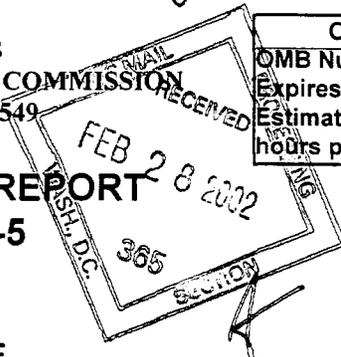




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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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SEC FILE NUMBER
8-41750

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

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 01/01/2001 AND ENDING 12/31/2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Essex National Securities, Inc

OFFICIAL USE ONLY
FIRM ID. NO.

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

215 Gateway Road West

Napa

(No. and Street)

CA

94558

(City)

(State)

(Zip Code)

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

Ella Sankisov

707-258-5000

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

787 Seventh Avenue

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

New York

NY

10019

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 22 2002

FOR OFFICIAL USE ONLY

**THOMSON
FINANCIAL**

*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).

BF
3/21

OATH OR AFFIRMATION

I, Ella Sankisov, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Essex National Securities, Inc, as of December 31, 2001, 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:

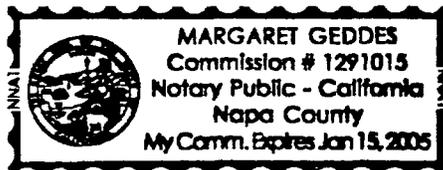
State of California
County of Napa

Subscribed and sworn to before me on 1/30/02

E. Sankisov
Signature

VP/Treasurer/Controller
Title

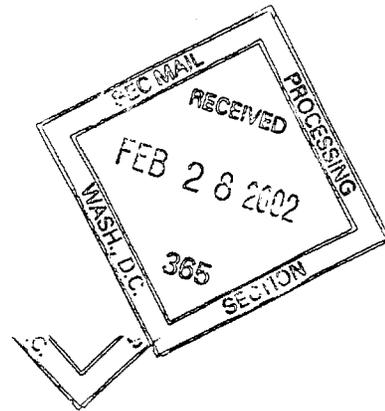
Margaret Geddes
Notary Public



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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations.
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims or 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 or 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) Schedule of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges.
- (p) Statement of Secured Amount and Funds Held in Separate Accounts for Foreign Futures and Options Customers Pursuant to Commission Regulation 30.7.

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



STATEMENT OF FINANCIAL CONDITION

Essex National Securities, Inc. at December 31, 2001
with Report of Independent Auditors

Essex National Securities, Inc.

Statement of Financial Condition

December 31, 2001

Contents

Report of Independent Auditors	1
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Report of Independent Auditors

To the Board of Directors of
Essex National Securities, Inc.

We have audited the accompanying statement of financial condition of Essex National Securities, Inc. (the "Company") as of December 31, 2001. The statement of financial condition is the responsibility of management of the Company. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Essex National Securities, Inc. at December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

January 23, 2002

Essex National Securities, Inc.

Statement of Financial Condition

December 31, 2001

Assets

Cash and cash equivalents	\$ 282,616
Marketable securities, at market value	27,795
Receivable from clearing broker	1,905,325
Commissions receivable	167,086
Other assets	153,182
Total assets	<u>\$ 2,536,004</u>

Liabilities and stockholder's equity

Liabilities:

Due to clearing broker	\$ 119,141
Commissions payable	585,710
Accounts payable and accrued expenses	222,555
Due to parent, net	68,710
Total liabilities	<u>996,116</u>

Stockholder's equity:

Common stock, no par value, 200 shares authorized, issued, and outstanding	
Additional paid-in capital	1,304,565
Retained earnings	235,323
Total stockholder's equity	<u>1,539,888</u>
Total liabilities and stockholder's equity	<u>\$ 2,536,004</u>

See accompanying notes.

Essex National Securities, Inc.

Notes to Statement of Financial Condition

December 31, 2001

1. Company Background

Essex National Securities, Inc. (the "Company") is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. ("NASD"). The Company is a wholly owned subsidiary of the Essex Corporation (the "Parent"). The Parent is ultimately owned by John Hancock Financial Services, Inc. ("John Hancock").

In the normal course of business, the Company engages in, and earns commissions from, the distribution of mutual funds and variable annuities. The Company maintains no margin accounts. The Company also engages in transactions involving corporate over-the-counter equity securities, corporate debt securities, United States government debt securities and municipal debt securities. With the exception of variable annuity sales and mutual fund applications, all business is transacted on a fully disclosed basis through the Company's clearing broker.

The Company's business is primarily conducted in the northeast region of the United States.

2. Summary of Significant Accounting Policies

The significant accounting policies of the Company are as follows:

- a. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.
- b. The Company records transactions on a trade-date basis.
- c. The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents.

Essex National Securities, Inc.

Notes to Statement of Financial Condition (continued)

2. Summary of Significant Accounting Policies (continued)

- d. Marketable securities are stated at fair value. Fair value is based on listed market prices.
- e. The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities.

3. Net Capital Requirement

As a registered broker-dealer with the Securities and Exchange Commission and the NASD, the Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1 (the Rule), which requires the maintenance of minimum net capital equal to the greater of \$100,000 or 6 2/3% of aggregate indebtedness, both as defined by the Rule. At December 31, 2001, the Company had net capital of \$1,197,766, which was \$1,097,766 in excess of its required net capital of \$100,000. The Company's ratio of aggregate indebtedness to net capital was 0.83 to 1.

4. Related Party Transactions

Certain expenses are allocated from the Parent to the Company on bases determined by the Parent pursuant to an informal agreement.

The Company distributes a significant portion of mutual funds and variable annuities through affiliates. At December 31, 2001, included in commissions payable is \$430,481 due to affiliates.

In February 2001, the Parent provided a capital contribution of \$1,000,000 to the Company. The Company returned a total of \$1,425,000 capital to the Parent during the year ended December 31, 2001.

Essex National Securities, Inc.

Notes to Statement of Financial Condition (continued)

5. Income Taxes

The Company is included in a consolidated U.S. federal income tax return filed by John Hancock. The Company's income tax provision is computed in accordance with a tax-sharing agreement between the Company, the Parent and John Hancock. The Company's provision for federal income taxes is computed based on the effect of including the Company's separate results of operations in the consolidated return of the John Hancock.

In accordance with the tax-sharing agreement, the Company has recorded a receivable from the Parent of \$126,325 comprised of the federal income tax benefit generated for the year ended December 31, 2001. This receivable was offset against the Company's payable to the Parent for allocated expenses for the year ended December 31, 2001. The agreement was previously anticipated by the Company to include state and local taxes, but was determined during 2001 to include only federal income taxes.

State and local income taxes are determined on a separate company basis.

The Company's deferred tax asset of \$153,868 at December 31, 2001 arises from the future tax benefits of the net operating loss carryforwards for state and local tax purposes. The deferred tax asset has been fully provided with a valuation allowance at December 31, 2001.

6. Receivable from Clearing Broker

Receivable from clearing broker includes commissions receivable, cash balances, and required security deposits.

The Company has agreed to indemnify its clearing broker for losses that the clearing broker may sustain from the customer accounts introduced by the Company.

7. Concentration of Credit Risk

The Company is engaged in various brokerage activities in which counterparties primarily include its clearing broker-dealer, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty.