



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

TC 9/3  
OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden  
hours per response ..... 12.00

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

SEC FILE NUMBER  
8-24191

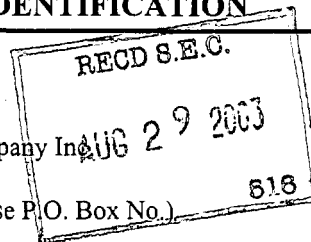
FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 7/1/02 AND ENDING 6/30/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

JKR & Company Inc.



OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1540 S. Coast Highway, Suite 202  
(No. and Street)

Laguna Beach, California 92651

(City)

(State)

(Zip Code)

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

J. Kemp Richardson

(949) 497-4825

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

BOROS & FARRINGTON

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

11770 Bernardo Plaza Court, Suite 210, San Diego, CA 92128

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

SEP 08 2003

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).

### OATH OR AFFIRMATION

I, J. Kemp Richardson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JKR & Company Inc., as of June 30, 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:

None



*Suzie Sells*  
Notary Public

*J. Kemp Richardson*  
Signature

*pres.*

Title

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholder's Equity of Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation of 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).

**JKR & COMPANY INC.**  
**Financial Statements**  
**And**  
**Independent Auditor's Report**  
**June 30, 2003**

# JKR & COMPANY INC.

## Table of Contents

	<i>Page</i>
Independent Auditor's Report .....	1
Audited Financial Statements:	
Statement of Financial Condition .....	2
Statement of Operations .....	3
Statement of Changes in Stockholder's Equity .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6-7
Other Financial Information:	
Schedule I - Computation of Net Capital Pursuant to Rule 15c3-1 .....	8
Schedule II - Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3 .....	9
Schedule III - Information Relating to the Possession or Control Requirements Pursuant to Rule 15c3-3 .....	10
Independent Auditor's Supplementary Report on Internal Control Structure Required by Rule 17a-5 .....	11-12

# Boros & Farrington

CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Corporation

11770 Bernardo Plaza Court, Suite 210  
San Diego, CA 92128-2424  
(858) 487-8518 Fax (858) 487-6794

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
JKR & Company Inc.

We have audited the accompanying statements of financial condition of JKR & Company Inc. as of June 30, 2003, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended. 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 JKR & Company Inc. at June 30, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities Exchange 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.

*Boros & Farrington APC*

Boros & Farrington APC  
San Diego, California  
August 14, 2003

# JKR & COMPANY INC.

## Statement of Financial Condition

June 30, 2003

### ASSETS

Cash and cash equivalents	\$ 10,880
Marketable securities, at fair market value	209,682
Non-marketable securities, at cost	3,300
Due from registered representatives	16,557
Due from clearing firm	40,823
Investment in partnership	5,334
Fixed assets, less accumulated depreciation of \$32,878	7,549
Other assets	1,750
	<u>\$295,875</u>

### LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities	
Accounts payable and accrued liabilities	\$ 37,631
Due to clearing firm	19,808
Due to stockholder	25,196
Deferred income taxes	15,425
Total liabilities	<u>98,060</u>
Stockholder's equity	
Common stock, 1,000,000 shares authorized, 2,000 shares issued and outstanding	15,000
Retained earnings	182,815
Total stockholder's equity	<u>197,815</u>
	<u>\$295,875</u>

*See notes to financial statements.*

# JKR & COMPANY INC.

## Statement of Operations

Year Ended June 30, 2003

Revenues	
Commissions	\$686,237
Trading gains and losses	48,812
Management and consulting income	41,403
Gain on sale of assets	8,500
Interest	15,565
Total revenues	<u>800,517</u>
Expenses	
Commissions and floor brokerage	540,055
Compensation and benefits	171,901
Outside services	47,366
Travel and entertainment	33,103
Occupancy	25,609
Interest	5,614
Communications	4,514
Other	12,227
Total expenses	<u>840,389</u>
Loss before income taxes	(39,872)
Income taxes	(955)
Net loss	<u>\$ (40,827)</u>

*See notes to financial statements.*

## JKR & COMPANY INC.

### Statement of Changes in Stockholder's Equity

Year Ended June 30, 2003

	<i>Common Stock</i>		<i>Retained</i>	<i>Total</i>
	<i>Shares</i>	<i>Amount</i>	<i>Earnings</i>	
Balance, July 1, 2002	2,000	\$15,000	\$223,642	\$238,642
Net loss	<u>-</u>	<u>-</u>	<u>(40,827)</u>	<u>(40,827)</u>
Balance, June 30, 2003	<u>2,000</u>	<u>\$15,000</u>	<u>\$182,815</u>	<u>\$197,815</u>

