



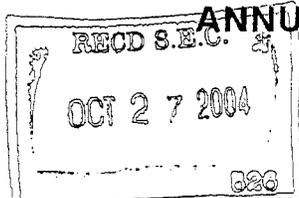
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AM 11-1-2004

OMB APPROVAL
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-~~02331~~ 1211

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 09/01/2003 AND ENDING 08/31/2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **INVESTORS SECURITY COMPANY, INC.**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

110 BANK STREET

(No. and Street)

SUFFOLK

(City)

VIRGINIA

(State)

23434

(Zip Code)

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

CHRISTOPHER M. HOLLOWAY

(757) 539-2396

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BOYCE, SPADY & MOORE PLC

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

1013 WEST WASHINGTON STREET

(Address)

SUFFOLK

(City)

VIRGINIA

(State)

23434

(Zip Code)

CHECK ONE:

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

PROCESSED
B
NOV 12 2004

FOR OFFICIAL USE ONLY THOMSON FINANCIAL

*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)

DB 11-10

OATH OR AFFIRMATION

I, CHRISTOPHER M. HOLLOWAY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of INVESTORS SECURITY COMPANY, INC., as of AUGUST 31, 20 04, 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:


Signature
VICE-PRESIDENT
Title


Notary Public

expires: june 30, 2006

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~~ Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' 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 15c3-3 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).



INVESTORS SECURITY COMPANY, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2004

FOCUS REPORT

FORM
X-17A-5

(Financial and Operational Combined Uniform Single Report)

Part IIA 5th FOCUS

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17

COVER

Select a filing method:

Basic Alternate [0011]

Name of Broker Dealer: INVESTORS SECURITY COMPANY, IN
[0013]

SEC File Number: 8- 12111

Address of Principal Place of Business: 110 BANK STREET
[0020]

[0014]

SUFFOLK VA 23434-
4519
[0021] [0022] [0023]

Firm ID: 2331
[0015]

For Period Beginning 09/01/2003 And Ending 08/31/2004
[0024] [0025]

Name and telephone number of person to contact in regard to this report:

Name: CHRISTOPHER M. HOLLOWAY Phone: 757-539-2396
VICE-PRESIDENT [0030] [0031]

Name(s) of subsidiaries or affiliates consolidated in this report:

Name: _____ Phone: _____
[0032] [0033]

Name: _____ Phone: _____
[0034] [0035]

Name: _____ Phone: _____
[0036] [0037]

Name: _____ Phone: _____
[0038] [0039]

Does respondent carry its own customer accounts? Yes [0040] No [0041]

Check here if respondent is filing an audited report [0042]

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

Name (If individual, state last, first, middle name)

BOYCE, SPADY & MOORE PLC

70

ADDRESS

Number and Street

City

State

Zip Code

1013 W. WASHINGTON STREET

71

SUFFOLK

72

VA

73

23434

74

Check One

Certified Public Accountant

75

Public Accountant

76

Accountant not resident in United States or any of its possessions

77

FOR SEC USE

DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

Boyce, Spady & Moore PLC

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

The Officers and Directors
Investors Security Company, Inc.
Suffolk, Virginia 23434

We have audited the accompanying statement of financial condition of Investors Security Company, Inc. as of August 31, 2004, and the related statements of income, changes in stockholders' equity and cash flows for the fiscal year 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 audit.

We conducted the audit in accordance with generally accepted auditing standards 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 the 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 Investors Security Company, Inc. as of August 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Also, we have examined the Computation of Net Capital Schedule. Our reconciliation of the above computation revealed no material differences. In our opinion, this schedule presents fairly the information included therein in conformity with the rules of the Securities and Exchange Commission.

