

SECURITI



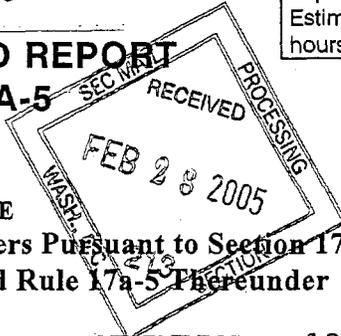
05036638

SION

20 8/1/05

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden hours per response.....	12.00

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



SEC FILE NUMBER
8- 48454

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 01/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: AVERIL CAPITAL MARKETS GROUP, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1901 AVENUE OF THE STARS, SUITE 350
(No. and Street)

LOS ANGELES CALIFORNIA 90067
(City) (State) (Zip Code)

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

MS. DIANA L. MARANON 310/553-5351
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

GOODRICH, GOODYEAR & HINDS, AN ACCOUNTANCY CORPORATION
(Name - if individual, state last, first, middle name)

6700 E. PACIFIC COAST HWY., SUITE 255, LONG BEACH, CA 90803
(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 17 2005
THOMSON FINANCIAL

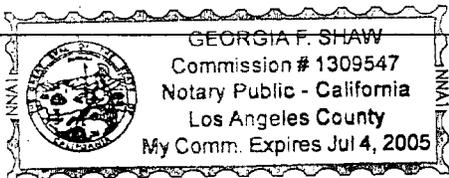
FOR OFFICIAL USE ONLY

*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)

TH 2/11

OATH OR AFFIRMATION

I, DIANA L. MARANON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AVERIL CAPITAL MARKETS GROUP, 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:



[Signature]
Signature DIANA L. MARANON
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~~ 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.
- (o) Independent Auditors' Report on Internal Accounting Control

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

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Stockholder's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-8
Additional Information:	
Computation of Net Capital Pursuant to Rule 15c3-1	9
Reconciliation of Net Capital	10
Report on Internal Control Structure	11-12

Goodrich, Goodyear & Hinds

An Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Averil Capital Markets Group, Inc.
Los Angeles, California

We have audited the accompanying statement of financial condition of Averil Capital Markets Group, Inc. as of December 31, 2004, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities 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 Averil Capital Markets Group, Inc. as of December 31, 2004, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Pages 9 and 10 is presented for the purpose 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 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.



Long Beach, California
February 2, 2005

AVERIL CAPITAL MARKETS GROUP, INC.
STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2004

ASSETS

Cash in bank		\$ 531,698
Prepaid lease		9,667
Property and equipment:		
Furniture and fixtures	\$ 206,650	
Office equipment	76,090	
Leasehold improvements	<u>43,936</u>	
	326,676	
Accumulated depreciation	<u>(103,579)</u>	
Net property and equipment		223,097
Deposits		10,099
Receivable from affiliate		<u>29,088</u>
Total assets		\$ <u>803,649</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:		
Accounts payable		\$ 2,563
Income taxes payable		9,654
Deferred income taxes		23,000
Amounts due to stockholder		<u>390,934</u>
Total liabilities		426,151
Commitments		-
Stockholder's equity:		
Common stock, no par value per share; authorized, issued and outstanding - 1,000 shares	\$ 10,000	
Additional paid-in capital	249,000	
Retained earnings	<u>118,498</u>	
Total stockholder's equity		<u>377,498</u>
Total liabilities and stockholder's equity		\$ <u>803,649</u>

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

AVERIL CAPITAL MARKETS GROUP, INC.
STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2004

Revenues:

Consulting fees, including reimbursed expenses	\$ 5,255,644
Interest	<u>41,783</u>
Total revenues	5,297,427

Expenses:

