LOM (HOLDINGS) LIMITED
(INCORPORATED IN BERMUDA)

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2006 and 2005
(Expressed in U.S. Dollars)

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, 2006 and 2005, and the consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 the Company as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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As more fully described in Note 17 to the consolidated financial statements, three of the Company's subsidiaries, one of its senior officers, and a former senior officer are involved in an ongoing investigation by the United States Securities and Exchange Commission ("SEC"). The SEC has a broad range of sanctions that it may seek to impose including, but not limited to, injunctive relief, fines, penalties, limitations on business relationships with counterparties in the United States of America, and civil charges against the Company's subsidiaries under investigation and/or the senior officer and former senior officer. It is not possible at this time to predict when the SEC's investigation will be completed, or what, if any actions may be taken by the SEC, and the effect thereof on the Company. An adverse outcome could result in monetary penalties and/or limitations on the Company's business operations. Although there can be no assurances, management believes that the investigation will be concluded with no material impact to the Company's financial position, results of operations or cash flows. The consolidated financial statements do not include any adjustments that may result from the outcome of these uncertainties.

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 2001 through 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 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 19 for 2003 and 2002 were audited by other auditors, whose opinion was disclaimed in 2003 and unqualified in 2002.

Marcum & Kliegman LLP

Melville, NY
April 25, 2007

LOM (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEETS

December 31, 2006 and 2005
(Expressed in U.S. Dollars)

ASSETS

	2006	2005
Cash and cash equivalents	$ 9,701,791	$14,914,949
Restricted cash	125,928	120,288
Securities owned, at market value (cost: 2006 - $2,041,435, 2005 - $624,445)	2,758,929	607,670
Other receivables	241,670	298,792
Direct finance lease receivable	300,259	687,072
Client accounts receivable	3,495	9,538
Due from related parties	369	7,801
Prepaid expenses	247,399	253,190
Investment in affiliate	779,070	793,507
Property and equipment, net	9,257,592	9,563,920
TOTAL ASSETS	$23,416,502	$27,256,727

LIABILITIES AND STOCKHOLDERS' EQUITY

	2006	2005
LIABILITIES		
Securities sold short (proceeds: 2006 - $805,773, 2005 - $21), at market value	$ 1,453,726	$ 131
Accounts payable and accrued liabilities	1,722,673	1,929,702
TOTAL LIABILITIES	3,176,399	1,929,833
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, par value $0.10 per share; 20,000,000 shares authorized, and 6,524,600 (2005 - 6,290,500) shares issued and outstanding	652,460	629,050
Additional paid-in capital	4,548,428	4,080,408
Loans receivable for issuance of common stock	(243,000)	(37,500)
Retained earnings	15,282,215	20,654,936
TOTAL STOCKHOLDERS' EQUITY	20,240,103	25,326,894
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$23,416,502	$27,256,727

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, 2006 and 2005
(Expressed in U.S. Dollars)

	2006	2005
REVENUES		
Broking fee income	$ 7,398,720	$ 7,791,781
Management and investment advisory fees	1,728,120	1,380,176
Net interest income	1,520,965	1,609,369
Rental income, including related party rent of $211,600 in both 2006 and 2005	628,873	526,549
Other income	299,182	478,352
Net foreign exchange gains	762,666	471,121
Net trading gains and losses on securities	134,131	130,814
Corporate finance income	167,714	238,604
Administration and custody fees	103,916	163,176
Interest on finance leases	67,154	124,153
TOTAL REVENUES	12,811,441	12,914,095
OPERATING EXPENSES		
Employee compensation and benefits	3,121,612	3,500,078
Commissions and referral fees	2,714,291	3,091,027
Computer and information services	675,010	796,436
Depreciation of property and equipment	351,580	500,311
Jitney fees	899,785	778,832
Professional fees	1,728,651	1,457,606
Occupancy	587,830	554,810
Administration	298,771	460,608
Insurance	236,645	405,631
Gain on disposal of property and equipment	--	(20,000)
Bad debts (recovery)	(5,250)	6,312
Custodial charges	517,116	647,702
Net foreign exchange transaction losses	32,811	9,726
TOTAL OPERATING EXPENSES	11,158,852	12,189,079
NET INCOME	$ 1,652,589	$ 725,016
NET INCOME PER COMMON SHARE		
Basic	$ 0.26	$ 0.11
Diluted	$ 0.26	$ 0.11
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	6,378,490	6,333,014
Diluted	6,378,490	6,354,050

