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

SEC FILE NUMBER
8 18812

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: CORBY CAPITAL MARKETS INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

10 HIGH STREET

(No. and Street)

BOSTON

(City)

MASS.

(State)

02110

(Zip Code)

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

MICHAEL J. REILLY

617-482-8780

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

DUNN + HOBAN, P.C.

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

1179 HIGH STREET

(Address)

WESTWOOD

(City)

MA

(State)

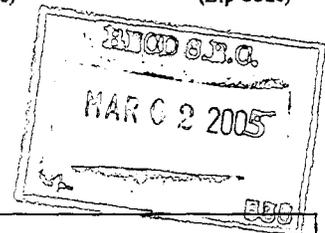
02090

(Zip Code)

CHECK ONE:

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

PROCESSED
APR 11 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)

SEC 1410 (06-02)

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4-11-2005

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OATH OR AFFIRMATION

I, MICHAEL J. REILLY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CORBY CAPITAL MARKETS INC., as of 2005, 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:

Michael J. Reilly
Signature

CHAIRMAN + CEO
Title

[Handwritten Signature]
Notary Public

SUFFOLK COUNTY MASSACHUSETTS



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.
- (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).



CORBY CAPITAL MARKETS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2004 AND 2003

CORBY CAPITAL MARKETS, INC.

DECEMBER 31, 2004 AND 2003

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Dunn & Hoban, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
1179 HIGH STREET
WESTWOOD, MA 02090

JOHN A. DUNN, CPA
MEREDITH HOBAN DUNN, CPA

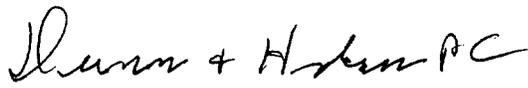
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To the Directors of
Corby Capital Markets, Inc.
Boston, Massachusetts

We have audited the accompanying balance sheets of Corby Capital Markets, Inc. as of December 31, 2004 and 2003, and the related statements of income, retained earnings, cash flows, changes in shareholders' equity, and changes in liabilities subordinated to claims of general creditors 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 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 Corby Capital Markets, Inc. as of December 31, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with principles generally accepted in the United States of America.


Certified Public Accountants
Westwood, Massachusetts

February 21, 2005

CORBY CAPITAL MARKETS, INC.

Balance Sheets

December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Current Assets:		
Cash	\$ 80,728	\$ 200,517
Dividends and interest receivable	83,233	52,968
Investment securities (Note 1 and 2)	7,317,121	9,773,817
Prepaid expenses	51,611	50,467
Prepaid taxes	24,906	0
Loan receivable	0	2,514
Total current assets	<u>7,557,599</u>	<u>10,080,283</u>
Property and equipment, net (Note 3)	37,116	49,994
Other assets:		
Deferred income taxes (Note 6)	1,512	0
Deposits	75,447	75,280
Total Assets:	<u>\$ 7,671,674</u>	<u>\$ 10,205,557</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Payable to clearing organization	\$ 5,516,885	\$ 7,946,478
Accounts payable	6,016	6,952
Income taxes payable	0	119,210
Accrued expenses and other liabilities	76,945	243,032
Total current liabilities	<u>5,599,846</u>	<u>8,315,672</u>
Liabilities subordinated to claims of general creditors (Note 4)	0	330,221
Deferred tax liability	0	9,107
Shareholders' equity:		
Common stock (Note 11)	9,251	9,251
Preferred stock, \$1.00 par value, 330,221 shares issued and outstanding	330,221	0
Additional paid-in capital	957,550	957,550
Retained earnings	942,306	704,756
Treasury stock, 120,000 shares in 2004 and 95,000 shares in 2003, at cost	<u>(167,500)</u>	<u>(121,000)</u>
Total shareholders' equity	<u>2,071,828</u>	<u>1,550,557</u>
Total liabilities and shareholders' equity:	<u>\$ 7,671,674</u>	<u>\$ 10,205,557</u>

See auditors' report and notes to financial statements.

