

LOM FIXED INCOME FUND LIMITED

FINANCIAL STATEMENTS

For the Year Ended December 31, 2005

LOM FIXED INCOME FUND LIMITED

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Assets and Liabilities	2
Schedule of Investments	3-5
Statement of Operations	6
Statement of Changes in Net Assets	7
Statement of Cash Flows	8
NOTES TO FINANCIAL STATEMENTS	9-13



Marcum & Kliegman (Cayman)

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
LOM Fixed Income Fund Limited

We have audited the accompanying statement of assets and liabilities of LOM Fixed Income Fund Limited (the "Fund"), including the schedule of investments, as of December 31, 2005, and the related statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements 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 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 referred to above present fairly, in all material respects, the financial position of the LOM Fixed Income Fund Limited as of December 31, 2005, and the results of its operations, changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Marcum & Kliegman LLP

June 26, 2006

Cayman Corporate Centre • 27 Hospital Road • P.O. Box 1748 • George Town, Grand Cayman, Cayman Islands, B.W.I.

Tel 800.390.2060 • Fax 800.390.2030

Melville New York Greenwich Grand Cayman Riverhead

www.mkllp.com

LOM FIXED INCOME FUND LIMITED

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2005

ASSETS

Investments in securities, at fair value (cost of \$19,180,724)	\$ 18,200,976
Cash and cash equivalents	790,799
Accrued interest receivable	<u>205,045</u>
 TOTAL ASSETS	 \$ 19,196,820

LIABILITIES

Accounts payable and accrued expenses	<u>73,252</u>
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NET ASSETS \$ 19,123,568

Number of shares in issue 1,696,773.012

Net asset value per share \$ 11.27057

Approved by the Board of Directors:

Director

Director

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

LOM FIXED INCOME FUND LIMITED

SCHEDULE OF INVESTMENTS

December 31, 2005

Principal Amount or Shares	Description	Cost	Percentage of Net Assets	Fair Value
<u>INVESTMENTS IN SECURITIES</u>				
<u>FIXED INCOME</u>				
United States				
370,000	ASIF Global Fncl XXVI 2.5% 1/30/07	\$ 359,676	1.89%	\$ 360,510
370,000	Atlanta GA Dev 4.625% 7/1/07	370,000	1.91	366,115
425,000	Fannie Mae 2.35% 3/30/09	418,900	2.20	419,998
200,000	Fannie Mae StrNt 3% 2/27/09	196,860	1.03	197,731
350,000	Fannie Mae 4.25% 11/2/07	350,525	1.81	346,325
250,000	Fannie Mae 5% 4/6/10	250,075	1.31	250,000
350,000	Fed Home Loan Bk 2.40% 3/9/09	344,627	1.82	348,583
550,000	Fed Home Loan Bk 4.5% 2/15/08	550,738	2.86	546,027
400,000	Freddie Mac 2.5% 3/17/09	395,439	2.08	398,240
250,000	Freddie Mac 3.625% 3/24/08	249,518	1.30	248,800
350,000	Shell Finance UK PLC 5% 7/16/07	366,872	1.84	351,260
400,000	Total Finance ELF 4.75% 6/27/07	413,201	2.09	399,840
500,000	Wachovia Bank 4.375% 8/15/08	498,604	2.59	494,500
250,000	World Savings Bank 4.125% 3/10/08	<u>249,627</u>	<u>1.29</u>	<u>246,275</u>
	TOTAL FIXED INCOME	<u>5,014,662</u>	<u>26.01</u>	<u>4,974,204</u>
<u>INVESTMENTS IN SECURITIES</u>				
<u>FLOATING RATE NOTES</u>				
United States				
800,000	Avery Dennison (FRN) 8/10/07	800,010	4.18	799,840
355,000	MBNA Europe (FRN) 9/7/07	355,104	1.86	355,107
425,000	Merrill (FRN) 10/27/08	425,042	2.22	424,919
500,000	MWD (FRN) 5/14/08	503,595	2.63	503,320
200,000	Wells Fargo FRN 3/10/08	<u>199,760</u>	<u>1.05</u>	<u>200,016</u>
	TOTAL FLOATING RATE NOTES	<u>2,283,511</u>	<u>11.94</u>	<u>2,283,202</u>
	Subtotal (Forward)	<u>\$ 7,298,173</u>	<u>37.95%</u>	<u>\$ 7,257,406</u>

