LOM (HOLDINGS) LIMITED
(INCORPORATED IN BERMUDA)

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2007 and 2006
(Expressed in U.S. Dollars)

LOM (HOLDINGS) LIMITED

CONTENTS

Marcum & Kliegman LLP
Certified Public Accountants & Consultants
A Limited Liability Partnership Consisting of Professional Corporations

INDEPENDENT AUDITORS' REPORT

To the Stockholders of
LOM (Holdings) Limited

We have audited the accompanying consolidated balance sheets of LOM (Holdings) Limited and Subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 Company'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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LOM (Holdings) Limited as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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As more fully described in Note 18 to the consolidated financial statements, the United States Securities and Exchange Commission ("SEC") commenced an investigation of the Company and certain senior officers on January 23, 2003. On December 19, 2007, the SEC filed civil charges against the Company, a senior officer and a former senior officer alleging violations of United States securities laws. The Company denies the charges and has retained legal counsel to defend itself. In the Complaint filed in the United States District Court Southern District of New York, the SEC has requested the Company be enjoined from further violations of securities laws, pay civil fines, and be permanently barred from participating in the United States penny stock market. Management has accrued a liability in the accompanying financial statements for the estimated legal fees and other associated costs to defend and resolve the matter in the amount of $2.956 million.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information contained in the five year comparison table in Note 19 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information, except for the amounts for 2003 on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and, in our opinion, the information for 2007, 2006, 2005 and 2004 is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole. The amounts presented in Note 20 for 2003 were audited by other auditors, whose opinion was disclaimed in 2003.

Marcum & Kliegman LLP

Melville, NY
April 24, 2008

LOM (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006
(Expressed in U.S. Dollars)

ASSETS

	2007	2006
Cash and cash equivalents	$ 8,409,234	$ 9,701,791
Restricted cash	131,946	125,928
Securities owned:		
Marketable securities at fair value (cost: 2007 - $2,659,487 2006 - $2,041,435)	2,567,586	2,656,648
Non-marketable securities at estimated fair value	2,321,865	102,281
Other receivables	561,556	241,670
Employee loans receivable	970,862	--
Direct finance lease receivable	71,677	300,259
Client accounts receivable	1,598	3,495
Due from related parties	8,145	369
Prepaid expenses	265,398	247,399
Investment in Yorkstreet Holdings Limited – equity method	1,176,548	779,070
Property and equipment, net	9,345,224	9,257,592
TOTAL ASSETS	$25,831,639	$23,416,502

LIABILITIES AND STOCKHOLDERS' EQUITY

	2007	2006
LIABILITIES		
Securities sold short (proceeds: 2007 - $4,936, 2006 - $805,773), at market value	$ 9,860	$ 1,453,726
Accounts payable and accrued liabilities	921,376	830,521
Accrued health insurance benefits	64,703	--
Accrued legal fees and litigation expenses	2,955,754	892,152
TOTAL LIABILITIES	3,951,693	3,176,399
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common shares, par value $0.10 per share; 20,000,000 shares authorized, and 6,422,000 (2006 - 6,524,600) shares issued and outstanding	642,200	652,460
Additional paid-in capital	4,187,206	4,548,428
Loans receivable for issuance of common stock	(215,860)	(243,000)
Retained earnings	16,987,219	15,282,215
Accumulated Other Comprehensive Income	279,181	--
TOTAL STOCKHOLDERS' EQUITY	21,879,946	20,240,103
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$25,831,639	$23,416,502

Approved by the Board of Directors:

Director

Director

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

LOM (HOLDINGS) LIMITED

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2007 and 2006
(Expressed in U.S. Dollars)

	2007	2006
REVENUES		
Broking fee income	$ 6,804,393	$ 7,398,720
Management and investment advisory fees including related party management fees of $1,101,047 in 2007 and $1,058,998 in 2006	1,705,676	1,728,120
Net interest income	1,876,783	1,588,119
Rental income, including related party rent of $211,600 in both 2007 and 2006	645,031	628,873
Other income	358,110	313,619
Investment income (loss) recorded under the equity method	156,622	(14,437)
Foreign exchange income	739,005	762,666
Net trading gains on securities	2,869,294	134,131
Corporate finance income	1,271,173	167,714
Administration and custody fees	98,832	103,916
TOTAL REVENUES	16,524,919	12,811,441
OPERATING EXPENSES		
Employee compensation and benefits	3,868,118	3,121,612
Commissions and referral fees	3,307,635	2,714,291
Computer and information services	719,950	675,010
Depreciation of property and equipment	369,521	351,580
Jitney fees	899,572	899,785
Professional fees	2,959,326	1,728,651
Occupancy	615,140	587,830
Administration	622,422	298,771
Insurance	188,638	236,645
Bad debts (recovery)	(1,097)	(5,250)
Custodial charges	593,844	517,116
Net foreign exchange transaction (gains) losses	(96,468)	32,811
TOTAL OPERATING EXPENSES	14,046,601	11,158,852
NET INCOME	$ 2,478,318	$ 1,652,589
NET INCOME PER COMMON SHARE Basic and diluted	$0.38	$0.26
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: Basic and diluted	$6,477,304	$6,378,490

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

LOM (HOLDINGS) LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

For the Years Ended December 31, 2007 and 2006
(Expressed in U.S. Dollars)

	Common Stock							
	Number of Shares	Amount	Additional Paid-in Capital	Loans Receivable for Issuance of Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total	Total Comprehensive Income
BALANCE – January 1, 2006	6,290,500	$629,050	$4,080,408	(37,500)	$20,654,936	$ --	$25,326,894	
Net income	--	--	--	--	1,652,589	--	1,652,589	$1,652,589
Exercise of stock options	295,000	29,500	630,950	--	--	--	660,450	
Share purchase loan issued from Exercise of stock options	--	--	--	(290,050)	--	--	(290,050)	
Repurchase and retirement of common stock	(60,900)	(6,090)	(162,930)	--	--	--	(169,020)	
Payment of loans receivable for issuance of common stock	--	--	--	34,800	--	--	34,800	
Dividends declared	--	--	--	49,750	(7,025,310)	--	(6,975,560)	
BALANCE – December 31, 2006	6,524,600	652,460	4,548,428	(243,000)	15,282,215	--	20,240,103	
Accumulated adjustment – change in accounting policy from investment recorded under the equity method	--	--	--	--	--	671,628	671,628	
Components of comprehensive income: Net income	--	--	--	--	2,478,318	--	2,478,318	$2,478,318
Comprehensive loss from investment recorded under the equity method	--	--	--	--	--	(392,447)	(392,447)	(392,447)
Total Comprehensive Income								$2,085,871
Repurchase and retirement of common stock	(102,600)	(10,260)	(370,966)	--	--	--	(381,226)	
Payment of loans receivable for issuance of common stock	--	--	--	12,140	--	--	12,140	
Compensation expense – grant of Stock options	--	--	9,744	--	--	--	9,744	
Dividends declared	--	--	--	15,000	(773,314)	--	(758,314)	
BALANCE – December 31, 2007	6,422,000	$642,200	$4,187,206	$(215,860)	$16,987,219	$279,181	$21,879,946	