Boyce, Spady & Moore PLC

October 22, 2004

1013 West Washington Street
Suffolk, Virginia 23434
(757) 539-2953
(757) 925-1191
fax (757) 539-3808

boycespadyandmoore.com

353 Main Street (23430)
P.O. Box 152
Smithfield, Virginia 23431
(757) 357-5200
fax (757) 357-0500

ASSETS

		Consolidated <input type="checkbox"/> [0198]	Unconsolidated <input checked="" type="checkbox"/> [0199]		
		Allowable	Non-Allowable	Total	
1.	Cash	<u>249,998</u>			<u>249,998</u>
		[0200]			[0750]
2.	Receivables from brokers or dealers:				
	A. Clearance account	<u> </u>			
		[0295]			
	B. Other	<u>518,955</u>			<u>518,955</u>
		[0300]		[0550]	[0810]
3.	Receivables from non- customers	<u> </u>	<u>9,954</u>		<u>9,954</u>
		[0355]	[0600]		[0830]
4.	Securities and spot commodities owned, at market value:				
	A. Exempted securities	<u> </u>			
		[0418]			
	B. Debt securities	<u> </u>			
		[0419]			
	C. Options	<u> </u>			
		[0420]			
	D. Other securities	<u>32,915</u>			
		[0424]			
	E. Spot commodities	<u> </u>			<u>32,915</u>
		[0430]			[0850]
5.	Securities and/or other investments not readily marketable:				
	A. At cost	<u> </u>			
		[0130]			
	B. At estimated fair value	<u> </u>	<u> </u>	<u> </u>	
		[0440]	[0610]	[0860]	
6.	Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:	<u> </u>	<u> </u>	<u> </u>	
		[0460]	[0630]	[0880]	

LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable	[1045]	[1255]	[1470]
14. Payable to brokers or dealers:			
A. Clearance account	[1114]	[1315]	[1560]
B. Other	459,083		459,083
	[1115]	[1305]	[1540]
15. Payable to non-customers	103,533		103,533
	[1155]	[1355]	[1610]
16. Securities sold not yet purchased, at market value		[1360]	[1620]
17. Accounts payable, accrued liabilities, expenses and other	10,510		10,510
	[1205]	[1385]	[1685]
18. Notes and mortgages payable:			
A. Unsecured	[1210]		[1690]
B. Secured	[1211]	[1390]	[1700]
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		120,000	120,000
1. from outsiders		[1400]	[1710]
2. Includes equity subordination (15c3-1(d)) of	[0970]		
	[0980]		
B. Securities borrowings, at market value:		[1410]	[1720]

from outsiders

[0990]

C. Pursuant to secured demand note collateral agreements:

[1420]

[1730]

1. from outsiders

[1000]

2. Includes equity subordination (15c3-1(d)) of

[1010]

D. Exchange memberships contributed for use of company, at market value

[1430]

[1740]

E. Accounts and other borrowings not qualified for net capital purposes

[1220]

[1440]

[1750]

20.

TOTAL LIABILITIES

573,126

120,000

693,126

[1230]

[1450]

[1760]

Ownership Equity

Total

21. Sole proprietorship

[1770]

22. Partnership (limited partners [1020])

[1780]

23. Corporations:

A. Preferred stock

[1791]

B. Common stock

5,050

[1792]

C. Additional paid-in capital

74,453

[1793]

	D.	Retained earnings	<u>163,758</u>	
				[1794]
	E.	Total	<u>243,261</u>	
				[1795]
	F.	Less capital stock in treasury	<u>—</u>	
				[1796]
24.		TOTAL OWNERSHIP EQUITY	<u>243,261</u>	
				[1800]
25.		TOTAL LIABILITIES AND OWNERSHIP EQUITY	<u>936,387</u>	
				[1810]

a. Includes interest on accounts subject to subordination agreements 2,377
[4070]

14. Regulatory fees and expenses _____ [4195]

15. Other expenses 6,513,691
[4100]

16. Total expenses 6,878,896
[4200]

NET INCOME

17. Net Income(loss) before Federal Income taxes and items below (Item 9 less Item 16) 58,872
[4210]

18. Provision for Federal Income taxes (for parent only) 20,620
[4220]

19. Equity in earnings (losses) of unconsolidated subsidiaries not included above _____
[4222]

a. After Federal income taxes of _____
[4238]

