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UNITED STATES
INDEX EXCHANGE COMMISSION
Washington, D.C. 20549

B36/10

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6/14

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response.....	12.00

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

SEC FILE NUMBER
8- 50449

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, 2004 AND ENDING MARCH 31, 2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: P & A FINANCIAL SECURITIES, INC.

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

17 COURT STREET

(No. and Street)

BUFFALO

NY

14202

(City)

(State)

(Zip Code)

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

PAUL S. DUGGAN

(716) 852-2611

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

CHIAMPOU TRAVIS BESAW & KERSHNER LLP

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

45 BRYANT WOODS NORTH

AMHERST

NY

14228

(Address)

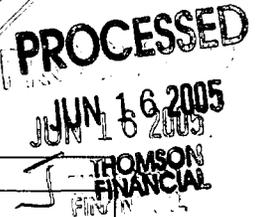
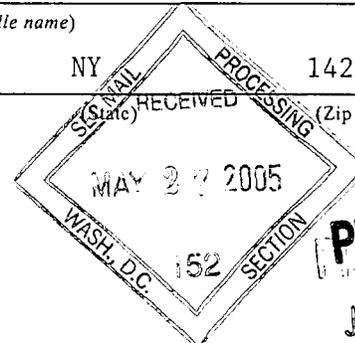
(City)

(State)

(Zip Code)

CHECK ONE:

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



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 (06-02)

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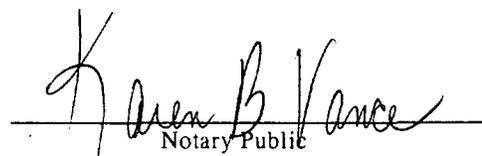
OATH OR AFFIRMATION

I, PAUL S. DUGGAN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of P & A FINANCIAL SECURITIES, INC., as of MARCH 31, 2005, 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

KAREN B. VANCE
NOTARY PUBLIC, State of New York
Qualified in Erie County
My Commission Expires 1/31/2007

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).

P&A FINANCIAL SECURITIES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
P&A Financial Securities, Inc.
Buffalo, New York

We have audited the accompanying statement of financial condition of P&A Financial Securities, Inc. (the Company) as of March 31, 2005, and the related statements of income, of changes in stockholder's equity, and of 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 P&A Financial Securities, Inc. as of March 31, 2005, 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 Computation of Net Capital Pursuant to Rule 15c3-1 of the Securities and Exchange Commission 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.

Chiampou Travis Besaw & Kershner LLP

May 6, 2005

P&A FINANCIAL SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

MARCH 31, 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 34,627
Commissions receivable	17,271
Total current assets	<u>51,898</u>

DEFERRED TAX ASSET 2,020

OTHER INVESTMENTS 21,400

TOTAL ASSETS \$ 75,318

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:

Accounts payable	\$ 6,000
Commissions payable	6,407
Accrued income taxes	1,653
Total current liabilities	<u>14,060</u>

STOCKHOLDER'S EQUITY:

Common stock, \$1 par value; 20,000 shares authorized, 100 shares issued and outstanding	100
Additional paid-in capital	9,900
Retained earnings	54,938
Accumulated comprehensive loss	(3,680)
Total stockholder's equity	<u>61,258</u>

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY \$ 75,318

See notes to financial statements.

P&A FINANCIAL SECURITIES, INC.

**STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2005**

REVENUES:

Commission revenue \$ 955,744

OPERATING EXPENSES:

Commission expense 659,718

General office expense 287,323

Licenses and fees 3,180

950,221

INCOME FROM OPERATIONS 5,523

OTHER:

Gain on sale of marketable securities 1,616

Investment income 800

2,416

INCOME BEFORE PROVISION FOR INCOME TAXES 7,939

PROVISION FOR INCOME TAXES 1,653

NET INCOME \$ 6,286

See notes to financial statements.

P&A FINANCIAL SECURITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED MARCH 31, 2005

	Common Stock		Additional Paid-In Capital		Retained Earnings	Accumulated Comprehensive Income (Loss)	Total Comprehensive Income (Memo)
	Shares	Amount	Shares	Amount			
BALANCE, BEGINNING OF YEAR	100	\$ 100		\$ 9,900	\$ 48,652	\$ 8,677	
Net income	-	-		-	6,286	-	\$ 6,286
Net decrease in unrealized gain on marketable securities, net of deferred taxes (net of reclassification adjustment of \$18,566 for net gains included in income)	-	-		-	-	(14,877)	(14,877)
Unrealized gain on other investments, net of deferred taxes	-	-		-	-	2,520	2,520
BALANCE, END OF YEAR	100	\$ 100		\$ 9,900	\$ 54,938	\$ (3,680)	\$ (6,071)

See notes to financial statements.

P&A FINANCIAL SECURITIES, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 6,286
Adjustments to reconcile net income to net cash used in operating activities:	
Gain on sale of marketable securities	(1,616)
Increase in commissions receivable	(8,328)
Increase in accounts payable	900
Decrease in commissions payable	(267)
Increase in accrued income taxes	1,653
Decrease in accrued expenses	(881)
Net cash used in operating activities	<u>(2,253)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of marketable securities	82,077
Purchases of marketable securities	<u>(49,990)</u>
Net cash provided by investing activities	<u>32,087</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

29,834

CASH AND CASH EQUIVALENTS:

Beginning of year	<u>4,793</u>
End of year	<u>\$ 34,627</u>

See notes to financial statements.

