

LOM BALANCED FUND LTD.

FINANCIAL STATEMENTS
(Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010, and the related statements of operations, changes in net assets and cash flows, and the 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, 2010, 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 (Cayman)

Grand Cayman, Cayman Islands, B.W.I.
May 31, 2011



LOM BALANCED FUND LTD.

STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 2010

Assets

Investments, at fair value (cost of \$8,663,099)	\$ 9,485,101
Cash	<u>70,917</u>

Total Assets \$ 9,556,018

Liabilities

Accounts payable and accrued expenses	<u>10,425</u>
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Total Liabilities 10,425

Net Assets \$ 9,545,593

Number of Shares in Issue 990,951

Net Asset Value Per Share \$ 9.63

Approved by the Board of Directors:

Director

Director

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

LOM BALANCED FUND LTD.

SCHEDULE OF INVESTMENTS (Expressed in United States Dollars)

DECEMBER 31, 2010

Shares	Description	Fair Value	Percent of Net Assets
Investments in Securities			
Mutual Funds			
Bermuda			
Mutual Funds			
31,981	LOM Commodity Fund (cost \$265,000)	\$ 341,354	3.58 %
694	LOM Pangea Fund (cost \$464,212) *	<u>142,604</u>	<u>1.49</u>
Total Bermuda (cost \$729,212)		483,958	5.07
Cayman Islands			
Mutual Funds			
370,402	LOM Equity Growth Fund Ltd. - US \$ (cost \$3,105,085)	3,373,351	35.34
24,399	LOM Equity Growth Fund Ltd. - EUR (cost \$237,399)	296,945	3.11
42,959	LOM Fixed Income USD Fund (cost \$592,382)	592,402	6.21
22,909	LOM Fixed Income Euro Fund (cost \$315,337)	<u>329,322</u>	<u>3.45</u>
Total Cayman Islands (cost \$4,250,203)		4,592,020	48.11
Ireland			
Mutual Funds			
1,043	Baring Intl Umbrella Australia Fund (cost \$130,035)	129,772	1.36
18,052	PIMCO Global Real Return Fund (cost \$257,535)	<u>266,267</u>	<u>2.79</u>
Total Ireland (cost \$387,570)		<u>\$ 396,039</u>	<u>4.15 %</u>

* Redemptions suspended on September 8, 2008. Fund is in liquidation. See Note 3.

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

LOM BALANCED FUND LTD.

SCHEDULE OF INVESTMENTS (CONTINUED)

(Expressed in United States Dollars)

DECEMBER 31, 2010

Shares	Description	Fair Value	Percent of Net Assets
Investments in Securities (continued)			
Mutual Funds (continued)			
Luxembourg			
Mutual Funds			
10,771	Fidelity Funds - Euro DYN GRW - A (cost \$233,759)	\$ 388,798	4.07 %
1,104	Fortis L Fund-BD Govt Eur-CC (cost \$173,250)	190,437	2.00
3,868	Fortis OPPS USA-HDIS -EUR (cost \$340,087)	323,384	3.39
28,117	Franklin Templeton Global Total Return Fund (cost \$624,843)	673,132	7.05
17,630	JPMF US Select 130/30 Fund (cost \$125,025)	172,955	1.81
918	Schroder International Select Fund-Global Property (cost \$70,000)	105,374	1.10
3,415	Schroder International Select Fund-US Small & Mid Cap (cost \$324,762)	523,204	5.48
1,356	Schroder International Selection Fund BRIC (cost \$275,021)	288,163	3.02
6,331	JPMorgan Funds - Global Convertibles (cost \$85,647)	<u>90,750</u>	<u>0.95</u>
	Total Luxembourg (cost \$2,252,394)	<u>2,756,197</u>	<u>28.87</u>
	Total Mutual Funds (Cost \$7,619,379)	<u>\$ 8,228,214</u>	<u>86.20 %</u>

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

LOM BALANCED FUND LTD.

SCHEDULE OF INVESTMENTS (CONTINUED)

(Expressed in United States Dollars)

DECEMBER 31, 2010

Shares	Description	Fair Value	Percent of Net Assets
Investments in Securities (continued)			
Exchange Traded Funds			
Canada			
Exchange Traded Funds			
7,000	IUnits S&P/TSX 60 Index Fund (cost \$92,634)	\$ 134,760	1.41 %
50	Horizons BetaPro NYMEX Natural Gas Fund (cost \$14,705)	334	0.01
	Total Canada (cost \$107,339)	<u>135,094</u>	<u>1.42</u>
United States			
Exchange Traded Funds			
3,284	Ishares S&P GSCI Commodity Index (cost \$96,693)	111,983	1.17
9,300	Powershares DB Base Metals Fund (cost \$220,688)	227,199	2.38
7,025	Powershares DB Oil Fund (cost \$161,092)	198,246	2.08
2,184	Powershares Global Gold and Metals (cost \$86,128)	109,222	1.14
1,444	SPDR Gold Trust (cost \$156,490)	200,311	2.10
1,918	Vanguard Reit ETF (cost \$90,330)	106,200	1.11
1,295	iShares Dow Jones US Real Estate (cost \$64,198)	72,468	0.76
288	iShares S&P MidCap 400 Index Fund (cost \$20,027)	26,119	0.27
1,285	PowerShares DB Silver Fund (cost \$40,735)	70,045	0.74
	Total United States (cost \$936,381)	<u>1,121,793</u>	<u>11.75</u>
	Total Exchange Traded Funds (Cost \$1,043,720)	<u>1,256,887</u>	<u>13.17</u>
	Total Investments in Securities (Cost \$8,663,099)	<u>\$ 9,485,101</u>	<u>99.37 %</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, 2010

Investment Income

Interest and dividend income (net of withholding taxes) \$ 15,755

Expenses

Management fees \$ 51,026

Professional fees 26,921

Administration fees 5,776

Custodian fees 3,891

Interest expense 1,048

Miscellaneous 20

Total Expenses 88,682

Net Investment Loss (72,927)

Realized and Unrealized Gain on Investments and Foreign Currency

Net realized gain on sale of investments 18,088

Net change in unrealized appreciation of investments 657,236

Net Realized and Unrealized Gain on Investments and Foreign Currency 675,324

Net Increase in Net Assets Resulting From Operations \$ 602,397

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, 2010

Increase (Decrease) in Net Assets From Operations	
Net investment loss	\$ (72,927)
Net realized gain on sale of investments	18,088
Net change in unrealized appreciation of investments	<u>657,236</u>
Net Increase in Net Assets Resulting From Operations	\$ 602,397
Increase (Decrease) in Net Assets From Capital Share Transactions	
Proceeds from issuance of 287,187 shares	2,563,602
Payment on redemption of 133,415 shares	<u>(1,181,038)</u>
Net Increase in Net Assets Resulting From Capital Share Transactions	<u>1,382,564</u>
Net Increase in Net Assets	1,984,961
Net Assets - Beginning	<u>7,560,632</u>
Net Assets - Ending	<u><u>\$ 9,545,593</u></u>

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

LOM BALANCED FUND, LTD.

STATEMENT OF CASH FLOWS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

Cash Flows From Operating Activities

Increase in net assets from operations		\$ 602,397
Adjustments to reconcile increase in net assets from operations to net cash used in operating activities:		
Purchase of investments	\$ (7,255,128)	
Proceeds from sale of investments	5,441,338	
Net realized gain on investments	(18,088)	
Net change in unrealized appreciation on investments	(657,236)	
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	2,280	
Accounts payable and accrued expenses	<u>(12,858)</u>	

Total Adjustments (2,499,692)

Net Cash Used in Operating Activities (1,897,295)

Cash Flows From Financing Activities

Issuance of shares	2,563,602	
Redemption of shares	<u>(1,181,038)</u>	

Net Cash Provided by Financing Activities 1,382,564

Net Decrease in Cash (514,731)

Cash - January 1, 2010 585,648

Cash - December 31, 2010 \$ 70,917

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

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 - NATURE OF FUND

ORGANIZATION

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.

BCB Fund Services Limited (the “Administrator”) acts as Administrator, Registrar and Transfer Agent for the Fund. LOM Asset Management Limited (“LOMAM” or the “Investment Manager”) (a related party to the Fund) acts as the Investment Manager and owns 100% of the Management Shares (Note 5). Lines Overseas Management, Ltd. (a related party to the Fund) acts as paying agent and custodian to the Fund (“Custodian”).

