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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER

8-31441

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 01/01/2005 AND ENDING 12/31/2005  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **WILMINGTON BROKERAGE SERVICES COMPANY**

OFFICIAL USE ONLY

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

FIRM I.D. NO.

**1100 NORTH MARKET STREET**

(No. and Street)

**WILMINGTON**

**DE**

**19890-0001**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**R. MICHAEL FOX 302-651-8941**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**KPMG**

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

**1600 MARKET STREET**

**PHILADELPHIA PA**

**19103-7279**

(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 27 2006**

**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)

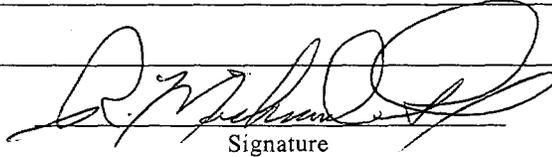
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, R. MICHAEL FOX, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of WILMINGTON BROKERAGE SERVICES COMPANY, as of DECEMBER 31, 20 05, 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:

**GARY DAVID SCHEIDECKER**  
Notary Public - State of Delaware  
My Comm. Expires Sept. 23, 2008



Signature

PRESIDENT & CCO  
Title

Gary David Scheidecker  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (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 15c3-1 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 Auditor's report on Internal accounting controls**  
\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).
- (p) **Reconciliation with focus computation of net capital**

Financial Statement and  
Supplemental Information

Wilmington Brokerage Services Company

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*Year ended December 31, 2005  
With Report and Supplementary  
Report of Independent Auditors*

# Wilmington Brokerage Services Company

## Financial Statements and Supplemental Information

Year ended December 31, 2005

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# Wilmington Brokerage Services Company

## Statement of Financial Condition

December 31, 2005

### Assets

Cash and cash equivalents	\$	2,542,505
Securities owned:		
Marketable, at market value		10,303,226
Commissions receivable		74,374
Fixed assets, at cost,		
less accumulated depreciation of \$996,915		126,442
Other assets		89,316
Total assets	\$	<u>13,135,863</u>

### Liabilities and Stockholder's Equity

#### Liabilities:

Payable to Wilmington Trust Company	\$	739,163
Accounts payable		45,136
Deferred tax liability, net		105,447
Incentive Accrual		710,999
Income taxes payable to Wilmington Trust Company and state taxing authority		1,707,046
Total liabilities		<u>3,307,791</u>

#### Stockholder's equity:

Common stock, no par, 100 shares authorized, issued, and outstanding		25,000
Additional paid-in capital		1,440,615
Retained earnings		8,362,457
Total stockholder's equity		<u>9,828,072</u>
Total liabilities and stockholder's equity	\$	<u>13,135,863</u>

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

# Wilmington Brokerage Services Company

## Statement of Income

Year ended December 31, 2005

### Revenues:

Brokerage commissions	\$	8,446,288
Mutual fund and annuity commissions		6,476,701
Interest and dividends		261,687
Principle transactions		(621)
Other		304,983
Total revenues		<u>15,489,038</u>

### Expenses:

Employee compensation and benefits		5,966,888
Clearing costs		1,638,449
Supplies		38,221
Professional fees		24,068
Telephone and communication		133,537
Travel and conferences		50,020
Depreciation		62,139
Loss on disposal of assets		66,122
Postage		135,542
Occupancy and other support		464,326
Filing and handling fees		229,175
Other		431,018
Total expenses		<u>9,239,505</u>

Income before income taxes		6,249,533
Provision for income taxes		<u>2,395,213</u>
Net income	\$	<u>3,854,320</u>

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

Wilmington Brokerage Services Company

Statement of Stockholder's Equity

Year ended December 31, 2005

	<u>Common Stock</u>		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance, January 1, 2005	100	\$ 25,000	\$ 1,440,615	\$ 4,508,137	\$ 5,973,752
Net Income				3,854,320	3,854,320
Dividend paid				-	-
Balance, December 31, 2005	100	\$ 25,000	\$ 1,440,615	\$ 8,362,457	\$ 9,828,072

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

Wilmington Brokerage Services Company  
Statement of Cash Flows  
Year Ended December 31, 2005

