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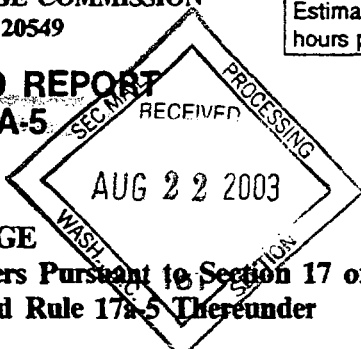
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STATES  
LANGE COMMISSION  
Washington, D.C. 20549

VF 9-4-03

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



SEC FILE NUMBER  
8- 25147

**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 July 1, 2002 AND ENDING June 30, 2003  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Austam Securities Exchange, Ltd.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

581 14th Avenue #2

(No. and Street)

San Francisco

California

94118-3540

(City)

(State)

(Zip Code)

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

Bryan Robarge

(415) 668-9113

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Kevin G. Breard, CPA An Accountancy Corporation

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

9010 Corbin Avenue

Northridge

CA

91324

(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 10 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).

0295

OATH OR AFFIRMATION

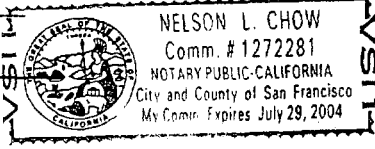
I, Bryan Robarge, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Austam Securities Exchange, Ltd., as of June 30, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

State of CALIFORNIA  
County of SAN FRANCISCO  
Subscribed and sworn (or affirmed) to before me this 23<sup>rd</sup> day of June, 2003

Bryan Robarge  
Signature  
President  
Title

Nelson L. Chow  
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~~ 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.
- (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).

KEVIN G. BREARD, C.P.A.  
AN ACCOUNTANCY CORPORATION

Independent Auditor's Report

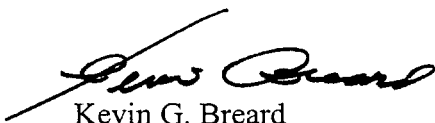
Board of Directors  
Austam Securities Exchange, Ltd.

I have audited the accompanying statement of financial condition of Austam Securities Exchange, Ltd. as of June 30, 2003, and the related statements of operations, changes in stockholder's 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. 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 misstatements. 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 Austam Securities Exchange, Ltd. as of June 30, 2003, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-III are presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subject to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respect in relating to the basic financial statements taken as a whole and in conformity with the rules of the Securities and Exchange Commission.



Kevin G. Breard  
Certified Public Accountant

Northridge, California  
July 28, 2003

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**Austam Securities Exchange, Ltd.**

**Report Pursuant to Rule 17a-5 (d)**

**Financial Statements**

**For the Year Ended June 30, 2003**

**Austam Securities Exchange, Ltd.**  
**Statement of Financial Condition**  
**June 30, 2003**

**Assets**

|  |                               |
|--|-------------------------------|
| Cash   | \$ 7,220                      |
| Property and equipment, net of \$12,039 accumulated depreciation | <u>          —</u>            |
| <b>Total assets</b>  | <b><u><u>\$ 7,220</u></u></b> |

**Liabilities & Stockholder's Equity**

**Liabilities**

|                          |               |
|--------------------------|---------------|
| Income taxes payable     | <u>\$ 800</u> |
| <b>Total liabilities</b> | 800           |

**Stockholder's equity**

|  |                               |
|--|-------------------------------|
| Common stock, no par value; 100,000<br>shares authorized; 7,695 issued and outstanding | 7,695                         |
| Additional paid-in capital   | 6,269                         |
| Accumulated deficit  | <u>(7,544)</u>                |
| <b>Total stockholder's equity</b>  | <u>6,420</u>                  |
| <b>Total liabilities &amp; stockholder's equity</b>                                    | <b><u><u>\$ 7,220</u></u></b> |

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

**Austam Securities Exchange, Ltd.**  
**Statement of Operations**  
**For the Year Ended June 30, 2003**

**Revenues**

|  |               |
|--|---------------|
| Consulting income                      | \$ 28,007     |
| Gain of sale of property and equipment | 4,433         |
| Commissions                            | 3,022         |
| Interest                               | <u>7</u>      |
| <b>Total revenue</b>                   | <b>35,469</b> |

**Expenses**

|  |                      |
|--|----------------------|
| Commissions                            | 5                    |
| Consulting and other professional fees | 2,310                |
| Taxes, other than income taxes         | 1,540                |
| Other expenses                         | <u>31,716</u>        |
| <b>Total expenses</b>                  | <b><u>35,571</u></b> |