Certain directors of the Fund are also principals, directors and officers of companies affiliated with LOMAM and the other LOM funds in which the Fund invests.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with United States (“U.S.”) generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts, contingent assets and liabilities, and disclosures in the financial statements. Actual results could differ from those estimates. Management has considered the circumstances under which the Fund should recognize or make disclosures regarding events or transactions occurring subsequent to the balance sheet date through May 31, 2011, which represents the date the financial statements were available to be issued. Adjustments or additional disclosures, if any, have been included in these financial statements.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH

Cash consists of non interest bearing accounts temporarily held by the Fund's Custodian, a related party.

INVESTMENT VALUATION AND REVENUE RECOGNITION

Investment transactions are accounted for on a trade date basis. Investments in other investment companies which consist primarily of mutual funds and exchange traded funds ("ETF's") are valued at the net asset value or bid prices of the Fund, as published or otherwise reported by the respective stock exchange. 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 ETF's 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 (see Note 3).

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.

INCOME RECOGNITION

Interest income is recognized on an accrual basis based on the amounts reported to the Fund from the underlying mutual funds. Dividend income is recognized on the ex-dividend date and is presented net of withholding taxes, if any, which are withheld by the underlying funds and netted against dividend income reported to the Fund.

FOREIGN CURRENCY TRANSLATION

The Fund's functional currency is U.S. Dollars. Investment securities 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.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SCHEDULE OF INVESTMENTS

The accompanying schedule of investments presents the investments by country. The industry classifications included in the schedule of investments represent management's belief as to the most meaningful presentation of the classification of the Fund's investments.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06, "Fair Value Measurements and Disclosures (Topic 920): Improving Disclosures about Fair Value Measurements". This ASU required some new disclosures and clarified some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. ASU 2010-06 amended Codification Subtopic 820-10 and now requires a reporting entity to use judgment in determining the appropriate classes of assets and liabilities and to provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009. The adoption of ASU No. 2010-06 did not have a material impact on the Fund's financial position, results of operations or cash flows.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

- Level 1 - Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date. Valuation adjustments and block discounts are not applied to Level 1 investments.
- Level 2 - Valuations based on other significant observable inputs (including quoted prices for similar securities, quoted prices in markets that are not active, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 - Valuations based on significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Securities for which market quotations are not readily available are fair valued as determined by the Investment Manager. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Fund uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Fair value pricing may be used where: (i) a security is illiquid (restricted securities); (ii) the market or exchange for a security is closed on an ordinary trading day and no other market prices are available; (iii) the security is so thinly traded that there have been no share transactions over an extended period; or (iv) the validity of a market quotation received is questionable. In addition, fair value pricing will be used if emergency or unusual situations have occurred, such as when trading of a security on an exchange is suspended; or when an event occurs after the close of the exchange on which the security is principally traded that is likely to have changed the value of the security.

The use of valuation techniques and the availability of observable inputs can vary from security to security and is affected by a wide variety of factors and other characteristics particular to the transaction. Factors that may be considered when fair valuing a security are: fundamental analytical data relating to the investment in the security; evaluation of the forces that influence the market in which the security is purchased and sold; type of security or asset; financial statements of issuer; special reports prepared by analysts or the Investment Manager; information as to any transactions or offers with respect to the security; and the historical tendency of the security's price to track or respond to general and specific market movements (in terms of indices, sectors, or other market measurements). To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for securities categorized in Level 3.

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following are the Fund's major classes of assets measured at fair value as of December 31, 2010:

Description	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Investment in mutual funds (a):				
LOM Pangea Fund	\$ --	\$ --	\$142,604	\$142,604
LOM Commodity Fund	--	341,354	--	341,354
Other	7,744,256	--	--	7,744,256
Investment in exchange traded funds (a)	<u>1,256,887</u>	<u>--</u>	<u>--</u>	<u>1,256,887</u>
Total Investments	<u>9,001,143</u>	<u>341,354</u>	<u>142,604</u>	<u>9,485,101</u>
Total Assets	<u>\$9,001,143</u>	<u>\$341,354</u>	<u>\$142,604</u>	<u>\$9,485,101</u>

(a) Additional information regarding the industry classification and/or geographical location of these investments is disclosed in the schedule of investments.

