

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

SEC FILE NUMBER
8-52351

FACING PAGE FEB 25 2005

**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 1-01-2004 AND ENDING 12-31-2004  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: CONSULTIVA SECURITIES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

273 ponce de Leon Avenue Scotiabank Plaza Suite 1201  
(No. and Street)

San Juan PR 00917  
(City) (State) (Zip Code)

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

Marua J. Miranda 787-763-5868  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Kevane Soto Pasarell Grant Thornton LLP  
(Name - if individual, state last, first, middle name)

33 Bolivia Street 4th Floor San Juan PR 00917  
(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 15 2005  
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)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Myrna N. Rivera, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CONSULTIVA SECURITIES INC., as of December 31, 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:

\_\_\_\_\_  
\_\_\_\_\_



Affidavit # 122  
Feb. 2005

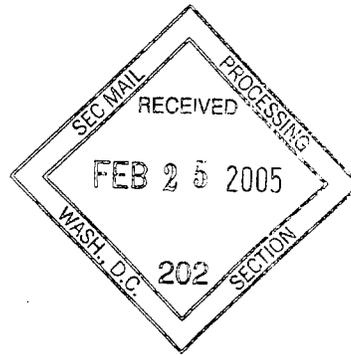
Wanda Giselle Miranda Cruz  
Notario Publico

Myrna N. Rivera  
Signature  
President  
Title

This report \*\* contains the following (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.
- (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).



**CONSULTIVA SECURITIES, INC.**  
(a wholly-owned subsidiary of  
Consultiva Internacional, Inc.)

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 AND 2003**

**TOGETHER WITH AUDITORS' REPORT**

**CONSULTIVA SECURITIES, INC.**

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Certified Public Accountants  
and Management Advisors  
Puerto Rico member of  
Grant Thornton

Kevane Soto Pasarell Grant Thornton LLP 

**INDEPENDENT AUDITORS' REPORT**

**To the Board of Directors of  
Consultiva Securities, Inc.:**

We have audited the accompanying balance sheets of **Consultiva Securities, Inc.** (a wholly-owned subsidiary of Consultiva Internacional, Inc.), as of December 31, 2004 and 2003, and the related statements of operations, 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 thereon based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 **Consultiva Securities, Inc.**, as of December 31, 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 of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in Schedules I and II 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 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination 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.

San Juan, Puerto Rico,  
February 3, 2005.

*Kevane Soto Pasarell Grant Thornton LLP*

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**CONSULTIVA SECURITIES, INC.**

(A wholly-owned subsidiary of Consultiva Internacional, Inc.)

**BALANCE SHEETS -- DECEMBER 31, 2004 AND 2003**

**ASSETS**

	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,654	\$ 38,613
Commissions receivable	26,380	11,314
Prepayments	<u>5,942</u>	<u>15,472</u>
Total current assets	33,976	65,399
<b>DEPOSIT WITH CLEARING HOUSE</b>	<u>51,072</u>	<u>50,782</u>
Total assets	<u>\$ 85,048</u>	<u>\$ 116,181</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

<b>LIABILITIES:</b>		
Due to parent company	\$ 42,963	\$ 23,504
Accounts payable	9,833	22,888
Income tax payable	<u>-</u>	<u>46</u>
Total liabilities--all current	<u>52,796</u>	<u>46,438</u>
<b>STOCKHOLDER'S EQUITY:</b>		
Common stock, \$100 par value, 10,000 shares authorized, 70 shares issued and outstanding	7,000	7,000
Additional paid-in capital	50,000	50,000
Retained earnings (Accumulated deficit)	<u>(24,748)</u>	<u>12,743</u>
Total stockholder's equity	<u>32,252</u>	<u>69,743</u>
Total liabilities and stockholder's equity	<u>\$ 85,048</u>	<u>\$ 116,181</u>

The accompanying notes are an integral  
part of these balance sheets.

**CONSULTIVA SECURITIES, INC.**

(A wholly-owned subsidiary of Consultiva Internacional, Inc.)

**STATEMENTS OF OPERATIONS**

**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>COMMISSIONS AND FEES</b>	<b>\$ 262,758</b>	<b>\$ 334,056</b>
<b>OPERATING EXPENSES:</b>		
Management fee	124,541	148,449
Administrative expenses	62,387	30,374
Clearing fees	37,643	91,519
Professional services	32,206	28,325
Insurance	22,315	14,249
Others	21,157	14,350
Total operating expenses	<u>300,249</u>	<u>327,266</u>
<b>INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES</b>	<b>(37,491)</b>	<b>6,790</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>-</b>	<b>(1,395)</b>
<b>NET INCOME (LOSS)</b>	<b><u>\$ (37,491)</u></b>	<b><u>\$ 5,395</u></b>

The accompanying notes are an integral  
part of these statements.