CORBY CAPITAL MARKETS, INC.
Statements of Income and Retained Earnings
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenue:		
Commissions from securities transactions	\$ 21,160	\$ 73,280
Net gain on principal transactions	3,600,552	4,157,596
Underwriting and syndicated management fees	<u>42,313</u>	<u>62,221</u>
 Total revenue	 3,664,025	 4,293,097
 Operating expenses	 <u>3,132,057</u>	 <u>3,649,102</u>
 Income from operations	 531,968	 643,995
 Other income/(expense):		
Interest income	31,390	18,244
Dividend income	8	569
Interest expense	(126,279)	(182,133)
Other expense	<u>(15,000)</u>	<u>(15,000)</u>
 Total other income expense	 <u>(109,881)</u>	 <u>(178,320)</u>
 Income (loss) before income taxes	 422,087	 465,675
 Income tax benefit/(expense) (Note 6)	 <u>(171,053)</u>	 <u>(207,781)</u>
 Net income (loss)	 251,034	 257,894
 Retained earnings, beginning of year	 704,756	 480,067
 Dividends paid	 <u>(13,484)</u>	 <u>(33,205)</u>
 Retained earnings, end of year	 <u>\$ 942,306</u>	 <u>\$ 704,756</u>

See auditors' report and notes to financial statements.

CORBY CAPITAL MARKETS, INC.
Statements of Cash Flows
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Net income (loss)	\$ 251,034	\$ 257,894
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	27,880	22,397
Changes in operating assets and liabilities:		
(Increase) decrease in securities owned	2,456,696	(517,252)
(Increase) decrease in dividend and interest receivable	(30,265)	15,212
(Increase) decrease in prepaid expenses	(1,144)	(5,831)
(Increase) decrease in prepaid taxes	(24,906)	0
(Increase) decrease in loan receivable	2,514	6,236
(Increase) decrease in deferred income taxes	(1,512)	10,490
(Increase) decrease in other assets	(167)	(120)
Increase (decrease) in payable to clearing organizations	(2,430,529)	366,210
Increase (decrease) in income taxes payable	(119,210)	23,857
Increase (decrease) in deferred tax liability	(9,107)	9,107
Increase (decrease) in other liabilities	<u>(166,087)</u>	<u>5,103</u>
Net cash provided by (used in) operating activities	<u>(44,803)</u>	<u>193,303</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(15,002)</u>	<u>(19,082)</u>
Net cash (used in) investing activities	<u>(15,002)</u>	<u>(19,082)</u>
Cash flows from financing activities:		
Proceeds from issuance of treasury stock	0	49,000
Dividends paid	(13,484)	(33,205)
Repurchase of treasury stock	<u>(46,500)</u>	<u>0</u>
Net cash provided by (used in) financing activities	<u>(59,984)</u>	<u>15,795</u>
Net increase (decrease) in cash and cash equivalents	(119,789)	190,016
Cash and cash equivalents (beginning of year)	<u>200,517</u>	<u>10,501</u>
Cash and cash equivalents, end of year	<u>\$ 80,728</u>	<u>\$ 200,517</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	126,279	182,133
Taxes	<u>\$ 206,578</u>	<u>\$ 179,624</u>

See auditors' report and notes to financial statements.

CORBY CAPITAL MARKETS, INC.
Statements of Changes in Shareholder's Equity
For the Years Ended December 31, 2004 and 2003

	<u>Common</u> <u>Stock</u>	<u>Preferred</u> <u>Stock</u>	<u>Paid in</u> <u>Capital</u>	<u>Treasury</u> <u>Stock</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u>
Balance at January 1, 2003	\$ 9,251	\$ 0	\$ 957,550	\$ (170,000)	\$ 480,067	\$ 1,276,868
Issuance of treasury stock				49,000		49,000
Payment of dividends					(33,205)	(33,205)
Net income					<u>257,894</u>	<u>257,894</u>
Balance at December 31, 2003	9,251	0	957,550	(121,000)	704,756	1,550,557
Repurchase of treasury stock				(46,500)		(46,500)
Issuance of preferred stock		330,221				330,221
Payment of dividends					(13,484)	(13,484)
Net income					<u>251,034</u>	<u>251,034</u>
Balance at December 31, 2004	<u>\$ 9,251</u>	<u>\$ 330,221</u>	<u>\$ 957,550</u>	<u>\$ (167,500)</u>	<u>\$ 942,306</u>	<u>\$ 2,071,828</u>

See auditors' report and notes to financial statements.

CORBY CAPITAL MARKETS, INC.
Statements of Changes in Liabilities
Subordinated to Claims of General Creditors
For the Years Ended December 31, 2004 and 2003

	<u>Class A</u>
Balance at January 1, 2003	\$ <u>330,221</u>
Balance at December 31, 2003	<u>330,221</u>
Balance at December 31, 2004	\$ <u><u>0</u></u>

See auditors' report and notes to financial statements.