*See notes to financial statements.*



# JKR & COMPANY INC.

## Statement of Cash Flows

Year Ended June 30, 2003

Cash flows from operating activities	
Net loss	\$(40,827)
Adjustments to reconcile net loss to net cash from operating activities	
Depreciation and amortization	3,386
Changes in operating assets and liabilities	
Due from clearing firm	(2,946)
Due from registered representatives	29,734
Other assets	446
Accounts payable and accrued liabilities	14,754
Due to clearing firm	(12,888)
Deferred income taxes	1,647
Income taxes payable	768
Net cash from operating activities	<u>(5,926)</u>
Cash flows from investing activities	
Capital expenditures	(1,317)
Securities owned	14,419
Net cash from investing activities	<u>13,102</u>
Cash flows from financing activities	
Repayment of short-term bank loan	(32,907)
Due to stockholder	25,196
Net cash from financing activities	<u>(7,711)</u>
Net decrease in cash and cash equivalents	(535)
Cash and cash equivalents	
Beginning of year	<u>11,415</u>
End of year	<u>\$ 10,880</u>
Supplemental disclosure of cash flow information	
Interest paid	<u>\$ 5,614</u>
Taxes paid	<u>\$ 955</u>

*See notes to financial statements.*

# JKR & COMPANY INC.

## Notes to Financial Statements

### 1. THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

**The Company.** JKR & Company Inc. (the "Company") is a registered broker-dealer licensed by the Securities and Exchange Commission ("SEC") and a member of the National Association of Securities Dealers and the Securities Investor Protection Corporation. The Company provides broker-dealer services as an introducing broker-dealer clearing customer transactions through another broker-dealer on a fully disclosed basis.

**Accounting Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures 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 may differ from those estimates.

**Revenue Recognition.** Security transactions and the related revenue are recorded on a trade date basis.

**Advertising Costs.** Advertising and promotion costs are expensed as incurred.

**Securities Owned.** Marketable securities are stated at market value, based on quoted market prices. Non-marketable securities are stated at cost.

**Furniture and Equipment.** Furniture and equipment are stated at cost less accumulated depreciation. Additions, renovations, and improvements are capitalized. Maintenance and repairs which do not extend asset lives are expensed as incurred. Depreciation is provided on the straight-line method over the estimated useful lives of the assets (5-7 years).

**Income Taxes.** Income taxes are accounted for using the liability method whereby deferred tax asset and liability account balances are calculated at the balance sheet date using the current tax laws and rates in effect.

**Concentration of Credit Risk.** The company maintains cash balances with various financial institutions. Management performs periodic evaluations of the relative credit standing of these institutions. The Company has not sustained any material credit losses from these instruments.

**Financial Instruments.** The carrying values reflected in the statement of financial condition at June 30, 2003 reasonably approximate the fair values financial instruments. In making such assessment, the Company has utilized discounted cash flow analyses, estimates, and quoted market prices as appropriate. No allowance for potential credit losses was considered necessary at June 30, 2003.

### 2. INVESTMENT IN PARTNERSHIP

The Company holds a 5.817% limited partner interest and a 0.73% general partner interest in the Australia Fund Ltd., a limited partnership that invests in Australian marketable securities. The investment is carried at market value.

### 3. INCOME TAXES

The Company uses the liability method of accounting for income taxes whereby deferred tax asset and liability account balances are calculated at the balance sheet date using the current tax laws and rates in effect. At June 30, 2003, the deferred tax liability results

# JKR & COMPANY INC.

## Notes to Financial Statements

primarily from unrealized gains and losses recognized for financial statement purposes but not for tax purposes.

The effective income tax rate varies from the statutory federal income tax rate of 34% for the following reasons:

Computed "expected" federal income tax benefit	\$ 13,556
State income tax	(955)
Valuation allowance	<u>(13,556)</u>
Income tax expense	<u>\$ (955)</u>

#### 4. RELATED PARTY TRANSACTIONS

The Company rents office space from its president. The rental agreement is on a month to month basis. For the year ended June 30, 2003, the Company paid rent expense of \$18,400 under this agreement.

#### 5. PENSION PLAN

The company maintains an employee profit sharing trust. Contributions to the trust are based upon a percentage of gross allowable compensation for eligible employees limited to a maximum of 25%. The Company made contributions of \$1,500 for fiscal 2003.