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

LOM (HOLDINGS) LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2006 and 2005
(Expressed in U.S. Dollars)

	Common Stock						
	Number of Shares	Amount	Additional Paid-in Capital	Payment for Exercise of Stock Options	Loans Receivable for Issuance of Common Stock	Retained Earnings	Total
BALANCE – January 1, 2005	6,392,500	$639,250	$4,388,500	$ --	$(115,797)	$20,562,115	$25,474,068
Net income	--	--	--	--	--	725,016	725,016
Exercise of stock options	25,000	2,500	60,000	--	--	--	62,500
Repurchase and retirement of common stock	(127,000)	(12,700)	(368,092)	--	--	--	(380,792)
Payment of loans receivable for issuance of common stock	--	--	--	--	76,834	--	76,834
Dividends declared	--	--	--	--	1,463	(632,195)	(630,732)
BALANCE – December 31, 2005	6,290,500	629,050	4,080,408	--	(37,500)	20,654,936	25,326,894
Net income	--	--	--	--	--	1,652,589	1,652,589
Exercise of stock options	295,000	29,500	630,950	(370,400)	(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				370,400	34,800	--	405,200
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

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, 2006 and 2005
(Expressed in U.S. Dollars)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,652,589	$ 725,016
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	351,580	500,311
Net foreign currency transaction loss	32,811	9,726
Gain on disposal of property and equipment	--	(20,000)
Equity loss (gain) from investment in affiliate	14,437	(6,698)
(Recovery of) provision for bad debts	(5,250)	6,312
Bad debt provision on direct financial leases	3,140	--
Unearned income on direct finance leases	23,172	--
Changes in operating assets and liabilities:		
Securities owned, net	(2,184,070)	958
Other receivables	57,122	(40,446)
Direct finance lease receivable	365,751	144,804
Client accounts receivable	6,043	2,051
Due from related parties	7,432	734
Prepaid expenses	5,791	(7,361)
Securities sold short	1,453,595	(1,426)
Accounts payable and accrued liabilities	(207,029)	(223,671)
Restricted cash	(5,640)	436,468
TOTAL ADJUSTMENTS	(81,115)	801,762
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,571,474	1,526,778
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(45,252)	(148,071)
Proceeds from sale of property and equipment	--	21,230
NET CASH USED IN INVESTING ACTIVITIES	(45,252)	(126,841)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	370,400	62,500
Repurchase of common stock	(169,020)	(380,792)
Repayment of common stock purchase loan to employees	34,800	76,834
Dividends paid	(6,975,560)	(630,732)
NET CASH USED IN FINANCING ACTIVITIES	$(6,739,380)	$ (872,190)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued

For the Years Ended December 31, 2006 and 2005
(Expressed in U.S. Dollars)

	2006	2005
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (5,213,158)	$ 527,747
CASH AND CASH EQUIVALENTS - Beginning	14,914,949	14,387,202
CASH AND CASH EQUIVALENTS - Ending	$ 9,701,791	$14,914,949

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

	2006	2005
Issuance of share purchase loans to employees	$290,050	$ --
Dividends paid during the year, offset against share purchase loans	$ 49,750	$1,463

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 and is listed on the Bermuda Stock Exchange. Holdings, collectively with its subsidiaries are 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," formerly Lines Overseas Management (Bermuda) Limited) was incorporated in 1998 to provide investment and financial advice, brokerage services and discretionary investment management services and is regulated under the Investment Business Act (2003) of Bermuda. LOMB is domiciled and operates in Bermuda.

LOM Securities (Cayman) Limited (formerly Lines Overseas Management (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 Island 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 (formerly Lines Overseas Management (Bahamas) Limited) was incorporated in 2001 in the Commonwealth of The Bahamas and is regulated by the Bahamas Securities Commission. 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 and is regulated under the Investment Business Act (2003) of Bermuda. LOM Asset Management Limited is domiciled and operates in 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, as well as entering into direct finance leases relating to office furniture and equipment. 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. These functions had previously been carried out by Lines Overseas Management Limited.

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

LOM International Holdings Limited, a Bahamian company, was incorporated in the Commonwealth of the Bahamas on April 25, 2005 to hold the LOM Group of Companies non-Bermuda subsidiaries. Unlike its Bermuda parent company, 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 on May 5, 2004 in the United Kingdom 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 ("U.S.").

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.

