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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- 45185

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 05/01/05 AND ENDING 04/30/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
CENTAURUS FINANCIAL, INC.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
333 CITY BOULEVARD WEST, SUITE 2010

OFFICIAL USE ONLY
FIRM I.D. NO.

ORANGE CALIFORNIA 92868
(City) (No. and Street) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
J. RONALD KING (714) 456-1790
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
LAVINE & ASSOCIATES CPAS, INC.

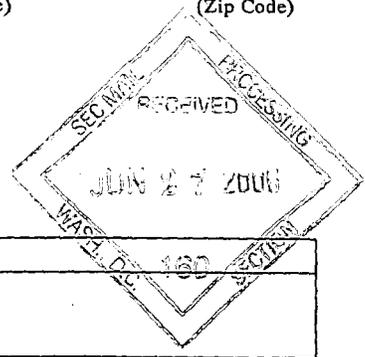
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JUL 20 2006

(Name - if individual, state last, first, middle name)
26691 PLAZA DRIVE, SUITE 222 MISSION VIEJO, CA 92691
(Address) (City) (State) (Zip Code)

THOMSON FINANCIAL

CHECK ONE:

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



FOR OFFICIAL USE ONLY

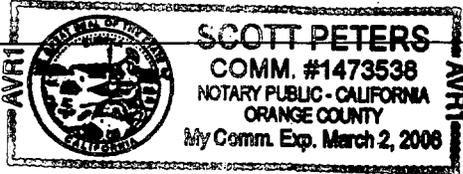
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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Handwritten signature/initials

OATH OR AFFIRMATION

I, J. Ronald King, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CENTAURUS FINANCIAL, INC., as of April 30, 2006, 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:



James R. King
Signature
President
Title

Scott Peters
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 15c3-3 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).

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE - APRIL 30, 2006

CENTAURUS FINANCIAL, INC.

333 City Blvd. West, Suite 2010
ORANGE, CALIFORNIA 92868

Mr. J. Ronald King
CENTAURUS FINANCIAL, INC.
333 City Blvd. West, Suite 2010
ORANGE, CALIFORNIA 92868

CENTAURUS FINANCIAL, INC.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

Board of Directors
Centaurus Financial, Inc.
Orange, California

We have audited the accompanying balance sheets of Centaurus Financial, Inc. as of April 30, 2006 and 2005 and the related statements of operations, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the years 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 audits.

We conducted our audits 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 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 Centaurus Financial, Inc. as of April 30, 2006 and 2005, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III 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 stated in all material respects in relation to the basic financial statements taken as a whole.

LaVine & Associates CPAs, Inc.

Mission Viejo, California
June 26, 2006

CENTAURUS FINANCIAL, INC.

Balance Sheets
April 30, 2006 and 2005

ASSETS

	2006	2005
CURRENT ASSETS		
Cash	\$ 6,341,141	\$ 4,682,066
Accounts receivable - Note 2	1,249,394	1,497,409
Marketable securities	899,858	436,075
Prepaid expenses and other assets	1,217,054	1,139,459
Due from affiliates	270,697	270,697
TOTAL CURRENT ASSETS	9,978,144	8,025,706
 FIXED ASSETS - at cost - net of accumulated depreciation of \$219,297 and \$172,254 in 2006 and 2005 - Notes 1 and 3	 149,025	 115,221
 TOTAL ASSETS	 \$ 10,127,169	 \$ 8,140,927

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Commissions payable	\$ 2,801,038	\$ 2,566,070
Accounts payable and other liabilities	2,315,351	2,091,307
Income taxes payable - Note 7	401,974	134,901
 TOTAL CURRENT LIABILITIES	 5,518,363	 4,792,278
 Subordinated loans - Note 4	 250,000	 250,000
 TOTAL LIABILITIES	 5,768,363	 5,042,278
 COMMITMENTS AND CONTINGENCIES - Note 6		
 STOCKHOLDERS' EQUITY		
Capital Stock - \$10,000,000 shares authorized, 134,125 and 133,119 shares issued and outstanding	518,413	478,740
Unrealized gain on marketable securities	106,913	14,979
Retained earnings	3,733,480	2,604,930
 TOTAL STOCKHOLDERS' EQUITY	 4,358,806	 3,098,649
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 \$ 10,127,169	 \$ 8,140,927