During the year ended December 31, 2010, the Fund did not have any significant transfers between level 1 or 2. The Fund's policy is to recognize transfers in and transfers out as of the beginning of the period.

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value during the year ended December 31, 2010:

Description	Funds
Assets:	
Balance - January 1, 2010	\$ 396,559
Purchases	--
Sales	(139,259)
Total realized and unrealized losses, net included in earnings	(114,696)
Transfers in and/or out of Level 3	<u>--</u>
Balance - December 31, 2010	<u>\$ 142,604</u>
Changes in Unrealized Gains Relating to Investments Still Held at December 31, 2010 ¹	<u>\$ 160,418</u>

¹ The unrealized gain is included in net change in unrealized appreciation of investments in the statement of operations.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

VALUATION TECHNIQUES

The LOM Pangea Fund, a Level 3 investment and a related party (see Note 4), is solely invested in the Pangea Alternative Investments Limited – Pangea Alternative Fund (The Pangea Alternative Fund), which suspended redemptions and adopted liquidation accounting on September 8, 2008. The Investment Manager has valued the investment in the LOM Pangea Fund at the amount reported by the Pangea Alternative Fund as of December 31, 2010, which was determined in accordance with liquidation accounting. It is not possible to predict when the Fund will be able to cash out of this investment or if the amount eventually received will vary materially from the estimated liquidation value.

MUTUAL FUNDS AND ETF'S

ETF's traded on a national securities exchange (or reported on a national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Registered open end mutual funds are valued at the last published price reported on the major market on which the mutual funds are traded and are classified as Level 1.

Classification within the fair value hierarchy of an investment that is measured at net asset value per share (or its equivalent) requires judgment and consideration. The Fund invests primarily in mutual funds that trade on, or are reported on, national securities exchanges. The estimated fair value of the investments in mutual funds is determined by reference to the net asset value ("NAV") per share as reported by the mutual funds on a daily basis. The Investment Manager believes that the NAV calculations are performed in a manner consistent with, or approximating, GAAP.

The Fund categorizes its investments in mutual funds traded on an active market as a Level 1 in the fair value hierarchy. The Fund has an investment in the LOM Commodity Fund, a related party. This fund is not audited but is comprised mainly of marketable securities. The Investment Manager believes that valuing this at NAV, as a practical expedient, is appropriate and will classify as Level 2 in the fair value hierarchy since it can redeem its investment at NAV without any restriction.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - CAPITAL STOCK

For mutual funds not traded on an active market, in circumstances where the Investment Manager determines that the NAV calculations are not being performed in a manner consistent with GAAP, or if a mutual fund imposes redemption restrictions, the Investment manager reevaluates the categorization of the investment in the fair value hierarchy. For those investments that will be liquidating, the Investment Manager categorized the investment as a Level 3. The LOM Pangea Fund adopted liquidation accounting, restricted redemptions, and the remaining investment in the amount of \$142,604 has been classified as a Level 3 investment. During the year ended December 31, 2010 there were net liquidations of \$139,259.

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.

The Investment Manager owns 100% of the Management Shares, which consists of 1,000 shares of Class A voting, non-participating, non-redeemable shares. There are no other 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, 2010, LOM Nominees Limited (“LOM Nominees”) is the registered holder of all the shares of the Fund. During the year ended December 31, 2010, LOM Nominees bought 287,187 and sold 133,415 shares of the Fund.

Transactions in shares of the Fund for the year ended December 31, 2010 were as follows:

	Balance January 1, 2010	Shares Issued	Shares Redeemed	Balance December 31, 2010
Participating Shares:	837,179	287,187	133,415	990,951

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 5 - RELATED PARTY TRANSACTIONS

INVESTMENTS

The Fund invests in or holds its excess cash at various mutual funds that are managed by a common Investment Manager and directors. As of December 31, 2010, the investments and cash equivalents are held in related party mutual funds consisting of the following:

<u>Fund Name</u>	<u>Amount</u>
LOM Equity Growth Fund Ltd. – EUR	\$ 296,945
LOM Equity Growth Fund Ltd. – US \$	3,373,351
LOM Fixed Income USD Fund	592,402
LOM Fixed Income Euro Fund	329,322
LOM Pangea Fund	142,604
LOM Commodity Fund	<u>341,354</u>
Total	<u>\$5,075,978</u>

The LOM Pangea Fund is in liquidation (see Note 3) and is valued at the unaudited net liquidation value. The amount the Fund may ultimately realize could vary from this estimate.