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

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

Revenue Recognition, continued
The LOM Group of Companies also earns management fees from the following funds (collectively referred to as the LOM Sponsored Funds), which are recorded on an accrual basis, based on the daily net assets:

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

Foreign exchange revenue is based on the current foreign exchange rates applied to client transactions, net of foreign exchange rates charged by external brokers. Foreign exchange revenue is recorded on a trade date basis.

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.

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

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. Interest income for 2006 amounted to $2,464,774 (2005 - $2,406,339). Interest expense for 2006 amounted to $943,809 (2005 - $796,970).

Other revenue 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 includes rent received from related parties and is recorded on an accrual basis. (See Note 10)

Cash and Cash Equivalents
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 for the year incurred. Expenditures which significantly improve or extend the life of an asset are capitalized and depreciated over the assets remaining useful life. Costs incurred by the Company for the construction of an office building in Bermuda, including site preparation and demolition, were capitalized.

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. 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 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 2006, the amount of unclaimed cash and proceeds from the sale of unclaimed securities included in income was $236,104 (2005 - $38,824).

Translation of Foreign Currency Transactions and Balances
The Company's functional currency is U.S. dollars. Bermuda Dollars and Bahamian Dollars trade at par with the U.S. Dollar and require no translation adjustments. All monetary assets and liabilities of foreign subsidiaries with functional currencies other than U.S. dollars are translated into U.S. dollars at the year end exchange rates with the corresponding gain or loss reflected in current earnings. Non-monetary assets and liabilities of foreign subsidiaries whose currencies are not fixed to the U.S. dollar are not material. Income and expenses are translated into U.S. dollars at the average rates of exchange prevailing throughout the year. The realized gains or losses are reflected in earnings for the year.

Net Foreign Exchange Gains
Net foreign exchange gains represent the net gains on trading foreign currencies including futures. Net foreign exchange losses represent net losses on settlement of transactions other than the functional currency.

NOTE 2 - Significant Accounting Policies, continued

Securities Owned

Securities owned are investments of the Company, such as bonds and equities, that are both marketable and non-marketable. There were no non-marketable securities as of December 31, 2006 or 2005. These investments are treated as trading investments and 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. Where there is no readily available market price or where the security is restricted, the securities are fair valued by the Board of Directors. Resulting unrealized gains or losses are reflected in earnings for the year. Realized gains or losses reflected in earnings for the year are based on the average cost of the securities. Security transactions are recorded on a trade date basis.

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. The directors have taken all of these factors into account, including the fact that some securities it holds are currently restricted as to sale, and arrived at their best estimate of the fair value of the securities. At December 31, 2006, equity securities of $8,079 (2005 - $71,616) and warrants of $4,312 (2005 - Nil) were valued by the Board of Directors.

Investment in Affiliate

Investments in 20 to 50 percent owned companies where the Company has the ability to exercise significant influence are accounted for using the equity method.

Stock-Based Compensation Plans

Effective on January 1, 2006, the Company adopted the fair value recognition provisions of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004) "Share-Based Payment" using the modified-prospective-transition method to account for stock-based compensation on a prospective basis. Therefore, prior financial statements have not been restated. Prior to January 1, 2006, the Company accounted for its stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 ("APB 25") "Accounting for Stock Issued to Employees" and related interpretations as prescribed by SFAS NO. 123. Accordingly, the Company did not recognize compensation expense for stock grants with an exercise price equal to or greater than the market price on the date of the grant. SFAS No. 123(R) requires that all stock-based compensation be recognized as an expense in the financial statements based on the fair value of the award on the grant date. The Company did not grant any new awards during 2006. 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. Thus, the adoption of SFAS No. 123(R) had no effect on the Company's financial condition or results of operations.

NOTE 2 - Significant Accounting Policies, continued

Stock-Based Compensation Plans, continued

On January 1, 2004, the Company voluntarily adopted SFAS No. 148 "Accounting for Stock-Based Compensation – Transition and Disclosure." Under this method, the Company applied fair value accounting to all grants of employee stock options subsequent to December 31, 2003. The Company had elected to continue to measure compensation for stock options pursuant to APB 25. The following table provides the required disclosure for grants made prior to the Company's adoption of the prospective method described in SFAS No. 148 for the year ended December 31, 2005.