<b>Cash flows from operating activities</b>	
Net income	\$ 3,854,320
Adjustment to reconcile net income to net cash provided by operating activities:	
Depreciation	62,139
Loss on disposal of assets	66,122
Changes in operating assets and liabilities:	
Increase in securities owned, net	(5,300,002)
Decrease in commissions receivable	57,943
Increase in other assets	(29,485)
Increase in payable to Wilmington Trust Company	463,687
Decrease in accounts payable and other liabilities	(61,045)
Increase in incentive accrual	710,999
Increase in income taxes payable to Wilmington Trust Company and state taxing authority	858,078
Increase in deferred income taxes	77,976
Net cash provided by operating activities	<u>760,732</u>
 <b>Cash flows from investing activities:</b>	
Purchases of furniture, equipment and improvements	<u>(56,497)</u>
Net cash used in investing activities	(56,497)
 Net increase in cash and cash equivalents	
	704,235
Cash and cash equivalents, beginning of year	<u>1,838,270</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,542,505</u></u>
 <b>Supplemental disclosure of cash flow information:</b>	
Cash paid during the year for:	
Income taxes paid to Wilmington Trust Company and state taxing authority	<u><u>\$ 1,458,452</u></u>

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

# WILMINGTON BROKERAGE SERVICES COMPANY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

### NOTE 1 -- ORGANIZATION

Wilmington Brokerage Services Company (the Company) is a discount broker registered under the Securities Exchange Act of 1934. The Company is a wholly-owned subsidiary of Wilmington Trust Company (WTC). WTC is a wholly-owned subsidiary of Wilmington Trust Corporation (the Corporation). The Company's customer base is geographically diverse; however, the majority are trust or retail customers of WTC who reside in Delaware.

### NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

#### Cash and Cash Equivalents:

Cash and cash equivalents for purposes of these financial statements consist of cash and a money market fund.

#### Securities Transactions:

Security transactions are cleared through National Financial Services, LLP and Pershing Investments, LLC (the Clearing Brokers). Proprietary securities transactions and related revenues and expenses are recorded on a trade date basis. Commission revenues related to customers' security transactions are recorded on a trade date basis.

#### Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation. Buildings and improvements are depreciated on a straight-line basis over an estimated useful life of 39 years. Furniture and equipment is depreciated on a straight-line basis over an estimated useful life of 3, 5, or 7 years.

#### Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Securities Owned:

At December 31, 2005, the Company holds U.S. Treasury Bills, maturing in February and March 2006, which are carried at market value with unrealized gains and losses reflected in the principal transactions line of the Statement of Income.

WILMINGTON BROKERAGE SERVICES COMPANY

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE 3 -- INCOME TAXES**

The Company accounts for income taxes using the asset and liability method under which deferred tax assets and liabilities are determined based upon the differences between financial statement carrying amounts and the tax bases of existing assets and liabilities. These temporary differences are measured at prevailing enacted tax rates that will be in effect when the differences are settled or realized. The Company's provision for income taxes is computed as if the Company filed a separate tax return, however, the Company's taxable income is included in the consolidated federal income tax return filed by the Corporation. Income tax expense at December 31, 2005 represents the current and deferred expense of \$2,395,213. The amount payable to WTC and the state taxing authority at December 31, 2005 was \$1,707,046.

The difference between income tax at the statutory rate of 35% and income tax expense included in the statement of income is primarily related to meals and entertainment of \$2,440 and the impact of state taxes (net of the federal benefit) of \$205,208. The Company has a net deferred tax liability of \$105,447 at December 31, 2005.

**NOTE 4 -- FIXED ASSETS**

A summary of fixed assets at December 31, 2005 follows:

Buildings and improvements	\$	511,225
Furniture and equipment		612,132
		<u>1,123,357</u>
Accumulated depreciation		996,915
Fixed assets, net	\$	<u><u>126,442</u></u>

Depreciation expense was \$62,139 for 2005.

# WILMINGTON BROKERAGE SERVICES COMPANY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

### NOTE 5 -- RELATED PARTY TRANSACTIONS

The Company receives compensation for brokerage activities performed for the Wealth Advisory Services Department of WTC. In 2005, the Company recorded net brokerage commissions in the amount of \$3,777,886 for these activities. In 2005, the Company paid the Personal Financial Services Department a negotiated amount of \$1,099,996 to support Personal Investment representatives at branch sites. This amount is included in "Employee compensation and benefits" in the Statement of Income.

During 2005, the Company incurred rental expense of \$163,457 under a leasing arrangement with WTC which is included in "Occupancy and other support" in the Statement of Income.

