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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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SECTION

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER  
850078

FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: DP SECURITIES, INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

3655 NOBEL DR., SUITE 540

(No. and Street)

SAN DIEGO

CA

92122

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

ROBERT KYLE

858-623-1605

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

PETERSON & CO. LLP

(Name - if individual, state last, first, middle name)

3655 NOBEL DR., STE. 500

SAN DIEGO

CA

92122

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 25 2004

THOMSON FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

*SW*

OATH OR AFFIRMATION

I, ROBERT F. KYLE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DP SECURITIES, INC., as of FEBRUARY 27TH, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

N/A

[Signature]  
Signature

PRESIDENT  
Title

[Signature]  
Notary Public



This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**REPORT PURSUANT TO RULE 17A-5(D)  
AND  
INDEPENDENT AUDITORS' REPORT**

**DP SECURITIES, INC.  
DECEMBER 31, 2003**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
DP Securities, Inc.

We have audited the accompanying statement of financial condition of DP Securities, Inc. as of December 31, 2003, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities and Exchange Act of 1934. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DP Securities, Inc. as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements of the Company have been prepared assuming that the Company will continue as a going concern. During the year ended December 31, 2003, the Company has incurred losses of \$9,664 and as a result, it has an accumulated deficit of \$100,344 at December 31, 2003. In August 2002, its trading desk was closed and trading operations discontinued. In January 2003, PCS Research Technology, Inc., sole stockholder of the Company, restructured its operations whereby it de-emphasized broker-dealer activities and, consequently, it may no longer be able to support the operations of the Company. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. Management's plans are discussed in Note 9. The accompanying financial statements do not include any adjustments relating to this uncertainty.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17 a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
PETERSON & CO., LLP

February 17, 2004  
San Diego, California

DP SECURITIES, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2003

ASSETS	
Cash and cash equivalents	\$ 5,321
Securities at market value	<u>2,835</u>
 Total assets	 <u><u>\$ 8,156</u></u>
 STOCKHOLDERS' EQUITY	
Common stock; \$.0205 par value; 1,000,000 shares authorized, issued and outstanding	\$ 20,500
Additional paid-in capital	88,000
Accumulated deficit	<u>(100,344)</u>
 Total stockholders' equity	 <u><u>\$ 8,156</u></u>

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

DP SECURITIES, INC.  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2003

REVENUES	
Loss on market value of securities owned	<u>\$ (465)</u>
Total revenues	<u>(465)</u>
OPERATING EXPENSES	
General and administrative	2,948
Overhead paid to Parent	<u>6,251</u>
Total operating expenses	<u>9,199</u>
NET LOSS	<u><u>\$ (9,664)</u></u>

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

DP SECURITIES, INC.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance - December 31, 2002	1,000,000	\$ 20,500	\$ 88,000	\$ (90,680)	\$ 17,820
Net loss	-	-	-	(9,664)	(9,664)
Balance - December 31, 2003	<u>1,000,000</u>	<u>\$ 20,500</u>	<u>\$ 88,000</u>	<u>\$ (100,344)</u>	<u>\$ 8,156</u>

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

DP SECURITIES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (9,664)
Adjustments to reconcile net loss to net cash used in operating activities	
Decrease in accounts receivable from clearing broker	4,135
Decrease in accrued expenses	(882)
Unrealized loss on investments	<u>465</u>
Net cash used in operating activities	<u>(5,946)</u>
Net decrease in cash and cash equivalents	(5,946)
Cash and cash equivalents, beginning of year	<u>11,267</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,321</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Income taxes paid	<u>\$ -</u>
Interest paid	<u><u>\$ -</u></u>

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

*Nature of Business*

DP Securities, Inc. (the “Company”) was organized in 1997 under the laws of California and began operations in October 1997. The Company is located in San Diego, California and is a registered broker-dealer in securities. The Company is a member of the National Association of Securities Dealers, Inc. and is a wholly-owned subsidiary of PCS Research Technology, Inc. (formerly DirectPlacement, Inc., the “Parent”). As an introducing broker, all transactions on behalf of customers are cleared on a fully disclosed basis with an independent clearing organization. The Company also participates in underwritings of private placements.

