

142
3-304



04002209

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AM 2/24/2004

OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2004
Estimated average burden
hours per response: 12.00



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

SEC FILE NUMBER
8- 28301

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 01/01/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Kensington Capital Corp.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
4910 13TH Avenue

(No. and Street)

BROOKLYN
(City)

NY
(State)

11219
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Abram Silver 718-436-2111
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Epstein, Benjamin Z.

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

1418 Ave N
(Address)

BROOKLYN
(City)

NY
(State)

11230
(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 05 2004

THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

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

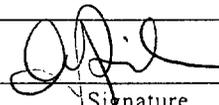
[Handwritten signature]

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Abram Silver, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Kensington Capital Corp, as of December 31, 2003, 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:

N/A



Signature

PRS

Title



Notary Public

TAMMY G. NEWMAN
Notary Public, State of New York
No. 24-4779838
Qualified in Kings County
Commission Expires 4/30/07

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).



BENJAMIN Z. EPSTEIN
CERTIFIED PUBLIC ACCOUNTANT
1418 AVENUE N
BROOKLYN, NEW YORK 11230
Tel : 718 - 336 - 9502
Fax : 718 - 336 - 9564

January 28, 2004

To the Stockholders
Kensington Capital Corp.
4910 13 Avenue
Brooklyn, N.Y. 11219

Gentlemen:

I have examined the accompanying Financial Statements (Focus Report) (Form X-17A-5) of Kensington Capital Corp. as of December 31, 2003.

In connection therewith, I have reviewed the system of internal control, including the procedure for safe-guarding securities. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances, and I have observed the audit requirements prescribed by the Securities and Exchange Commission with respect to such examination.

In my opinion, the accompanying Financial Statements (focus report) (Form X-17A-5) present fairly the financial position of Kensington Capital Corp. as of December 31, 2003 in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, and in the form required by the Securities and Exchange Commission.

Benjamin Epstein
Certified Public Accountant

Brooklyn, NY
January 28, 2004

Form X-17A-5

FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

PART IIA 12

(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

Kensington Capital Corp 13

SEC FILE NO.

8-28301 14

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

4910 13TH Avenue 20

(No. and Street)

Brooklyn 21

(City)

NY 22

(State)

11219 23

(Zip Code)

FIRM I.D. NO.

1742 15

FOR PERIOD BEGINNING (MM/DD/YY)

01/01/03 24

AND ENDING (MM/DD/YY)

12/31/03 25

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

Abram Silver 718-436-2111 30

(Area Code) — Telephone No.

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

32

31

34

33

36

35

38

37

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 _____ day of _____ 2004

Manual signatures of:

1) _____
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. 78:f(a))

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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)

Epstein, Benjamin Z

70

ADDRESS

1418 Ave N
Number and Street

71

Brooklyn
City

72

NY
State

73

11230
Zip Code

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

--	--

DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

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 <i>Kensington Capital Corp</i>	N3	100
--	----	-----

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

as of (MM/DD/YY) 12/31/03

SEC FILE NO. 28301

Consolidated	99
Unconsolidated	98
<input checked="" type="checkbox"/> Unconsolidated	198
	199

	Allowable	Non-Allowable	Total
1. Cash	\$ 48702		\$ 48702
2. Receivables from brokers or dealers:			
A. Clearance account	90946		90946
B. Other	300	550	850
3. Receivable from non-customers	355	600	955
4. Securities and spot commodities owned at market value:			
A. Exempted securities	418		418
B. Debt securities	419		419
C. Options	420		420
D. Other securities	626491		626491
E. Spot commodities	430		430
5. Securities and/or other investments not readily marketable:			
A. At cost 1/2 \$	130		130
B. At estimated fair value	440	610	1050
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities \$	460	630	1090
B. Other securities \$	150		150
7. Secured demand notes:			
Market value of collateral:			
A. Exempted securities \$	470	640	1110
B. Other securities \$	180		180
8. Memberships in exchanges:			
A. Owned, at market \$	190		190
B. Owned, at cost		650	650
C. Contributed for use of the company, at market value		660	660
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships	480	670	1150
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	490	720	1210
11. Other assets	535	127322	127857
12. TOTAL ASSETS	766139	128042	894181