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

LOM FIXED INCOME FUND LIMITED

SCHEDULE OF INVESTMENTS, Continued

December 31, 2005

Principal Amount or Shares	Description	Cost	Percentage of Net Assets	Fair Value
	Subtotal (Forward)	\$ 7,298,173	37.95%	\$ 7,257,406
<u>INVESTMENTS IN SECURITIES</u>				
<u>GOVERNMENT OBLIGATIONS</u>				
United States				
687,500	US Treasury Inflation Nts 1/15/09	880,820	4.59	877,616
375,000	US Treasury Infl Index 3.5% 1/15/11	460,971	2.40	458,713
2,230,000	US Treasury N/B 5.625% 5/15/08	2,322,963	11.98	2,290,977
470,000	US Treasury Note 3% 2/15/09	451,704	2.36	451,182
200,000	US Treasury Note 4.375% 12/15/10	<u>200,588</u>	<u>1.05</u>	<u>200,188</u>
	TOTAL GOVERNMENT OBLIGATIONS	<u>4,317,046</u>	<u>22.37</u>	<u>4,278,676</u>
<u>INVESTMENTS IN SECURITIES</u>				
<u>MORTGAGE SECURITIES</u>				
United States				
231,917	ABN Amro 2003 7 A2 7/25/18	234,563	1.19	227,854
400,000	CFLX 2005 2 5A3 6/25/35	402,165	2.09	399,906
250,395	CSFB 2003 21 3A1 8/25/33	254,803	1.31	250,317
400,000	CSFB 2005 3 3A32 7/25/35	406,541	2.09	399,797
12,130	Fannie Mae 2002 68 KG 12/25/14	12,163	0.06	12,089
1,000,000	Fannie Mae 2005-12 JR 3/25/18	71,739	0.33	63,555
125,380	Fannie Mae 1999 18 A 10/18/27	134,072	0.66	125,414
248,147	Fannie Mae 2003-67 VQ 1/25/19	260,636	1.33	254,584
200,908	Freddie Mac 1050 HZ 3/15/21	202,046	1.05	200,908
144,229	Freddie Mac 2143 CD 2/15/28	148,075	0.76	144,724
300,000	Freddie Mac 2557 OE 1/25/26	<u>301,530</u>	<u>1.55</u>	<u>296,544</u>
	Subtotal (Forward)	<u>\$14,043,552</u>	<u>72.74%</u>	<u>\$ 13,911,774</u>

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

LOM FIXED INCOME FUND LIMITED

SCHEDULE OF INVESTMENTS, Continued

December 31, 2005

Principal Amount or Shares	Description	Cost	Percentage of Net Assets	Fair Value
<u>INVESTMENTS IN SECURITIES</u>				
<u>MORTGAGE SECURITIES, Continued</u>				
	Subtotal (Forward)	\$14,043,552	72.74%	\$ 13,911,774
United States				
4,000,000	Freddie Mac 2594 YA 4/15/23	360,055	1.83	350,864
1,300,472	Freddie Mac 2718 IG 4/15/27	338,471	1.27	242,520
5,721,555	Freddie Mac 2852 TI 1/15/13	208,536	0.44	84,513
1,500,000	Freddie Mac 2715 IJ 11/15/09	223,069	0.27	51,454
1,609,523	Freddie Mac 2638 IL 3/15/16	178,501	0.17	33,378
3,897,000	Freddie Mac 2760 LI 1/15/33	138,739	0.40	76,423
2,527,459	Freddie Mac 2769 GI 2/15/13	269,269	0.25	47,116
349,249	GSR 2005-7F 2A2 9/25/35	347,067	1.82	347,885
290,588	Mastr Alt 2003-4 2A1 6/25/33	297,340	1.54	294,221
281,044	Master Asset Sec 2002-8 1A2 12/25/17	283,181	1.46	278,585
246,361	SASC 2003 26A 3A3 9/25/33	246,694	1.28	244,667
173,344	Wells Fargo 2003-1 1A2 2/25/18	174,228	0.87	167,060
600,000	Wells Fargo 2002-18 1A17 12/25/32	612,061	3.13	598,500
67,449	Wells Fargo 2003-1 1A8 2/25/18	30,550	0.36	68,208
315,860	Bank of America 2004 F 2A7 7/25/34	317,669	1.61	307,964
59,337	Residential Acc Loans 1.92% 7/25/32	59,325	0.31	59,337
368,508	Washington Mutual 2003 AR3 A5 4/25/33	372,000	1.89	361,714
295,000	Wells Fargo 2004-S A7 9/25/34	280,417	1.47	281,817
	TOTAL MORTGAGE SECURITIES	<u>7,165,505</u>	<u>32.80</u>	<u>6,271,918</u>
<u>INVESTMENTS IN SECURITIES</u>				
<u>INVESTMENT FUNDS</u>				
Europe				
40,429.68	Baring Directional Fund USD	<u>400,000</u>	<u>2.05</u>	<u>392,976</u>
	TOTAL INVESTMENTS IN SECURITIES	<u>\$19,180,724</u>	<u>95.18%</u>	<u>\$ 18,200,976</u>