The Company is economically dependent on its Parent for deal and transaction flow, managerial and administrative services and corporate overhead. During the year ended December 31, 2003, the Company paid its Parent \$6,251 for these services.

*Securities Transactions*

Securities transactions and related revenues and expenses are recorded on a settlement date basis, generally the third day following the transactions date, which is not materially different than on a trade date basis.

Securities owned are valued at market value and securities not readily marketable are valued at fair value as determined by management. The resulting difference between cost and market (or fair value) is included in revenues on the statement of operations.

During the year ended December 31, 2003, the Company did not engage in any securities transactions.

*Placement Fees*

Placement fees include gains, losses and fees, net of syndicate expenses, arising from securities offerings in which the Company participates as an underwriter or agent. These fees are recorded when the underwriting is completed and the income is reasonably determinable. Referral fees related to placement transactions are expensed when the related revenue is recognized. Securities received for placement activities in placement fee revenues value at their fair value as determined using a Black Scholes valuation model. During 2003, the Company did not recognize any placement fees.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Income Taxes*

The Company is included in the consolidated federal income tax return filed by the Parent. Federal income taxes are calculated as if the companies filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Parent. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for changes in deferred tax liabilities or assets between years.

*Statement of Cash Flows*

For the purposes of cash flows, the Company has defined cash and cash equivalents as highly liquid investments, with original maturities of less than ninety days, that are not held for sale in the ordinary course of business

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates in the near term.

NOTE 2 – CASH AND SECURITIES SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

The Company does not hold funds or securities for customers; accordingly it is exempt from the provisions of Rule 15c3-3 under the Securities and Exchange Act of 1934, pursuant to Paragraph (k)(2)(ii) of such rule. Rule 15c3-3 provides for the maintenance by broker-dealers of basic reserves with respect to customers' cash and securities and enumerates standards relating to the physical possession of customer securities.

The Company carries no customer regulated commodities futures accounts; therefore, the computation of segregated funds pursuant to Section 4d(2) of the Commodity Exchange Act is not applicable.

DP SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – RECEIVABLE FROM AND PAYABLE TO BROKER-DEALER AND CLEARING ORGANIZATIONS

At December 31, 2003, no amounts are receivable from or payable to a clearing broker.

NOTE 4 – FINANCIAL INSTRUMENTS

*Derivatives and Hedging Activities*

The Company does not engage in derivative or hedging transactions.

*Concentrations of Credit Risk*

The Company has engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty. During the year ended December 31, 2003, the Company did not engage in any trading and brokerage activities.

NOTE 5 – NET CAPITAL REQUIREMENTS

The Company is subject to Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital (as defined), and requires that the ratio of aggregate indebtedness (as defined) to net capital may not exceed 15 to 1. The Uniform Net Capital Rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting ratio of aggregate indebtedness to net capital would exceed 10 to 1. At December 31, 2003, the Company had defined net capital of \$7,731, which was \$2,731 in excess of its required minimum net capital of \$5,000.

DP SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – RELATED PARTY TRANSACTIONS

Fees for managerial and administrative services in the amount of \$6,251 were paid to the Parent in 2003 and have been included in expenses for the year ended December 31, 2003.

NOTE 7- COMMITMENTS AND CONTINGENT LIABILITIES

The Company's commitments and contingent liabilities include the usual obligations of a broker-dealer in the normal course of business. In the opinion of management, these matters will not have an adverse impact on the Company's results of operations or financial condition.

NOTE 8 – INCOME TAXES

The Company is included in the consolidated federal income tax return filed by its Parent. Federal income taxes are calculated as if the Company filed a separate federal income tax return. At December 31, 2003 the Company has an operating loss carry forward for federal tax purposes of approximately \$102,000 which expires through 2023. In addition, for tax purposes, the Company has deferred unrealized losses on investments of approximately \$21,400. The Company has fully reserved the tax benefit of the operating loss carry forward and temporary differences related to the unrealized loss on investments.