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

CENTAURUS FINANCIAL, INC.
Statements of Operations
For The Years Ended April 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Commission income	\$ 51,183,764	\$ 44,813,897
Interest	42,300	22,256
Other income	<u>1,989,513</u>	<u>1,430,510</u>
TOTAL REVENUES	<u>53,215,577</u>	<u>46,266,663</u>
EXPENSES		
Commission expense	45,882,229	40,104,762
Salaries	2,730,168	2,219,945
Depreciation	47,043	35,647
Interest	17,575	17,500
Other operating expenses	<u>2,420,526</u>	<u>2,659,418</u>
TOTAL EXPENSES	<u>51,097,541</u>	<u>45,037,272</u>
INCOME FROM OPERATIONS BEFORE PROVISION FOR INCOME TAXES	<u>2,118,036</u>	<u>1,229,391</u>
PROVISION FOR INCOME TAXES - Note 7		
Current	965,086	502,181
Deferred	<u>(75,600)</u>	<u>(9,400)</u>
TOTAL PROVISION FOR INCOME TAXES	<u>889,486</u>	<u>492,781</u>
NET INCOME	<u>\$ 1,228,550</u>	<u>\$ 736,610</u>

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

CENTAURUS FINANCIAL, INC.
Statements of Changes in Stockholders' Equity
For The Years Ended April 30, 2006 and 2005

	<u>Common Stock</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
Balance - April 30, 2004	\$ 458,903	\$ 4,698	\$ 1,868,320	\$ 2,331,921
Stock Issuance	19,837	-	-	19,837
Net Income	-	-	736,610	736,610
Other Comprehensive Income Unrealized gain on Securities	-	10,281	-	10,281
Balance - April 30, 2005	478,740	14,979	2,604,930	3,098,649
Stock Issuance	39,673	-	-	39,673
Net Income	-	-	1,228,550	1,228,550
Dividends	-	-	(100,000)	(100,000)
Other Comprehensive Income Unrealized gain on Securities	-	91,934	-	91,934
Balance - April 30, 2006	<u>\$ 518,413</u>	<u>\$ 106,913</u>	<u>\$ 3,733,480</u>	<u>\$ 4,358,806</u>

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

CENTAURUS FINANCIAL, INC.
Statements of Cash Flows
For The Years Ended April 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,228,550	\$ 736,610
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	47,043	35,647
Unrealized Gain (Loss) on Marketable Securities	91,934	10,281
Changes in assets and liabilities:		
Decrease in accounts receivable	248,015	108,740
Increase in prepaid expenses and other assets	(77,595)	(150,381)
Increase in accounts payable and other liabilities	224,044	283,119
Increase (Decrease) in commissions payable	234,968	(284,696)
Increase (Decrease) in income taxes payable	267,073	(30,737)
Net cash provided by operating activities	2,264,032	708,583
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(80,847)	(20,108)
Purchase of marketable securities	(463,783)	(210,037)
Net cash consumed by investing activities	(544,630)	(230,145)
CASH FLOWS FROM FINANCING ACTIVITIES		
Stock issuance	39,673	19,837
Payment of dividends	(100,000)	-
Net cash (consumed) provided by financing activities	(60,327)	19,837
Net increase in cash	1,659,075	498,275
CASH BALANCE - beginning	4,682,066	4,204,353
CASH BALANCE - ending	\$ 6,341,141	\$ 4,702,628
Supplemental disclosure of cash flow information:		
Interest paid	\$ 17,500	\$ 17,500
Income taxes paid	\$ 533,637	\$ 369,261

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

CENTAURUS FINANCIAL, INC.
Statements of Changes in Liabilities
Subordinated to Claims of General Creditors

April 30, 2006 and 2005

BALANCE - APRIL 30, 2004	\$ 250,000
Activity - None	<u>-</u>
BALANCE - APRIL 30, 2005	250,000
Activity - None	<u>-</u>
BALANCE - APRIL 30, 2006	<u><u>\$ 250,000</u></u>

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

CENTAURUS FINANCIAL, INC.
Notes to Financial Statements
For The Years Ended April 30, 2006 and 2005

THE COMPANY

Centaurus Financial, Inc., "the Company", is a registered securities broker-dealer and is a subsidiary of Federation of Financial Services, Inc. The Company sells financial products, primarily mutual funds and insurance, through independent registered representatives. The Company is registered to do business throughout the United States.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices of the Company are as follows:

Accounting method - the Company uses the accrual method of accounting for both financial statement reporting and income tax return preparation.