CONSULTIVA SECURITIES, INC.

(A wholly-owned subsidiary of Consultiva Internacional, Inc.)

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>COMMON STOCK</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS (ACCUMULATED DEFICIT)</u>	<u>TOTAL</u>
BALANCE, December 31, 2002	\$ 7,000	\$ 50,000	\$ 7,348	\$ 64,348
NET INCOME	-	-	5,395	5,395
BALANCE, December 31, 2003	7,000	50,000	12,743	69,743
NET LOSS	-	-	(37,491)	(37,491)
BALANCE, December 31, 2004	<u>\$ 7,000</u>	<u>\$ 50,000</u>	<u>\$ (24,748)</u>	<u>\$ 32,252</u>

The accompanying notes are an integral  
part of these statements.

CONSULTIVA SECURITIES, INC.

(A wholly-owned subsidiary of Consultiva Internacional, Inc.)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and others	\$ 247,692	\$ 391,097
Cash paid to suppliers	(303,820)	(325,435)
Income taxes paid	-	(3,249)
	<hr/>	<hr/>
Net cash (used in) provided by operating activities	(56,128)	62,413
<b>CASH FLOWS USED IN INVESTING ACTIVITIES--</b>		
Cash deposited with clearing house	(290)	(148)
<b>CASH FLOWS (USED IN) PROVIDED BY FINACING ACTIVITIES--</b>		
Advances from (payments to) parent company	19,459	(30,607)
	<hr/>	<hr/>
<b>(DECREASE) INCREASE IN CASH</b>	(36,959)	31,658
<b>CASH, beginning of year</b>	<hr/> 38,613	<hr/> 6,955
<b>CASH, end of year</b>	<hr/> <u>\$ 1,654</u>	<hr/> <u>\$ 38,613</u>
<b>RECONCILIATION OF NET INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (37,491)	\$ 5,395
	<hr/>	<hr/>
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities--		
Changes in assets and liabilities--		
(Increase) decrease in accounts receivable	(15,066)	57,042
Decrease (increase) in prepayments	9,530	(13,784)
(Decrease) increase in accounts payable	(13,101)	15,614
Decrease in income tax payable	-	(1,854)
	<hr/>	<hr/>
Total adjustments	(18,637)	57,018
	<hr/>	<hr/>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<hr/> <u>\$ (56,128)</u>	<hr/> <u>\$ 62,413</u>

The accompanying notes are an integral  
part of these statements.

**CONSULTIVA SECURITIES, INC.**

(A wholly-owned subsidiary of Consultiva Internacional, Inc.)

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2004 AND 2003**

**(1) Nature of operations and  
significant accounting policies:**

Consultiva Securities, Inc. (the Company) is a wholly-owned subsidiary of Consultiva Internacional, Inc. and was organized under the laws of the Commonwealth of Puerto Rico on January 25, 1999. The Company began its operations in June 2001. The Company is primarily engaged in rendering brokering services as an introducing broker. The Company does not carry securities accounts for customers nor does it render custodial functions of customer securities. Orders are received from customers and placed via First Clearing Corp., a correspondent U.S. based firm, who maintains all accounts for the customers. The most significant accounting policies followed by the Company are the following:

**(a) Revenue recognition-**

Commission revenues are recorded on a settlement date basis.

**(b) Use of estimates -**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, and the recorded amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(c) Income taxes -**

The Company follows the Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. This statement requires an asset and liability approach for financial accounting and reporting for income taxes.

**(2) Net capital requirements:**

The Company is subject to the Securities and Exchange Commissions Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1; furthermore, equity capital may not be withdrawn as cash dividends paid under certain conditions. At December 31, 2004 and 2003, the Company had the following net capital figures:

<u>Year</u>	<u>Capital Ratio</u>	<u>Required Net Capital</u>	<u>Net Capital</u>	<u>Excess Net Capital Account</u>
2004	2.01 to 1	<u>\$ 5,000</u>	<u>\$ 26,310</u>	<u>\$ 21,310</u>
2003	0.86 to 1	<u>\$ 5,000</u>	<u>\$ 54,271</u>	<u>\$ 49,271</u>

**(3) Deposit with Clearing House:**

This constant deposit is a requirement of First Clearing Corporation, the U.S. based entity providing clearing and custodial services for the Company and which maintains all customer accounts. The amount of the deposit was invested by First Clearing Corporation in a money market account.