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

LOM (HOLDINGS) LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2007 and 2006
(Expressed in U.S. Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,478,318	$ 1,652,589
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	369,521	351,580
Net foreign currency transaction (gain) loss	(96,468)	32,811
Bad debt provision on direct finance leases	3,140	3,140
Unearned income on direct finance leases	3,167	23,172
Stock option compensation expense	9,744	--
Net (income) loss from equity method investments	(156,622)	14,437
Dividends received from equity method investments	38,325	--
Unrealized gains on securities owned	(2,034,054)	(2,184,070)
Changes in operating assets and liabilities:		
Other receivables	(319,886)	57,122
Direct finance lease receivable	222,275	360,501
Employee loans receivable	(970,862)	--
Client accounts receivable	1,897	6,043
Due from related parties	(7,776)	7,432
Prepaid expenses	(17,999)	5,791
Securities sold short	(1,443,866)	1,453,595
Accounts payable and accrued liabilities	90,855	(207,029)
Accrued health insurance benefits	64,703	--
Accrued legal fees and litigation expenses	2,063,602	--
Restricted cash	(6,018)	(5,640)
TOTAL ADJUSTMENTS	(2,186,322)	(81,115)
NET CASH PROVIDED BY OPERATING ACTIVITIES	291,996	1,571,474
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(457,153)	(45,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	--	370,400
Repurchase of common stock	(381,226)	(169,020)
Repayment of common stock purchase loan to employees	12,140	34,800
Dividends paid	(758,314)	(6,975,560)
NET CASH USED IN FINANCING ACTIVITIES	$(1,127,400)	$(6,739,380)

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

LOM (HOLDINGS) LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued

For the Years Ended December 31, 2007 and 2006
(Expressed in U.S. Dollars)

	2007	2006
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (1,292,557)	$ (5,213,158)
CASH AND CASH EQUIVALENTS - Beginning	9,701,791	14,914,949
CASH AND CASH EQUIVALENTS - Ending	$ 8,409,234	$ 9,701,791

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Non-Cash Financing Activities:

	2007	2006
Issuance of share purchase loans to employees	$ Nil	$ 290,050
Dividends paid during the year, offset against share purchase loans	$ 15,000	$ 49,750

	2007	2006
Components of net change in investments recorded under the equity method		
Net (income) loss	$ (156,622)	$ 14,437
Dividends received	38,325	--
Accumulated adjustments	(671,628)	--
Items of comprehensive income	392,447	--
Net change	$ (397,478)	$ 14,437

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

NOTE 1 - Nature of Business

LOM (Holdings) Limited ("Holdings"), a holding company for several wholly owned subsidiaries, was incorporated on May 1, 1996 under the laws of Bermuda. The common stock of Holdings is publicly traded and listed on the Bermuda Stock Exchange. Holdings, collectively with its subsidiaries is referred to as the "Company" or the "LOM Group of Companies."

A description of the operations of Holdings' wholly-owned subsidiaries is as follows:

LOM Securities (Bermuda) Limited ("LOMB") was incorporated in 1998 to provide investment and financial advice, brokerage services and discretionary investment management services. LOMB is domiciled and operates in Bermuda and is regulated under the Investment Business Act (2003) of Bermuda.

LOM Securities (Cayman) Limited was incorporated in 1995 under the laws of the Cayman Islands as an exempt company with limited liability and is regulated by the Cayman Islands Monetary Authority. On November 27, 1995, the Company was granted a Company Managers License, under section 4 of the Companies Management Law, 1984. LOM Securities (Cayman) Limited is domiciled in Cayman and provides investment and financial advice, brokerage services and discretionary investment management services to sophisticated and high net worth investors.

LOM Securities (Bahamas) Limited was incorporated in 2001 in the Commonwealth of The Bahamas and is regulated by the Securities Commission of the Bahamas. LOM Securities (Bahamas) Limited is domiciled in the Bahamas and provides investment and financial advice, brokerage services and discretionary investment management services.

LOM Asset Management Limited was incorporated in 1995 to offer its services as investment consultant, manager and advisor. LOM Asset Management Limited is domiciled and operates in Bermuda and is regulated under the Investment Business Act (2003) of Bermuda.

Lines Overseas Management Limited ("LOML") was incorporated in 1992, to provide custody, settlement and execution services and certain administrative services to other companies in the LOM Group of Companies. LOML operates in Bermuda and is regulated under the Investment Business Act (2003) of Bermuda.

LOM Properties Limited was incorporated in 1996 to hold property for Holdings in Bermuda.

NOTE 1 - Nature of Business, continued

LOM Capital Limited ("LOMCP") was incorporated in 1998 to offer services to source, value, document and close capital investments in growing companies. LOMCP is domiciled and operates in Bermuda.

LOM Services Limited, a Bermuda company, was incorporated in 2003 to provide information technology, finance and human resource services to the LOM Group of Companies and external clients.

LOM Nominees Limited, a Bermuda company, was incorporated in 1994 to perform nominee services.

LOM International Holdings Limited, a Bahamian company, was incorporated in the Commonwealth of the Bahamas in 2005 to hold the LOM Group of Companies non-Bermuda subsidiaries. Unlike Holdings, LOM International Holdings Limited is not restricted by the 60/40 Bermudian ownership rules and gives the group greater flexibility to engage in joint ventures or partnerships, should it choose to do so.

LOM (UK) Limited was incorporated in the United Kingdom in 2004 to market the LOM Group of Companies services to intermediaries in Europe. Additionally, it can provide assistance in administration for the LOM Group of Companies.

NOTE 2 - Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts and results of operations of all wholly-owned subsidiaries listed in Note 1. All inter-company transactions are eliminated in consolidation.

Broking Fee Income

Broking fee income represents amounts charged to clients for brokerage services and related jitney fees are amounts charged to the Company by the executing broker. Both are recognized on a trade date basis.

Management and Investment Advisory Fees

The LOM Group of Companies also receives management fees for managing assets on a discretionary basis for both private and institutional clients and earns management fees based on the value of the portfolio, which are recorded on an accrual basis.

NOTE 2 - Significant Accounting Policies, continued

Management and Investment Advisory Fees, continued
The LOM Group of Companies also earns management fees from the following mutual funds traded on the Bermuda Stock Exchange (collectively referred to as the LOM Sponsored Funds), which are recorded on an accrual basis, based on the daily net asset values:

- LOM Money Market Fund Limited
- LOM Fixed Income Fund Limited
- LOM Global Equity Fund Limited
- LOM Balanced Fund Limited

Foreign Exchange Income
Foreign exchange income represents income from foreign currency transactions facilitated for customers and is based on the current foreign exchange rates, net of foreign exchange rates charged by external brokers. Foreign exchange income is recorded on a trade date basis.

Corporate Finance Income
Corporate finance income is received in the form of cash, securities or warrants from its underlying investments. When corporate finance income is received in the form of securities, the Company records income based on the fair value of the securities received as of the date of the transaction. Fair value is the last reported sales price on the main market in which the investments trade on the date of valuation. Where there are no sales on that day, the mid-market prices are used. Restricted securities are valued similarly, however, the directors may apply a discount to the valuation to reflect the best estimate of fair value. Where income is received in the form of warrants, the Board of Directors determines a price based on the fair value of the warrant, which may include discounts for restricted securities. Corporate finance income for 2007 amounted to $1,271,173 (2006 $167,714).