**Income (loss) before income tax provision** (102)

**Income tax provision**

Income tax provision 800

**Total income tax provision** 800

**Net income (loss)** \$ (902)

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

**Austam Securities Exchange, Ltd.**  
**Statement of Changes in Stockholder's Equity**  
**For the Year Ended June 30, 2003**

|                           | <u>Common<br/>Stock</u> | <u>Additional<br/>Paid - In<br/>Capital</u> | <u>Accumulated<br/>Deficit</u> | <u>Total</u>    |
|---------------------------|-------------------------|---|--------------------------------|-----------------|
| Balance, at June 30, 2002 | \$ 7,695                | \$ 6,269                                    | \$ (6,642)                     | \$ 7,322        |
| Net income (loss)         | <u>-</u>                | <u>-</u>                                    | <u>(902)</u>                   | <u>(902)</u>    |
| Balance, at June 30, 2003 | <u>\$ 7,695</u>         | <u>\$ 6,269</u>                             | <u>\$ (7,544)</u>              | <u>\$ 6,420</u> |

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

**Austam Securities Exchange, Ltd.**  
**Statement of Changes in Cash Flows**  
**For the Year Ended June 30, 2003**

|  |              |                        |
|--|--------------|------------------------|
| <b>Cash flow from operating activities</b>   |              |                        |
| Net income (loss)  |              | \$ (902)               |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: |              |                        |
| (Gain) loss on sale of property & equipment  | \$ (4,433)   |                        |
| (Increase) decrease in:  |              |                        |
| Accounts receivable  | 17           |                        |
| (Decrease) increase in:  |              |                        |
| Accounts payable   | <u>(9)</u>   |                        |
| <b>Total adjustments</b>   |              | <u>(4,425)</u>         |
| <b>Net cash used in operating activities</b>   |              | <u>(5,327)</u>         |
| <br><b>Cash flows from investing activities</b>                                      |              |                        |
| Proceeds from sale of property & equipment   | <u>4,985</u> |                        |
| <b>Net cash provided by investing activities</b>                                     |              | 4,985                  |
| <br><b>Cash flows from financing activities</b>                                      |              |                        |
|  |              | <u>—</u>               |
| <b>Net decrease in cash</b>  |              | (342)                  |
| <b>Cash at the beginning of the year</b>   |              | <u>7,562</u>           |
| <b>Cash at the end of the year</b>   |              | <u><u>\$ 7,220</u></u> |
| <br><b>Supplemental disclosure of cash flow information</b>                          |              |                        |
| Cash paid during the period ended June 30, 2003                                      |              |                        |
| Income taxes   | \$ 940       |                        |
| Interest   | \$ —         |                        |

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



**Austam Securities Exchange, Ltd.**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2003**

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

Austam Securities Exchange, Ltd. (the "Company") was founded in September of 1980 in the business of securities brokerage and investment counseling. The Company is 100% owned by Byran Robarge. The Company is a member of the National Association of Securities Dealers (NASD) and the Securities Investor Protection Corporation (SIPC).

The Company conducts business on a fully disclosed basis whereby the execution and clearance of trades are handled by another Broker/Dealer. The Company does not hold customer funds and/or securities.

The Company has a few clients primarily located in the San Francisco area. The majority of the Company's consulting income was earned from one client.

*Summary of Significant Accounting Principles*

The presentation 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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company provides for deferred taxes resulting from timing differences between financial and taxable income. The timing differences results principally from preparing income tax returns on the cash method and financial statements on the accrual method.

Securities transactions are recorded on a settlement date basis.

Trade receivables are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

**Austam Securities Exchange, Ltd.**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2003**

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Certain payments were made to an individual in the year that the Internal Revenue Service could deem to require payroll taxes be recorded and paid. The Company believes it has legitimate defenses and would vigorously defend its position. Accordingly, no contingent provision has been recorded.

**Note 2: INCOME TAXES**

The current provision of \$800 for income taxes is the California franchise tax board minimum. Since the Company has a loss this year, no provision for Federal income taxes has been recorded.

The Company has elected to carry-forward its operating loss at June 30, 2003. This operating loss carry-forward may be applied against future taxable income, resulting in a deferred tax asset of approximately \$96, that expires in the year 2023. A 100% valuation allowance has been established against this asset since management cannot determine if it is more likely than not that the asset will be realized.