**(4) Related party transactions:**

During the years ended December 31, 2004 and 2003, the Company engaged in transactions with its parent company mostly related to advances received and management fees. Amounts due at year-end are non-interest bearing and have no specific repayments terms.

	<u>2004</u>	<u>2003</u>
Due to parent company	<u>\$ 42,963</u>	<u>\$ 23,504</u>
Management fee expense	<u>\$ 124,541</u>	<u>\$ 148,449</u>

**(5) Income taxes:**

The Company calculates its income tax provision on its pre-tax accounting income at statutory rates, after taking into consideration any permanent or temporary difference. For the year ended December 31, 2004, the Company sustained a net operating loss and, therefore, no income tax expense was recorded. This loss give rise to potential deferred tax asset of approximately \$10,400, which amount has been reduced by a valuation allowance for the same amount, since its realization is not assured.

**(6) Supplementary information:**

The accompanying Schedule I and II have been prepared in accordance with the requirements and general format of FOCUS Form X-17A-5.

Other schedules, such as, Determination of Reserve Requirements, Information Relating to Possession or Control Requirements, and Schedule of Segregation Requirements which are required per SEC Rule 15c3-3 are omitted as being not applicable since, during the years ended December 31, 2004 and 2003, the Company has had no activities that would need to be disclosed on such schedules.

CONSULTIVA SECURITIES, INC.

(A wholly-owned subsidiary of Consultiva Internacional, Inc.)

COMPUTATION OF NET CAPITAL UNDER RULE 15C 3-1OF THE SECURITIES AND EXCHANGE COMMISSIONDECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<b>NET CAPITAL:</b>		
Capital per audited financial statements	\$ 32,252	\$ 69,743
Less-Non-allowable asset- prepayments	<u>(5,942)</u>	<u>(15,472)</u>
Net capital	<u>\$ 26,310</u>	<u>\$ 54,271</u>
<b>AGGREGATE INDEBTEDNESS:</b>		
Items included in the accompanying balance sheet	<u>\$ 52,796</u>	<u>\$ 46,438</u>
<b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:</b>		
Minimum required net capital (aggregate indebtedness / 15)	<u>\$ 3,520</u>	<u>\$ 3,096</u>
Minimum dollar net capital requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Highest minimum net capital requirement (highest of above amounts)	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Excess net capital (net capital-\$5,000)	<u>\$ 21,310</u>	<u>\$ 49,271</u>
Excess net capital (net capital - 10% of aggregate indebtedness)	<u>\$ 21,030</u>	<u>\$ 49,627</u>
Ratio: Aggregate indebtedness to net capital	<u>2.01</u>	<u>0.86</u>

CONSULTIVA SECURITIES, INC.

(A wholly-owned subsidiary of Consultiva Internacional, Inc.)

RECONCILIATION OF AGGREGATE INDEBTEDNESSPURSUANT TO RULE 17A-5 (D)(4)OF THE SECURITIES AND EXCHANGE COMMISSIONDECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<b>RECONCILIATION WITH COMPANY'S COMPUTATION</b>		
<b>(included in part 11A Form X-17a-5 as of December 31, 2004 and 2003):</b>		
Aggregate indebtedness as reported in Company's Part IIA (Unaudited) FOCUS report	\$ 53,452	\$ 16,578
Audit adjustments	<u>(656)</u>	<u>29,860</u>
Aggregate indebtedness, as reported in Schedule I	<u>\$ 52,796</u>	<u>\$ 46,438</u>



Certified Public Accountants  
and Management Advisors  
Puerto Rico member of  
Grant Thornton

Kevane Soto Pasarell Grant Thornton LLP

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL STRUCTURE REQUIRED BY SEC RULE 17 A-5**

To the Board of Directors of  
**Consultiva Securities, Inc.:**

In planning and performing our audits of the financial statements and supplemental schedules of **CONSULTIVA SECURITIES, INC.** (a wholly-owned subsidiary of Consultiva Internacional, Inc.) (the Company) for the years ended December 31, 2004 and 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 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 internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimate 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 preparation of financial statements in conformity 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.

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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 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.

Our consideration of the internal control structure would not necessarily disclose all matters in internal control 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 fraud 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 control activities 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, 2004 and 2003, to meet the SEC's objectives.

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

*Kewane Job Pasarell Grant Thornton LLP*

San Juan, Puerto Rico,  
February 3, 2005.

