

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

TC 5/28

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

SEC FILE NUMBER
8- 05391

8-16081

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 April 1, 2002 AND ENDING March 31, 2003  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Gaines Financial Corp

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
1919 North Belt East  
(No. and Street)

Belleville, IL 62221  
(City) (State) (Zip Code)

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FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Gaines Smith (618)233-7509  
(Area Code - Telephone Number)

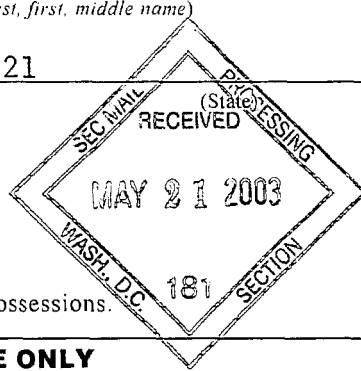
**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Hamann, Harold E.  
(Name - if individual, state last, first, middle name)

1001 Sherman Street, Belleville, IL 62221  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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



PROCESSED  
JUN 02 2003

THOMSON FINANCIAL

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\*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]*

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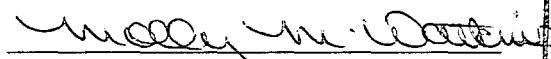
OATH OR AFFIRMATION

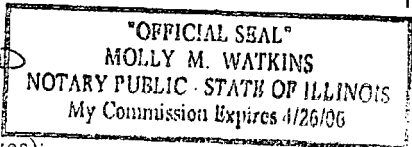
I, Gaines B. Smith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Gaines Financial Corporation, as of March 31, 20 03, are true and correct. I further swear (or affirm) that neither the company nor 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 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).

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GAINES FINANCIAL CORPORATION  
 BELLEVILLE, ILLINOIS  
 BALANCE SHEETS

	March 31, 2003	March 31, 2002
<b><u>ASSETS</u></b>		
Cash in Bank	\$ 100	\$ 100
Cash in Savings	4,900	4,900
Deposit	1,000	1,000
Total Assets	\$ 6,000	\$ 6,000
 <b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
Current Liabilities	\$ -	\$ -
Shareholders' Equity		
Common Stock		
Authorized, issued and outstanding 150 shares without par value	6,000	6,000
Retained Earnings	-	-
Total Shareholder's Equity	6,000	6,000
Total Liabilities and Shareholders Equity	\$ 6,000	\$ 6,000

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

GAINES FINANCIAL CORPORATION  
 BELLEVILLE, ILLINOIS  
 STATEMENTS OF INCOME AND RETAINED EARNINGS

	For the Years Ended	
	March 31, 2003	March 31, 2002
Income		
Commissions received	\$ 50,463	\$ 93,538
Expenses		
Commissions paid	\$ 47,592	\$ 88,503
Legal and Accounting fees	225	225
Dues and Subscriptions	215	1,178
Licenses and taxes	455	515
Office supplies	2,070	1,732
Medical expenses	-	1,531
Total Expenses	50,557	93,684
	(94)	(146)
Other Income		
Interest received and Miscellaneous Income received	94	146
Net Profit for the Period	-	-
Retained Earnings, Beginning of Period	-	-
Retained Earnings, End of Period	\$ -	\$ -

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

GAINES FINANCIAL CORPORATION  
 BELLEVILLE, ILLINOIS  
 STATEMENTS OF CASH FLOWS

	For the Years Ended	
	March 31	
	2003	2002
Cash Flows from Operating Activities:		
Cash received from customers	\$ 50,463	\$ 93,538
Cash expenditures	(50,557)	(93,684)
Interest and Miscellaneous Income Received	94	146
Net Cash Flows from Operating Activities	-	-
Net Increase in Cash	-	-
Cash at Beginning of Year	6,000	6,000
Cash at End of Year	\$ 6,000	\$ 6,000

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

GAINES FINANCIAL CORPORATION  
BELLEVILLE, ILLINOIS  
COMPUTATION OF NET CAPITAL

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	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total Capital</u>
Balance, April 1, 2002	\$ 6,000	\$ -	\$ 6,000
Increase (Decrease)	<u>-</u>	<u>-</u>	<u>-</u>
Balance, March 31, 2003	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 6,000</u>

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

GAINES FINANCIAL CORPORATION  
BELLEVILLE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1: Summary of Significant Accounting Policies:

The books and records are maintained on the accrual basis of accounting.

NOTE 2: The cash in savings, which is a passbook account, earns interest at the rate of 1.25% per annum.

NOTE 3: Computation of Net Capital:

The only equity of the corporation is \$6,000 of authorized, issued and outstanding common stock.

NOTE 4: No material differences existed in my reconciliation of net capital.

NOTE 5: There are no material inadequacies in the company's internal accounting controls.

NOTE 6: The company is in compliance with the exemptive provisions of SEC rule 15c3-3 as of the audit date and no facts came to my attention indicating that such condition had not been complied with since the last audit.