

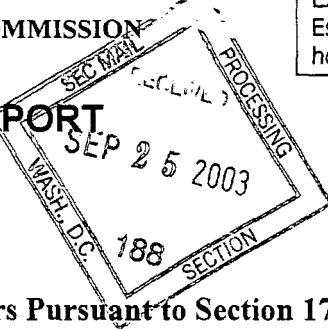


UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

TC 9/30/03
OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden
hours per response . . .12.00

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



SEC FILE NUMBER
8-33123
8-33132

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 08/01/02 AND ENDING 07/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:
J.P. McGowan & Company, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
1631 Locust Street
(No. and Street)

Philadelphia PA 19103
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
John P. McGowan (215) 735-6864
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

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

1514 Old York Road Abington PA 19001
(Address) (City) (State) (Zip Code)

CHECK ONE:
 Certified Public Accountant
 Public Accountant
 Accountant not resident in United States or any of its possessions.

PROCESSED
OCT 06 2003
THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

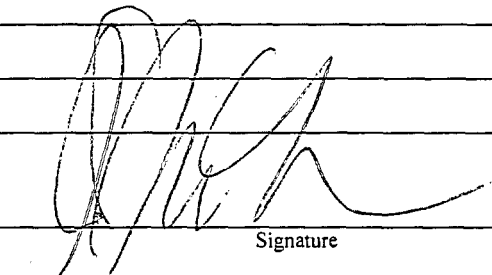
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

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, John P. McGowan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of J.P. McGowan & Company, Inc., as of July 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:



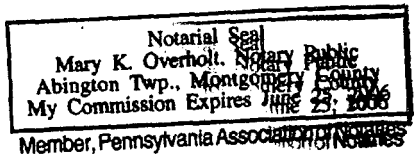
 Signature

 President

 Title



 Notary Public



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 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.
- N/A (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- N/A* (m) A copy of the SIPC Supplemental Report.
- N/A (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditor's Report on Internal Accounting Control.

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

* Minimum assessment in affect.

Sanville & Company

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT F. SANVILLE, CPA
MICHAEL T. BARANOWSKY, CPA

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INDEPENDENT AUDITOR'S REPORT

J. P. McGowan & Company Inc.
Philadelphia, Pennsylvania

We have audited the accompanying statement of financial condition of J. P. McGowan & Company Inc. as of July 31, 2003 and the related statements of operations, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, 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 J. P. McGowan & Company Inc. at July 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.

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 and II 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 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abington, Pennsylvania
September 4, 2003


Certified Public Accountants

J.P. McGOWAN & COMPANY, INC.

Statement of Financial Condition

July 31, 2003

ASSETS

Cash	\$	58,783
Securities owned, at market value:		
State and municipal obligations		35,122
Corporate stocks		2,580
Receivable from clearing broker		370,792
Deposit with clearing broker		50,000
Interest receivable		820
Receivable from stockholder		37,500
Furniture and equipment at cost of \$16,512 less accumulated depreciation of \$16,286		226
Cash surrender value officers life insurance		27,915
		<hr/>
Total assets	\$	<u>583,738</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Income taxes payable	\$	121
Accounts payable and accrued expenses		<hr/> 36,887
		<hr/>
Total liabilities		37,008
Commitments and contingent liabilities		
Stockholder's Equity:		
Common stock, \$1 par value, authorized - 1,000 shares, issued and outstanding - 300 shares		300
Additional paid-in capital		140,138
Treasury stock - 45 shares, at cost	(35,448)
Retained earnings		<hr/> 441,740
		<hr/>
Total stockholder's equity		546,730
		<hr/>
Total liabilities and stockholder's equity	\$	<u>583,738</u>

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

J.P. McGOWAN & COMPANY, INC.

Statement of Operations

For the Year ended July 31, 2003

REVENUE

Net gain on firm securities trading	\$ 473,389
Interest	27,741
Unrealized loss firm investment account	(720)
Miscellaneous	14
	<hr/>
Total revenue	500,424

EXPENSES

Salaries and other employment costs	281,233
Interest	5,944
Clearing charges	24,102
Occupancy costs and equipment rental	33,200
Office expense	10,333
Telephone	10,660
Quotation fees and research	29,015
Regulatory fees and expenses	4,044
Travel and entertainment	33,056
Professional fees	5,313
Depreciation	113
Taxes, other than income taxes	1,269
Other	3,170
	<hr/>
Total expenses	441,452
	<hr/>
Income before taxes on income	58,972
	<hr/>
Current year income tax expense	121
	<hr/>
Prior year recovered income taxes	(1,428)
	<hr/>
Net income	\$ 60,279