The current and deferred portions of the income tax expense (benefit) included in the statement of operations as determined in accordance with FASB Statement No. 109, Accounting for Income Taxes, are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ --	\$ 40,500	\$ 40,500
State	--	9,200	9,200
	<u>\$ --</u>	49,700	49,700
Less valuation allowance		<u>(49,700)</u>	<u>(49,700)</u>
		<u>\$ --</u>	<u>\$ --</u>

There is no difference between the expected income tax expense or income computed at the U.S. statutory income tax rate and the Company's income tax expense.

DP SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – GOING CONCERN

The financial statements of the Company have been prepared assuming that the Company will continue as a going concern. During the year ended December 31, 2003, the Company has incurred losses of \$9,664 and as a result, it has an accumulated deficit of \$100,344 at December 31, 2003. Further, in August 2002, its trading desk was closed and trading operations were discontinued. In January 2003, the Parent announced a restructuring of its operations whereby it de-emphasized broker-dealer activities and as a result, it may no longer be able to support the operations of the Company. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. Management's plans are focused on complying with the minimum requirements to maintain the Company's license active, executing selective placement transactions as those opportunities arise and reducing its cash operating needs. The accompanying financial statements do not include any adjustments relating to this uncertainty.

SUPPLEMENTAL INFORMATION

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INDEPENDENT AUDITORS' SUPPLEMENTARY REPORT ON  
INTERNAL CONTROL REQUIRED BY RULE 17a-5  
OF THE SECURITIES AND EXCHANGE COMMISSION

Board of Directors  
DP Securities, Inc.

In planning and performing our audit of the financial statements and supplementary information of DP Securities, Inc. (the Company), for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in making periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons,
2. Recordation of differences required by rule 17a-13 or
3. Complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

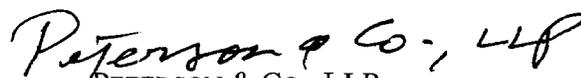
The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of its design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the member, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and should not be used by anyone other than these specified parties.

  
PETERSON & CO., LLP

February 17, 2004  
San Diego, California

SCHEDULE I

DP SECURITIES, INC.  
 COMPUTATION OF NET CAPITAL UNDER RULES 15c3-1 OF THE  
 SECURITIES AND EXCHANGE COMMISSION  
 DECEMBER 31, 2003

NET CAPITAL	
Total stockholders' equity qualified for net capital	\$ 8,156
Add:	
Other (deductions) or allowable credits	<u>-</u>
Total capital and allowable subordinated liabilities	8,156
Deductions and/or charges:	
Non-allowable assets	<u>-</u>
Net capital before haircuts on securities positions	8,156
Haircuts on securities positions	
Stocks and warrants	<u>(425)</u>
Net capital at December 31, 2003	<u><u>\$ 7,731</u></u>
AGGREGATE INDEBTEDNESS	
Items included in statement of financial condition	
Accrued expenses	<u>-</u>
Aggregate indebtedness at December 31, 2003	<u><u>\$ -</u></u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT	
Net capital at December 31, 2003	\$ 7,731
Minimum net capital required	<u>5,000</u>
Excess capital	<u><u>\$ 2,731</u></u>
Ratio: Aggregate indebtedness to net capital	<u><u>0.00 to 1</u></u>
RECONCILIATION WITH THE COMPANY'S COMPUTATION (INCLUDED IN PART II OF FORM X-17A-5 AS OF DECEMBER 31, 2003)	
Net capital, as reported in Company's Part II (unaudited) FOCUS report	
	\$ 7,731
Nonallowable assets erroneously reported as allowable:	
Other (deductions) or allowable credits	<u>-</u>
Net capital per above	<u><u>\$ 7,731</u></u>