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SEC 03001609 COMMISSION
Washington, D.C. 20549

OMB APPROVAL
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hours per response ... 12.00

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

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SECTION

SEC FILE NUMBER
8-22 482

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 12/01/01 AND ENDING 11/30/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Barwell Securities Corporation

OFFICIAL USE ONLY
FIRM ID. NO.

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

3209 Ingersoll Avenue, Suite 210

(No. and Street)

Des Moines

Iowa

50312

(City)

(State)

(Zip Code)

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

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

McGowen, Hurst, Clark & Smith P.C.

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

1601 West Lakes Parkway, Suite 300, West Des Moines, Iowa

50266

(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 04 2003

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).

2055

BARWELL SECURITIES CORPORATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

NOVEMBER 30, 2002



David W. Hurst, CPA
Kathleen A. Koenig, CPA
Robert R. McGowen, CPA
Michael W. McNichols, CPA
Thomas J. Pflanz, CPA
John A. Schmidt, CPA
Daniel A. Schwarz, CPA
S. James Smith, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Barwell Securities Corporation

We have audited the accompanying statement of financial condition of Barwell Securities Corporation as of November 30, 2002, and the related statement of income (loss), changes in ownership equity, and cash flows for the year 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 audit.

We conducted our audit 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 audit provides 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 Barwell Securities Corporation as of November 30, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Computation of Net Capital, Computation of Basic Net Capital Requirement, Computation of Aggregate Indebtedness, and the Statement of Changes in Liabilities Subordinated to the Claims of General Creditors are presented for the purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by rule 17a-5 of the Securities and Exchange Commission. 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.

McGowen Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
December 16, 2002

OATH OR AFFIRMATION

I, Roger D. Hershey, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Barwell Securities Corporation, as of November 30, 2002, 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:

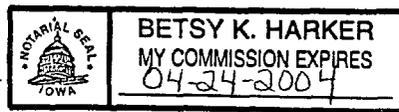
[Handwritten Signature]

 Signature
President

 Title

Betsy K. Harker

 Notary Public
 196042



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 Proprietor's 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.

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

**FORM
X-17A-5**

FOCUS REPORT

OMB No. 3235-0123
(5-31-87)

(Financial and Operational Combined Uniform Single Report)

PART IIA 12

3/91

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a) 16 2) Rule 17a-5(b) 17 3) Rule 17a-11 18
 4) Special request by designated examining authority 19 5) Other 26

NAME OF BROKER-DEALER	SEC FILE NO.
Barwell Securities Corporation 13	8-22482 14
ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)	FIRM ID. NO.
3209 Ingersoll Avenue, Suite 210 20 <small>(No. and Street)</small>	42-1091365 15
Des Moines 21 Iowa 22 50312 23	FOR PERIOD BEGINNING (MM/DD/YY)
<small>(City) (State) (Zip Code)</small>	12/01/01 24
	AND ENDING (MM/DD/YY)
	11/30/02 25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT	(Area Code)—Telephone No.
Roger D. Hershey 30	515-255-6210 31
NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:	OFFICIAL USE
32	33
34	35
36	37
38	39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 20 day of Dec 19 2002

Manual signatures of:

1) [Signature]
Principal Executive Officer or Managing Partner

2) _____
Principal Financial Officer or Partner

3) _____
Principal Operations Officer or Partner

ATTENTION—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 781(a))

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

Name (If individual, state last, first, middle name)

McGowen, Hurst, Clark & Smith P.C.

70

ADDRESS	Number and Street	City	State	Zip Code
1601 West Lakes Parkway Suite 300		West Des Moines	Iowa	50266
	71	72	73	74

Check One

Certified Public Accountant

75

Public Accountant

76

Accountant not resident in United States or any of its possessions

77

FOR SEC USE

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WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER Barwell Securities Corporation N 3 100

