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

SEC FILE NUMBER
8-28434

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 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Seville Capital, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
300 Montvue Road

OFFICIAL USE ONLY
FIRM I.D. NO.

Knoxville TN 37919  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Robert W. Elliott 865-690-2941  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Bible Harris Smith, P.C.

507 W. Clinch Ave. Knoxville TN 37902  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

**PROCESSED**  
JUN 03 2008  
THOMSON REUTERS

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\*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)

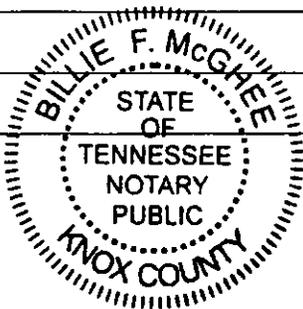
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OATH OR AFFIRMATION

I, Robert W. Elliott, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Seville Capital, Inc., as of December 31, 20 07, 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:



Robert W. Elliott

Signature

President

Title

Billie F. McGhee  
Notary Public

*My Commission Expires April 3, 2011*

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 Auditors' Report on Internal Control

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

**SEVILLE CAPITAL, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 and 2006**

SEVILLE CAPITAL, INC.  
YEARS ENDED DECEMBER 31, 2007 AND 2006

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# Bible Harris Smith, P.C.

*Certified Public Accountants and Business Advisors Since 1949*

507 West Clinch Avenue  
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Member of the AICPA Peer  
Review Program  
Member of the Tennessee Society  
of Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Seville Capital, Inc.  
Knoxville, Tennessee

We have audited the accompanying statements of financial condition of Seville Capital, Inc., as of December 31, 2007 and 2006 and the related statements of operations, changes in stockholder's equity, 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 Seville Capital, Inc., at December 31, 2007 and 2006, and the results of its 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 on pages 11 through 12 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.

*Bible Harris Smith, P.C.*

Bible Harris Smith, P.C.

Knoxville, Tennessee  
May 22, 2008

SEVILLE CAPITAL, INC.  
STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2007	2006
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,507	\$ 15,451
Commissions Receivable	-	19,879
Total Current Assets	1,507	35,330
<b>TOTAL ASSETS</b>	<b>\$ 1,507</b>	<b>\$ 35,330</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 7,541	\$ 7,125
Commissions Payable	-	20,139
Total Current Liabilities	7,541	27,264
<b>STOCKHOLDER'S EQUITY</b>		
Common Stock, Stated Value \$50 Per Share; Authorized 2,000 Shares		
Issued and Outstanding 100 Shares	5,000	5,000
Additional Paid-In Capital	27,445	27,445
Retained Deficit	(38,479)	(24,379)
Total Stockholder's Equity	(6,034)	8,066
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 1,507</b>	<b>\$ 35,330</b>

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

SEVILLE CAPITAL, INC.  
STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2007	2006
REVENUES		
Commissions	\$ 103,212	\$ 750,540
EXPENSES		
Management Services	72,509	251,404
Commissions	67,456	494,014
Legal and Professional	7,541	7,125
Registration, License and Dues	3,128	1,741
Fidelity Bond Insurance	462	878
Other Expenses	1,216	647
TOTAL EXPENSES	152,312	755,809
NET INCOME (LOSS) BEFORE OTHER INCOME	(49,100)	(5,269)
OTHER INCOME	35,000	-
NET INCOME (LOSS)	\$ (14,100)	\$ (5,269)

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

SEVILLE CAPITAL, INC.  
 STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY  
 YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Deficit)</u>
BALANCES - JANUARY 1, 2006	\$ 5,000	\$ 27,445	\$ (19,110)
NET INCOME (LOSS) - 2006	<u>-</u>	<u>-</u>	<u>(5,269)</u>
BALANCES - DECEMBER 31, 2006	5,000	27,445	(24,379)
NET INCOME (LOSS) - 2007	<u>-</u>	<u>-</u>	<u>(14,100)</u>
BALANCES - DECEMBER 31, 2007	<u>\$ 5,000</u>	<u>\$ 27,445</u>	<u>\$ (38,479)</u>