20. Extraordinary gains (losses) _____
[4224]

a. After Federal income taxes of _____
[4239]

21. Cumulative effect of changes in accounting principles _____
[4225]

22. Net income (loss) after Federal income taxes and extraordinary items 38,252
[4230]

MONTHLY INCOME

23. Income (current monthly only) before provision for Federal income taxes and extraordinary items (18,682)
[4211]

EXEMPTIVE PROVISIONS

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based

- A. (k) (1)--Limited business (mutual funds and/or variable annuities only) [4550]
- B. (k) (2)(i)--"Special Account for the Exclusive Benefit of customers" maintained [4560]
- C. (k) (2)(ii)--All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm(s) [4570]

Clearing Firm SEC#s	Name	Product Code
8- <u>35158</u> [4335A]	<u>FIRST CLEARING, LLC</u> [4335A2]	<u>ALL</u> [4335B]
8- _____ [4335C]	_____ [4335C2]	_____ [4335D]
8- _____ [4335E]	_____ [4335E2]	_____ [4335F]
8- _____ [4335G]	_____ [4335G2]	_____ [4335H]
8- _____ [4335I]	_____ [4335I2]	_____ [4335J]

- D. (k) (3)--Exempted by order of the Commission [4580]

9.	Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			
	A.	Contractual securities commitments	_____	[3660]
	B.	Subordinated securities borrowings	_____	[3670]
	C.	Trading and investment securities:		
		1. Exempted securities	_____	[3735]
		2. Debt securities	_____	[3733]
		3. Options	_____	[3730]
		4. Other securities	4,081	[3734]
	D.	Undue Concentration	_____	[3650]
	E.	Other (List)		
			_____	[3736A]
			_____	[3736B]
			_____	[3736C]
			_____	[3736D]
			_____	[3736E]
			_____	[3736F]
				4,081
			_____	[3736]
				224,661
				[3740]
10.	Net Capital			[3750]

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11.	Minimum net capital required (6-2/3% of line 19)	38,208
		[3756]
12.	Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with <u>Note(A)</u>	100,000
		[3758]
13.	Net capital requirement (greater of line 11 or 12)	100,000
		[3760]
14.	Excess net capital (line 10 less 13)	124,661
		[3770]
15.	Excess net capital at 1000% (line 10 less 10% of line 19)	167,348
		[3780]

COMPUTATION OF AGGREGATE INDEBTEDNESS

16.	Total A.I. liabilities from Statement of Financial Condition		573,126
			[3790]
17.	Add:		
	A. Drafts for immediate credit	[3800]	
	B. Market value of securities borrowed for which no equivalent value is paid or credited	[3810]	
	C. Other unrecorded amounts(List)		
		[3820A]	[3820B]
		[3820C]	[3820D]
		[3820E]	[3820F]
		[3820]	[3830]
19.	Total aggregate indebtedness		573,126
			[3840]
20.	Percentage of aggregate indebtedness to net capital (line 19 / line 10)	%	255
			[3850]

OTHER RATIOS

21.	Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)		%
			[3860]

SCHEDULED WITHDRAWALS

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual	Name of Lender or Contributor	Insider or Outsider	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	Withdrawal or Maturity Date (MMDDYYYY)	Expect to Renew
[4600]	[4601]	[4602]	[4603]	[4604]	[4605]
[4610]	[4611]	[4612]	[4613]	[4614]	[4615]
[4620]	[4621]	[4622]	[4623]	[4624]	[4625]
[4630]	[4631]	[4632]	[4633]	[4634]	[4635]
[4640]	[4641]	[4642]	[4643]	[4644]	[4645]
[4650]	[4651]	[4652]	[4653]	[4654]	[4655]
[4660]	[4661]	[4662]	[4663]	[4664]	[4665]
[4670]	[4671]	[4672]	[4673]	[4674]	[4675]
[4680]	[4681]	[4682]	[4683]	[4684]	[4685]
[4690]	[4691]	[4692]	[4693]	[4694]	[4695]
TOTAL			NONE		
			\$	[4699]	