Administration Fee Income
Administration fees, charged for the administrative and custodial services provided to the LOM Sponsored Funds, are recorded on an accrual basis.

Net Interest Income
Net interest income is a combination of interest charged to or paid to clients based on their daily cash balances and interest received or paid on the Company's cash balances from and to brokers and custodians and direct finance leases. Interest income for 2007 amounted to $3,005,771 (2006 - $2,531,928). Interest expense for 2007 amounted to $1,128,988 (2006 - $943,809).

NOTE 2 - Significant Accounting Policies, continued

Other Income
Other income earned includes fees for settlement of client investment transactions. Fees earned for settlement of client investment transactions are recorded on a transaction date basis.

Rental Income
Rental income includes rent received from related parties and is recorded on an accrual basis. (See Note 11)

Operating Expenses
The Company recognizes operating expenses as incurred and makes accruals for any amounts incurred but unpaid at the end of a reporting period. An allowance for doubtful accounts is recorded when management believes collection is in doubt. Recoveries of bad debts, if any, are recorded when received.

Accounts Payable and Accrued Expenses
Accounts payable and accrued expenses as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Professional fees	$272,711	$241,317
Payroll taxes	127,672	142,456
Directors fees	72,500	76,500
Commissions	27,076	77,856
Accounts payable	123,722	81,805
Credit card payables	32,932	23,513
Accrued operating expenses	264,763	187,074
Total	$921,376	$830,521

Loss Contingencies
In making a determination of the amount to accrue for a loss contingency involving litigation, the Company's policy has been to accrue for expected legal fees and associated costs related to the litigation when the loss contingency is initially recorded, not when the legal services are actually provided.

Cash and Cash Equivalents
For purposes of the consolidated statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of 90 days or less that are not held for sale in the ordinary course of business. Cash and cash equivalents can include time deposits, money market funds and U.S. Treasury bills with original maturities of 90 days or less.

NOTE 2 - Significant Accounting Policies, continued

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. The costs of normal maintenance and repairs are charged to expense in the year incurred. Expenditures which significantly improve or extend the life of an asset are capitalized and depreciated over the assets remaining useful life.

Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized over the lesser of the life of the asset or the length of the lease term, which approximates 4 years as of December 31, 2007. Upon sale or disposition, the related cost and accumulated depreciation are removed from this account and the result of gain or loss, if any, is reflected in earnings. The useful lives are as follows:

Building	40 years
Computer hardware and software	3 years
Fixtures and fittings	4 years
Leasehold improvements	4 - 6 years
Machinery and equipment	4 years

Unclaimed Cash and Securities

Client funds received and unclaimed after a three-year period are included as income under the category of broking fees. Securities received and unclaimed after a five-year period are sold and included as income under the category of broking fees. During 2007, the amount of unclaimed cash and proceeds from the sale of unclaimed securities included in income was $10,286 (2006 - $236,104).

Foreign Currency Transactions and Balances

The Company has adopted U.S. Dollars as its functional currency for Holdings and all subsidiaries (including LOM (UK) Limited) because the majority of the Company's transactions and assets under management are denominated in U.S. Dollars. Bermuda Dollars and Bahamian Dollars trade at par with the U.S. Dollar. Therefore, no foreign currency translation gains or losses are recorded in the accompanying consolidated financial statements. Foreign currency transaction gains or losses are recorded at the prevailing foreign exchange rates on the date of the transaction and are reflected in earnings for the year in the accompanying consolidated statement of income.

Securities Owned

Securities owned are investments such as bonds and equities that are both marketable and non-marketable. These investments consist of trading investments, securities received as income from corporate finance transactions and other strategic investments. Realized and unrealized gains or losses for trading securities and strategic investments are reflected in

NOTE 2 - Significant Accounting Policies, continued

Securities Owned, continued

earnings for the year and are reflected as net trading gains and losses in the consolidated statements of income. Realized gains or losses are based on the average cost of the securities. Security transactions are recorded on a trade date basis. Marketable securities are valued at the last reported sales price on the main market in which the investments trade on the date of valuation. Where there are no sales on that day, the mid-market prices are used. For securities with no readily available market price or where the security is restricted, the securities are recorded at the estimated fair valued as determined by management and the Board of Directors, generally by reference to market prices and other analytics for securities traded in ready markets for similar companies. The use of different assumptions or valuation techniques could produce materially different estimates of fair value. Non-marketable equity securities of $2,321,865 were valued by management and determined in good faith as of December 31, 2007.

The actual values ultimately realized upon liquidation of any or all unrestricted and restricted securities may vary from valuations provided herein and the differences could be material. Many of the stocks and warrants held are in small cap companies and are highly volatile with thinly traded daily volumes. Sudden sharp declines in the market value of such securities can result in very illiquid markets. Management and the directors have taken all of these factors into account, including the fact that some securities it holds are currently restricted as to sale, in arriving at their best estimate of the fair value of the securities. At December 31, 2007, equity securities of $41,708 (2006 - $8,079) and warrants of $Nil (2006 - $4,312) were valued by the Board of Directors.

For the purposes of the consolidated statement of cash flows, the Company elected to present only the unrealized gains on securities owned as a reconciling item. Proceeds from sales of securities and costs of securities purchased were omitted and are not material to the financial statements as a whole.

Investments Recorded Under the Equity Method

For investments in entities that do not constitute a Variable Interest Entity “VIE”, the Company considers other GAAP, as required, in determining (i) consolidation of the entity if the Company’s ownership interests comprise a majority of its outstanding voting stock or otherwise control the entity, or (ii) application of the equity method of accounting if the Company does not have direct or indirect control of the entity, with the initial investment carried at cost and subsequently adjusted for the Company’s share of net income or loss and cash contributions and distributions to and from these entities.

If events or circumstances indicate that the fair value of an investment accounted for using the equity method has declined below its carrying value and the Company considers the decline to be "other than temporary," the investment is written down to fair value and an impairment loss is recognized. The evaluation of impairment for an investment would be

NOTE 2 - Significant Accounting Policies, continued

Investments Recorded Under the Equity Method, continued
based on a number of factors, including financial condition and operating results for the investment, inability to remain in compliance with provisions of any related debt agreements, and recognition of impairments by other investors. Impairment recognition would negatively impact the recorded value of the Company's investment and reduce net income.

Other Comprehensive Income
Other comprehensive income represents the Company's proportional share of items of other comprehensive income related to the Company's investments recorded under the equity method of accounting. For the year ended December 31, 2007, other comprehensive income represents unrealized losses on investments recorded under the equity method of accounting and an accumulated adjustment for a change in accounting policy by its equity method investment (see Note 5).

Stock-Based Compensation Plans
Effective on January 1, 2006, the Company accounts for share-based compensation under SFAS No. 123(R). The Company granted 1,375,000 new awards during 2007. All previously issued options were fully vested in 2005 or prior and accordingly the Company did not recognize compensation expense for outstanding stock options during the year ended December 31, 2006.

