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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8- 48219

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 10/01/03 AND ENDING 09/30/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: PETERS & CO. EQUITIES INC.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
3900 BANKERS HALL WEST 888 THIRD STREET SW

OFFICIAL USE ONLY  
FIRM I.D. NO.

CALGARY ALBERTA, CANADA T2P 5C5  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
HOLLY A. BENSON, CA (403) 261-4850  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

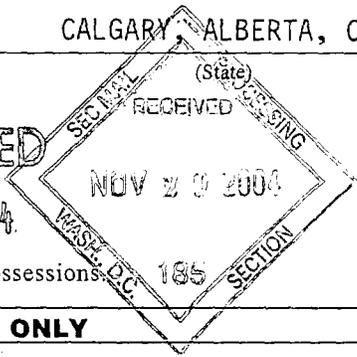
INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
ERNST & YOUNG LLP CHARTERED ACCOUNTANTS

1000 ERNST & YOUNG TOWER 440 2nd AVENUE SW CALGARY, ALBERTA, CANADA T2P 5E9  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or other possessions.

PROCESSED  
DEC 10 2004



**FOR OFFICIAL USE ONLY**

\*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)

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OATH OR AFFIRMATION

I, MICHAEL J. TIMS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PETERS & CO. EQUITIES INC., as of SEPTEMBER 30, 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:

[Handwritten Signature]

Signature

PRESIDENT & CHIEF EXECUTIVE OFFICER

Title

[Handwritten 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 Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors. (see notes)
(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).

Financial Statements and Supplemental Information

**Peters & Co. Equities Inc.**

September 30, 2004 and 2003



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## REPORT OF INDEPENDENT AUDITORS

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To the Directors and Stockholder of  
**Peters & Co. Equities Inc.**

We have audited the accompanying statements of financial condition of **Peters & Co. Equities Inc.** as at September 30, 2004 and 2003 and the related statements of income, changes in stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 audits provide 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 Peters & Co. Equities Inc. at September 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of expressing an opinion on the basic financial statements taken as a whole. The accompanying supplemental information 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 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Calgary, Canada  
November 12, 2004

*Ernst & Young LLP*

Chartered Accountants

Peters & Co. Equities Inc.

STATEMENTS OF FINANCIAL CONDITION

All figures presented in United States Dollars

As at September 30

	2004 \$	2003 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents [note 3]	791,381	776,322
Accounts receivable		
Broker [note 5]	4,984	810,611
Clients [note 4]	—	74,356
Other	47,950	32,526
Income taxes receivable	34,255	7,436
<b>Total current assets</b>	<b>878,570</b>	<b>1,701,251</b>
<b>Other</b>		
Investment in stock exchange	39,875	70,900
Deferred income taxes [note 6]	9,456	10,843
<b>Total other assets</b>	<b>49,331</b>	<b>81,743</b>
	<b>927,901</b>	<b>1,782,994</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current</b>		
Accounts payable		
Broker [note 5]	—	74,041
Clients	4,896	809,716
Due to Peters & Co. Limited [note 5]	52,752	42,772
Trade	15,617	13,600
<b>Total current liabilities</b>	<b>73,265</b>	<b>940,129</b>
<b>Subordinated loans [note 7]</b>	<b>600,000</b>	<b>600,000</b>
<b>Stockholder's equity</b>		
Capital stock [note 8]	200,000	200,000
Retained earnings	54,636	42,865
<b>Total stockholder's equity</b>	<b>254,636</b>	<b>242,865</b>
	<b>927,901</b>	<b>1,782,994</b>

See accompanying notes

On behalf of the Board:

  
Director

  
Director



Peters & Co. Equities Inc.

**STATEMENTS OF INCOME**

All figures presented in United States Dollars

For the years ended September 30

	2004	2003
	\$	\$
<b>REVENUE</b>		
Commissions	3,113,799	1,868,218
Research revenue	56,268	—
Loss on investment in stock exchange	(31,025)	—
Interest and other <i>[note 3]</i>	15,564	17,701
Foreign exchange gain	30,955	99,008
	<b>3,185,561</b>	<b>1,984,927</b>
<b>EXPENSES</b>		
Management fees <i>[note 5]</i>	3,051,323	1,771,251
Clearing and processing	13,565	12,251
Operating and overhead	47,775	33,391
Interest <i>[note 7]</i>	60,164	60,000
	<b>3,172,827</b>	<b>1,876,893</b>
Income before income taxes	12,734	108,034
Income taxes <i>[note 6]</i>	963	32,871
<b>Net income for the year</b>	<b>11,771</b>	<b>75,163</b>

*See accompanying notes*

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Peters & Co. Equities Inc.