The LOM Commodity Fund is unaudited (see Note 3). The Fund invests in various commodities including metals, minerals, and related companies through a combination of equity and fixed income securities. The value was derived by unaudited financial statements provided by the same Fund Administrator that prepares the financial statements for the remaining LOM Funds. All other LOM Funds are audited as of December 31, 2010, trade on an active market and the value reflects fair value as of that date.

MANAGEMENT FEE

The Investment Manager receives a fee of 0.65% of the Fund's net asset value, accrued weekly and payable monthly. Management fees amounted to \$51,026 at December 31, 2010.

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 2010, the Custodian charged and was paid by the Fund fees totaling \$3,891.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 6 - 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 a combined minimum amount of \$110,000, 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 2010, administration fees amounted to \$5,776.

NOTE 7 - 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 from the date of incorporation of the Fund. The Fund is also not subject to income taxes under current Bermuda law or any other jurisdiction.

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 equity dividends. Foreign securities held by the Fund may be subject to foreign taxation on gains, dividends and interest income received. Foreign taxes, if any, are withheld by the Fund's underlying Investment Manager based on the tax laws in the applicable foreign jurisdictions. In addition, Management believes the Fund is not subject to income taxes in any other jurisdiction and that there are no uncertain tax positions that would require recognition in the financial statements. As a result, Management has made no provision for income taxes in the accompanying financial statements.

For all open tax years and for all major taxing jurisdictions, the Investment Manager has concluded that the entity is exempt from income taxes and there are no uncertain tax positions that would require recognition in the financial statements. If the Fund were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. No interest expense or penalties have been recognized as of or for the period ended December 31, 2010. The Investment Manager's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors. The Fund is subject to income tax examinations by major taxing authorities for all tax years since its inception.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 8 - 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 investments held in 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 these other investments.

NOTE 9 - GUARANTEES

In the normal course of its operations, the Fund enters into contracts and agreements 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 agreements and expects the risk of loss to be remote.

NOTE 10 - FINANCIAL HIGHLIGHTS

Financial highlights for the year ended December 31, 2010 are as follows:

Per Share Operating Performance:

Net Asset Value Per Share - Beginning	\$ 9.03
Net investment loss	(0.08)
Net realized and unrealized gain on investments	<u>0.68</u>
Net Asset Value Per Share - Ending	<u>\$ 9.63</u>
Total Return	<u>6.66%</u>
Ratio to Average Net Assets:	
Total expenses	1.13%
Net investment loss	(0.93)%

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.

LOM BALANCED FUND LTD.

NOTES TO FINANCIAL STATEMENTS (Expressed in United States Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 10 - FINANCIAL HIGHLIGHTS (CONTINUED)

Total return is calculated based on the change in net asset value of shares indicated above during the year. The ratios are computed using a weighted-average of the net assets for the year ended December 31, 2010. 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.

NOTE 11 - FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

CREDIT RISK

The Fund maintains custody accounts with mainly one prime broker. At December 31, 2010, substantially all the Fund's cash and cash equivalents and all of the securities owned were held at this prime broker. The Fund is subject to credit risk should this broker be unable to fulfill its obligations to return the Fund's cash or securities. The Fund's exposure to credit risk is limited to amounts recorded as assets in the statement of assets and liabilities.

LIQUIDITY RISK

Liquidity risk arises in the general funding of the Fund's trading activities. It includes the risks of not being able to fund trading activities at settlement dates and liquidate positions in a timely manner at a reasonable price. Generally, the financial instruments can be closed out at the discretion of the Investment Manager. An illiquid or closed market, however, could prevent the closeout of positions.

MARKET RISK

Market risk arises primarily from uncertainty around the future prices of financial instruments held by the Fund and represents the loss the Fund might incur through holding such instruments in the face of price movements. The Investment Manager allocates the Fund's portfolio of investments with a view to minimizing the risk associated with particular countries and industry sectors.

CURRENCY RISK

The investments of each Fund are exposed to changes in foreign exchange rates (currency risk) which gains or losses may exceed the related amounts recorded. The fair value may change based on the fluctuations in the value of these underlying currencies.