P&A FINANCIAL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – P&A Financial Securities, Inc. (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD) and the Securities Investor Protection Corporation (SIPC). The Company was incorporated on July 23, 1997 and is engaged in a single line of business as a securities broker-dealer, primarily brokering agency transactions for mutual fund and annuity investments on behalf of its customers.

Cash and Cash Equivalents – Cash equivalents consist of money market accounts. The Company maintains its cash and cash equivalents in bank deposit and money market accounts which, at times, may exceed federally insured limits. The bank balance of funds invested in money market accounts, which are not FDIC insured, totaled \$32,596 at March 31, 2005. The Company believes it is not exposed to any significant credit risk with regard to cash and cash equivalents.

Other Investments – Other investments consist of warrants to purchase 2,000 shares of common stock of the Nasdaq Stock Market, Inc. at prices ranging from \$13 to \$16 per share. The warrants became exercisable on June 28, 2002 and expire at various dates through June 27, 2006. The warrants are not readily marketable and are stated at their estimated fair value. The valuation allowance, net of taxes, is charged to accumulated comprehensive income (loss).

Commissions and Commissions Receivable – Commissions are recorded on a trade-date basis as securities transactions occur. Commissions receivable are stated at the amount the Company expects to collect from balances outstanding at year-end. Based on the Company's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Use of Estimates – The preparation 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

2. NET CAPITAL REQUIREMENT

The Company must comply with the Uniform Net Capital Rule under the Securities Exchange Act of 1934 which provides that aggregate indebtedness, as defined, may not exceed 15 times net capital (generally, Company capital less reductions for assets not readily convertible into cash at full value). There are restrictions on a broker-dealer's operations if aggregate indebtedness exceeds 10 times net capital.

At March 31, 2005, the Company's net capital and required net capital (as defined) were \$37,186 and \$5,000, respectively. The ratio of aggregate indebtedness to net capital was approximately 0.38 to 1.

3. RESERVE REQUIREMENT

Rule 15c3-3 (the Rule) under the Securities Exchange Act of 1934 provides a formula for the maintenance by broker-dealers of reserves in connection with customer related transactions and standards for broker-dealers regarding the physical possession or control of fully-paid and excess margin securities.

There are allowable exemptions to the Rule provided that certain conditions are met. Due to the nature of the Company's business (See Note 1), these conditions are satisfied and the Company claims an exemption under subparagraph (k)(2)(A) of the Rule.

4. RELATED PARTY TRANSACTIONS

The Company has an agreement with an affiliate which requires the Company to pay the affiliate a percentage of gross income received as reimbursement for certain general and administrative services, supplies and expenses. Related expense for the year ended March 31, 2005 was \$226,438.

5. INCOME TAXES

Income taxes consisted of the following for the year ended March 31, 2005:

Current:	
Federal	\$ 1,109
State	<u>544</u>
	<u>\$ 1,653</u>

There were no deferred income taxes for the year ended March 31, 2005, other than those included within accumulated other comprehensive income (loss) related to investment valuation financial statement and tax reporting differences.

* * * * *

P&A FINANCIAL SECURITIES, INC.

COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
MARCH 31, 2005

NET CAPITAL:

Total stockholder's equity	\$ 61,258
Deductions:	
Other investments, not readily marketable	(21,400)
Deferred tax asset	<u>(2,020)</u>
Net capital before haircuts on securities positions (tentative net capital)	37,838
Haircuts on securities	<u>652</u>
Net capital	<u><u>\$ 37,186</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:

Net capital requirement (the greater of 6 2/3% of aggregate indebtedness or \$5,000)	<u><u>\$ 5,000</u></u>
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EXCESS NET CAPITAL \$ 32,186

AGGREGATE INDEBTEDNESS:

Accounts payable	\$ 6,000
Commissions payable	6,407
Accrued income taxes	<u>1,653</u>
TOTAL AGGREGATE INDEBTEDNESS	<u><u>\$ 14,060</u></u>

RATIO: AGGREGATE INDEBTEDNESS TO NET CAPITAL .38 to 1

RECONCILIATION WITH COMPANY'S COMPUTATION
(INCLUDED IN PART II OF FORM X-17A-5 AS OF
MARCH 31, 2005)

NET CAPITAL, AS REPORTED IN COMPANY'S PART II
(UNAUDITED) FOCUS REPORT \$ 38,839

ADJUSTMENTS MADE SUBSEQUENT TO
PREPARATION OF (UNAUDITED) FOCUS REPORT:

Accrued income taxes	<u>(1,653)</u>
NET CAPITAL PER ABOVE	<u><u>\$ 37,186</u></u>

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL REQUIRED BY SECURITIES
AND EXCHANGE COMMISSION RULE 17a-5**

To the Board of Directors of
P&A Financial Securities, Inc.
Buffalo, New York

In planning and performing our audit of the financial statements and supplemental schedule of P&A Financial Securities, Inc. (the Company) for the year ended March 31, 2005, 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 and 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 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 March 31, 2005, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. 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, is not intended to be and should not be used by anyone other than these specified parties.

Changyan Travis Bland & Kershner LLP

May 6, 2005