	2005
Net income-as reported	$725,016
Pro forma effect on net income of applying fair value accounting to all stock option grants, net of income taxes	(3,800)
Net income-pro forma	$721,216
Net income per common share-pro forma:	
Basic	$0.11
Diluted	$0.11

In 2005, stock option issuances were calculated at a weighted average fair value at grant date of $0.175 using Black-Scholes option pricing model using eight months as expected life of option, 3.3% dividend yield rate, 10% volatility, and 4.7% risk free interest rate. Compensation expense of $18,903 was recognized during the year ended December 31, 2005.

Client Accounts Receivable

In accordance with brokerage industry practice, client transactions are entered into on either a cash or margin basis. In a margin transaction, the Company's brokerage subsidiary extends credit to a client for the purchase of securities, using the securities purchased and/or other securities in the client's account as collateral for the amounts loaned. Client accounts receivable represent amounts due from clients with negative investment account balances.

Fair Value of Financial Instruments

The company's financial instruments consist primarily of cash and cash equivalents, accounts receivable and accounts payable. 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.

NOTE 2 - Significant Accounting Policies, continued

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 accounts receivable. The Company has its cash and cash equivalents placed with high quality, creditworthy financial institutions. As part of its cash management process, the Company performs periodic evaluation of the relative credit standing of these institutions.

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, 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 enters into direct finance leases with its customers having predominantly three year's duration in accordance with FASB. 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. 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.

NOTE 2 - Significant Accounting Policies, continued

Net Income Per Common Share, continued

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 and warrants 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. There are no outstanding options as of December 31, 2006.

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

	2006	2005
Numerator:		
Net income	$1,652,589	$725,016
Denominator:		
Weighted average common shares outstanding-basic	$6,378,490	$6,333,014
Add – incremental shares from stock options	--	21,036
Weighted average common shares outstanding assuming dilution	$6,378,490	$6,354,050

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 on 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

Exchange of Nonmonetary Assets

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets – an amendment for Accounting Principles Board ("APB") Opinion No. 29." This statement amends APB Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if future cash flows of the entity are expected to change significantly as a result of the exchange. The Company adopted the provisions of SFAS No. 153 effective for the Company's fiscal year ended December 31, 2006. There was no material impact on the Company's financial position, results of operations or cash flows as a result of the adoption.

NOTE 2 - Significant Accounting Policies, continued

Accounting Pronouncements, continued

Accounting Changes and Error Corrections
In May 2005, FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle. It also requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings for that period rather than being reported in an income statement. The Company adopted SFAS No. 154 for the fiscal year ended December 31, 2006. There was no material impact on the Company's financial position, results of operations or cash flows as a result of the adoption.

Accounting for Certain Hybrid Financial Instruments
In February 2006, the FASB issued SFAS No. 155 "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140." SFAS 155 clarifies certain issues relating to embedded derivatives and beneficial interests in securitized financial assets. The provisions of SFAS 155 are effective for all financial instruments acquired or issued after fiscal years beginning after September 15, 2006. The Company does not expect the adoption of SFAS 155 will have a material effect on its consolidated financial position and results of operations.

Accounting for Servicing of Financial Assets
In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets", which amends SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," with respect to the accounting for separately recognized servicing assets and servicing liabilities. SFAS 156 permits the choice of the amortization method or the fair value measurement method, with changes in fair value recorded in income, for the subsequent measurement for each class of separately recognized servicing assets and servicing liabilities. The statement is effective for years beginning after September 15, 2006, with earlier adoption permitted. The Company does not expect the adoption of this statement will have a material effect on the Company's consolidated financial position and results of operations.

Fair Value Measurement
In September of 2006, the FASB issued Statement No. 157, "Fair Value Measurements," (SFAS 157") which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands the disclosures about fair value measurement. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is evaluating the impact, if any, of the adoption of SFAS No. 157 on the Company's financial statements.

NOTE 2 - Significant Accounting Policies, continued

Accounting Pronouncements, continued

Accounting for Uncertainty in Income Taxes
In June 2006, FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 provides guidance on how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken (including whether an entity is taxable in a particular jurisdiction) in the course of preparing the Company's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable taxing authority. Tax positions not deemed to meet this threshold would be required to be recorded on the financial statements. The Interpretation is effective for fiscal years beginning after December 15, 2006, and is to be applied to all open tax years as of the date of effectiveness. Management is in the process of evaluating the impact of the application of FIN 48 to the Company and is currently not yet in a position to determine such effects.

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. 159. 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.