Recognition of sales and income - securities transactions are recorded on a settlement basis, generally the third business day following the transaction date.

Fixed assets - fixed assets are stated at cost. Repairs and maintenance expenditures which do not extend the useful life of the assets owned are expensed as incurred. Depreciation is computed using both straight-line and accelerated methods, based upon the estimated useful lives of the assets ranging from three to five years.

Income taxes - a provision has been made for the estimated amount of income taxes which are payable currently and in the future (See Note 6). Deferred income taxes are computed annually in accordance with Financial Accounting Standards Board Statement No. 109, Accounting for Income Taxes, when applicable.

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.

Comprehensive income – Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, (SFAS 130), requires that total comprehensive income be reported in the financial statements. Comprehensive income was \$1,320,484 and \$746,891 for the years ended April 30, 2006 and 2005, respectively.

Reclassifications – Certain amounts in the April 30, 2005 financial statements have been reclassified to conform to the April 30, 2006 presentation.

NOTE 2 - MARKETABLE SECURITIES

The Company has marketable securities held at a brokerage firm. The securities are classified as available for sale and reported at their current market value.

NOTE 3 - FIXED ASSETS

Fixed assets are stated at cost and as of April 30, 2006 and 2005, consist of the following:

	<u>2006</u>	<u>2005</u>
Office furniture and fixtures	\$ 180,505	\$ 132,538
Office computers and equipment	<u>187,817</u>	<u>154,937</u>
	368,322	287,475
Less accumulated depreciation	<u>(219,297)</u>	<u>(172,254)</u>
Net fixed assets	<u>\$ 149,025</u>	<u>\$ 115,221</u>

Depreciation expense was \$47,043 and \$35,647 for the years ended April 30, 2006 and 2005, respectively.

NOTE 4 - SUBORDINATED LOANS

The borrowings under a subordination agreement with Federation of Financial Services, Inc. (See "The Company" Note) as of April 30, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Note payable, bearing interest at 7.0% per annum, maturing extended to March 2008	<u>\$250,000</u>	<u>\$250,000</u>

The subordinated borrowing and the accrued interest is covered by agreements approved by the National Association of Securities Dealers (NASD) and is available in computing net capital under the Securities and Exchange commission uniform net capital rule. The terms of the subordinated loan agreement includes certain covenants and restrictions as to the repayment of this loan.

In February 2005, the maturity date was extended to March, 2008.

NOTE 5 - NET CAPITAL REQUIREMENT

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. At April 30, 2006 and 2005, the Company had net capital of \$2,849,984 and \$1,777,156 which was \$2,481,909 and \$1,457,511 in excess of its required net capital of \$368,075 and \$319,645, respectively.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Company leases its office in Orange, California under an operating lease. During 2003, the Company leased additional space and extended the terms of the lease to September 2008. The lease currently calls for minimum monthly payments of \$13,500. Rent expense was \$149,957 and \$175,973, respectively, for the years ended April 30, 2006 and 2005.

The following is a schedule of minimum lease payments for the remainder of the lease terms:

2007	\$162,000
2008	<u>67,500</u>
	<u>\$229,500</u>

NOTE 7 - PROVISION FOR INCOME TAXES

The provision for income taxes at April 30, 2006 and 2005 consists of the following:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
<u>2006</u>			
Federal	\$740,009	\$(65,700)	\$674,309
State	<u>225,077</u>	<u>(9,900)</u>	<u>215,177</u>
	<u>\$965,086</u>	<u>\$(75,600)</u>	<u>\$889,486</u>
<u>2005</u>			
Federal	\$407,800	\$ (7,190)	\$400,610
State	<u>94,381</u>	<u>(2,210)</u>	<u>92,171</u>
	<u>\$502,181</u>	<u>\$ (9,400)</u>	<u>\$492,781</u>

NOTE 7 - PROVISION FOR INCOME TAXES (continued)

For income tax purposes, the Company will file its income tax returns on a consolidated basis. The provision for income tax expense has been allocated to the Company based upon its estimated share of the total income tax provision on a consolidated basis.