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND
CERTAIN OTHER BROKERS OR DEALERS**

as of (MM/DD/YY) 11/30/02 99
SEC FILE NO. 8-22482 98

	<u>ASSETS</u>		Consolidated		Unconsolidated		Total	
	<u>Allowable</u>	<u>Non-Allowable</u>						
1. Cash	\$ 32,540	200			\$ 32,540			750
2. Receivables from brokers or dealers:								
A. Clearance account	5,087	295						
B. Other				\$ 550		5,087		810
3. Receivables from non-customers		355		600				830
4. Securities and spot commodities owned, at market value:								
A. Exempted securities		418						
B. Debt securities		419						
C. Options		420						
D. Other securities		424						
E. Spot commodities		430						850
5. Securities and/or other investments not readily marketable:								
A. At cost \$								130
B. At estimated fair value		440		610				860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:								
A. Exempted securities \$								150
B. Other securities \$								160
7. Secured demand notes:		470		640				890
market value of collateral:								
A. Exempted securities \$								170
B. Other securities \$								180
8. Memberships in exchanges:								
A. Owned, at market \$								190
B. Owned, at cost				650				
C. Contributed for use of the company, at market value						660		900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships		480		670				910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization		490		954		680		954
11. Other assets. Deferred income taxes		535		20,339		735		20,339
12. TOTAL ASSETS	\$ 37,627	540	\$ 21,293	740	\$ 58,920			940

The accompanying notes are an integral part of these financial statements OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER Barwell Securities Corporation

as of 11/30/02

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING
AND CERTAIN OTHER BROKERS OR DEALERS**

LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable:.....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account.....	1114	1315	1560
B. Other.....	1115	1305	1540
15. Payable to non-customers.....	1155	1355	1610
16. Securities sold not yet purchased, at market value.....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other.....	2,970 1205	1385	2,970 1685
18. Notes and mortgages payable:			
A. Unsecured.....	1210		1690
B. Secured.....	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$ 970		30,500 1400	30,500 1710
2. Includes equity subordination (15c3-1 (d)) of \$ 30,500 980			
B. Securities borrowings, at market value: .. from outsiders \$ 990		1410	1720
C. Pursuant to secured demand note collateral agreements:		1420	1730
1. from outsider: \$ 1000			
2. Includes equity subordination (15c3-1 (d)) of \$ 1010			
D. Exchange memberships contributed for use of company, at market value.....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes	1220	1440	1750
20. TOTAL LIABILITIES	\$ 2,970 1230	\$ 30,500 1450	\$ 33,470 1760

Ownership Equity

21. Sole proprietorship		\$ 1770
22. Partnership (limited partners	\$ 1020	\$ 1780
23. Corporation:		
A. Preferred stock		1791
B. Common stock \$1 par value, 8,000 shares authorized, 3,750 shares.....		3,750 1792
C. Additional paid-in capital ... issued and 3,150 shares outstanding.....		119,421 1793
D. Retained earnings		(92,699) 1794
E. Total		30,472 1795
F. Less capital stock in treasury 600 shares.....		(5,022) 1796
24. TOTAL OWNERSHIP EQUITY		\$ 25,450 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY		\$ 58,920 1810

The accompanying notes are an integral part of these financial statements OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER

Barwell Securities Corporation

For the period (MMDDYY) from 12/01/01 **3932** to 11/30/02 **3934**
Number of months included in this statement **3934**

STATEMENT OF INCOME (LOSS)

REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange.....	\$	25,547	3934
b. Commissions on listed option transactions	<u>v</u>	0	3934
c. All other securities commissions		20,306	3934
d. Total securities commissions		45,853	3941
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange			3941
b. From all other trading			3941
c. Total gain (loss)			3951
3. Gains or losses on firm securities investment accounts			3951
4. Profit (loss) from underwriting and selling groups	<u>v</u>		3951
5. Revenue from sale of investment company shares		122,988	3971
6. Commodities revenue			3991
7. Fees for account supervision, investment advisory and administrative services			3971
8. Other revenue		151	3991
9. Total revenue	\$	168,992	4031

EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers	\$		4121
11. Other employee compensation and benefits	<u>v</u>	50,896	4111
12. Commissions paid to other broker-dealers		65,383	4141
13. Interest expense		3,810	4071
a. Includes interest on accounts subject to subordination agreements		3,810	4070
14. Regulatory fees and expenses		2,319	4191
15. Other expenses		47,741	4101
16. Total expenses	\$	170,149	4201