In 2007, stock option issuances were calculated at a weighted average fair value at grant date of $0.035 using Black-Scholes option pricing model using four years as expected life of the option (using the simplified method), 3.2% dividend yield rate, 10% volatility (expected based on historical experience) and 4.8% risk free interest rate. Compensation expense of $9,744 was recognized during the year ended December 31, 2007 (see Note 8).

Fair Value of Financial Instruments
The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, securities owned, securities sold short, accounts payable and accrued liabilities. The book value of cash and cash equivalents, accounts receivable, and accounts payable is considered to be representative of their fair value because of their short term maturities.

Concentration of Credit Risk
Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents and securities owned. The Company has its cash and cash equivalents and securities placed with high quality, creditworthy financial institutions. As part of its cash management process, the Company performs continuous evaluation of the relative credit standing of these institutions.

NOTE 2 - Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from the other sources. The most significant estimates include property and equipment valuation of non-marketable investments, accrued expenses, and recognition of revenue.

On a continual basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

Direct Finance Leases

The Company accounts for direct finance leases with its customers in accordance with SFAS No. 13 “Accounting for Leases”. Finance lease income is recognized in a manner that produces a constant rate of return on the investment in the lease over the lease term which is predominantly three years in duration. The investment in the lease, for purposes of income recognition, is composed of net minimum lease payments and unearned finance income. A zero residual value is assumed on the leases and no funding costs are incurred.

Net Income Per Common Share

The Company calculates basic net income per common share and net income per common share assuming dilution. Basic net income per common share is calculated by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding during the period.

Diluted net income per common share is calculated by dividing the net income attributable to common stockholders by the weighted average number of common shares outstanding during the period, plus potential dilutive common shares. Options issued by the Company are considered potential dilutive common shares and are included in the calculation using the treasury stock method, unless their inclusion would be considered anti-dilutive.

Securities that could potentially dilute basic net income per common share in the future, that were not included in the computation of the 2007 diluted net income per common share because to do so would have been anti-dilutive for the periods presented, consist of 1,375,000 options to purchase common stock. There are no outstanding options as of December 31, 2006.

NOTE 2 - Significant Accounting Policies, continued

Net Income Per Common Share, continued

The following table sets forth the components used in the computation of basic and diluted net income per common share:

	2007	2006
Numerator:		
Net income	$2,478,318	$1,652,589
Denominator:		
Weighted average common shares outstanding-basic	$6,477,304	$6,378,490
Add – incremental shares from stock options	--	--
Weighted average common shares outstanding assuming dilution	$6,477,304	$6,378,490

Securities Sold Short

The Company may sell a security it does not own in anticipation of a decline in fair value of the security, or as a hedge against similar securities owned. When the Company sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. Obligations related to securities sold short are recorded as a liability at fair value. Realized and unrealized gains and losses are recorded in net trading gains in the consolidated statement of income. A gain, limited to the price at which the Company sold the security short, or a loss, unlimited in size, is recognized on a monthly basis.

Recently Issued Accounting Pronouncements

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards 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 Company is in the process of evaluating the impact of the adoption of SFAS 157 on the Company and does not expect the adoption to have a material impact on the Company'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.

NOTE 2 - Significant Accounting Policies, continued

Recently Issued Accounting Pronouncements, continued

Fair Value Option for Financial Assets and Liabilities

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115" which permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option established by this Statement permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Adoption is required for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS Statement No. 157. The Company is currently evaluating the expected effect of SFAS No. 159 on its consolidated financial statements and is currently not yet in a position to determine such effects.

Non-controlling Interests in Consolidated Financial Statements

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary (previously referred to as minority interests). SFAS 160 also requires that a retained noncontrolling interest upon the deconsolidation of a subsidiary be initially measured at its fair value. Upon adoption of SFAS 160, the Company would be required to report any noncontrolling interests as a separate component of stockholders' equity. The Company would also be required to present any net income allocable to noncontrolling interests and net income attributable to the stockholders of the Company separately in its consolidated statements of income. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. SFAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 shall be applied prospectively. SFAS 160 would have an impact on the presentation and disclosure of the noncontrolling interests of any non wholly-owned businesses acquired in the future.

Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related

NOTE 2 - Significant Accounting Policies, continued

Recently Issued Accounting Pronouncements, continued

Disclosures about Derivative Instruments and Hedging Activities, continued
interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The guidance in SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. At this time, management is evaluating the implications of SFAS 161 and its impact on the financial statements has not yet been determined.

NOTE 3 - Securities Owned

Securities owned consist of the following:

	2007	2006
Marketable Securities:		
Equities	$2,567,586	$2,652,336
Warrants	--	4,312
Total Marketable Securities	2,567,586	2,656,648
Non-Marketable Equity Securities	2,321,865	102,281
	$4,889,451	$2,758,929

Equities include the market value of certain securities held by the Company as a hedge against certain derivative contracts entered into with customers. Upon executing these derivative contracts (contracts for differences, or "CFDs"), a customer purchases a CFD from the Company at a price based on the value of the relevant underlying security, which the Company records in its own accounts as a security sold short. In order to minimize the risk of loss, the Company concurrently purchases an equivalent amount of the underlying security for its own account, effectively hedging the risk of the CFD contract. As of December 31, 2007, the Company owned securities with a market value of $Nil (2006 - $1,384,981) related to CFDs. In 2006, the Company included an equivalent off-setting value in the securities sold short category in the consolidated balance sheet, representing the open CFD contracts.

Included in non-marketable securities is the Company's investment in the Bermuda Stock Exchange ("BSX") which amounts to approximately 19% of the outstanding shares valued at approximately $2,096,650 as of December 31, 2007 and nil at December 31, 2006. In 2003, the investment was deemed to be impaired and wrote down from $340,415 to nil.

NOTE 3 - Securities Owned, continued

During 2007, management determined that the investment was no longer impaired based on economic events and transactions entered into during the year. The stock of the BSX is not traded in an active market and management has estimated the fair value by using a price to earnings ratio of comparable securities exchanges.

NOTE 4 - Employee Loans Receivable

During the year ended December 31, 2007, the Company approved a loan facility of up to $350,000 to one of Holding's Directors. As December 31, 2007, the Director had drawn down $70,862 against the facility. The loan bears interest at the rate of 1% above the U.S. Dollar 3 month LIBOR rate set at the beginning of each calendar month. The interest rate at December 31, 2007 was 5.14063%. The note is due on demand. Interest earned on the loan for the year ended December 31, 2007 amounted to $260 and is include in net interest income.

As a result of LOM Securities (Bahamas) Limited relocating its offices from Freeport to Nassau on November 1, 2007, the Company provided a temporary loan to one of its Directors. The amount of the loan is $900,000 and bears interest at 7% annually. Interest earned on the loan for the year ended December 31, 2007 amounted to $10,675 and is included in net interest income. The loan was fully repaid on March 20, 2008.