Omit Pennies

Instructions Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

Withdrawal Code	Description
1	Equity Capital
2	Subordinated Liabilities
3	Accruals
4	15c3-1(c)(2)(iv) Liabilities

INVESTORS SECURITY COMPANY, INC.
STATEMENT OF CASH FLOWS
Year Ended August 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 38,252
Noncash expenses included in net income:	
Depreciation	14,578
Realized gain on securities sold	(3,646)
Unrealized loss on securities owned	20
Amortization	10,317
Changes in assets and liabilities:	
Accounts receivables	(58,584)
Other assets	24,045
Other payables	117,413
Net cash provided by operating activities	<u>142,395</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	27,923
Purchase of investment securities	(31,508)
Purchase of fixed assets	<u>(11,076)</u>
Net cash used by investing activities	<u>(14,661)</u>

Net increase in cash	127,734
Cash beginning of year	<u>122,264</u>
Cash end of year	<u>\$ 249,998</u>

**SUPPLEMENTAL DISCLOSURES OF CASH
FLOW INFORMATION**

Cash paid for interest	<u>\$ 2,435</u>
------------------------	-----------------

**SUPPLEMENTAL SCHEDULE OF NON-CASH
INVESTING AND FINANCING ACTIVITIES**

Purchase of equipment	\$ 11,076
Loan Proceeds	<u>-</u>
Cash invested	<u>\$ 11,076</u>

See accompanying notes to financial statements.

INVESTORS SECURITY COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2004

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Accounting Method. The Corporation uses the accrual basis of accounting for financial statement and income tax purposes. It is subject to regulation by the Securities and Exchange Commission and by the National Association of Securities Dealers, and it follows accounting and record keeping policies established by those agencies. Transactions with brokers and customers are recorded as of the trade date rather than the settlement date. Inventories of securities and investments are stated at market value. The Corporation depreciates office furniture and equipment over a ten (10) year life, Straight-Line method for assets acquired before January 1, 1981. Assets acquired since December 31, 1980, are depreciated under the two hundred percent (200%) Declining Balance method with a shift to Straight-Line to provide total write-off over the applicable useful life, with the assumption that all acquisitions occur midway through the year. (For federal income tax purposes, this is known as the Modified Accelerated Cost Recovery System, MACRS.) Depreciation lives are seven (7) years for equipment and furniture.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from these estimates.

Concentrations of Credit Risk Arising from Cash Deposits. The Company maintains cash balances at financial institutions located in Suffolk. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At August 31, 2004 the Company's uninsured cash balances total \$148,765.

Advertising. The Company expenses advertising costs as they are incurred.

Cash Equivalents. For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three (3) months or less to be cash equivalents.

NOTE 2. SUBORDINATED LOAN

Effective November 13, 2002 Cabell B. Birdsong loaned the Company \$120,000 under a subordinated loan agreement that was approved by NASD. This loan is due November 30, 2005. However, the loan cannot be repaid without the prior consent of NASD. The Company paid interest of \$2,377 to Cabell B. Birdsong for this loan.

INVESTORS SECURITY COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2004

NOTE 3. CONTINGENT LIABILITIES

The Company has no known contingent liabilities.

NOTE 4. INCOME TAX EXPENSE

Federal income tax returns have been examined through the fiscal year ended August 31, 1993 by the Internal Revenue Service. There are no outstanding items. Deferred income taxes are provided for timing differences between financial statement and income tax reporting.