**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**

All figures presented in United States Dollars

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For the years ended September 30

	2004	2003
	\$	\$
<b>CAPITAL STOCK</b>		
Balance, beginning of year	200,000	200,000
Additions during the year	—	—
Balance, end of year	200,000	200,000
<b>RETAINED EARNINGS (DEFICIT)</b>		
Balance, beginning of year	42,865	(32,298)
Net income for the year	11,771	75,163
Balance, end of year	54,636	42,865
<b>Total stockholder's equity</b>	<b>254,636</b>	<b>242,865</b>

*See accompanying notes*

Peters & Co. Equities Inc.

**STATEMENTS OF CASH FLOWS**

All figures presented in United States Dollars

For the years ended September 30

	2004	2003
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income for the year	11,771	75,163
Add items not requiring an outlay of cash		
Decrease in deferred income tax asset	1,387	1,088
Net change in non-cash working capital		
Decrease (increase) in accounts receivable - broker	805,627	(749,600)
Decrease in accounts receivable - clients	74,356	205,323
Increase in accounts receivable - other	(15,424)	(15,899)
Increase in income taxes receivable	(26,819)	(7,436)
Decrease in investment in stock exchange	31,025	—
(Decrease) increase in accounts payable - broker	(74,041)	74,041
(Decrease) increase in accounts payable - clients	(804,820)	473,225
Increase (decrease) in due to Peters & Co. Limited	9,980	(20,918)
Increase in accounts payable - trade	2,017	1,000
Decrease in income taxes payable	—	(22,951)
<b>Net cash provided by operating activities</b>	<b>15,059</b>	<b>13,036</b>
<b>Net increase in cash and cash equivalents</b>	<b>15,059</b>	<b>13,036</b>
Cash and cash equivalents, beginning of year	776,322	763,286
<b>Cash and cash equivalents, end of year</b>	<b>791,381</b>	<b>776,322</b>

Net cash provided by operating activities includes interest paid during the year of \$60,164 (2003 - \$60,000) and income taxes paid of \$32,118 (2003 - \$36,029).

See accompanying notes

## NOTES TO FINANCIAL STATEMENTS

All figures presented in United States Dollars

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September 30, 2004 and 2003

### 1. BACKGROUND

Peters & Co. Equities Inc. (the "Company"), incorporated under the *Business Corporations Act (Alberta)* and a wholly owned subsidiary of Peters & Co. Limited ("Limited"), commenced operations on September 24, 1996. The Company is registered as a broker/dealer with the National Association of Securities Dealers, Inc. ("NASD") and is a member of the Securities Investor Protection Corporation and the Securities Industry Association. The Company specializes in investments in the Canadian energy industry and deals exclusively with institutional clients.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States ("US"). Significant accounting policies are as follows:

#### Use of estimates

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which would affect the amount of recorded assets, liabilities, revenues and expenses. Actual amounts could differ from these estimates.

#### Accounting for securities transactions

Securities transactions and the related revenues and expenses are recorded in the financial statements on a settlement date basis. There would be no material differences in net income or net capital for regulatory purposes if the Company followed the trade date basis of accounting.

#### Foreign currency translation

The United States dollar is the functional currency for the Company's operations. Assets and liabilities denominated in Canadian currency are translated into United States dollars at the rate of exchange in effect at year end. Revenue and expense items are translated at average rates during the year. The resulting gains and losses are included in income.



## NOTES TO FINANCIAL STATEMENTS

All figures presented in United States Dollars

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September 30, 2004 and 2003

### Financial instruments

The carrying values of all of the Company's financial instruments approximate their fair values. Financial instruments are represented by cash and cash equivalents, accounts receivable, income taxes receivable, investment in stock exchange, accounts payable, income taxes payable and subordinated loans.

### Income taxes

The Company records its provision for income taxes using the liability method. Under this method deferred tax assets and liabilities are recognized based on the anticipated future tax effects arising from the differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases.

### Comprehensive income

There are no items which would cause comprehensive income to differ materially from net income.

### 3. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents is a Canadian dollar short term deposit in the amount of \$850,000 (2003 - \$900,000) with an interest rate of 2.00 percent per annum (2003 - 2.70 percent per annum) and a maturity of October 26, 2004 (2003 - October 28, 2003). This short term deposit is held with a Canadian chartered bank.

The Company has CDN and US currency on deposit at a Canadian chartered bank. The deposits earn interest at the Canadian prime rate less 2.50 percent per annum, and at the US prime rate less 3.75 percent per annum, respectively. At September 30, 2004 the Canadian prime rate was 4.00 percent per annum (2003 - 4.50 percent per annum) and the US prime rate was 4.75 percent per annum (2003 - 4.00 percent per annum).