NOTE 5 - Equity Investment in Yorkstreet Holdings Limited

	2007	2006
Yorkstreet Holdings Limited ("YHL")	$1,176,548	$779,070

The Company owns 127,750 (39.92%) ordinary shares of YHL, an affiliate, which is accounted for under the equity method. The Company's Chair of the Board of Directors is the Chair of YHL's Board of Directors and is involved in YHL's operations. The Company also engages in certain transactions with YHL (see note 11). YHL provides management services through its wholly owned subsidiaries. The Company's share of the net profit (loss) of YHL for the year ended December 31, 2007 was $156,622 (2006 – ($14,437)) and is included in other income. YHL paid a dividend during the year of $38,325 (2006 - $Nil) which was recorded as a reduction in the carrying value of the investment on the balance sheet.

YHL prepares its financial statements in accordance with Canadian GAAP. Effective on January 1, 2007, YHL adopted Section 3855 of the Canadian Institute of Chartered Accountants Handbook regarding recognition and measurement of financial instruments. This provision is similar to U.S. GAAP and requires reporting entities to

NOTE 5 - Equity Investment in Yorkstreet Holdings Limited, continued

categorize investments as trading, available-for-sale, and held-to-maturity with corresponding accounting for each category. As a result of this adoption, YHL recorded a cumulative adjustment on January 1, 2007 related to the valuation of available-for-sale securities. The Company recorded its proportional share of the cumulative adjustment in the amount of $671,628 in accumulated other comprehensive income on the statement of changes in stockholder's equity and comprehensive income. YHL also reported an unrealized loss related to the available-for-sale securities and the Company reported its proportional share of the loss in the amount of $392,447 on the statement of changes in stockholder's equity and comprehensive income.

NOTE 6 - Property and Equipment

	2007	2006
Building	$ 8,559,374	$ 8,559,374
Freehold land	2,008,192	2,008,192
Computer hardware and software	1,147,833	985,396
Fixtures and fittings	559,940	497,166
Leasehold improvements	502,608	300,753
Machinery and equipment	434,191	404,103
	13,212,138	12,754,984
Accumulated depreciation	3,866,914	3,497,392
Net carrying amount	$ 9,345,224	$ 9,257,592

Depreciation expense for the year ended December 31, 2007 amounted to $369,521 (2006 - $351,580).

NOTE 7 - Common Stock and Additional Paid-in Capital

The Board of Directors has authorized the Company to purchase up to $1,000,000 of its own shares from existing stockholders at no fixed price per share and that the shares purchased be retired. Such repurchase is subject to appropriate market conditions and repurchases will only be made in the best interest of the Company. During the year the Company repurchased 102,600 (2006 - 60,900) shares on the open market at an average price of $3.72 (2006 - $2.78) per share, for cash. These shares were immediately retired upon purchase.

NOTE 8 - Stock-Based Compensation Plans

From time to time the Company may grant stock options to executive and management personnel at its discretion. A summary of the status of the plan as of December 31, 2007 and 2006, and changes during the years then ended are presented below:

Directors' and Executive Stock Option Plan

	2007				2006			
	Number Of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Terms (in years)	Aggregate Intrinsic Value	Number Of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Terms (in years)	Aggregate Intrinsic Value
Outstanding – Beginning	Nil	$0.00			730,000	$ 7.56		
Granted	1,275,000	5.15		--	--	--		--
Exercised	--	0.00			(230,000)	2.24		
Forfeited	--	0.00			(500,000)	10.00		
Outstanding – Ending	1,275,000	$5.15	4.5 years	--	Nil	$ 0.00	0 year	--
Vested and exercisable	255,000	$5.15			Nil	$ 0.00		

On June 15, 2007, the Board of Directors granted and authorized the issuance of 1,275,000 stock options with an exercise price of $5.15 with an expiry date of June 14, 2012. The vesting period is 20% immediately and 20% annually on the anniversary date of the grants until fully vested. The fair value of shares vested during the year amounted to $9,036, and the weighted average fair value of options granted $45,178. As of December 31, 2007, there was $36,142 of total unrecognized compensation costs related to stock options granted which is expected to be recognized at 20% per year for the next 4.5 years.

On January 9, 2006, the Board of Directors retroactively authorized as of January 1, 2006 that 105,000 stock options with an exercise price of $2.89 be extended for twelve months to expire on December 31, 2006. These options were exercised in 2006. This modification did not result in any additional compensation cost to the Company.

NOTE 8 - Stock-Based Compensation Plans, continued

Employee Stock Option Plan

	2007				2006			
	Number Of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Terms (in years)	Aggregate Intrinsic Value	Number Of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Terms (in years)	Aggregate Intrinsic Value
Outstanding – Beginning	Nil	$ --			100,000	$3.33		
Granted	100,000	5.15		--	--	--		--
Exercised	--	--			(65,000)	2.24		
Forfeited	--	--			(35,000)	3.38		
Outstanding – Ending	100,000	$5.15	4.5 year	--	Nil	$ --	0 year	--
Vested and exercisable	20,000	$5.15			Nil	$ --		

On June 15, 2007, the Board of Directors granted and authorized the issuance of 100,000 stock options with an exercise price of $5.15 with an expiry date of June 14, 2012. The vesting period is 20% immediately and 20% annually on the anniversary of the grants until fully vested. The fair value of shares vested during the year amounted to $708, and the weighted average fair value of options granted $3,543. As of December 31, 2007, there was $2,835 of total unrecognized compensation costs related to stock options granted which is expected to be recognized at 20% per year for the next 4.5 years.

On January 9, 2006, the Board of Directors retroactively authorized as of January 1, 2006 that 30,000 stock options for employees with an exercise price of $2.89 and 40,000 stock options for employees with an exercise price of $3.50 be extended for a further twelve months to expire on December 31, 2006. These options were exercised in 2006. This modification did not result in any additional compensation cost to the Company.

	2007	2006
Stock options exercised	Nil	295,000
Aggregate proceeds	Nil	$660,450
Compensation deduction for tax purposes	n/a	n/a
Tax benefit credited to capital in excess of par	n/a	n/a

NOTE 9 - Stock Purchase Loans

During 2007, loans of $Nil were provided to employees, directors and officers (2006 - $290,050) to exercise stock options (2006 - 140,000 options). As of December 31, 2007, employee loans receivable relating to previous stock option exercises amounted to $215,860 (2006 - $243,000). These loans are to be repaid over a five-year period ending November 20, 2011. At December 31, 2007, common stock of the Company with a market value of $500,000 is held in two escrow accounts as collateral for the loans.

NOTE 10 - Assets Under Administration

Cash, securities and properties held in the Company's role as custodian for customers are not included in the consolidated balance sheet as they are not the property of the Company. The Company is licensed by the Bermuda Monetary Authority under the Investment Business Act of 2003 and approved to hold client assets. The fair value of assets under administration as of December 31, 2007 is $1,133,935,693 (2006 - $985,016,164).

NOTE 11 - Related Party Transactions

During the year, the Company earned broking fee revenue from directors and employees of approximately $50,000 (2006 - $100,000).

During the year, the Company had transactions with stockholders who are also Directors and employees of the Company. These transactions consisted of commission expenses of $792,886 (2006 - $904,393) and referral fee expenses of $2,236 (2006 - $5,258).