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

LOM FIXED INCOME FUND LIMITED

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2005

INVESTMENT INCOME

Interest \$ 1,686,819

EXPENSES

Management fees	\$ 185,207
Administration fees	9,943
Custodian fees	6,958
Professional fees	24,537
Miscellaneous	<u>4,064</u>

TOTAL EXPENSES 230,709

NET INVESTMENT INCOME 1,456,110

REALIZED AND UNREALIZED LOSS ON INVESTMENTS

Net realized loss on sale of investments	(928,385)
Net change in unrealized depreciation of investments	<u>(215,249)</u>

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS (1,143,634)

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$ 312,476

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

LOM FIXED INCOME FUND LIMITED

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2005

INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS

Net investment income	\$ 1,456,110
Net realized loss on sale of investments	(928,385)
Net change in unrealized depreciation of investments	<u>(215,249)</u>

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

\$ 312,476

INCREASE (DECREASE) IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS

Proceeds from issuance of 399,677.410 shares	4,465,449
Payment on redemption of 460,148.591 shares	<u>(5,125,608)</u>

NET DECREASE IN NET ASSETS RESULTING FROM CAPITAL SHARE TRANSACTIONS

(660,159)

NET DECREASE IN NET ASSETS

(347,683)

NET ASSETS - Beginning

19,471,251

NET ASSETS - Ending

\$19,123,568

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

LOM FIXED INCOME FUND LIMITED

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Net increase in net assets resulting from operations		\$ 312,476
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Purchase of investment securities	\$(27,538,164)	
Proceeds from sale of investment securities	26,555,524	
Net realized loss on sale of investments	928,385	
Net change in unrealized depreciation of investments	215,249	
Changes in operating assets and liabilities:		
Receivable for investments sold	298,010	
Accrued interest	80,442	
Accounts payable and accrued expenses	<u>(3,980)</u>	

TOTAL ADJUSTMENTS 535,466

NET CASH PROVIDED BY OPERATING ACTIVITIES 847,942

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issuance of shares	4,465,449
Payments on redemption of shares	<u>(5,125,608)</u>

NET CASH USED IN FINANCING ACTIVITIES (660,159)

NET INCREASE IN CASH AND CASH EQUIVALENTS 187,783

CASH AND CASH EQUIVALENTS - Beginning 603,016

CASH AND CASH EQUIVALENTS - Ending \$ 790,799

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

LOM FIXED INCOME FUND LIMITED

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Organization and Operations

LOM Fixed Income Fund Limited (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 with the Cayman Islands Monetary Authority. The Fund is listed on the Bermuda Stock Exchange.

The Fund's investment objective is to achieve above-average total returns while employing an absolute return mandate. The Fund will seek to achieve its investment objective by selective investment in fixed income securities and open and closed-ended mutual funds.

Lines Overseas Management Limited (the "Administrator") acts as administrator, registrar and transfer agent for the Fund. LOM Asset Management Limited ("LOMAM") acts as Investment Manager. The Administrator also acts as paying agent and custodian to the Fund.