Deferred tax – Asset	\$ 77,176
Deferred tax – Liability	<u>4,222</u>
Net deferred taxes	<u>\$ 72,954</u>

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities consist of the following:

Deferred tax assets:	
Net operating loss carryover	\$ 70,305
Capital loss on carryover	<u>6,871</u>
Total	<u>\$ 77,176</u>

The net operating loss carryover of \$185,207 expires August 31, 2023. The majority of the capital loss carryover expires August 31, 2008.

Deferred tax liabilities:	
Property, Plant and Equipment	<u>\$ 4,222</u>

The Company's provision for income taxes differs from applying the statutory U. S. Federal income tax rate to income before income taxes. The primary differences result from deducting certain expenses for financial statement purposes but not for federal income tax purposes.

INVESTORS SECURITY COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2004

NOTE 5. LEASES

The Corporation leases its office space from a stockholder. The Corporation pays the cost of taxes, fuel, electricity, water, sewage and other utilities. The lease is renewed annually each September 1.

The Corporation also leases three (3) vehicles. The terms of the leases are for three (3) years. The Corporation also leases several pieces of office equipment with terms of three (3) to five (5) years. Minimum lease payments under these leases were \$47,563 for the current year. Future minimum lease commitments under these non-cancelable leases are as follows:

August 31, 2005	\$ 28,661
August 31, 2006	17,496
August 31, 2007	4,871
August 31, 2008	<u>2,436</u>
Total	<u>\$ 53,464</u>

NOTE 6. CAPITAL

Stock ownership and management at August 31, 2004:

Cabell B. Birdsong	President, Treasurer and Director	100 sh.	99%
Christopher M. Holloway	Vice-President, Secretary and Director	<u>1 sh.</u>	<u>1%</u>
		<u>101 sh.</u>	<u>100%</u>

Investors Security Company, Inc. was incorporated August 24, 1964, under Virginia law.

Boyce, Spady & Moore PLC

Certified Public Accountants & Consultants

October 22, 2004

The Officers and Directors
Investors Security Company, Inc.
Suffolk, Virginia 23434

In planning and performing our audit of the financial statements of Investors Security Company, Inc. for the year ended August 31, 2004, we considered its internal control structure, including procedures 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 the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities 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 the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive 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 quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures 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 Commission's above-mentioned objectives. Two of the objectives of an internal control structure 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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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

1013 West Washington Street
Suffolk, Virginia 23434
(757) 539-2953
(757) 925-1191
fax (757) 539-3808

boycespadyandmoore.com

353 Main Street (23430)
P.O. Box 152
Smithfield, Virginia 23431
(757) 357-5200
fax (757) 357-0500

Our consideration of the internal control structure 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 structure elements 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 that a minimum of internal control procedures are in effect. Such a situation would normally be expected under the circumstances, because Investors Security Company, Inc.'s normal staff consists of the principal, who is the primary stockholder, the controller, and several clerks. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of Investors Security Company, Inc. for the fiscal year ended August 31, 2004, and this report does not affect our report thereon dated October 22, 2004.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission 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 August 31, 2004, to meet the Commission's objectives.

This report is intended solely for the use of management and the Securities and Exchange Commission as required by Rule 17a-5 under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Boyce, Spady & Moore PLC

Boyce, Spady & Moore PLC

Certified Public Accountants & Consultants

October 22, 2004

Stockholders and Directors
Investors Security Company, Inc.
Suffolk, Virginia 23434

The Company's unaudited Focus Report for August 31, 2004, shows a net capital of \$221,998. The audited Focus Report of August 31, 2004, shows a net capital of \$224,661. Listed below is the reconciliation of the difference of \$2,663 between the net capital as shown on the unaudited Focus Report and as shown on the audited Focus Report:

Net capital as reported in Company's part II A (Unaudited) Focus Report	\$ 221,998
Net audit adjustments	<u>2,663</u>
Net capital per audited report	<u>\$ 224,661</u>

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