### 4. ACCOUNTS RECEIVABLE - CLIENTS

A significant portion of the Company's accounts receivable from clients are due from a small number of US institutional clients. Concentration of credit risk is mitigated due to transactions in these accounts being on the basis of delivery versus payment only. As a result, securities are only delivered in exchange for the related funds.

## NOTES TO FINANCIAL STATEMENTS

All figures presented in United States Dollars

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September 30, 2004 and 2003

### 5. RELATED PARTY TRANSACTIONS

The Company's parent, Limited, provides trade execution services to the Company and acts as its settlement agent with various clearing corporations and depositories for all of its security transactions. The accounts receivable/payable broker represent the balances outstanding for such transactions.

Substantially all of the Company's cash receipts and disbursements and administrative functions are handled by Limited. Certain operating, overhead and other costs related to these services are recovered through a management fee. The intercompany balance arising from these transactions is recorded as Due from/to Peters & Co. Limited.

The inter-company balances are due on demand and do not bear interest.

### 6. INCOME TAXES

Deferred income taxes relate to the temporary differences between the carrying value of capital assets for financial reporting purposes and the undepreciated capital cost for income tax purposes.

The Company is subject to corporation taxes in Canada calculated based on financial statements expressed in Canadian dollars. As a result, the effective income tax rate differs from the statutory rate of 34.37 percent (2003 - 37.38 percent) due mainly to differences in trade date and settlement date reporting and the related foreign exchange translation amounts included in income for tax purposes.

### 7. SUBORDINATED LOANS

The Company has received two subordinated loans totalling \$600,000 US from its parent. These loans have been approved by the NASD and are thus available in computing net capital. These subordinated loans bear interest at ten percent per annum and are repayable on November 30, 2005. Interest paid during the year totalled \$60,164 (2003 - \$60,000). To the extent these loans are required for net capital, they may not be repaid.

During the year there were no increases or decreases in the subordinated loans.



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Peters & Co. Equities Inc.

**NOTES TO FINANCIAL STATEMENTS**

All figures presented in United States Dollars

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September 30, 2004 and 2003

**8. CAPITAL STOCK**

Details of the Company's capital stock are as follows:

	2004	2003
	\$	\$
Authorized:		
Unlimited common shares without nominal or par value.		
Issued and outstanding:		
200,000 common shares	200,000	200,000
	<u>200,000</u>	<u>200,000</u>

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**9. REGULATORY NET CAPITAL REQUIREMENT**

As a registered broker/dealer, the Company is subject to Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission (the "SEC"). The Company computes its net capital under the basic method and is required to maintain minimum net capital, as defined, equal to the greater of \$100,000 or 6 and 2/3 percentage of aggregate indebtedness, as defined, at all times. At September 30, 2004, the Company had net capital equal to \$756,727 (2003 - \$606,087) which exceeded its requirement by \$656,727 (2003 - \$506,087).

**10. ADDITIONAL INFORMATION**

In addition to these financial statements, an audited statement of financial condition has been prepared and is available for inspection either at the offices of the Company, at 3900, 888 Third Street SW, Calgary, Alberta, Canada, or at the offices of the SEC.



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SUPPLEMENTAL INFORMATION

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**COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1**

All figures presented in United States Dollars

September 30, 2004 and 2003

As a registered broker/dealer, the Company is subject to Uniform Net Capital Rule 15c3-1 of the SEC. The Company computes its net capital under the basic method and is required to maintain minimum net capital, as defined, equal to the greater of \$100,000 or 6 and 2/3 percentage of aggregate indebtedness, as defined, at all times. At September 30, 2004, the Company had net capital equal to \$756,727 (2003 - \$606,087) which exceeded its requirement by \$656,727 (2003 - \$506,087).

	2004 \$	2003 \$
Total stockholder's equity	254,636	242,865
Add: Liabilities subordinated to claims of general creditors allowable in computation of net capital	600,000	600,000
Less: Total non-allowable assets <i>[note 1]</i>	(89,850)	(119,048)
Less: Aged fail-to-delivers	(493)	(114,673)
Net capital before haircuts on securities positions	764,293	609,144
Less: Total haircuts	(7,566)	(3,057)
Net capital	756,727	606,087
Net capital requirement	100,000	100,000
Excess net capital	656,727	506,087

*There are no material differences between the audited Computation of Net Capital included in this report and the corresponding schedule in the Company's unaudited September 30, 2004 Part II FOCUS Filing.*

**NOTE 1: NON-ALLOWABLE ASSETS**

	2004 \$	2003 \$
Investment in stock exchange	—	70,900
Miscellaneous	89,850	48,148
Total non-allowable assets	89,850	119,048

STATEMENT REGARDING SEC RULE 15c3-3

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The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(i) of that rule.