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

Kensington Capital Corp

as of 12/31/03

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

LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable	\$ 1045	\$ 1255 ¹³	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account	1114	1315	1560
B. Other	1115 ¹⁰	1305	1540
15. Payable to non-customers	1155	1355	1610
16. Securities sold not yet purchased, at market value		94744 ¹⁰ 1360	94744 1620
17. Accounts payable, accrued liabilities, expenses and other	49325 1205	1385	49325 1685
18. Notes and mortgages payable:			
A. Unsecured	1210		1690
B. Secured	1211 ¹²	1390 ¹⁴	1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders, \$ 970		1400	1710
2. includes equity subordination (15c3-1(d)) of ... \$ 980			
B. Securities borrowings, at market value from outsiders \$ 990		1410	1720
C. Pursuant to secured demand note collateral agreements		1420	1730
1. from outsiders \$ 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	\$ 49325 1230	\$ 94744 1450	\$ 144069 1760
Ownership Equity			
21. Sole Proprietorship			1770 ¹⁵
22. Partnership (limited partners)	\$ 1020 ¹¹		1780
23. Corporation:			
A. Preferred stock			1791
B. Common stock			40000 1792
C. Additional paid-in capital			271738 1793
D. Retained earnings			438374 1794
E. Total			750112 1795
F. Less capital stock in treasury			() 1796 ¹⁶
24. TOTAL OWNERSHIP EQUITY			\$ 750112 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY			\$ 894181 1810

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

Kensington Capital Corp

as of 12/31/03

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$	750112	3480
2. Deduct ownership equity not allowable for Net Capital	%		3490
3. Total ownership equity qualified for Net Capital		750112	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$	750112	3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Notes B and C)	%	128042	3540
B. Secured demand note delinquency			3590
C. Commodity futures contracts and spot commodities -			
proprietary capital charges			3600
D. Other deductions and/or charges			3610
7. Other additions and/or allowable credits (List)		(128042)	3620
8. Net capital before haircuts on securities positions	%	622070	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		72313	3734
D. Undue Concentration		39199	3650
E. Other (List)			3736
10. Net Capital	\$	510558	3750

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER Kensington Capital Corp as of 12/31/03

COMPUTATION OF NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6 $\frac{1}{2}$ % of line 19)	\$ <u>3288</u>	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)	\$ <u>100000</u>	3758
13. Net capital requirement (greater of line 11 or 12)	\$ <u>100000</u>	3760
14. Excess net capital (line 10 less 13)	\$ <u>410558</u>	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$ <u>505625</u>	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$ <u>49325</u>	3790
17. Add:		
A. Drafts for immediate credit	\$ <u>3800</u>	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$ <u>3810</u>	
C. Other unrecorded amounts (List)	\$ <u>3820</u>	
18. Total aggregate indebtedness	\$ <u>49325</u>	3830
19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10)	% <u>10</u>	3850
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	% <u>0</u>	3860

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

21. 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	\$ _____	3970
22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$ <u>3880</u>	3880
23. Net capital requirement (greater of line 21 or 22)	\$ _____	3760
24. Excess capital (line 10 less 23)	\$ _____	3910
25. Net capital in excess of the greater of:		
A. 5% of combined aggregate debit items or \$120,000	\$ _____	3920

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 $\frac{1}{2}$ % of aggregate indebtedness or 4% 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.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

Kensington Capital Corp

For the period (MMDDYY) from 01/01/03 [3932] to 12/31/03 [3933]
 Number of months included in this statement 12 [3931]

STATEMENT OF INCOME (LOSS)

