. Bermuda dollars trade at par with U.S. dollars. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized gain or loss on sale of investments, and the net change in unrealized appreciation on investments.

Realized and unrealized foreign exchange gains and losses arise from sales of foreign currencies, differences between the trade and settlement dates on investment transactions and changes in the fair values of assets and liabilities, other than investments in securities, resulting from changes in exchange rates.

Cash and Cash Equivalents

The Fund considers all short-term investments with original maturities of three months or less to be cash equivalents.

Cash and cash equivalents include an investment in Class A shares of LOM Money Market Fund Limited, a related party investment company by virtue of a common investment manager and directors. Such investments generally have no usage and withdrawal restrictions. At December 31, 2007, the fair value of the investment was \$7,415 (representing 61.68 shares) in the US Dollar Class A Series 2 class.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - Summary of Significant Accounting Policies, continued

Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurements. SFAS 157, with limited exceptions, is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Investment Manager is in the process of evaluating the impact of the adoption of SFAS 157 on the Fund and does not expect the adoption to have a material impact on the Fund's financial statements, however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain measurements reported in the statements of operations for a fiscal period.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective beginning January 1, 2008, and permits earlier application. The Fund is currently evaluating the effect of the adoption of this pronouncement on its financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"), which requires disclosures about the fair value of derivative instruments and their gains or losses in tabular format as well as disclosures regarding credit-risk-related contingent features in derivative agreements, counterparty credit risk and strategies and objectives for using derivative instruments. SFAS 161 amends and expands SFAS No. 133 and effective prospectively beginning January 1, 2009. The Fund is currently evaluating the effect of the adoption of this pronouncement on its financial statements.

NOTE 3 - Capital Stock

The Fund has an authorized share capital stock of \$50,000 divided into 49,999,000 non-voting redeemable Participating Shares (the "Shares") of a par value of \$0.001 each and 1,000 Management Shares of a par value of \$0.001 each. Shares are offered for sale to investors with rights to participate in the profits of the Fund but no voting rights.

Management Shares have voting rights but no right to participate in the profits of the Fund, and no dividends may be declared or paid on the Management Shares. Except for repayment of amounts paid in for the Management Shares, LOMAM may not receive any distribution of assets of the Fund in liquidation or dissolution of the Fund.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - Capital Stock, continued

The Investment Manager owns 100% of the Management Shares.

Shares are subscribed for and redeemed on each Dealing Day at a value as calculated at close of business on each Dealing Day. The Dealing Day is the last business day of each week, or such other days as the Directors may determine. The minimum initial subscription is \$50,000.

At December 31, 2007, LOM Nominees Limited ("LOM Nominees") held 989,432.313 shares of the Fund. LOM Nominees is the registered holder of all the shares of the Fund. During the year ended December 31, 2007, LOM Nominees bought 248,178.731 and sold 42,591.468 shares of the Fund.

NOTE 4 - Related Party Transactions

Management Fee

The Investment Manager is entitled to receive an annual fee of 0.65% of the Funds net asset value, accrued weekly and payable quarterly.

Management fees for the years ended December 31, 2007 totaled \$66,554 of which \$6,034 is payable at December 31, 2007.

Custodian Fee

Under the Custody Agreement dated March 31, 2000, the Custodian is entitled to receive a fee of 0.03% per annum of the net asset value of the Fund, calculated and payable on a weekly basis, subject to a minimum fee of \$3,000 per annum. During 2007, the Custodian charged and was paid by the Fund fees totaling \$5,120.

NOTE 5 - Administration Fees

In accordance with the terms of the contract with the Administrator, the Fund is charged administrative fees equal to the greater of 0.05% of the combined net asset value of the Fund and the Fund's related party investment companies or \$115,000 allocated to the Fund and the Fund's related party investment companies pro-rata based on the net asset value of each investment company in relation to the combined net asset value. During 2007, administration fees amounted to \$6,083.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - Taxation

Under current Cayman Islands law the Fund is not required to pay income taxes in the Cayman Islands on income, profits or capital gains. The Fund obtained an exemption from the Cayman Islands authorities from such taxes for a period of 20 years. The Fund is also not subject to income taxes under current Bermuda law.

It is Management's belief that the Fund is not engaged in United States trade or business and is not subject to United States income or withholding taxes in respect of the profits and losses of the Fund other than the 30% withholding tax on US source dividends. In addition, Management believes the Fund is not subject to income taxes in any other jurisdiction. As a result, Management has made no provision for income taxes in these financial statements.

The Fund adopted Financial Accounting Standards Board's Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"), effective January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements and requires the impact of a tax position to be recognized in the financial statements if that position is more likely than not of being sustained by the taxing authority. FIN 48 is to be applied to all open tax years as of the date of effectiveness. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Since the Fund is not required to pay income taxes in the Cayman Islands or the United States, there are no open tax years and no uncertain tax positions are required to be recorded at December 31, 2007.

NOTE 7 - Derivative Financial Instruments and Risk Management

The Fund does not buy or hold derivative financial instruments. Some of the other investment companies in which the Fund invests are dealing or trading in these instruments as their principal investment activity or use these instruments as part of their investment strategy. This may result in market or credit risks to the other investment companies in excess of the amount invested in these instruments. However, the Fund's risk is limited to the net asset values of its investments in the other investment companies.

NOTE 8 - Fair Value of Financial Instruments

In addition to the fair values of investments as disclosed in the schedule of investments, the fair values of the Fund's other financial instruments, including cash and cash equivalents, and accounts payable and accrued expenses approximate their carrying values due to the short term maturity of these financial instruments.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - Guarantees

In the normal course of its operations, the Fund enters into contracts that contain indemnifications and warranties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

NOTE 10 - Financial Highlights

Financial highlights for the year ended December 31, 2007 are as follows:

Per Share Operating Performance:

Net asset value per share, beginning	\$10.400
Net investment loss	(0.102)
Net realized and unrealized gain on investments	<u>0.813</u>
Net asset value per share, ending	<u>\$11.111</u>
<u>Total Return</u>	6.89%

Ratio to Average Net Assets:

Total expenses	1.08%
Net investment loss	(0.95)%

Financial highlights are calculated for the class of shares taken as a whole. An individual shareholder's return and ratios may vary based on the timing of capital transactions.

Total return is computed using a time-weighted methodology whereby the returns for the individual accounting periods are geometrically linked. The ratios are computed using a weighted-average of the net assets for the year ended December 31, 2007. Interest and dividend income from underlying funds, if any, is included in the net realized and unrealized gain on investments in the accompanying statement of operations and is not included in the net investment loss.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - Financial Instruments

Credit and Liquidity Risk

The Fund is potentially subject to both credit and liquidity risk, principally with LOM Money Market Fund and investments in securities. The Fund's credit risk is equal to the replacement cost at the then estimated fair value of the instrument. Credit risk arises because the possibility that promised cash flows on securities held by the fund (such as other funds, deposits and bonds) will not be paid in full. Credit risk is risk due to uncertainty in a counterparty's (also called an obligor's or credit's) ability to meet its obligations. As the Fund places a portion of its cash with LOM Money Market Fund, management believes that the risk of incurring losses with LOM Money Market Fund is remote and that such losses, if any, would not be material.

NOTE 12 - Subsequent Events

As of January 1, 2008, the Fund terminated Dundee Leeds Management Services (Cayman) Ltd. and appointed Bermuda Commercial Bank Ltd. as the new Administrator.

During the period from January 1, 2008 to May 31, 2008, the Fund received redemption requests for \$881,885 and subscriptions requests for \$703,401.