Auto expense	\$ 31,170
Business promotion	20,003
Consulting	50,910
Courier	3,550
Database	20,913
Depreciation	44,149
Dues and subscriptions	9,090
Equipment rental and maintenance	17,618
Insurance	54,996
License and permits	2,390
Office supplies	50,308
Regulatory fees	4,000
Salaries, wages and staff costs	4,486,147
Parking	16,433
Professional fees	1,411
Publications	3,284
Rent	116,784
Repairs	10,155
Taxes - payroll	90,469
Telephone	21,227
Meals and entertainment	77,115
Travel	117,374
Other	<u>19,875</u>
Total expenses	<u>5,269,371</u>

Income before income taxes 28,056

Income taxes (15,000)

Net income \$ 13,056

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

AVERIL CAPITAL MARKETS GROUP, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

YEAR ENDED DECEMBER 31, 2004

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at December 31, 2003	\$ 10,000	249,000	105,442	364,442
Net income for the year ended December 31, 2004	<u>-</u>	<u>-</u>	<u>13,056</u>	<u>13,056</u>
Balance at December 31, 2004	\$ <u>10,000</u>	<u>249,000</u>	<u>118,498</u>	<u>377,498</u>

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

AVERIL CAPITAL MARKETS GROUP, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2004

Cash flows from operating activities:		
Net income		\$ 13,056
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	\$ 44,149	
Decrease in accounts payable	(4,386)	
Increase in income taxes payable	8,154	
Increase in deferred taxes	5,000	
Increase in prepaid lease	<u>(9,667)</u>	
Total adjustments		<u>43,250</u>
Net cash flows provided by operating activities		56,306
Cash flows from investing activities:		
Purchase of equipment	(45,619)	
Increase in due from affiliates	(7,047)	
Decrease in loans receivable	<u>21,258</u>	
Net cash flows used for investing activities		(31,408)
Cash flows from financing activities:		
Loans from stockholder	<u>390,934</u>	
Net cash flows provided by financial activities		<u>390,934</u>
Net increase in cash and cash equivalents		415,832
Cash and cash equivalents at beginning of year		<u>115,866</u>
Cash and cash equivalents at end of year		\$ <u><u>531,698</u></u>

SUPPLEMENTAL CASH INFORMATION

Cash payments for:		
Income taxes		\$ <u><u>1,846</u></u>
Interest expense		\$ <u><u>-</u></u>

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

AVERIL CAPITAL MARKETS GROUP, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is a registered broker-dealer incorporated under the laws of the State of California maintaining its only office in Los Angeles, California, and is subject to a minimum net capital requirement of \$5,000 under SEC Rule 15c3-1. The Company operates pursuant to the (K)(2)(i) exemptive provision of SEC Rule 15c3-3 and does not hold customer funds or securities. The Company's revenue has consisted of consulting fees and transaction fees earned in connection with its advisory activities.

Averil Capital Markets Group, Inc. is a boutique corporate advisory practice offering specialized financial advisory services to a broad roster of clients ranging from small, emerging growth to middle market companies. In particular, the Company specializes in mergers and acquisitions and capital-raising transactions. Under the primary direction of Ms. Maranon, the Company offers advisory services across various transactional situations including acquisitions, divestitures, private placements and recapitalizations. The Company also provides specialized consulting services in connection with transactional events requiring substantial specialized advice such as launching an initial public offering, formulating a capitalization strategy for a new company, or developing an international mergers and acquisitions program.

Method of Accounting

The Company maintains its books and records on the accrual basis of accounting.

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 those estimates.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided over their estimated useful lives which ranges from five to fifteen years using the straight-line method.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

AVERIL CAPITAL MARKETS GROUP, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

SIPC

The SIPC assessments have been determined fairly in accordance with applicable instructions and were remitted timely.

Income Taxes

Income tax expense includes federal and state taxes currently payable and deferred income taxes. Deferred taxes result from timing differences between reporting for financial statements purposes and tax purposes primarily consisting of accelerated depreciation for tax and straight-line for books and the use of accrual method for book and cash basis for tax return purposes.