REVENUE

1.	Commissions:		
	a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$	694116 [3935]
	b. Commissions on listed option transactions	25	3938
	c. All other securities commissions		3939
	d. Total securities commissions		694116 [3940]
2.	Gains or losses on firm securities trading accounts		
	a. From market making in options on a national securities exchange		3945
	b. From all other trading		3949
	c. Total gain (loss)		460143 [3950]
3.	Gains or losses on firm securities investment accounts		460143 [3952]
4.	Profit (loss) from underwriting and selling groups	26	3955
5.	Revenue from sale of investment company shares		3970
6.	Commodities revenue		3990
7.	Fees for account supervision, investment advisory and administrative services		3975
8.	Other revenue		157298 [3995]
9.	Total revenue	\$	1,311,557 [4030]

EXPENSES

10.	Salaries and other employment costs for general partners and voting stockholder officers		
	11. Other employee compensation and benefits		310529 [4120]
	12. Commissions paid to other broker-dealers		120252 [4115]
	13. Interest expense		4140
	a. Includes interest on accounts subject to subordination agreements		4075
	14. Regulatory fees and expenses		60434 [4195]
	15. Other expenses		593828 [4100]
	16. Total expenses	\$	1,085,043 [4200]

NET INCOME

17.	Income (loss) before Federal income taxes and items below (Item 9 less Item 16)		
	18. Provision for Federal income taxes (for parent only)	28	226514 [4210]
	19. Equity in earnings (losses) of unconsolidated subsidiaries not included above		4220
	a. After Federal income taxes of		4338
	20. Extraordinary gains (losses)		4224
	a. After Federal income taxes of		4239
	21. Cumulative effect of changes in accounting principles		4225
	22. Net income (loss) after Federal income taxes and extraordinary items	\$	4230

MONTHLY INCOME

23.	Income (current month only) before provision for Federal income taxes and extraordinary items		
		\$	(88885) [4211]

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

Kensington Capital Corp

For the period (MMDD) from 01/01/03 to 12/31/03

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

1. Balance, beginning of period	\$	526598	4240
A. Net income (loss)		226514	4250
B. Additions (Includes non-conforming capital of	\$	4262	4260
C. Deductions (Includes non-conforming capital of	\$	(3000)	4270
2. Balance, end of period (From item 1800	\$	750112	4290

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period	\$		4300
A. Increases			4310
B. Decreases			4320
4. Balance, end of period (From item 3520)	\$		4330

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER Kensington Capital Corp as of 10/31/03

EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 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 4550
- B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained 4560
- C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis.
 Name of clearing firm: Southwest Securities Inc. 4335 4570
- D. (k)(3) — Exempted by order of the Commission (include copy of letter) 4580

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)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)	
31	4600	4601	4602	4603	4604	4605
32	4610	4611	4612	4613	4614	4615
33	4620	4621	4622	4623	4624	4625
34	4630	4631	4632	4633	4634	4635
35	4640	4641	4642	4643	4644	4645
Total \$³⁶				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 anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals



BENJAMIN Z. EPSTEIN
CERTIFIED PUBLIC ACCOUNTANT
1418 AVENUE N
BROOKLYN, NEW YORK 11230
Tel: 718-336-9502
Fax: 718-336-9564

To the Stockholders
KENSINGTON CAPITAL CORP.
Brooklyn, New York

I have examined the accompanying financial statements of KENSINGTON CAPITAL CORP. for the year ended December 31, 2003, and have issued my report thereon dated January 28, 2004. As part of my examination, I made a study and evaluation of the Company's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

I also made a study of the practices and procedures followed by the Company under Rule 17a-5(g)(1) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. I did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governor of the Federal Reserve System because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control 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 Commission's above-mentioned objectives. The objectives of a system 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 accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

.../...

To the Stockholders
KENSINGTON CAPITAL CORP.

Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may, nevertheless, 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 degree of compliance with them may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of KENSINGTON CAPITAL CORP. taken as a whole. However, my study and evaluation disclosed no condition that we believed to be a material weakness.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission 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, I believe that the Company's practices and procedures were adequate at December 31, 2003 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission and the New York Stock Exchange and should not be used for any other purpose.