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

NOTE 2 - Summary of Significant Accounting Policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Investment Transactions and Valuation

Investment transactions are accounted for on a trade date basis. Investments in fixed income securities are valued at the closing market price on the principal exchanges on which they are traded on the valuation day. Securities for which no sale was reported on the valuation day are valued at the closing market bid price. Broker quotes are used to value certain securities when the Investment Manager believes these quotes are representative of fair value. 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.

Realized and unrealized gains and losses on investments are calculated using the average cost method and are recorded in the accompanying statement of operations.

LOM FIXED INCOME FUND LIMITED

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. dollar. 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 net change in unrealized depreciation on investments.

Realized and unrealized foreign exchange gains and losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities 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 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, 2005, the value of the investment was \$705,255 (representing 6,451.563 shares) in the US Dollar Class of LOM Money Market Fund Limited.

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 FIXED INCOME FUND LIMITED

NOTES TO 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. Participating 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 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.

Shares are subscribed for and redeemed on each Dealing Day at a value 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, 2005, LOM Nominees Limited ("LOM Nominees") held all the shares of the Fund. During the year ended December 31, 2005, LOM Nominees bought 399,677.410 and sold 460,148.591 shares of the Fund.

NOTE 4 - Management Fee

The Investment Manager is entitled to receive an annual fee of 1% of the Fund's net asset value, accrued weekly and payable quarterly.

Management fees for the year ended December 31, 2005 totaled \$185,207 of which \$46,517 is payable at December 31, 2005.

NOTE 5 - Custodian Fee

Under the Custody Agreement dated March 31, 2000, the Custodian is entitled to receive a fee of 0.05% per annum of the net asset value of the Fund, calculated and payable on a weekly basis, subject to a minimum of \$3,000 per year. During 2005, the Custodian charged the Fund fees totaling \$6,958.

LOM FIXED INCOME FUND LIMITED

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - Administration Fees

Effective February 1, 2002, the Administrator is entitled to receive an estimated fee of \$10,000 per annum. During 2005, the Administrator charged the Fund fees totaling \$9,943.

NOTE 7 - Taxation

Under current Cayman Islands law the Fund is not required to pay taxes in the Cayman Islands on income, profits or capital gains. The Fund obtained an exemption from the Cayman Islands authorities on March 14, 2000 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 a 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. As a result, Management has made no provision for income taxes in these financial statements.

NOTE 8 - Derivative Financial Instruments and Risk Management

The Fund does not buy or hold derivative financial instruments. Some of the investee funds 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 investee funds in excess of the amount invested in these instruments. However, the Fund's risk is limited to the net asset value of its investments in the investee funds.

NOTE 9 - 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, accrued interest and accounts payable and accrued expenses approximate their carrying values due to the short term maturity of these financial instruments.

NOTE 10 - 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.

LOM FIXED INCOME FUND LIMITED

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - Financial Highlights

Financial highlights for the year ended December 31, 2005 are as follows:

Per Share Operating Performance:

Net asset value per share, beginning of year	\$11.080
Net investment income	0.874
Net realized and unrealized loss on investments	<u>(0.684)</u>
Net asset value per share, end of year	<u>\$11.270</u>
Total Return	1.69%

Ratio to Average Net Assets:

Total expenses	1.24%
Net investment income	7.83%

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, 2005.

NOTE 12 - Financial Instruments

Credit and Liquidity Risk

The Fund is potentially subject to both credit and liquidity risk, principally with cash and cash equivalents and investments in securities. The Fund's credit risk is the replacement cost at the then estimated fair value of the instrument. As the Fund places its cash and cash equivalents with high credit quality financial institutions, management believes that the risk of incurring losses with these financial instruments is remote and that such losses, if any, would not be material.

NOTE 13 - Subsequent Events

Effective January 1, 2006, the Fund entered into an agreement with Dundee Leeds of Cayman to serve as the Fund's Administrator, Registrar and Transfer agent. The agreement calls for annual administrative fees of the higher of 0.05% per annum of the net asset value of the Fund or \$115,000 per annum, 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.