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

SEVILLE CAPITAL, INC.  
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income (Loss)	\$ (14,100)	\$ (5,269)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By (Used by) Operating Activities:		
(Increase) Decrease in Assets:		
Commissions Receivable	19,879	(10,647)
Increase (Decrease) in Liabilities:		
Accounts Payable	416	7,125
Commissions Payable	(20,139)	20,027
<b>NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES</b>	<b>(13,944)</b>	<b>11,236</b>
<b>CASH - BEGINNING</b>	<b>15,451</b>	<b>4,215</b>
<b>CASH - ENDING</b>	<b>\$ 1,507</b>	<b>\$ 15,451</b>

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

SEVILLE CAPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

Note 1 - Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of these financial statements. These policies conform to accounting principles generally accepted in the United States of America applicable to brokers and dealers in securities, and have been applied on a consistent basis.

Nature of Activities - Seville Capital, Inc. is registered as a broker-dealer with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers. The Company sells mutual funds securities. The Company also sells insurance and pension plans. Their clients are located throughout East Tennessee and Kentucky. The Company sells securities in Tennessee only.

Basis of Presentation - The financial statements are prepared using the accrual method of accounting and practices applicable to brokers and dealers in securities.

Income Taxes - The Company utilizes the cash method of accounting for income tax purposes. Revenue is recognized when received and expenses are recognized when paid.

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (see Note 4) which requires the use of the "liability method" of accounting for income taxes. Accordingly, deferred tax liabilities and assets are determined based on the difference between the financial statement bases and the tax bases of assets and liabilities, using enacted tax rates in effect for the current year.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due, plus deferred taxes related to differences between the bases of certain assets and liabilities for financial and tax reporting. Such differences relate primarily to using the cash basis for income tax reporting and the accrual basis for financial statement reporting and to the recognition of future tax benefits from operating loss carryforwards.

Cash and Cash Equivalents - For purposes of reporting cash flows, the Company considers money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

## Note 2 - Subordinated Liabilities

At December 31, 2007 and 2006, there were no liabilities which were subordinated to claims of general creditors. No subordinated liabilities existed at any time during 2007 or 2006 and we, therefore, report no increases or decreases in these liabilities.

## Note 3 - Net Capital Requirements

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 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2007 and 2006, the Company's net capital (deficit) amounted to \$(6,034) and \$8,066, respectively. The Company's net capital requirement is \$5,000. The Company's ratio of aggregate indebtedness to net capital was -1.250 to 1 and 3.38 to 1 at December 31, 2007 and 2006, respectively.

## Note 4 - Income Taxes

As of December 31, 2007, the following net operating loss carryforwards were available to offset future taxable income:

	<u>Expiring:</u>	
Federal	\$ 16,000	2011 to 2025
State	\$ 27,000	2008 to 2020

Deferred tax benefits related to the above operating loss carryforwards were computed based upon enacted tax law. Since the Company does not expect to realize the future tax benefits prior to their expiration, a valuation allowance equal to the benefit has been recorded. Accordingly, there is no provision for deferred income taxes.

	<u>2007</u>	<u>2006</u>
Federal	\$ 2,500	\$ 4,600
State	<u>1,800</u>	<u>2,700</u>
Total	4,300	7,300
Valuation Allowance	<u>(4,300)</u>	<u>(7,300)</u>
Deferred Income Tax Benefit	<u>\$ --</u>	<u>\$ --</u>

## Note 5 - Related Party Transactions

A company related by common ownership provides office space, management, and support services to Seville Capital, Inc., and was paid approximately \$72,500 and \$251,000 for facilities and services during 2007 and 2006, respectively.

Commissions of approximately \$34,750 and \$99,000 were paid to the Company's shareholder during 2007 and 2006, respectively.

Substantially all of the commission revenue is generated by the Company's shareholder.

Note 6 – Contingencies

The Company was in violation of net capital requirements at various times throughout the year under audit. Penalties for violations of net capital requirements may include suspension of all activities or functions while in violation, monetary sanctions, expulsion of the firm, and / or expulsion of the Financial Principal. These financial statements do not include any provisions for potential penalties or adverse actions against the Company or the Financial Principal by regulatory agencies.