Benjamin Epstein
Certified Public Accountant

Brooklyn, NY
January 28, 2004

KENSINGTON CAPITAL CORP.

FINANCIAL STATEMENTS

DECEMBER 31, 2003



BENJAMIN Z. EPSTEIN
CERTIFIED PUBLIC ACCOUNTANT
1418 AVENUE N
BROOKLYN, NEW YORK 11230
Tel : 718 - 336 - 9502
Fax : 718 - 336 - 9564

INDEPENDENT AUDITOR'S REPORT

To the Stockholders
KENSINGTON CAPITAL CORP.
Brooklyn, New York

I have audited the accompanying statement of financial condition of KENSINGTON CAPITAL CORP., a New York corporation as of December 31, 2003 and the related statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KENSINGTON CAPITAL CORP., as of December 31, 2003 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Benjamin Epstein
Certified Public Accountant

Brooklyn, NY
January 28, 2004

KENSINGTON CAPITAL CORP.
Statement of Financial Condition
December 31, 2003

ASSETS

Cash	\$ 48,702
Money Market Account	166,624
Due from Broker	90,946
Prepaid Expenses and Other Receivables	124,090
Securities - Long	459,867
Furniture, Fixtures and Equipment, at cost, less accumulated depreciation of \$142,152	720
Security Deposit	3,232
	<hr/>
TOTAL ASSETS	\$ 894,181
	<hr/> <hr/>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accrued Expenses and Payroll Taxes	\$ 39,775
Accrued Salaries	9,550
Securities Sold - Not Yet Purchased	94,744
	<hr/>
Total Liabilities	144,069
	<hr/>
Stockholders' Equity	
Common Stock - no par value; authorized, issued and outstanding, 200 shares	40,000
Additional Paid-in Capital	271,738
Retained Earnings	438,374
	<hr/>
Total Stockholder's Equity	750,112
	<hr/>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 894,181
	<hr/> <hr/>

See Accountants' Report and Notes to Financial Statements

KENSINGTON CAPITAL CORP.
 Statements of Income and Retained Earnings
 For the Year Ended December 31, 2003

INCOME	
Commission Revenue	\$ 694,116
Profit on Securities Trading (Note 9)	460,143
Interest and Dividend Income	45,012
Other Income	112,286
	<hr/>
Total Income	1,311,557
OPERATING EXPENSES	
Commissions	410
Salaries - Officers	310,529
Salaries - Other	120,252
Clearance Charges	113,857
Professional Fees	34,658
Rent	18,107
Registration & Filing Fees	60,434
Telephone	26,533
Interest and Bank Charges	95
Travel Expenses	33,191
Office Expense	22,169
Insurance	79,010
Auto Expenses	25,022
Depreciation	2,519
Miscellaneous Taxes	36,470
Advertising and Promotion	149,662
Bad Debt	35,965
Miscellaneous Expenses	3,545
Repairs and Maintenance	226
	<hr/>
Total Operating Expenses	1,072,654
	<hr/>
Operating Income	238,903
	<hr/>
Provision for Income Taxes	12,390
	<hr/>
Net Income	226,513
	<hr/>
Retained Earnings - Beginning of Year	214,861
	<hr/>
Less: Shareholder Distributions	(3,000)
	<hr/>
Retained Earnings - End of Year	\$ 438,374
	<hr/> <hr/>

See Accountants' Report and Notes to Financial Statements

KENSINGTON CAPITAL CORP.
Statement of Cash Flows
For the Year Ended December 31, 2003

Cash flows from operating activities:

Net income	<u>\$ 226,513</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	2,519
Changes in Assets and Liabilities:	
Securities	(322,064)
Due to/from Broker	(41,636)
Loans & Exchanges	(36,884)
Accrued Expenses & Payroll Taxes	19,341
Accrued Salaries	(1,061)
Securities Sold-Not Yet Purchased	75,910
Total adjustments	<u>(303,875)</u>
Net cash provided (used) by operating activities	<u>(77,362)</u>