For 2007 and 2006, the Company earned rent and service charge income of $19,696 per month (approx. $236,358 annually) from YHL. In addition, the Company earned $31,830 (2006 - $31,230) for information technology services, recorded in other income, of which $8,145 (2006 - $369) has not been repaid prior to year end.

During the year, the Company paid $61,085 (2006 - $57,893) for corporate services, recorded in professional fees, provided by Waterstreet Corporate Services, a subsidiary of YHL. However, $24,493 (2006 – $23,893) of this amount was paid for government annual fees.

The Company earned management fees during the year of $1,101,047 (2006 - $1,058,998) from the LOM Sponsored Funds, of which $6,034 (2006 - $94,187) was receivable at year end.

The Company is the custodian for the LOM Sponsored Funds and receives a custodial fee, recorded in administrative and custody fees, of $98,832 (2006 - $103,916) for these services.

NOTE 12 - Restricted Cash

The Company established a corporate credit card facility for certain employees and the facility has credit card limits available of $127,000 (2006- $122,000) which requires cash collateral of 100%. This collateral is held in a U.S. Dollar Money Market Fund at the Bank of Butterfield and the fair value of these investments was $131,946 (2006 - $125,928). The liability for the corporate credit card facility was $35,468 (2006 - $23,513) and is included in accounts payable and accrued liabilities in the consolidated balance sheet.

NOTE 13 - Financial Instruments

The fair value of the Company's financial instruments approximate the carrying value as stated in the accompanying financial statements.

In the normal course of trading, the Company is party to certain financial instruments with off-balance sheet risk, where the risk of potential loss due to changes in the market ("market risk") or failure of the other party to the transaction to perform (credit risk) exceeds the related amounts recorded. The Company attempts to manage these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies. (See also Note 17 for client related off-balance sheet risks).

Credit Risk
The Company is potentially subject to credit risk associated with its cash and cash equivalents and securities owned. The Company's credit risk is equal to the replacement cost at the then-estimated fair value of the instrument, less recoveries. As the Company places its cash and cash equivalents and securities 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.

Liquidity Risk
The Company is potentially subject to liquidity risk with some of its non-marketable or illiquid securities owned. As a result, the Company may be unable to realize the full fair value of these securities.

Market Risk
The Company is subject to market risk with its securities owned. As a result of changes in market conditions, the values of these financial instruments will fluctuate.

NOTE 14 - Future Lease Payments

The Company leases office space under operating leases for certain of its overseas operations. Future annual minimum lease payments (excluding real estate taxes and maintenance costs) are as follows:

For the Years Ending December 31,	Amount
2008	$167,030
2009	58,702
2010	58,702
2011	58,702
2012	48,918
Total	$392,054

NOTE 14 - Future Lease Payments, continued

Operating lease rent expense (including real estate taxes and maintenance costs) were $170,103 and $160,091 for the years 2007 and 2006, respectively.

NOTE 15 - Income Taxes

The Company 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 effective for fiscal years beginning after December 31, 2006, and 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. There were no unrecognized tax benefits as of December 31, 2007.

The Company makes no provision for income taxes since under current legislation in the jurisdictions in which it operates, no income taxes are imposed upon the Company. In addition, the Company is not subject, and does not anticipate becoming subject to, income taxes in any jurisdiction in which it currently operates, other than the United Kingdom.

A reconciliation of the statutory income tax rates applied to the Company's net income for the years ended December 31, 2007 and 2006 is as follows:

Provision for income taxes consist of the following:

	2007	2006
Income tax expense at statutory rates	$ --	$ --
Income tax benefit for foreign operations at statutory rate in effect (30%)	(38,465)	(54,498)
Depreciation adjustment	(126)	319
Permanent differences	81	1977
Income tax benefit	(38,510)	(52,202)
Less: increase in valuation allowance	38,510	52,202
Income tax expense (benefit)	$ --	$ --

NOTE 15 - Income Taxes, continued

LOM (UK) Limited, has a deferred tax asset of approximately $178,991 (2006 – 139,254), arising predominantly from availability of net operating losses to be deducted from future taxable income. The asset has not been recognized and a full valuation allowance is provided for as there is no certainty that sufficient profits will arise in future accounting periods.

NOTE 16 - Direct Finance Leases

As of December 31, 2007, the Company's net investment in leases includes the following:

Future annual minimum lease payments receivable are as follows:

	2007	2006
Future minimum receipts on lease contracts	$74,844	$323,431
Unearned finance charges	(3,167)	(23,172)
Total	$71,677	$300,259

Future minimum receipts on the direct finance lease contracts are as follows:

	For the Year Ended December 31, 2007
2008	$74,453
2009	391
Total	$74,844

NOTE 17 - Commitments, Contingencies and Off-Balance Sheet Risk

Client Activities

In the normal course of business, the Company's client activities include execution, settlement, and financing of various client securities and commodities transactions. These activities may expose the Company to off-balance sheet risk in the event the client is unable to fulfill its contractual obligations. The Company attempts to mitigate this risk by adhering to strict policies requiring client acceptance procedures prior to the execution of any transactions.

NOTE 17 - Commitments, Contingencies and Off-Balance Sheet Risk, continued

Client Activities, continued

The Company's client securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to the client collateralized by cash and securities in the client's account. The Company seeks to control the risks associated with its client activities by requiring clients to maintain margin collateral in compliance with various regulatory, exchange, and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the clients to deposit additional collateral or reduce positions when necessary. Such transactions may expose the Company to significant off-balance sheet risk in the event the margin is not sufficient to fully cover losses which clients may incur. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell the collateral at prevailing market prices in order to fulfill the client's obligations.

The Company records client transactions on a transaction date basis, which is generally the day of the trade. The Company is therefore exposed to risk of loss on these transactions in the event of the client's or broker's inability to meet the terms of their contracts in which case the Company may have to purchase or sell financial instruments at prevailing market prices.

Counterparty Risk

In the event counterparties to the transactions do not fulfill their obligations, the Company may be exposed to significant credit risk to the extent such obligations are unsecured. The Company's policy is to monitor its market exposure and counterparty risk through the use of a variety of credit exposure reporting and control procedures.

Consulting/Termination and Non-Compete Agreement

On July 1, 2005, Brian Lines voluntarily submitted his resignation as an officer, director and employee of the Company and its subsidiaries and affiliates. On that same day, the Company and Brian Lines executed a consulting/termination non-compete agreement which provides for the Company to make payments of $35,000 per month for sixty (60) months through June 30, 2010. In addition, the Company is obligated to pay the full cost of health insurance for Brian Lines and his family for sixty (60) months through June 30, 2010 and fifty percent (50%) of the cost for an additional sixty (60) months through June 30, 2015.

The agreement contained non-competition provisions that restrict the business activities of Brian Lines during the period July 1, 2005 through June 30, 2010. In addition, Brian Lines agreed to forgive any residual fees or other income that he may have been entitled to from the Company's customer accounts that he either managed or introduced to the Company. Since these provisions created an in-substance service condition, the Company planned to record compensation expense over sixty (60) months starting on July 1, 2005. The Company recorded under commission and referral expenses total expenses of $431,732 in 2007 (2006 - $430,920) as a result of the agreement.