NOTE 8 - SIGNIFICANT GROUP CONCENTRATIONS

The Company has banking relations with a financial institution in which depository account balances exceed \$100,000.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Company has an agreement with Broker Design & Development, Inc. "BD&D", an affiliated corporation, which provides continuing education, product development and related support services to the Company

The Company also has an agreement with affiliate Hamilton Strategic Marketing, Inc., "Hamilton", which provides seminar, convention support and state registration services to the Company. For the years ended April 30, 2006 and 2005, the Company paid Hamilton \$930,605 and \$104,251, respectively in connection with this agreement.

NOTE 10 - RETIREMENT PLANS

The Company sponsors a 401(k) plan. Employer contributions were \$37,258 and \$30,969 for the years ended April 30, 2006 and 2005, respectively.

CENTAURUS FINANCIAL, INC.

Computation of Net Capital Pursuant to Rule 15c3-1

April 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
COMPUTATION OF NET CAPITAL		
Total ownership equity:		
Stockholders' equity (from balance sheet)	\$ 4,358,807	\$ 3,098,649
Additions:		
Subordinated loans	250,000	250,000
Deductions:		
Fixed assets - net	(149,025)	(115,221)
Prepaid expenses and other assets	(1,117,054)	(1,039,459)
Due from affiliates	(270,697)	(270,697)
Haircut on securities	(202,047)	(126,116)
Fidelity bond deductible	<u>(20,000)</u>	<u>(20,000)</u>
Net Capital	2,849,984	1,777,156
COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS		
Minimum dollar net capital requirement	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Minimum net capital (6-2/3% of aggregate indebtedness)	<u>\$ 368,075</u>	<u>\$ 319,645</u>
Excess net capital	<u>\$ 2,481,909</u>	<u>\$ 1,457,511</u>
Excess net capital at 1,000% (net capital less 10% of aggregate indebtedness)	<u>\$ 2,298,148</u>	<u>\$ 1,297,928</u>
COMPUTATION OF AGGREGATE INDEBTEDNESS		
Total liabilities (from balance sheet)	<u>\$ 5,518,362</u>	<u>\$ 4,792,278</u>
Ratio of aggregate indebtedness to net capital	<u>1.94</u>	<u>2.70</u>
RECONCILIATION		
The following is a reconciliation as of April 30, 2006 and 2005 of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 17a-5(d)(4):		
Net Capital - Company's computation	\$ 2,516,461	\$ 1,652,100
Reconciling items:		
Accrual of bonuses	(350,000)	(302,000)
Tax provision adjustment	698,013	645,695
Other net audit adjustments	<u>(14,490)</u>	<u>(218,639)</u>
Net Capital	<u>\$ 2,849,984</u>	<u>\$ 1,777,156</u>

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

CENTAURUS FINANCIAL, INC.
Computation for Determination of Reserve Requirements
Pursuant to Rule 15c3-3

April 30, 2006 and 2005

The respondent claims an exemption under paragraph (k)(2)(ii) of SEC Rule 15c3-3.

CENTAURUS FINANCIAL, INC.
Information Relating to the Possession or Control
Requirements Under Rule 15c3-3

April 30, 2006 and 2005

The respondent claims an exemption under paragraph (k)(2)(ii) of SEC Rule 15c3-3.



Certified Public Accountants, Inc.
Board of Directors
Centaurus Financial, Inc.
Orange, California

**Independent Auditor's Report On Internal
Control Structure Required
By SEC Rule 17a-5**

In planning and performing our audit of the financial statements and supplemental schedules of Centaurus Financial, Inc. (the Company), for the year ended April 30, 2006, 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 consolidated financial statements and not to provide assurance on the internal control structure.

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 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 April 30, 2006, 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 should not be used for any other purpose.

LaVine & Associates CPAs, Inc.

Mission Viejo, California
June 26, 2006