NOTE 3 - Securities Owned

The Company's securities owned are as follows:

	2006	2005
Equities	$2,754,617	$607,670
Warrants	4,312	--
Total	$2,758,929	$607,670

NOTE 3 - Securities Owned, continued

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, 2006, the Company owned securities with a market value of $1,384,981 related to CFDs, and shows an equivalent off-setting value in the securities sold short category on the balance sheet, representing the open CFD contracts.

NOTE 4 - Equity Investment in Yorkstreet Holdings Limited

	2006	2005
Yorkstreet Holdings Limited ("YHL")	$779,070	$793,507

The Company owns 127,750 (39.92%) ordinary shares of YHL and accounts for this investment using the equity method of accounting. The Company's share of the net (loss) profit of YHL for the year ended December 31, 2006 was $(14,437) (2005 - $6,698) and is included in other income.

NOTE 5 - Property and Equipment

	2006	2005
Building	$ 8,559,374	$ 8,559,374
Freehold land	2,008,192	2,008,192
Computer hardware and software	985,396	2,747,377
Fixtures and fittings	497,166	552,328
Leasehold improvements	300,753	470,504
Machinery and equipment	404,103	602,469
	12,754,984	14,940,244
Accumulated depreciation	3,497,392	5,376,324
Net carrying amount	$ 9,257,592	$ 9,563,920

Depreciation expense for the year ended December 31, 2006 amounted to $351,580 (2005 - $500,311).

NOTE 6 - 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 60,900 (2005 - 127,000) shares on the open market at an average price of $2.78 (2005 - $3.00) per share, for cash. These shares were subsequently retired.

NOTE 7 - Stock-Based Compensation Plans

From time to time the Company may grant stock options to executive and management personnel at its discretion. For stock options granted prior to 1999, the exercise price of each option was equal to the book price of the Company's stock on the date of grant with a one year vesting period. For stock options granted subsequently, there is a three year vesting period unless otherwise approved by the Board of Directors. All stock options were fully vested at December 31, 2005. The exercise price was greater or equal to the market value of the Company's stock on grant date and the Company accounted for such issuances in accordance with APB 25. A summary of the status of the plan as of December 31, 2006 and 2005, and changes during the years then ended are presented below:

Directors' and Executive Stock Option Plan

	2006		2005	
	Number Of Stock Options	Weighted Average Exercise Price	Number Of Stock Options	Weighted Average Exercise Price
Outstanding – Beginning	730,000	$ 7.56	1,545,000	$7.41
Exercised	(230,000)	2.24	(25,000)	2.50
Forfeited	(500,000)	10.00	(790,000)	7.30
Outstanding, vested and exercisable – Ending	Nil	$ 0.00	730,000	$7.69

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.

On April 29, 2005, the Board of Directors authorized that 105,000 stock options with an exercise price of $2.89 and 40,000 stock options with an exercise price of $3.50 be extended for a further 12 months to expire on December 31, 2005. The incremental value as a result of the extension was not material to the Company’s 2005 results of operations.

NOTE 7 - Stock-Based Compensation Plans, continued

Employee Stock Option Plan

	2006		2005	
	Number Of Stock Options	Weighted Average Exercise Price	Number Of Stock Options	Weighted Average Exercise Price
Outstanding – Beginning	100,000	$3.33	135,000	$3.38
Exercised	(65,000)	2.24	0	0
Forfeited	(35,000)	3.38	(35,000)	3.50
Outstanding – Ending	Nil	$0.00	100,000	$3.33

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.

On April 29, 2005, the Board of Directors authorized that 85,000 stock options for employees with an exercise price of $3.50 were extended for a further twelve months to expire on December 31, 2005. The incremental value, as a result of the extension, was not material to the Company's 2005 results of operations.

	2006	2005
Stock options exercised	295,000	25,000
Aggregate proceeds	$660,450	$62,500
Compensation deduction for tax purposes	n/a	n/a
Tax benefit credited to capital in excess of par	n/a	n/a

There are no stock options available for future grant.

NOTE 7 - Stock-Based Compensation Plans, continued

Employee Stock Option Plan, continued

The following table summarizes information about stock options outstanding at December 31, 2005:

	Options Outstanding				Options Exercisable	
	Range of Exercise Price	Shares Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares Exercisable	Weighted Average Exercise Price
Directors and executives	\$2.50-\$10.00	730,000	0.79	7.69	730,000	7.69
Employees	\$2.89-\$3.75	100,000	1.40	3.33	100,000	3.33

At December 31, 2006, there were no stock options outstanding.