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

J.P. McGOWAN & COMPANY, INC.
Statement of Changes in Stockholder's Equity
For the Year ended July 31, 2003

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
Balance at July 31, 2002	\$ 300	\$ 140,138	\$ (35,448)	\$ 417,461	\$ 522,451
Dividends paid to stockholder	-	-	-	(36,000)	(36,000)
Net income for the year	-	-	-	<u>60,279</u>	<u>60,279</u>
Balance at July 31, 2003	<u>\$ 300</u>	<u>\$ 140,138</u>	<u>\$ (35,448)</u>	<u>\$ 441,740</u>	<u>\$ 546,730</u>

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

J.P. McGOWAN & COMPANY, INC.
Statement of Changes in Subordinated Borrowings
For the Year ended July 31, 2003

Subordinated borrowings at August 1, 2002	\$ -
Increases:	-
Decreases:	<u>-</u>
Subordinated borrowings at July 31, 2003	\$ <u><u>-</u></u>

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

J.P. McGOWAN & COMPANY, INC.
Statement of Cash Flows
For the Year ended July 31, 2003

Cash flows from operating activities:

Net income	\$ 60,279
Adjustments to reconcile net income to net cash expended in operating activities:	
Depreciation	113
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Securities owned	1,258,867
Interest and other receivables	(1,424)
Cash surrender value officer's life insurance	(4,142)
Receivable from clearing broker	(1,240,377)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(8,458)
Income taxes payable	121
Net cash expended in operating activities	<u>64,979</u>
 Cash flows from financing activities:	
Dividends paid to stockholder	<u>(36,000)</u>
Net cash expended in financing activities	<u>(36,000)</u>
 Net decrease in cash	28,979
 Cash at beginning of year	<u>29,804</u>
 Cash at end of year	<u><u>\$ 58,783</u></u>

Supplemental disclosures of cash flow information

Cash paid during the year for:

Interest paid	\$ 5,944
Income taxes paid	\$ -

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

J.P. MCGOWAN & COMPANY, INC.

Notes to Financial Statements

July 31, 2003

1. ORGANIZATION

J.P. McGowan & Company, Inc. (the "Company") is a securities broker dealer, registered with the Securities and Exchange Commission and NASD, principally engaging in Pennsylvania municipal obligations. The Company, like other securities firms, is directly affected by general economic and market conditions, including fluctuations in volume and price levels of securities, changes in interest rates and securities brokerage services, all of which have an impact on the Company's liquidity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue – Securities transactions (and related revenue and expense, if applicable) are recorded on a settlement date basis, generally the third business day following the transaction date. This is not materially different from trade date basis.

Property and Depreciation – Furniture and equipment are depreciated generally on an accelerated basis over their estimated useful lives (three to seven years).

Income Taxes – The Company's method of accounting for income taxes conforms to Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("SFAS No. 109") (Note 8). This method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting basis and tax basis of assets and liabilities.

Fair Value of Securities – The market value of securities owned and sold short, consisting of state and municipal obligations is determined by the Company using quoted market prices, dealer quotes and prices obtained from independent third parties.

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

3. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS

The Company will operate in accordance with the exemptive provision of paragraph (k)(2)(B) of SEC Rule 15c3-3. All customer transactions are cleared through Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation ("Pershing") on a fully disclosed bases.

J.P. MCGOWAN & COMPANY, INC.
Notes to Financial Statements (Continued)
July 31, 2003

4. NET CAPITAL REQUIREMENTS

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities Exchange Act of 1934 that prohibits a broker-dealer from withdrawing corporation capital except upon six months' notice and from engaging in any securities transaction at a time when its "Aggregate Indebtedness" exceeds fifteen times its "Net Capital" as those terms are defined by this Rule. As a result of this Rule, Company capital may be withdrawn only to the extent that net capital is in excess of required net capital that, in any event, may not be less than \$100,000.

At July 31, 2003, the Company's "Aggregate Indebtedness" and "Net Capital" (as defined) were \$37,008 and \$506,710, respectively, and its net capital ratio was .07 to 1. "Net Capital" exceeded minimum capital requirements by \$406,710 at that date.

5. PAYABLE TO CLEARING BROKER

Pursuant to the clearing agreement with Pershing (See Note 3), the Company can borrow from Pershing up to 75% of its eligible municipal inventory in order to finance such inventory. The Company pays interest on any outstanding balance due Pershing at brokers call rate plus call rate plus ½% (3.25%) at July 31, 2003. Interest expense was \$5,944 for the year ended July 31, 2003.

6. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Company enters into when-issued and underwriting commitments. The transactions relating to such commitments that were open at July 31, 2003 had no material effect on the financial condition of the Company.