CORBY CAPITAL MARKETS, INC.
Notes to Financial Statements
December 31, 2004

Note 1 – Summary of Significant Accounting Policies

Business Activity

Corby Capital Markets, Inc., a Delaware corporation, is a registered broker/dealer in securities located in Boston, Massachusetts.

Use of Estimates

Management used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from the estimates.

Investment Securities

Securities owned by the Company are valued at their fair market value with any unrealized gain or loss reflected in income. Securities transactions (and any related gains or losses on sales) are recorded on a trade date basis. At December 31, 2004 and 2003, the securities owned portfolios comprised of debt and equity securities classified as trading securities in conjunction with FASB 115.

Property and Equipment

Property and Equipment are stated at cost. Depreciation of furniture and equipment is calculated by the double declining balance method using estimated useful lives of two to ten years.

Federal and State Income Taxes

The Company accounts for income taxes in accordance with Financial Accounting Standards No. 109 "Accounting for Income Taxes".

Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$48,438 and \$30,281 for the years ended December 31, 2004 and 2003 respectively.

Customer Accounts

The Company's customer accounts are carried on the books of National Financial Services Corporation (NFSC), on a fully disclosed basis. The Company is therefore exempt from the customer reserve requirements under SEC Rule 15c3-3.

CORBY CAPITAL MARKETS, INC.
Notes to Financial Statements
December 31, 2004

Note 3 – Property and Equipment

At December 31, 2004 and 2003, property and equipment consisted of the following:

	<u>2004</u>	<u>2003</u>
Furniture and fixtures	\$446,900	\$446,900
Computer and telephones	<u>34,085</u>	<u>19,082</u>
	\$480,985	\$465,982
Less accumulated depreciation	<u>443,869</u>	<u>415,988</u>
	<u>\$ 37,116</u>	<u>\$ 49,994</u>

Depreciation expense for the years ended December 31, 2004 and 2003 was \$27,880 and \$22,397.

Note 4 – Subordinated Notes

Class A Notes

At December 31, 2004 and 2003, the Company had \$0 and \$330,221 respectively, of Class A notes. The notes are due June 1, 2014, and bear interest at 9.25% annually. Interest is payable annually on June 1 of each year commencing with June 1, 1995. The notes are subordinated to the claim of general creditors as described in rule 15c-1 of the Securities and Exchange Act of 1934.

On June 1, 2004, the \$330,221 of Class A notes were converted to 7 ½ % preferred stock.

Two shareholders of the Company are the subordinated Class A note holders.

The interest cost was \$12,727 and \$30,545 for the years ended December 31, 2004 and 2003, respectively.

Note 5 – Profit Sharing and 401(k) Plan

The Company adopted a qualified, trustee, voluntary, contributory profit sharing plan effective January 1, 1980, and a 401(k) Plan covers substantially all employees who met specified age and service requirements.

The Company contributions to the Profit Sharing Plan for the years ended December 31, 2004 and December 31, 2003 were \$30,000 and \$100,000, respectively.

CORBY CAPITAL MARKETS, INC.
Notes to Financial Statements
December 31, 2004

Note 7 – Commitments

On September 1, 2002, the Company entered into a five-year lease expiring August 31, 2007 for space located at 10 High Street in Boston, Massachusetts. The terms of the lease require monthly payments of \$7,213 for the first three years and \$7,432 for the last two years.

At December 31, 2004 and 2003, rent expense was \$90,380 and \$86,556.

Minimum lease payments due under this lease for the next three years are as follows:

2005	87,433
2006	89,182
2007	<u>59,455</u>
	<u>\$ 236,070</u>

Note 8 – Net Capital Requirements

The Company is subject to the Security and Exchange Commission's uniform net capital rule (Rule 15c3-1), which required the maintenance of minimum net capital and required that the ratio of aggregate indebtedness, as defined shall not exceed 15 to 1. The Company had net capital and net capital requirements under these provisions as follows:

Net Capital	<u>1,688,312</u>
Net Capital Requirement	<u>100,000</u>
Net Capital Ratio	<u>17 To 1</u>

CORBY CAPITAL MARKETS, INC.
Notes to Financial Statements
December 31, 2004

Note 11 – Capital Structure

At December 31, 2004 and 2003, the Company had 1,300,000 shares of \$.01 par value common stock, 925,134 shares issued and 805,134 and 830,134 outstanding respectively. Common shares are voting and dividends are paid at the discretion of the Board of Directors. At December 31, 2003, the Company paid dividends of \$33,205 and \$0 at December 31, 2004.

All common shares are restricted from transfer without the Company being offered the first right to repurchase shares at a market-value price.