(2) COMMITMENTS

The Company has entered into a lease agreement for its office facilities which expires in January 2008. Minimum future rental payments under this non-cancellable lease for each year of the next five years and thereafter are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2005	\$ 113,956
2006	117,371
2007	120,896
2008	<u>10,099</u>
Total	\$ <u>362,322</u>

The Company also has entered into an operating lease related to certain office equipment. The lease expires in April 2007. Minimum future rental payments under this non-cancellable operating lease for each of the years through the expiration of the lease are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2005	\$ 27,792
2006	27,792
2007	<u>9,264</u>
Total	\$ <u>64,848</u>

AVERIL CAPITAL MARKETS GROUP, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2004

(3) AMOUNTS DUE TO STOCKHOLDER

At December 31, 2004, amounts due to stockholder consisted of unsecured non-interest bearing amounts due to the sole stockholder on demand. Repayment of such loans is anticipated in early 2005.

(4) PROVISION FOR INCOME TAXES

The provision for income taxes consists of the following components:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ 5,000	\$ 4,000	\$ 9,000
California	<u>5,000</u>	<u>1,000</u>	<u>6,000</u>
Total	\$ <u>10,000</u>	\$ <u>5,000</u>	\$ <u>15,000</u>

Deferred taxes are accounted for under Financial Accounting Standard No. 109 (FAS 109) which uses an asset and liability approach in recognizing timing differences. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of such differences. Deferred taxes result primarily from the use of accelerated depreciation for tax purposes and straight-line for financial reporting purposes and the use of the accrual method for financial reporting whereas the cash method is used for tax purposes.

(5) NET CAPITAL

The Company is subject to a \$5,000 minimum capital requirement under SEC Rule 15c3-1, which requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. Net capital and the related net capital ratio fluctuate on a daily basis; however, as of December 31, 2004, the net capital was \$105,547 which exceeded the required minimum capital by \$77,137. The aggregate indebtedness to net capital ratio was 4.04 to 1.

AVERIL CAPITAL MARKETS GROUP, INC.
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

DECEMBER 31, 2004

Total equity from statement of financial condition		\$ 377,498
Less non-allowable assets:		
Prepaid lease	\$ 9,667	
Deposits	10,099	
Property and equipment, net	223,097	
Receivable from affiliates	<u>29,088</u>	(271,951)
Net capital		\$ <u>105,547</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6-2/3% of aggregate indebtedness)	\$ <u>28,410</u>
Minimum dollar net capital required	\$ <u>5,000</u>
Net capital requirement (greater of above two figures)	\$ <u>28,410</u>
Excess net capital	\$ <u>77,137</u>

COMPUTATION OF RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL

Aggregate indebtedness	\$ <u>426,151</u>
Ratio of aggregate indebtedness to net capital	<u>4.04 to 1</u>
Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	<u>N/A</u>

AVERIL CAPITAL MARKETS GROUP, INC.
RECONCILIATION OF NET CAPITAL

DECEMBER 31, 2004

Net capital as reported in unaudited Focus Report Part IIA		\$ 101,703
Adjustments related to:		
Adjust cash balance	\$ 100	
Adjust payables	(6,127)	
Adjust income taxes payable	(8,154)	
Adjust interest income	41,025	
Deduct deferred taxes previously not deducted	<u>(23,000)</u>	
Total adjustments		<u>3,844</u>
Net capital as reported in audited financial statements		\$ <u>105,547</u>

The computation of net capital as reported in the unaudited Part IIA filing differs from the audited net capital for the reasons noted above. The differences in the aggregate were not material.

Goodrich, Goodyear & Hinds

An Accountancy Corporation

REPORT ON INTERNAL CONTROL STRUCTURE

The Board of Directors
Averil Capital Markets Group, Inc.
Los Angeles, California

In planning and performing our audit of the financial statements of Averil Capital Markets Group, Inc. for the year ended December 31, 2004, we have considered its internal control structure 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 and Exchange Commission (SEC), we have made a study of the practices and procedures 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 SEC'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 accordance 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.

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 no matters involving the internal control structure, 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, 2004, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934, and should not be used for any other purpose.

Goodrich, Hoodgear & Kinds

Long Beach, California
February 2, 2005