NOTE 8 - Stock Purchase Loans

During 2006, loans of \$290,050 were provided to employees, directors and officers (2005 - \$Nil) to exercise 140,000 stock options (2005 - 10,000 options). As of December 31, 2006, employee loans receivable relating to these stock option exercises amounted to \$243,000 (2005 - \$37,500). These loans incur interest at LIBOR (5.31% at December 31, 2006) (4.99% at December 31, 2005) and are to be repaid over a five-year period ending November 20, 2011. At December 31, 2006, common stock of the Company with a market value of \$350,000 is held in two escrow accounts as collateral for the loan.

NOTE 9 - Assets Under Administration

Cash, securities and properties held in the Company's role as custodian for customers are not included in the balance sheet as they are not the property of the Company. The fair value of assets under administration as of December 31, 2006 is \$985,016,164 (2005 - \$931,999,462).

NOTE 10 - Related Party Transactions

During the year, the Company earned broking fee revenue from directors and employees of approximately \$100,000 (2005 - \$120,000).

NOTE 10 - Related Party Transactions, continued

During the year, the Company had transactions with certain stockholders, some of whom are also directors and employees of the Company. These transactions consisted of commission expenses of $904,393 (2005 - $738,557) and referral fee expenses of $5,258 (2005 - $3,767).

The Company earned rent and service charge income of $17,633 per month from YHL and its related companies and $31,230 (2005 - $35,495) for information technology services of which $369 (2005 - $7,801) has not been repaid prior to year end. YHL is an investment management company controlled by the Company's chairman.

During the year, the Company paid $61,085 (2005 - $59,342) for corporate services provided by Waterstreet Corporate Services, a subsidiary of YHL. However, $24,493 (2005 - $24,092) of this amount was paid for government annual fees.

The Company earned management fees during the year of $1,058,998 (2005 - $842,340) from the LOM Sponsored Funds, of which $94,187 (2005 - $187,085) was receivable at year end.

The Company is the custodian for the LOM Sponsored Funds having in previous years also acted as administrator for the funds. The Company received fees of $103,916 (2005 - $163,176) for these services. Starting 2006, the Funds have retained an outside administrator to perform these services.

NOTE 11 - Restricted Cash

The Company established a corporate credit card facility for certain employees in November 2005. The facility had credit card limits available of $122,000 and requires cash collateral of 100%. This collateral which amounted to $125,928 at December 31, 2006, is held in a U.S. Dollar Money Market Fund at the Bank of Butterfield. The liability for the corporate credit card facility was $23,513 at December 31, 2006.

NOTE 12 - Financial Instruments

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

NOTE 12 - Financial Instruments, continued

Credit Risk
The Company is potentially subject to concentrations of credit risk principally with 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 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 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 13 - Future Lease Payments

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

For the Years Ending December 31	Amount
2007	$111,286
2008	40,244
Total	$151,530

Operating lease rent expense (including real estate taxes and maintenance costs) were $160,091 and $187,074 for the years 2006 and 2005, respectively.

NOTE 14 - Income Taxes

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 other than United Kingdom.

NOTE 14 - Income Taxes, continued

One of the subsidiaries, LOM U.K. Limited, has deferred tax asset of approximately $272,938 (2005 – 158,931), arising predominantly from availability of net operating losses to be deducted from future taxable income. The asset has not been recognized as there is no certainty that sufficient profits will arise in future accounting periods.

NOTE 15 - Direct Finance Leases

As of December 31, 2006, the Company's net investment in leases includes the following:

Future annual minimum lease payments receivable are as follows:

For the Years Ending December 31,	Amount
2007	$248,587
2008	77,593
2009	391
Total	326,571
Bad debt provision	(3,140)
Unearned income	(23,172)
Net Investment in Direct Finance Leases	$300,259

NOTE 16 - 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.

NOTE 16 - 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 which is 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 and 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 contains 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 will record compensation expense over sixty (60) months starting on July 1, 2005. The Company recorded under commission and referral expenses the total $430,920 in 2006(2005 - $215,202) as a result of the agreement.

NOTE 16 - Commitments, Contingencies and Off-Balance Sheet Risk, continued

Legal Proceedings and Regulatory Inquiries

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 as of December 31, 2006.

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

The above subsidiaries were in compliance with the net asset requirements as of December 31, 2006 and 2005. LOM Securities (Bermuda) Limited, LOM Asset Management, and Lines Overseas Management Limited are referred to as the "Bermuda regulated companies."