**Note 3: PROPERTY AND EQUIPMENT**

The property and equipment are recorded at cost, and consisted of the following at June 30, 2003:

|                               |                 | <u>Depreciable<br/>Life Years</u> |
|-------------------------------|-----------------|-----------------------------------|
| Equipment                     | \$ 12,040       | 5                                 |
| Total property and equipment  | 12,040          |                                   |
| Less accumulated depreciation | <u>(12,040)</u> |                                   |
| Net property and equipment    | <u>\$ —</u>     |                                   |

Depreciation expense for the year ended June 30, 2003 was \$ -0-

**Austam Securities Exchange, Ltd.**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2003**

**Note 4: SUBSEQUENT EVENT**

On July 9, 2003, the Company entered in an agreement to sell 100% of its ownership interest to the buyers, Phuong Lan Thi Huynh and Joseph A. Cerbone, individuals. The sale is pending the approval of the National Association of Securities Dealers.

**Note 5: COMPUTATION OF NET CAPITAL**

The Company is subject to the uniform net capital rule (Rule 15c3-1) of the Securities and Exchange Commission, which requires both 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. Net capital and aggregate indebtedness change day to day, but on June 30, 2003, the Company's net capital of \$6,420 exceeded the minimum net capital requirement by \$1,420; and the Company's ratio of aggregate indebtedness (\$800) to net capital was 0.12 to 1, which is less than the 15 to 1 maximum ratio allowed.

**Austam Securities Exchange, Ltd.**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**For the Year Ended June 30, 2003**

**Computation of net capital**

|                            |                |              |
|----------------------------|----------------|--------------|
| Stockholder's equity       |                |              |
| Common stock               | \$ 7,695       |              |
| Additional paid-in capital | 6,269          |              |
| Accumulated deficit        | <u>(7,544)</u> |              |
| Total stockholder's equity |                | \$ 6,420     |
| Less: Non allowable assets |                |              |
| Net adjustments to capital |                | <u>—</u>     |
| <b>Net Capital</b>         |                | <b>6,420</b> |

**Computation of net capital requirements**

|   |          |                        |
|---|----------|------------------------|
| Minimum net capital requirements            |          |                        |
| 6 2/3 percent of net aggregate indebtedness | \$ 53    |                        |
| Minimum dollar net capital required         | \$ 5,000 |                        |
| Net capital required (greater of above)     |          | <u>5,000</u>           |
| <b>Excess net capital</b>                   |          | <b><u>\$ 1,420</u></b> |

Percentage of aggregate indebtedness to net capital 0.12:1

There was no material difference in net capital computation shown here and the net capital computation shown on the Company's unaudited Form X-17A-5 report dated June 30, 2003.

*See independent auditor's report.*

**Austam Securities Exchange, Ltd.**  
**Schedule II - Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**For the year ended June 30, 2003**

A computation of reserve requirement is not applicable to Austam Securities Exchange, Ltd. as the Company qualifies for exemption under Rule 15c3-3 (k) (1).

*See independent auditor's report.*

**Austam Securities Exchange, Ltd.**  
**Schedule III - Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**  
**For the year ended June 30, 2003**

Information relating to possession or control requirements is not applicable to Austam Securities Exchange, Ltd. as the Company qualifies for exemption under Rule 15c3-3 (k) (1).

*See independent auditor's report.*

**Austam Securities Exchange, Ltd.**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended June 30, 2003**

KEVIN G. BREARD, C.P.A.  
AN ACCOUNTANCY CORPORATION

Board of Directors  
Austam Securities Exchange, Ltd.

In planning and performing my audit of the financial statements of Austam Securities Exchange, Ltd. for the year ended June 30, 2003, I considered its internal control structure, for the purpose for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my 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 (SEC), I have made a study of the practices and procedures followed by Austam Securities Exchange, Ltd. including tests of such practices and procedures that I considered relevant to objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) 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 security accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making the 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 internal control structure and the practice 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 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 SEC'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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

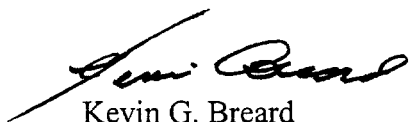


Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk they may become inadequate because of changes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

My consideration of the internal control structure would not necessarily disclose all matters in the 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 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, I noted no matters involving the internal control structure, including procedures for safeguarding securities, that I considered to be material weakness as defined above.

I 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 purpose 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 material inadequacy for such purposes. Based on this understanding on my study, I believe that the Company's practices and procedures were adequate at June 30, 2003 to meet the SEC's objectives.

This report is intended solely for the use of management, 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.



Kevin G. Breard  
Certified Public Accountant

Northridge, California  
July 28, 2003