NOTE 17 - Commitments, Contingencies and Off-Balance Sheet Risk, continued

Consulting/Termination and Non-Compete Agreement, continued
On December 19, 2007, the United States Securities and Exchange Commission ("SEC") filed civil charges against the Company, including several subsidiaries (see Note 17). In accordance with the terms of the Consulting/Termination and Non-Complete Agreement, the payments of $35,000 per month ceased upon the filing of civil charges against the Company. The Company remains liable for the health insurance premiums for Brian Lines and his family through June 30, 2015. The Company accrued the liability for the future health insurance premiums in the amount of $64,703 as of December 31, 2007.

Legal Proceedings
From time to time, the Company is involved in various legal proceedings, including arbitration proceedings, and/or regulatory inquiries that arise in the normal course of business. These matters generally relate to specific client accounts and/or transactions and may include requests for information on or from officers of the Company. In the opinion of management, the aggregate amount of any potential liability arising from such matters is not expected to have a material effect on the Company's financial position or results of operations. Management is unaware of any outstanding legal claims, other than the SEC charges described in Note 17 as of December 31, 2007.

Regulatory Restrictions
The Company's business operations are strictly regulated under the laws of Bermuda, Cayman, Bahamas, and other jurisdictions that the Company operates and has business relationships. Compliance with many of the regulations applicable to the Company involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation. In the event of non-compliance with an applicable regulation, securities regulators may institute administrative or judicial proceedings that may result in censure, fines, civil penalties, issuance of cease-and-desist orders, deregistration or suspension of the non-compliant company. It could even lead to the suspension or disqualification of the Company officers or employees, or other adverse consequences. The imposition of such penalties or orders on the Company could in turn have a material adverse effect on the Company's operating results and financial condition.

Minimum Net Asset Requirements
Certain subsidiaries of the Company are required to maintain a minimum net asset or regulatory capital amount to satisfy the domiciliary regulator. Those minimum amounts are as follows:

LOM Securities (Bermuda) Limited	$250,000
LOM Asset Management Limited	250,000
Lines Overseas Management Limited	250,000
LOM Securities (Cayman) Limited	25,000
LOM Securities (Bahamas) Limited	300,000

NOTE 17 - Commitments, Contingencies and Off-Balance Sheet Risk, continued

Minimum Net Asset Requirements, continued
The above subsidiaries were in compliance with the net asset requirements as of December 31, 2007 and 2006. LOM Securities (Bermuda) Limited, LOM Asset Management Limited, and Lines Overseas Management Limited are referred to as the "Bermuda regulated companies."

NOTE 18 - Regulatory Matters

Bermuda Monetary Authority
In conjunction with certain allegations made by the United States Securities and Exchange Commission ("SEC"), the Bermuda Monetary Authority ("BMA") initiated an investigation of Holdings, Lines Overseas Management Limited, LOM Securities (Bermuda) Limited and LOM Asset Management Limited on June 23, 2003. The investigation was concluded to the satisfaction of the BMA on September 24, 2004 and a report was forwarded to the Company on September 19, 2005. As a result, the Company agreed to certain management changes and strengthened its system of internal control and compliance.

Securities and Exchange Commission Investigation
Holdings, LOMCP, Lines Overseas Management Limited, and LOMB have been involved in an investigation by the SEC since January 23, 2003. On January 15, 2003, LOMCP entered into an agreement with RMC, a U.S. privately held company, to arrange a private placement financing on a best efforts basis for 2 million shares of stock at $3 per share, subject to satisfactory completion of due diligence. On January 17, 2003, Sedona Software Solutions, Inc. ("Sedona") announced that it had signed a Letter of Intent with RMC to enter into a reverse merger transaction whereby Sedona would acquire all of the issued and outstanding common shares of RMC and change its name to Renaissance Mining Holding Corp. LOMCP was mentioned in the press release as the investment banker for RMC.

On January 23, 2003, LOML was contacted by the SEC with respect to an investigation of trading in securities issued by Sedona, and the related transaction involving RMC. On January 29, 2003, the SEC suspended trading in the securities of Sedona because of questions concerning the accuracy and completeness of information about Sedona on internet websites, in press releases, and in other sources publicly available to investors concerning, among other things, Sedona's planned merger with RMC. On February 4, 2003, LOMCP withdrew its offer to serve as RMC's investment banker in the private placement transaction. On February 5, 2003, LOMB froze $975,870 in a customer account under control of two officers of that company which represented the net proceeds from the sale of approximately 160,000 shares of Sedona stock which were sold between January 21, 2003 and January 27, 2003.

NOTE 18 - Regulatory Matters, continued

Securities and Exchange Commission Investigation, continued
On December 19, 2007, the SEC filed a Complaint in the United States District Court Southern District of New York alleging that the Company and several subsidiaries (LOML, LOMB, LOMCP, LOM Securities (Bahamas) Ltd. and LOM Securities (Cayman) Ltd.) violated United States securities laws (the "Complaint"). The Complaint also names a senior officer of the Company and a former senior officer. The SEC has requested the court to enter a judgment that would enjoin the Company from further violations of securities laws, require payment of civil fines, and permanently bar the Company from participation in the United States penny stock market. The Company denies the allegations contained in the Complaint and has retained counsel to defend itself in the action.

In 2007, as a result of the Complaint, the Company estimated the cost to defend the action and accrued an additional amount of $2,063,602 in estimated legal fees and other associated direct costs. Together with the settlement offer that was accrued in 2005 of $600,000 plus estimated interest and other direct expenses of $292,152, the Company has recorded a total liability of $2,955,754, based upon the available information related to the SEC's action. While there can be no assurances, the Company believes that its accrual is adequate for the exposure in the Complaint. However, no determination can be made at this time as to the final outcome of the Complaint, nor can its materiality be accurately ascertained.

NOTE 19 - Segment Information

The Company operates its business in segments which have been segregated based on products and services reflecting the way that management organizes the segments within the business for making operating decisions and assessing performance.

Measurement of Segment Income and Segment Assets
The Company evaluates each segment's performance based on its contribution to consolidated net income (loss). The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Factors Management Used to Identify the Company's Reportable Segment
Management monitors performance based on individual companies. The description of these companies is included in Note 1 to the consolidated financial statements. Intersegment revenue and expenses are allocated based on contractual terms that may not necessarily be at arms length.