NOTE 17 - Regulatory Matters

Bermuda Monetary Authority
In conjunction with certain allegations made by the United States Security and Exchange Commission ("SEC"), the Bermuda Monetary Authority ("BMA") initiated an investigation of the Company and three wholly-owned subsidiaries 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
Three of the Company's wholly-owned subsidiaries have been involved in an investigation by the SEC since January 23, 2003. On January 15, 2003, LOM Capital Ltd. ("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.

On April 20, 2004, the SEC served two administrative subpoenas on LOML and certain of its subsidiaries (the "subsidiaries under investigation"), in connection with the Sedona investigation. On June 9, 2004 the SEC sought judicial enforcement of the subpoenas in the U.S. District Court for the District of Columbia.

On January 3, 2006, the federal district judge issued an order, enforcing the subpoenas.

As a result, in February 2006, the subsidiaries under investigation, produced certain responsive documents, consistent with its interpretation of the restrictions imposed by the Bermuda courts, to the SEC pursuant to the administrative subpoenas.

NOTE 17 - Regulatory Matters, continued

Securities and Exchange Commission Investigation, continued

A final order was issued on February 21, 2007 by the United States District Court for the District of Columbia regarding various appeals made by the subsidiaries under investigation regarding the 2003 SEC-issued subpoenas. In this order, the court essentially adopted the conclusions reached in a January 2005 order issued by a magistrate judge. The subsidiaries under investigation have appealed the district court's decision to the D.C. Circuit Court of Appeals, which will review, among other things, the district court's determinations in regard to jurisdiction and venue. However, the February 2007 decision has no material impact on the subsidiaries under investigation with regard to the subpoenas, as the subsidiaries under investigation produced, to the extent consistent with its obligations under the laws of the jurisdictions in which it does business, documents responsive to the subpoena more than a year earlier, in February 2006.

In addition to the court proceedings described above, on June 24, 2005, the subsidiaries under investigation received a letter from the SEC's Division of Enforcement indicating that it intended to recommend that the Commission take civil enforcement action against the Company. On June 29, 2005, the subsidiaries under investigation filed a response to the SEC and conveyed a settlement offer, which it requested be transmitted directly to the Commissioners of the SEC.

As of April 18, 2007, the SEC has not filed any formal charges against the subsidiaries under investigation for violations of federal securities laws. It is not possible to predict when the SEC's investigation will be completed and what, if any, actions may be taken by the SEC and the effect thereof on the Company, LOML, LOMB or LOMCP. There are a broad range of sanctions that the SEC could seek through court litigation to impose upon the subsidiaries under investigation including, but not limited to, injunctive relief, fines, penalties and limitations on business relationships with counterparties in the United States of America, as well as disgorgement and civil charges against the individuals involved. An adverse outcome could result in monetary penalties and limitations on the Company's business operations. While there can be no assurances, management believes that the final outcome of the SEC investigation will not have a material impact on the Company's financial position or results of operations or cash flows.

The accompanying consolidated financial statements include an accrual of the civil penalty amount offered to the SEC in the amount of $600,000. No other amounts have been recorded in the accompanying consolidated financial statements that might result from the resolution of the above described uncertainties.

NOTE 18 - 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. The Company evaluates each segment's performance based on its contribution to consolidated net income (loss).

Measurement of Segment Income and Segment Assets

The Company evaluates performance based on net income. 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.

Segment Information

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

	2006	2005
Revenues		
Total revenues for reportable segments	$14,864,737	$15,000,635
Net gain on securities	134,131	130,814
Net interest revenue	1,588,119	1,733,521
Elimination of intersegment revenues	(3,775,546)	(3,950,875)
Total Consolidated Revenues	$12,811,441	$12,914,095
Operating Expenses		
Total operating expenses for reportable segments	$14,901,587	$16,130,228
Elimination of intersegment operating expenses	(3,775,546)	(3,950,875)
Net foreign exchange transaction losses	32,811	9,726
Total Consolidated Operating Expenses	$11,158,852	$12,189,079

NOTE 18 - Segment Information, continued

Segment Information, continued

	2006	2005
Income		
Total income for reportable segments	$ 2,177,589	$ 4,650,016
Elimination of intersegment income	(525,000)	(3,925,000)
Total Consolidated Income	$ 1,652,589	$ 725,016
Identifiable assets		
Total identifiable assets for reportable segments	$ 40,964,166	$ 44,529,623
Elimination of group investments	(17,547,664)	(17,272,896)
Identifiable Assets Total Consolidated	$ 23,416,502	$ 27,256,727

Intersegment revenue relates to recharges from Holdings to all wholly-owned subsidiaries for information technology charges, administrative expenses and rent. These are charged at current market price. Revenues from segments below the quantitative thresholds for disclosure prescribed by accounting principles generally accepted in the United States of America are attributable to two operating segments. These segments include a corporate finance operation and direct finance lease division.