### NOTE 6 -- EMPLOYEE BENEFITS AND OTHER POSTRETIREMENT BENEFITS

Employees of the Company are included in the noncontributory defined benefit pension plan of WTC, and are provided certain other postretirement health and life insurance benefits. Costs for these plans are borne fully by WTC. The defined benefit pension plan covers substantially all employees of the Company after certain age and service requirements are attained.

Employees of the Company are also eligible to participate in the Corporation's Employee Stock Purchase Plan and WTC's Thrift Savings Plan after meeting certain age and service requirements. Eligible employees may contribute from 1% to 25% of their annual base pay to the Thrift Savings Plan. The first 6% of each employee's pay is eligible for matching contributions from the Company of \$.50 on each \$1.00. In 2005 the Company's contributions for employees participating in this plan amounted to \$63,358.

### NOTE 7 -- NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital (Rule 15c 3-1), 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. At December 31, 2005, the Company had "net capital" of \$9,493,595, which was \$9,243,595 in excess of its required minimum net capital of \$250,000 for regulatory purposes. The company maintains a minimum net capital of \$250,000 for purposes of rule 15c3-1, in part, as a result of its Clearing Agreement. The Company's ratio of aggregate indebtedness to net capital was 0.35 to 1. The rule also provides that equity capital may not be withdrawn or cash dividends paid if certain minimum net capital requirements are not met.

**WILMINGTON BROKERAGE SERVICES COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 8 -- CLEARING AGREEMENT**

All customer securities transactions are introduced and cleared on a fully-disclosed basis through the clearing brokers that are members of the New York Stock Exchange, Inc. (the "NYSE") pursuant to a clearing agreement (the "Agreement"). Accordingly, open customer transactions are not reflected in the accompanying statement of financial condition and the Company operates under the exemptive provisions of Securities and Exchange Commission Rule 15c3-3(k)(2)(ii). Commissions receivable on the Statement of Financial Condition are amounts due from these Clearing Brokers.

The Agreement states the Company will assume customer obligations should a customer of the Company default. As of December 31, 2005, accounts owed to the clearing brokers by these customers were adequately collateralized by securities owned by the customers.

Supplementary Information  
Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934

Schedule I

Wilmington Brokerage Services Company

Computation of Net Capital Under SEC Rule 15c3-1

December 31, 2005

**Net Capital**

Total stockholder's equity from Statement of Financial Condition	\$ 9,828,072
Deduct, stockholder's equity not allowable for net capital	-
Total stockholder's equity qualified for net capital	<u>9,828,072</u>
Additions	-
Total capital and allowable subordinated liabilities	<u>9,828,072</u>
Total non-allowable assets	
1. Excess cash	-
2. Commissions receivable	74,374
3. Other assets	89,316
4. Fixed assets, net	126,442
5. Deferred tax asset	-
	<u>(290,132)</u>
Net capital before haircuts on securities positions	9,537,940
Haircuts on securities	(44,345)
Net capital	<u>\$ 9,493,595</u>

**Aggregate Indebtedness**

Included in Statement of Financial Condition	
Payable to Wilmington Trust Company	\$ 739,163
Accounts payable and other liabilities	45,136
Deferred tax liability	105,447
Incentive accrual	710,999
Income taxes payable to Wilmington Trust Company and state taxing authority	1,707,046
Total aggregate indebtedness	<u>3,307,791</u>

Percentage of aggregate indebtedness to net capital 35%

**Computation of basic net capital requirement**

Minimum net capital required (6-2/3% of aggregate indebtedness)	<u>220,519</u>
Minimum dollar net capital requirement	<u>250,000</u>
Net capital requirement (greater of 6-2/3% of aggregate indebtedness of \$3,307,791 or \$250,000)	<u>250,000</u>
Excess net capital	<u>\$ 9,243,595</u>
Excess net capital at 1000%	<u>\$ 9,162,816</u>

Supplementary Information  
Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934

Schedule I

Wilmington Brokerage Services Company

Computation of Net Capital Under SEC Rule 15c3-1 (continued)

December 31, 2005

Reconciliation of Company's Computation of Net Capital with FOCUS Report

Net Capital as reported in Wilmington Brokerage Services Company's Part IIA (Unaudited) FOCUS report	\$ 9,415,059
Other Items:	
Unrecorded offset for value of error accounts at month end	(2,794)
Adjustment to securities haircuts	10,849
Adjustment to unallowable assets	33,611
Allowance for potential deficits in client accounts	<u>36,870</u>
Net Capital as shown on page 10	<u>\$ 9,493,595</u>





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 internal control 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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error 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, 2005, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., 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.

KPMG LLP

February 24, 2006