#### 6. NET CAPITAL REQUIREMENTS

Under Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital (as defined) and a ratio of aggregate indebtedness to net capital (as defined) not exceeding 15 to 1.

The Company's ratio at June 30, 2003 was 0.68 to 1. The basic concept of the Rule is liquidity, its object being to require a broker-dealer in securities to have at all times sufficient liquid assets to cover its current indebtedness. At June 30, 2003, the Company had net capital of \$121,012 which was \$21,012 in excess of the amount required by the SEC.

#### 7. RESERVE REQUIREMENT FOR BROKERS AND DEALERS IN SECURITIES

The Company is exempt from provisions of rule 15c3-3 (per paragraph k(2)(ii) of such rule) under the Securities Exchange Act of 1934 as an introducing broker-dealer clearing customer transactions through another broker-dealer on a fully disclosed basis. The Company does not maintain physical custody of securities. Because of such exemption the Company is not required to prepare a determination of reserve requirement for brokers and dealers in securities.

\*\*\*\*\*

## JKR & COMPANY INC.

### Schedule I Computation of Net Capital Pursuant to Rule 15c3-1

June 30, 2003

	<i>Audited Financial Statements</i>	<i>FOCUS X-17A-5 Part IIA</i>	<i>Differences</i>
Total stockholder's equity	\$197,815	\$235,243	\$(37,428)
Less non-allowable assets			
Petty cash	(75)	(75)	-
Due from registered representatives	(16,557)	(17,556)	999
Investment in partnership	(5,334)	(5,334)	-
Furniture and equipment	(7,549)	(11,266)	3,717
Other assets	(1,750)	(3,406)	1,656
Other additions and/or credits			
Deferred income taxes	<u>          </u>	<u>15,425</u>	<u>(15,425)</u>
Net capital before charges on security positions	166,550	213,031	(46,481)
Less charges on security positions			
Marketable securities	(36,589)	(33,289)	(3,300)
Undue concentration	<u>(8,949)</u>	<u>(6,938)</u>	<u>(2,011)</u>
Net capital	<u>\$121,012</u>	<u>\$172,804</u>	<u>\$(51,792)</u>
Total aggregate indebtedness	<u>\$ 82,635</u>	<u>\$ 71,678</u>	<u>\$ 10,957</u>
Ratio of aggregate indebtedness to net capital	<u>0.68</u>	<u>0.41</u>	
Minimum net capital required	<u>\$100,000</u>	<u>\$100,000</u>	

*Note: The differences result primarily from audit adjustments to receivables, income taxes, accumulated depreciation, and accounts payable.*

**JKR & COMPANY INC.**

**Schedule II  
Computation for Determination of Reserve Requirements  
Pursuant to Rule 15c3-3**

**June 30, 2003**

Because the Company does not hold funds or securities for the account of any customers, as defined by Securities and Exchange Commission Rule 15c3-3, no reserve is required and this schedule is not applicable. Consequently, a reserve requirement was not calculated in Part II of Form X-17A-5 of this Company's FOCUS report as of June 30, 2003; and a reconciliation to that calculation is not included herein.

**JKR & COMPANY INC.**

**Schedule III  
Information Relating to the Possession or Control Requirements  
Pursuant to Rule 15c3-3**

**June 30, 2003**

The Company is exempt from Rule 15c3-3 under the exemptive provisions of section (k)(2)(ii) and, accordingly, has no possession or control requirements.

**INDEPENDENT AUDITOR'S SUPPLEMENTARY  
REPORT ON INTERNAL CONTROL STRUCTURE**

JKR & Company Inc.:

In planning and performing our audit of the financial statements of JKR & Company Inc. (the "Company") for the year ended June 30, 2003, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company 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 the reserve required by rule 15c3-3(e) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We 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 of securities under section 8 of Regulation T of the Board of Governors 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 an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit 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 any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be a material weakness as defined above.

We understand that the 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, we believe that the Company's practices and procedures were adequate at June 30, 2003, to meet the Commission's objectives. In addition, the Company was in compliance with the exemptive provisions of Rule 15c3-3 at June 30, 2003 and, further, no facts came to our attention indicating that the Company was not in compliance with such conditions during the year ended June 30, 2003.

This report is intended solely for the use of management and the Securities and Exchange Commission and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

*Boros & Farrington APC*

Boros & Farrington APC  
San Diego, California  
August 14, 2003