Cash flows from investing activities:

Purchase Fixed Assets	(2,000)
Net cash provided (used) by investing activities	<u>(2,000)</u>

Cash flows from financing activities:

Distributions to Shareholders	(3,000)
Net cash provided (used) by financing activities	<u>(3,000)</u>
Net increase (decrease) in cash and equivalents	(82,362)
Cash and equivalents, beginning	<u>297,688</u>
Cash and equivalents, ending	<u>\$ 215,326</u>

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Income taxes	225
--------------	-----

See accountant's report and notes to financial statements

KENSINGTON CAPITAL CORP.
Notes to Financial Statements
December 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For financial statement purposes and income tax purposes, KENSINGTON CAPITAL CORP. (the "Company") records revenues and expenditures on the accrual basis of accounting.

Depreciation:

Depreciation is computed using the straight-line method over the estimated useful life.

Cash and Cash Equivalents:

The Company considers all short term investments with an original maturity of three months or less to be cash equivalents.

NOTE 2- DUE FROM BROKER

The Company's securities transactions are cleared through Southwest Securities, and all the Company's trading accounts and customer's accounts are carried by Southwest Securities. Southwest Securities remits to the Company all profit on the Company's trading accounts and all commissions due net of clearance charges, trading errors and miscellaneous related charges, at the end of the month.

NOTE 3 - SECURITIES

Securities consist of marketable equity securities at quoted market values.

NOTE 4 - SECURITIES SOLD - NOT YET PURCHASED

Securities Sold-Not Yet Purchased consist of marketable equity securities at quoted market values.

NOTE 5 - FIXED ASSETS

Fixed assets consist of the following:

	<u>Cost</u>	<u>Depreciation</u>	<u>Value</u>
Furniture & Fixtures	\$ 75,051	\$ 75,051	\$ -0-
Computer Equipment	65,321	65,282	-0-
Automobile	<u>2,500</u>	<u>1,780</u>	<u>720</u>
Total	\$142,872	\$124,152	\$ 720

See Accountants' Report

KENSINGTON CAPITAL CORP.

Notes to Financial Statements

December 31, 2003

(continued)

NOTE 6 - PROFIT ON TRADING

This amount includes unrealized gains (losses) on securities, as follows:

Securities	\$227,099
Securities Sold Not Yet Purchased (Short Sales)	(2,184)

NOTE 7 - INCOME TAXES

The Company has elected, by unanimous consent of its shareholders to be taxed under the provisions of sub-Chapter S of the Internal Revenue Code. Accordingly, no provisions or liability for Federal income taxes is reflected in the accompanying statements. Instead, the shareholders are liable for individual income taxes on their respective share of the Company's taxable income.

Provision for income taxes consists of the following:

New York State Corporation Tax	\$ 225
New York City Corporation Tax	<u>12,165</u>
Total	\$12,390

NOTE 8 - INTERNAL CONTROL

No material inadequacies were found to exist.

NOTE 9 - NET CAPITAL

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 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). The following data has been excerpted from the Company's Focus Report for the year ended:

Net Capital	\$510,558
Required Net Capital	\$100,000
Excess Net Capital	\$410,558
Ratio of Aggregate Indebtedness to Net Capital	.10

See Accountants' Report.

KENSINGTON CAPITAL CORP.
Notes to Financial Statements
December 31, 2003
(continued)

NOTE 10 - DISTRIBUTIONS TO SHAREHOLDERS

In accordance with the loan agreements and shareholders' employment agreement, the shareholders are entitled to receive corporation distributions or shareholder/officer bonuses equal to the additional individual income taxes incurred for their proportionate share of the Company's taxable income.

During the twelve (12) months ended December 31, 2003, the Company distributed to the shareholders from retained earnings, \$3,000.

See Accountants' Report.

KENSINGTON CAPITAL CORP.
RECONCILIATION BETWEEN UNAUDITED AND AUDITED FOCUS REPORTS
DECEMBER 31, 2003

There were no differences between audited and unaudited focus reports.