NOTE 19 - Segment Information, continued

Segment Information

Reconciliation of revenue, total assets, operating expenses and income are as follows:

	2007	2006
Revenues		
Total revenues for reportable segments	$15,289,737	$14,864,737
Net gain on securities	2,869,294	134,131
Net interest income	1,876,784	1,588,119
Elimination of intersegment revenues	(3,510,896)	(3,775,546)
Total Consolidated Revenues	$16,524,919	$12,811,441
Operating Expenses		
Total operating expenses for reportable segments	$17,653,965	$14,901,587
Elimination of intersegment operating expenses	(3,510,896)	(3,775,546)
Net foreign exchange transaction losses	(96,468)	32,811
Total Consolidated Operating Expenses	$14,046,601	$11,158,852
Income		
Total income for reportable segments	$ 4,228,318	$ 2,177,589
Elimination of intersegment net income	(1,750,000)	(525,000)
Total Consolidated Net Income	$ 2,478,318	$ 1,652,589
Identifiable assets		
Total identifiable assets for reportable segments	$ 43,922,800	$ 40,964,166
Elimination of investments in consolidated subsidiaries	(18,091,161)	(17,547,664)
Identifiable Assets Total Consolidated	$ 25,831,639	$ 23,416,502

Intersegment revenue relates to recharges from Holdings to all wholly-owned subsidiaries for information technology charges, administrative expenses and rent. These are charged at Holdings estimated current market prices. Revenues from segments below the quantitative thresholds for disclosure prescribed by accounting principles generally accepted in the United States of America are attributable to three operating segments and are aggregated and included in the other operating segment. These operating segments include LOM Services, LOMCP, and LOM (UK) Limited.

NOTE 19 - Segment Information, continued

2007	Brokerage: LOM Securities (Bermuda) Limited	Brokerage: LOM Securities (Cayman) Limited	Brokerage: LOM Securities (Bahamas) Limited	LOM Asset Management Limited (Bermuda)	Lines Overseas Management Limited (Bermuda)	LOM (Holdings) Limited (Bermuda)	LOM Properties Limited (Bermuda)	Other	Total
Revenues from external customers	$2,329,978	$1,901,055	$2,740,306	$1,362,915	$1,319,793	$ 170,026	$ 649,907	$ 1,304,861	$11,778,841
Intersegment revenue	--	--	--	157,704	1,366,467	--	396,679	1,590,046	3,510,896
Total revenue	$2,329,978	$1,901,055	$2,740,306	$1,520,619	$2,686,260	$ 170,026	$1,046,586	$2,894,907	$15,289,737
Net interest income and interest from finance leases	$ 22,529	$ 12,433	$ 33,888	$ 1,125	$1,759,911	$ 17,063	$ 193	$ 29,642	$ 1,876,784
Investment income recorded under the equity method	--	--	--	--	--	156,622	--	--	156,622
Depreciation	--	27,746	17,621	--	--	--	290,162	33,992	369,521
Net trading gain on securities owned	528,153	--	438	18,063	2,389,834	(67,194)	--	--	2,869,294
Operating expenses	2,560,880	1,754,237	1,987,114	1,093,066	6,118,316	772,963	886,332	2,481,057	17,653,965
Segment income	410,685	159,046	784,566	445,528	730,645	1,096,843	160,446	440,559	4,228,318
Identifiable assets	1,764,540	668,029	1,331,062	1,328,263	6,284,914	21,371,756	9,142,032	2,032,204	43,922,800
Long-lived assets- net of depreciation	--	66,089	198,375	--	--	--	8,941,124	139,636	9,345,224
Capital expenditures	--	13,306	209,232	--	--	--	92,863	141,752	457,153

NOTE 19 - Segment Information, continued

	Brokerage								
2006	LOM Securities (Bermuda) Limited	LOM Securities (Cayman) Limited	LOM Securities (Bahamas) Limited	LOM Asset Management Limited (Bermuda)	Lines Overseas Management Limited (Bermuda)	LOM (Holdings) Limited (Bermuda)	LOM Properties Limited (Bermuda)	Other	Total
Revenues from external customers	$2,324,152	$2,091,135	$2,995,875	$1,366,582	$1,491,854	$ (14,437)	$ 631,248	$ 202,782	$11,089,191
Intersegment revenue	--	--	--	199,332	1,409,810	--	599,425	1,566,979	3,775,546
Total revenue	$2,324,152	$2,091,135	$2,995,875	$1,565,914	$2,901,664	$ (14,437)	$1,230,673	$1,769,761	$14,864,737
Net interest revenue and interest on finance leases	$ 35,515	$ 14,549	$ 28,893	$ 727	$1,435,507	$ 517	$ 345	$ 72,066	$ 1,588,119
Depreciation	--	29,000	4,639	--	--	--	275,629	42,312	351,580
Investment loss recorded under the equity method	--	--	--	--	--	(14,437)	--	--	(14,437)
Net trading gains on securities owned	89,794	2,517	--	12,615	29,205	--	--	--	134,131
Operating expenses	2,505,920	1,985,280	1,937,047	1,150,898	4,217,192	593,166	846,621	1,665,463	14,901,587
Segment income (loss)	(61,696)	123,000	1,087,518	424,826	123,437	(81,577)	384,397	177,684	2,177,589
Identifiable assets	2,728,685	508,689	1,101,556	854,080	3,028,441	21,162,554	9,376,849	2,203,312	40,964,166
Identifiable long-lived assets- net of depreciation	--	80,529	6,765	--	--	1,430	9,138,422	30,446	9,257,592
Capital expenditures	--	--	--	--	--	--	26,872	18,380	45,252

NOTE 19 - Segment Information, continued

Geographic Split

2007	Bermuda	Cayman	Bahamas	Total
Revenues from external customers	$7,136,532	$1,901,055	$2,741,254	$11,778,841
Long lived assets - property, plant and equipment	9,078,655	66,089	200,480	9,345,224

2006	Bermuda	Cayman	Bahamas	Total
Revenues from external customers	$6,002,181	$2,091,135	$2,995,875	$11,089,191
Long lived assets - property, plant and equipment	9,168,868	80,529	8,195	9,257,592

Geographic split is disclosed by location of business.

NOTE 20 - Supplementary Information - Five Year Comparison Table

Data contained in this note for the years ended December 31, 2003 was audited by other auditors whose opinion for 2003 was disclaimed.

Income Statement Data – For the Year Ended December 31

	2007	2006	2005	2004	2003
Net revenue-interest income	$ 1,876,783	$ 1,588,119	$ 1,733,522	$ 1,807,461	$ 1,386,638
Fees and other income	14,648,136	11,223,322	11,180,573	15,566,137	15,757,309
Operating expenses	(14,046,601)	(11,158,852)	(12,189,079)	(15,308,915)	(14,000,360)
Net Income	$ 2,478,318	$ 1,652,589	$ 725,016	$ 2,064,683	$ 3,143,587

NOTE 20 - Supplementary Information - Five Year Comparison Table, continued

Balance Sheet Data – As of December 31

	2007	2006	2005	2004	2003
Cash, cash equivalents and restricted cash	$8,541,180	$ 9,827,719	$15,035,237	$14,943,958	$13,344,790
Securities owned	4,889,451	2,758,929	607,670	618,354	319,692
Property and equipment, net	9,345,224	9,257,592	9,563,920	9,917,390	10,216,909
Total assets	25,831,639	23,416,502	27,256,727	27,628,998	26,058,378
Stockholders' equity	21,879,946	20,240,103	25,326,894	25,474,068	24,151,642

Financial Ratios – As of December 31

	2007	2006	2005	2004	2003
Debt-equity ratio	18.1%	15.7%	7.6%	8.5%	7.9%
Return on equity	11.3	8.2	2.9	8.1	13.0
Return on assets	9.6	7.1	2.7	7.4	12.1