7. PROFIT SHARING PLAN

The Company has a profit sharing plan for those employees who meet the eligibility requirements set forth in the plan. The amount of the contribution to the plan is at the discretion of the Company's management. The Company made no contribution to the plan for the year ended July 31, 2003.

J.P. MCGOWAN & COMPANY, INC.
Notes to Financial Statements (Continued)
July 31, 2003

8. INCOME TAXES

For federal income tax purposes the Company has recovered an additional \$1,428 in income taxes not previously recognized due to the ability of the Company to carryback its prior net operating loss. The Company's taxable income for the year ended July 31, 2003 was \$807 after applying the net operating loss carryforward of \$42,599. The current year federal income tax provision is \$121.

For state income tax purposes the Company has made no provision for income taxes due to the excludability of certain Pennsylvania municipal bond profits.

9. RELATED PARTY TRANSACTIONS

The Company leased its office space under a non-cancelable lease that expired January 31, 2003. The Company is on a month to month lease for \$2,600 per month. Rent expense totaled \$33,200 for the year ended July 31, 2003. The Company's sole stockholder is a partner in the partnership that leases the office space to the Company. The Company advanced to the sole stockholder \$37,500 to increase his ownership in the partnership during the years ended July 31, 2003.

J.P. McGOWAN & COMPANY, INC.
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
July 31, 2003

COMPUTATION OF NET CAPITAL

Total stockholder's equity	\$ 546,730
Deduct stockholder's equity not allowable for Net Capital:	<u>-</u>
Total stockholder's equity qualified for Net Capital	<u>546,730</u>
Deductions and/or charges:	
Non-allowable assets:	
Fixed assets	226
Other receivables	<u>37,500</u>
Total non-allowable assets	<u>37,726</u>
Net Capital before haircuts on securities positions	
Trading and investment securities:	
State and municipal obligations	1,907
Corporate stocks	<u>387</u>
Total haircuts	<u>2,294</u>
Net Capital	<u>\$ 506,710</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total aggregate indebtedness liabilities from Statement of Financial Condition	
Income taxes payable	\$ 121
Accounts payable and accrued expenses	<u>36,887</u>
Total aggregate indebtedness	<u>\$ 37,008</u>
Percentage of aggregate indebtedness to Net Capital	7%
Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	0%

J.P. MCGOWAN & COMPANY, INC.
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
July 31, 2003

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum Net Capital (6-2/3% of \$37,008)	\$ 2,467
Minimum dollar Net Capital requirement of reporting broker or dealer and minimum Net Capital requirement	\$ 100,000
Net Capital requirement	\$ 100,000
Excess Net Capital	\$ 406,710
Excess Net Capital at 1000%	\$ 503,009

RECONCILIATION BETWEEN COMPUTATION OF ANNUAL AUDIT REPORT
AND COMPUTATION IN COMPANY'S UNAUDITED FOCUS REPORTComputation of Net Capital Under Rule 15c3-1

The difference between the above computation and the computation included in the Company's unaudited FOCUS report (Form X-17a-5) as of July 31, 2003 is primarily due to:

Net Capital per unaudited FOCUS filing on July 31, 2003	\$ 470,250
Decrease in net income	(2,749)
Dividend to stockholder	(36,000)
Decrease in nonallowable assets	<u>75,209</u>
Net Capital per above	<u>\$ 506,710</u>

J.P. MCGOWAN & COMPANY, INC.
Computation for Determination of the
Reserve Requirements Under Rule 15c3-3
of the Securities and Exchange Commission
July 31, 2003

The Company is exempt from the provisions of Rule 15c3-3 in accordance with Section (k) (2) (ii).

RECONCILIATION BETWEEN COMPUTATION OF ANNUAL AUDIT REPORT
AND COMPUTATION IN COMPANY'S UNAUDITED FOCUS REPORT

Computation for Determination of Reserve Requirements Under
Exhibit A of Rule 15c3-3

No material difference exists between the broker's most recent, unaudited, Part IIA filing and the Annual Audit Report.

Sanville & Company

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT F. SANVILLE, CPA
MICHAEL T. BARANOWSKY, CPA

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CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

J. P. McGowan & Company, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of J.P. McGowan & Company, Inc. (the Company) for the year ended July 31, 2003, we considered its internal control, including control activities 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 internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC) we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1) Making quarterly securities examinations, counts, verifications, and comparisons.
- 2) Recordation of differences required by Rule 17a-13.
- 3) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control 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 components does not reduce to a relatively low level the risk that 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. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at July 31, 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the NASD, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Abington, Pennsylvania
September 4, 2003

Tanville & Company
Certified Public Accountants