SUPPLEMENTARY INFORMATION

SEVILLE CAPITAL, INC.  
 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
 OF THE SECURITIES AND EXCHANGE COMMISSION  
 YEAR ENDED DECEMBER 31, 2007

Total Ownership Equity (From Statement of Financial Condition)	\$ (6,034)
Nonallowable Assets and Adjustments	<u>-</u>
 NET CAPITAL	 <u>\$ (6,034)</u>
AGGREGATE INDEBTEDNESS	<u>\$ 7,541</u>
Minimum Net Capital Required (Greater of \$5,000 or 6 2/3% of Aggregate Indebtedness)	<u>\$ 5,000</u>
Excess (Deficit) Net Capital	<u>\$ (11,034)</u>
Excess (Deficit) Net Capital at 1000%	<u>\$ (6,788)</u>
Ratio of Aggregate Indebtedness to Net Capital	<u>-1.250 to 1</u>

\*\*\* Net Capital is in a deficit balance for this calculation

RECONCILIATION WITH COMPANY'S COMPUTATION (INCLUDED IN PART II OF FORM X-17A-5):

Net Capital, as reported in unaudited Part IIA of the Focus Report, agrees with above computation.

SEVILLE CAPITAL, INC.  
COMPUTATION FOR DETERMINATION OF RESERVE  
REQUIREMENTS PURSUANT TO RULE 15c3-3  
DECEMBER 31, 2007

The Company claims exemption under Section (k)(2)(i), "Special Account for Exclusive Benefit of Customers" maintained.

# Bible Harris Smith, P.C.

*Certified Public Accountants and Business Advisors Since 1949*

507 West Clinch Avenue  
Knoxville, TN 37902-2104  
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Member of the AICPA Peer  
Review Program  
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of Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Board of Directors  
Seville Capital, Inc.  
Knoxville, Tennessee

In planning and performing our audit of the financial statements of Seville Capital, Inc., (the Company) as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included 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 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 security 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 and recordation of differences required by Rule 17a-13.
2. 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 internal control 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 controls 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 internal control 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 the 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 internal control and the practices and procedures referred to above, error or fraud 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We identified the following deficiencies in internal control that we consider to be material weaknesses, as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures performed in our audit of the financial statements of the Company as of and for the year ended December 31, 2007, and this report does not affect our report thereon dated May 22, 2008.

### **Net Capital**

- 1) Net capital violations may have occurred and not have been recognized in a timely manner by the Company's management based on the following:
  - a) We reviewed the Company's bank statements for the period January 1, 2007 through January 31, 2008.
    - i) The bank statements include "Balance Activity History" information. The Balance Activity History indicates the possibility that net capital requirements were not met when the balances fell below the \$5,000 minimum requirement. Based on this assumption and our review of the Company's bank statements, deficiencies may have occurred in each month except January 2007 and February 2007 and may not have been reported to the appropriate regulators.
  - b) We recognize that properly accrued, allowable receivables may positively impact the net capital computations.
    - i) We did not attempt to recalculate these on a daily basis.
    - ii) We did, however, review the monthly accrued receivables on the general ledger and compare those receivable amounts to the commission deposits in the following month. February 2007 and March 2007 net capital calculations included receivables that were in excess of the total commission deposits collected on the following month bank statements. .
  - c) A material unrecorded liability at February 2007 was not included in the general ledger.

## Compliance

- 2) Documentation was requested to support compliance with regulations regarding the following. We were not provided this documentation prior to issuing our report.
  - a) Anti-Money Laundering
  - b) Written Supervisory Procedures
- 3) We requested copies of communications with FINRA/NASD and/or SEC. We were not provided this documentation prior to issuing our report.

## Fidelity Bond

- 4) We requested a copy of the fidelity bond covering the period January 1, 2007 through January 31, 2008. We noted payment for a bond on February 26, 2007, but this appears to be for the prior year audit period. We were not provided documentation or bonding agreements prior to issuing our report indicating coverage for the period under audit.

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, the material weaknesses discussed above and on our study, we are not able to provide an opinion that the Company's practices and procedures were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the use of the members, management, the SEC, FINRA, and other regulatory agencies which 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.

*Bible Harris Smith, P.C.*

Bible Harris Smith, P.C.

Knoxville, Tennessee  
May 22, 2008

END