NET INCOME

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$	(1,157)	4211
18. Provision for Federal income taxes (for parent only)	<u>v</u>	(231)	4221
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above			4221
a. After Federal income taxes of		4238	
20. Extraordinary gains (losses)			4221
a. After Federal income taxes of		4239	
21. Cumulative effect of changes in accounting principles			4221
22. Net income (loss) after Federal income taxes and extraordinary items	\$	(926)	4231

MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$		4211
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The accompanying notes are an integral part of these financial statements

BARWELL SECURITIES CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED NOVEMBER 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (926)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	534
Loss on disposal of property and equipment	994
Deferred income tax benefit	(231)
Decrease in receivables from brokers	4,617
Decrease in accounts payable and accrued expenses	(2,425)
Cash Provided By Operating Activities	<u>2,563</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(1,192)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on subordinate debt	(5,000)
Treasury stock purchased	(5,022)
Cash Used By Operating Activities	<u>(10,022)</u>
NET DECREASE IN CASH	(8,651)
CASH BALANCE - BEGINNING OF YEAR	<u>41,191</u>
CASH BALANCE - END OF YEAR	<u><u>\$ 32,540</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	<u>\$ 3,660</u>
Cash paid during the year for income taxes	<u>\$ -</u>

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

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER Barwell Securities Corporation	as of <u>11/30/02</u>
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Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

A. (k) (1)—\$2,500 capital category as per Rule 15c3-1		455
B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained		456
C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm <u>Mesirow Financial</u> 4335	X	457
D. (k) (3)—Exempted by order of the Commission		458

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER Barwell Securities Corporation

as of 11/30/02

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition.....	\$ 25,450	3480	
2. Deduct ownership equity not allowable for Net Capital.....	()	3490	
3. Total ownership equity qualified for Net Capital.....	25,450	3500	
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital.....	30,500	3520	
B. Other (deductions) or allowable credits (List).....		3525	
5. Total capital and allowable subordinated liabilities.....	\$ 55,950	3530	
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C) \$	21,293	3540	
B. Secured demand note deficiency.....		3590	
C. Commodity futures contracts and spot commodities- proprietary capital charges.....		3600	
D. Other deductions and/or charges.....		3610	
	(21,293)	3620	
7. Other additions and/or allowable credits (List).....		3630	
8. Net capital before haircuts on securities positions.....	\$ 34,657	3640	
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments.....	\$	3660	
B. Subordinated securities borrowings.....		3670	
C. Trading and investment securities:			
1. Exempted securities.....		3735	
2. Debt securities.....		-3733	
3. Options.....		3730	
4. Other securities.....		3734	
D. Undue Concentration.....		3650	
E. Other (List).....		3736	
		3740	
10. Net Capital.....	\$ 34,657	3750	

OMIT PENNIE

There are no differences in the computation of net capital as of November 30, 2002, between the above computed net capital and the unaudited filing of Part IIA of the Focus report submitted by the Company.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER

Barwell Securities Corporation

as of 11/30/02

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$	198	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	5,000	3760
14. Excess net capital (line 10 less 13)	\$	29,657	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	34,360	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	2,970	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
19. Total aggregate indebtedness	\$	2,970	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	9	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	0	3860

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	3880
24. Net capital requirement (greater of line 22 or 23)	\$	3760
25. Excess net capital (line 10 less 24)	\$	3910
26. Net capital in excess of:		
5% of combined aggregate debit items or \$120,000	\$	3920

OMIT PENNIES

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

See "Independent Auditor's Report"

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be With- drawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)	
4600	NONE	4601	4602	4603	4604	4605
4610		4611	4612	4613	4614	4615
4620		4621	4622	4623	4624	4625
4630		4631	4632	4633	4634	4635
4640		4641	4642	4643	4644	4645
4650		4651	4652	4653	4654	4655
4660		4661	4662	4663	4664	4665
4670		4671	4672	4673	4674	4675
4680		4681	4682	4683	4684	4685
4690		4691	4692	4693	4694	4695
TOTAL \$				4699		

OMIT PENNIES

Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

WITHDRAWAL CODE:	DESCRIPTION
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals
4.	15c3-1(c)(2)(iv) Liabilities

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER Barwell Securities Corporation

