



05040708

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549ANNUAL AUDITED REPORT
FORM X-17A-5
PART IIIBB 3/24
OMB APPROVAL
OMB Number: 3235-0123
Expires: January 31, 2007
Estimated average burden
hours per response..... 12.00SEC FILE NUMBER
8-51666

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 01/01/2004 AND ENDING 12/31/2004

MM/DD/YY

MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Stuart Securities Corp.

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

1550 Beaver Ruin Road, Suite 200

(No. and Street)

Norcross, GA 30093

(City)

(State)

(Zip Code)

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

James H. M. Stuart

678-380-6071

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Santi & Associates, PC

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

3308 Peachtree Industrial Blvd., Ste 100 Duluth, GA 30096

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

APR 04 2005

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

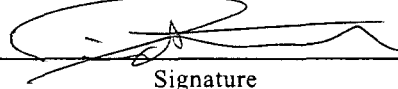
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.TLH
3/24

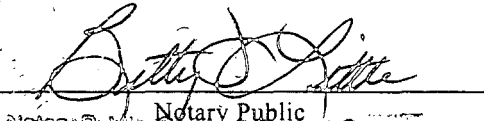
OATH OR AFFIRMATION

I, James H. M. Stuart, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Stuart Securities Corp., 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

President

Title


Notary Public

My Comm. Exp. Date: 03-02-06

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.

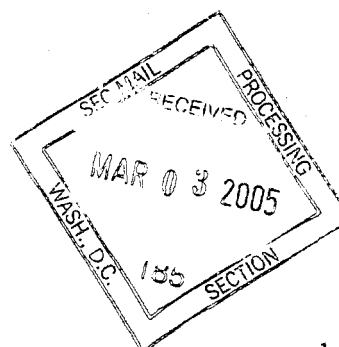
****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

STUART SECURITIES CORP.

**FINANCIAL STATEMENTS and
SUPPLEMENTAL SCHEDULES with
INDEPENDENT AUDITOR'S REPORT**

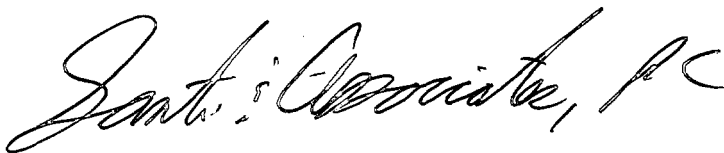
December 31, 2004 and 2003

CONTENTS



INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Income	3
Statements of Stockholders' Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	
Supplemental Schedule	11
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL PROCEDURES	12

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Supplemental Schedule 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 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 presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Jant's Associate, PC". The signature is written in dark ink and is positioned above the date and location text.

February 28, 2005
Duluth, Georgia

STUART SECURITIES CORP.

BALANCE SHEETS

December 31, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash	\$ 31,645	\$ 37,429
Commissions receivable	145,340	42,606
Property and equipment, at cost, net of accumulated depreciation of \$9,514 and \$8,840	674	1,348
Receivable from affiliate	<u>85,193</u>	<u>33,441</u>
	<u>\$ 262,852</u>	<u>\$ 114,824</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Commissions payable	\$ 142,698	\$ 29,824
Advances from stockholder	<u>55,000</u>	<u>55,000</u>
	<u>197,698</u>	<u>84,824</u>

STOCKHOLDERS' EQUITY

Common stock, \$.01 par value; 200 shares authorized; 198 shares issued and outstanding	2	2
Additional paid-in-capital	969,176	969,176
Accumulated deficit	<u>(904,024)</u>	<u>(939,178)</u>
	<u>65,154</u>	<u>30,000</u>
	<u>\$ 262,852</u>	<u>\$ 114,824</u>

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

STUART SECURITIES CORP.**STATEMENTS OF INCOME****Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
OPERATING INCOME		
Commissions	\$ 2,599,224	\$ 988,020
Other income	<u>-</u>	<u>1,739</u>
TOTAL OPERATING INCOME	<u>2,599,224</u>	<u>989,759</u>
OPERATING EXPENSES		
Commissions	2,039,555	709,009
Management fees to affiliate	316,384	184,354
Selling, general and administrative	<u>208,131</u>	<u>75,269</u>
TOTAL OPERATING EXPENSES	<u>2,564,070</u>	<u>968,632</u>
NET INCOME	\$ <u>35,154</u>	\$ <u>21,127</u>

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

STUART SECURITIES CORP.

STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2004 and 2003

	<u>Common Stock</u>	<u>Additional Paid-in-Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at January 1, 2003	\$ 2	\$ 969,176	\$ (960,305)	\$ 8,873
Net income	<u>-</u>	<u>-</u>	<u>21,127</u>	<u>21,127</u>
Balance at December 31, 2003	2	969,176	(939,178)	30,000
Net income	<u>-</u>	<u>-</u>	<u>35,154</u>	<u>35,154</u>
Balance at December 31, 2004	<u>\$ 2</u>	<u>\$ 969,176</u>	<u>\$ (904,024)</u>	<u>\$ 65,154</u>

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

STUART SECURITIES CORP.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 35,154	\$ 21,127
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	674	1,146
(Increase) Decrease in:		
Commissions receivable	(102,734)	11,239
Receivable from affiliate	(51,752)	(33,441)
Increase (Decrease) in:		
Commissions payable	112,874	3,044
Payable to affiliate	<u>-</u>	<u>(10,425)</u>
Net cash used in operating activities	<u>(5,784)</u>	<u>(7,310)</u>
Net decrease in cash and cash equivalents	(5,784)	(7,310)
Cash and cash equivalents at beginning of year	<u>37,429</u>	<u>44,739</u>
Cash and cash equivalents at end of year	\$ <u><u>31,645</u></u>	\$ <u><u>37,429</u></u>

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

STUART SECURITIES CORP.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Stuart Securities Corp. (the Company) is presented to assist in the understanding of the corporation's financial statements. The financial statements and notes are representations of the corporation's management, which is responsible for their integrity and objectivity.

1. Business Activity

Stuart Securities Corp. (a Delaware corporation) is a wholly owned subsidiary of Stuart Financial Corp. Stuart Securities Corp. (the Company) has been an application way, K2i brokerage firm since 1998. The Company is registered as a broker-dealer with the National Association of Securities Dealers. The Company is registered in 47 states and markets securities and variable products. The Company is subject to net capital and other regulations of the United States Securities and Exchange Commission (SEC). The Company offers retail sales of mutual funds, variable annuities, and variable life insurance products through registered representatives.

2. Basis of Presentation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America ("GAAP") and to practices within the broker-dealer industry. The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

3. Revenue Recognition and Commissions Receivable

Commission income represents the spread between buy and sell transactions processed and net fees charged to registered representatives on a transaction basis for buy and sell transactions processed. For variable life annuity products, commissions are a percentage of premiums paid by the policyholder. Commissions are recorded on a settlement date basis, which does not differ materially from trade date basis.

The Company, in accordance with SEC reporting regulations, includes as commissions receivable only those non 12-B-1 commissions received in the first 14 days of the subsequent month. Accordingly, no allowance for doubtful accounts is considered necessary. The commissions receivable balance reported under this method does not significantly differ from that arrived at by applying accounting principles generally accepted in the United States of America.

4. Cash and Cash Equivalents

The Company considers all highly-liquid investments with original maturities of three months or less to be cash equivalents.

5. Property and Equipment

Depreciation of property and equipment is provided for by charges to operations over the estimated useful lives of the assets using accelerated and straight-line methods. Lives for the more significant items within each property classification follow:

STUART SECURITIES CORP.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Property and Equipment, continued

	<u>Years</u>
Equipment	5
Furniture and fixtures	5

Purchases of property and equipment and expenditures for renewals or improvements which extend the original estimated economic life of the asset are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. When an asset is retired or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of income.

Depreciation expense for the years ended December 31, 2004 and 2003, was \$674 and \$1,146, respectively.

6. Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Additionally, the recognition of future tax benefits, such as net operating loss carryforwards, is required to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the Company's assets and liabilities results in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for the portion of the deferred tax asset when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies.

7. Reclassifications

Certain reclassifications have been made to the 2003 financial presentation in order to conform to the 2004 presentation. These changes did not affect equity or income.

NOTE B - FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Company to concentrations of credit risk consist principally of cash and commissions receivable. The Company places its cash with financial institutions which are highly rated in order to reduce credit risk. At times, the Company's balances may exceed federally insured amounts. The Company has not experienced any losses in such accounts. On December 31, 2004 and 2003, the Company had no uninsured balances.

STUART SECURITIES CORP.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE B - FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK, continued

Commissions receivable arise from the processing of buy and sell transactions and from the sale of variable life and annuity insurance products. Customers include registered agents, investment companies, and insurance companies throughout the United States. As a result, the Company's ability to collect commissions receivable is affected by the general economic climate in the nation and in the securities industry.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Balances of major classes of depreciable assets follows:

	<u>2004</u>	<u>2003</u>
Equipment	\$ 7,800	\$ 7,800
Furniture and fixtures	<u>2,388</u>	<u>2,388</u>
	10,188	10,188
Accumulated depreciation	<u>(9,514)</u>	<u>(8,840)</u>
	\$ <u>674</u>	\$ <u>1,348</u>

NOTE D - RELATED PARTY TRANSACTIONS

The Company is affiliated with Stuart Insurance Agency, Ltd. (the "Agency") through common ownership. The Company has a management agreement with the Agency whereby the Agency provides administrative, accounting and other personnel, as well as assisting the Company in maintaining its appropriate licenses and registrations. The Agency is responsible for payment of all expenses except for broker-dealer license fees, NASD fees and any other expenses relating to licensing or compliance. The Agency also provides office space, supplies and equipment that the Company requires in the ordinary course of its business. In return, the Company will pay the Agency a monthly management fee equal to 90% of its prior months net income, which is calculated excluding the management fee and income taxes. Management fees may be reduced or waived for any month to ensure the Company's net capital does not fall below \$30,000 and/or the aggregate indebtedness to net capital ratio does not exceed 1,000%. During 2004 and 2003, the Company paid \$316,384 and \$184,354, respectively, in management fees relating to this agreement.