On June 1, 2004, the Company converted its Class A subordinated notes to 7 ½% preferred stock. The Company paid dividends on the preferred stock of \$13,484.

Dunn & Hoban, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
1179 HIGH STREET
WESTWOOD, MA 02090

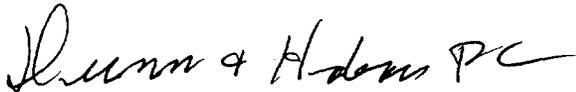
JOHN A. DUNN, CPA
MEREDITH HOBAN DUNN, CPA

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To the Board of Directors
Corby Capital Markets, Inc.
Boston, Massachusetts

REPORT ON SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in the following pages is presented for the purposes of additional analysis and, although not required for a fair presentation of financial position, results of operations, and cash flows, was subjected to the audit procedures applied in the audit of the basic financial statements taken as a whole.



Westwood, Massachusetts
February 21, 2005

CORBY CAPITAL MARKETS, INC.
Statements of Operating Expenses
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Advertising	\$ 48,438	\$ 30,281
Automobile lease	11,097	0
Blanket bond	440	2,642
Clearing charges	297,708	311,161
Contributions	18,950	14,650
Courier	2,534	3,369
Depreciation	27,880	22,397
Dues and subscriptions	168,237	148,821
Health insurance	93,349	79,504
Insurance	28,275	23,923
Legal and professional fees	110,702	162,179
Licenses and taxes	494	31
Maintenance and repairs	15,295	13,865
Office expense	4,348	9,244
Other broker/dealer expenses	18,532	21,483
Payroll taxes	89,359	91,094
Postage	6,705	3,009
Printing	6,002	1,790
Professional development	2,791	1,173
Rent	90,380	86,559
401 (k) and profit sharing plan fees	32,761	103,106
Salaries and commissions	1,924,135	2,364,454
Supplies	10,873	13,907
Telephone	33,416	33,869
Travel and entertainment	85,098	102,800
Utilities	4,258	3,791
	<hr/>	<hr/>
Total Operating Expenses	\$ <u>3,132,057</u>	\$ <u>3,649,102</u>

CORBY CAPITAL MARKETS, INC.
Computation of Net Capital Requirements Pursuant to
SEC Rule 15c3-1
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Capital and allowable subordinated liabilities:		
Common stock	\$ 9,251	\$ 9,251
Additional paid in capital	957,550	957,550
Treasury stock	(167,500)	(121,000)
Retained earnings	942,306	704,756
Subordinated liabilities	0	330,221
Preferred stock	<u>330,221</u>	<u>0</u>
Total capital and subordinated liabilities	<u>2,071,828</u>	<u>1,880,778</u>
Unallowable assets:		
Property and equipment	37,116	49,994
Loan receivable	0	2,514
Deferred income taxes	1,512	0
Deposits	25,447	25,280
Prepaid expenses	51,611	50,467
Security haircuts	<u>267,830</u>	<u>401,914</u>
Total unallowable assets	<u>383,516</u>	<u>530,169</u>
Net Capital	<u>\$ 1,688,312</u>	<u>\$ 1,350,609</u>

CORBY CAPITAL MARKETS, INC.
Reconciliation of Unaudited Computation
of Net Capital to Audited Computation of Net Capital
December 31, 2004

Unaudited net capital at December 31, 2004	\$ 2,072,488
Net audit adjustments affecting capital:	
1. To adjust prepaids and equipment	(4,123)
2. To adjust accounts payable, accrued expenses income taxes payable, and other liabilities	<u>3,463</u>
Audited net capital at December 31, 2004	<u>\$ 2,071,828</u>

Dunn & Hoban, P.C.

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To the Board of Directors
Corby Capital Markets, Inc.
Boston, Massachusetts

INDEPENDENT AUDITOR'S SUPPLEMENTARY REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

In planning and performing our audit of the financial statements of Corby Capital Markets, Inc. for the year ended December 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 and Exchange Commission, we have made a study of the practices and procedures followed by Corby Capital Markets, Inc., that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computation of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with exemptive provisions of Rule 15c3-3.

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 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 operations 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.

INDEPENDENT AUDITOR'S SUPPLEMENTARY
REPORT ON INTERNAL ACCOUNTING CONTROL
REQUIRED BY SEC RULE 17A-5

(continued)

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 objective 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 are adequate at December 31, 2004 to meet the Commission's objectives.

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


Westwood, Massachusetts
February 21, 2005