For the period (MMDDYY) from 12/01/01 to 11/30/02

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period	\$	31,398	424
A. Net income (loss)		(926)	426
B. Additions (Includes non-conforming capital of	\$	4262	426
C. Deductions (Includes non-conforming capital of	\$	-0-	427
		5,022	
2. Balance, end of period (From item 1800)	\$	25,450	429

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period	\$	35,500	430
A. Increases			431
B. Decreases		5,000	432
4. Balance, end of period (From item 3520)	\$	30,500	433

OMIT PENNIE

The accompanying notes are an integral part of these financial statements

BARWELL SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS - The Company operates as a stockbroker handling trades on all major exchanges for customers predominantly in central Iowa. The trades are handled through a brokerage clearing house. Receivables represent commissions earned on trading transactions and are due from brokers and dealers. Management considers these receivables to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost less an allowance for accumulated depreciation. The cost of the property and equipment is depreciated over the estimated useful lives of the related assets. The net book value (cost less accumulated depreciation of \$22,252) of property and equipment was \$954. Depreciation expense for the year was \$534.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CONCENTRATIONS - The Company handles a majority of its trades through a single securities broker and dealer and a single future commission merchant. The receivables from brokers arise from these entities.

TRANSACTIONS RECORDING POLICY - Customers' securities and commodities transactions are recorded on a trade date basis with related commission income and expenses recovered on a trade date basis.

NOTE B - SUBORDINATED LOANS

Borrowings subordinated to the claims of general creditors totaling \$30,500 have been contributed under agreements requiring annual interest payments at 12%. Scheduled maturities of these loans are as follows:

Year ending November 30,	
2003	\$ 8,000
2004	<u>22,500</u>
	<u>\$ 30,500</u>

These borrowings are outstanding notes payable to certain shareholders. Interest expense on these related party notes totaled \$3,810 during 2002.

BARWELL SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE C - INCOME TAXES

Following are the components of the Company's provision for income taxes for the year ended November 30, 2002:

Current income tax expense (benefit)	\$ -
Deferred income tax expense (benefit)	<u>(231)</u>
Total provision (benefit) for income taxes	<u>\$ (231)</u>

The deferred tax asset arises from approximately \$102,000 of unused net operating loss carryforwards available at November 30, 2002. Those net operating loss carryforwards begin to expire in 2004.

NOTE D - COMMITMENTS

The Company leases its office under an operating lease requiring monthly rental payments of \$485. Office lease expense for the year ended November 30, 2002 totaled \$11,459. The lease expires in August 2003.

NOTE E - 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 November 30, 2002, the Company had net capital of \$34,657, which was \$29,657 in excess of its required net capital of \$5,000. The Company's aggregate indebtedness to net capital ratio was .09 to 1.



SMITH, P.C.

To the Board of Directors
Barwell Securities Corporation

David W. Hurst, CPA
Kathleen A. Koenig, CPA
Robert R. McGowen, CPA
Michael W. McNichols, CPA
Thomas J. Pflanz, CPA
John A. Schmidt, CPA
Daniel A. Schwarz, CPA
S. James Smith, CPA

In planning and performing our audit of the financial statements of Barwell Securities Corporation for the year ended November 30, 2002, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal controls. However, we noted a certain matter involving internal controls and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in our judgment, could adversely affect the Company's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, we reviewed the practices and procedures followed by the Company in making periodic computations of the minimum financial requirements pursuant to Rule 17a-3 and CFTC Regulation 1.17.

Because of the Company's size, one individual handles cash receipts and disbursements, general ledger posting and bank reconciliations. Internal accounting controls used by larger corporations would generally preclude any one employee from performing all of these functions. Due to the limited size of the Company's staff, adequate segregation of incompatible accounting duties is not feasible. This increases the risk that errors or irregularities could occur and not be detected in a timely manner. To help mitigate the risks in such a situation, it is important for management and owners to review the information generated by the employees for any unusual features or deviations from expected results.

A material weakness is a reportable condition in which the design or operation of one or more of 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.

Our consideration of internal controls would not necessarily disclose all matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the lack of segregation of incompatible accounting duties is a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Company and its regulators and is not intended to be and should not be used by anyone other than these specified users.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
December 16, 2002

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