All variable life and annuity products sold by the Company are submitted through the Agency. The Company utilizes free of charge, software developed by S21C Technologies, Ltd. of Canada to process commissions and produce commission statements.

STUART SECURITIES CORP.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE E - LIQUIDITY AND GOING CONCERN CONSIDERATION

The Company had negative cash flows from operations for the years ended December 31, 2004 and 2003, of \$5,784 and \$7,310, respectively. The Company had accumulated deficits of \$904,204 and \$939,178 as of December 31, 2004 and 2003, respectively. These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. To continue as a going concern, the Company relies on the ability of the Agency to underwrite overhead expenses and on the ability of S21C Technologies, Ltd. of Canada to provide software utilization. During 2004, the Company continued to implement a restructuring plan devised by the stockholders in 2003.

NOTE F - LIABILITIES SUBORDINATED TO THE CLAIMS OF GENERAL CREDITORS

At December 31, 2004 and 2003, and for the years then ended, the Company had an advance payable to a stockholder for \$55,000 that is subordinated to the claims of general creditors. The advance is noninterest bearing, and the maturity date was extended from September 2002 to September 2005 during 2001 with NASD approval.

NOTE G - INCOME TAXES

The components of income tax expense for the years ended December 31, 2004 and 2003, are as follows:

	<u>2004</u>	<u>2003</u>
Deferred	\$ (13,359)	\$ (8,028)
Change in valuation allowance	<u>13,359</u>	<u>8,028</u>
	<u>\$ -</u>	<u>\$ -</u>

The difference between income tax expense computed by applying the statutory federal income tax rate to net income before taxes for the years ended December 31, 2004 and 2003, is due to the change in the valuation allowance on deferred tax assets.

The following summarizes the components of deferred taxes at December 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Gross deferred income tax asset consisting of operating loss carryforwards	\$ 289,560	\$ 302,919
Less Valuation Allowance	<u>(289,560)</u>	<u>(302,919)</u>
Net Deferred Tax Asset	<u>\$ -</u>	<u>\$ -</u>

STUART SECURITIES CORP.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE G - INCOME TAXES, continued

At December 31, 2004 and 2003, the Company has recorded a valuation allowance relating to its deferred tax asset due to the fact that it is more likely than not that the deferred tax asset will not be realized. The realization of this deferred tax asset is dependent on future taxable income.

At December 31, 2004, the Company had net operating loss carryforwards for tax purposes of approximately \$762,000. These operating loss carryforwards will begin to expire in 2015 if not previously utilized.

NOTE H - NET CAPITAL REQUIREMENTS

The Company is subject to the SEC Uniform Net Capital Rule (SEC 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 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2004, the Company had net capital of \$34,287, which was \$9,287 in excess of its required net capital of \$25,000 and the Company's net capital ratio was 4.16 to 1. At December 31, 2003, the Company had net capital of \$50,211, which was \$25,211 in excess of its required net capital of \$25,000 and the Company's net capital ratio was .59 to 1.

NOTE I - COMMITMENTS AND CONTINGENCIES

The Company leases its office space under an operating lease agreement. Total rent expense during 2004 and 2003 was \$48,467 and \$47,056, respectively. Future minimum rental payments under this lease agreement are as follows:

2005	\$	49,921
2006		<u>38,501</u>
	\$	<u>88,422</u>

The rental expense payable by the Company is subject to the terms of the management agreement discussed in Note D.

SUPPLEMENTAL SCHEDULE

STUART SECURITIES CORP.

SUPPLEMENTAL SCHEDULE

December 31, 2004

Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission

Computation of Net Capital:

Total assets	\$ 262,852
Total liabilities	<u>(197,698)</u>
Net worth	65,154
Non-allowable assets:	
Receivable from affiliate	(85,193)
Non-allowable assets	<u>(674)</u>
Tentative net capital	(20,713)
Subordinated liability	<u>55,000</u>
Net capital	34,287
Minimum net capital	<u>(25,000)</u>
Excess net capital	\$ <u>9,287</u>

Aggregate indebtedness to net capital ratio:

Aggregate indebtedness consisting of commissions payable, excluding subordinated liability	\$ <u>142,698</u>
Net capital	\$ <u>34,287</u>
Ratio	<u>4.16 to 1</u>

Reconciliation with the Company's computation of net capital (included in Part II of its FOCUS report as of December 31, 2004):

Net capital, as reported in Part II FOCUS report	\$ 34,287
Audit adjustments, net	<u>-</u>
Net capital per above	\$ <u>34,287</u>

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 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 SEC and other regulatory agencies that 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.

A handwritten signature in cursive script that reads "Smith & Associates, PC". The signature is written in dark ink and is positioned above the date and location text.

February 28, 2005
Duluth, Georgia