NOTE 18 – Segment Information, continued

2006	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 (UK)	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
Interest income and interest from 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
Gain (loss) on securities	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
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 18 – Segment Information, continued

2005	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 (UK)	LOM Properties Limited (Bermuda)	Other	Total
Revenues from external customers	$1,797,552	$2,601,360	$3,466,044	$1,145,245	$1,184,143	$ 25,860	$ 535,126	$ 294,430	$11,049,760
Intersegment revenue	41,916	10,161	32,099	149,706	1,398,370	--	574,029	1,744,594	3,950,875
Total revenue	$1,839,468	$2,611,521	$3,498,143	$1,294,951	$2,582,513	$ 25,860	$1,109,155	$2,039,024	$15,000,635
Interest revenue and interest on finance leases	$ 28,938	$ 11,154	$ 27,415	$ 233	$1,538,073	$ 200	$ 231	$ 127,277	$ 1,733,521
Depreciation	--	27,890	15,963	--	--	--	306,666	149,792	500,311
Gain (loss) on securities	71,038	(446)	--	10,417	87,811	--	--	(38,006)	130,814
Operating expenses	2,409,665	2,326,055	2,263,474	1,412,147	4,230,765	498,388	853,800	2,135,934	16,130,228
Segment income (loss)	(462,256)	297,647	1,262,424	(105,993)	(39,854)	3,452,651	255,586	(10,189)	4,650,016
Identifiable assets	1,611,537	412,112	511,684	465,188	2,898,158	27,798,094	9,520,772	1,312,078	44,529,623
Identifiable long-lived assets- net of depreciation	--	109,529	11,403	--	--	3,559	9,387,180	52,249	9,563,920
Capital expenditures	--	101,261	949	--	--	--	40,035	5,826	148,071

NOTE 18 - Segment Information, continued

Geographic Split

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

2005	Bermuda	Cayman	Bahamas	Total
Revenues from external customers	$4,982,356	$2,601,360	$3,466,044	$11,049,760
Long lived assets - property, plant and equipment	9,439,430	109,529	14,961	9,563,920

Geographic split is disclosed by location of business.

NOTE 19 - Supplementary Information - Five Year Comparison Table

Data contained in this note for the years ended December 31, 2003 and December 31, 2002 was audited by other auditors whose opinion for 2003 was disclaimed and unqualifed for 2002.

Income Statement Data – For the Year Ended December 31

	2006	2005	2004	2003	2002
Net-interest income	$ 1,588,119	$ 1,733,522	$ 1,807,461	$ 1,386,638	$ 1,102,989
Fees and other income	11,223,322	11,180,573	15,566,137	15,757,309	10,686,456
Operating expenses	(11,158,852)	(12,189,079)	(15,308,915)	(14,000,360)	(11,589,019)
Net Income	$ 1,652,589	$ 725,016	$ 2,064,683	$ 3,143,587	$ 200,426

NOTE 19 – Supplementary Information - Five Year Comparison Table, continued

Balance Sheet Data – As of December 31

	2006	2005	2004	2003	2002
Cash, cash equivalents and restricted cash	$ 9,827,719	$15,035,237	$14,943,958	$13,344,790	$ 8,350,524
Securities owned	2,758,929	607,670	618,354	319,692	2,102,714
Property and equipment, net	9,257,592	9,563,920	9,917,390	10,216,909	10,614,225
Total assets	23,416,502	27,256,727	27,628,998	26,058,378	23,311,625
Stockholders' equity	20,240,103	25,326,894	25,474,068	24,151,642	22,194,540

Financial Ratios – As of December 31

	2006	2005	2004	2003	2002
Debt-equity ratio	15.7%	7.6%	8.5%	7.9%	5.0%
Return on equity	8.2	2.9	8.1	13.0	0.9
Return on assets	7.1	2.7	7.4	12.1	0.9