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

SEC FILE NUMBER  
8-16080

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 11/01/04 AND ENDING 10/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Rothschild Lieberman Limited  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
411 West Putnam Avenue, Suite 420

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street)  
Greenwich, Connecticut 06830  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Mr. Samuel Lieberman (800) 835-8800  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Povol and Feldman, CPA, PC  
(Name - if individual, state last, first, middle name)

1981 Marcus Avenue, Suite C100, Lake Success, New York 11042  
(Address) (City) (Zip Code)

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

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**FOR OFFICIAL USE ONLY**

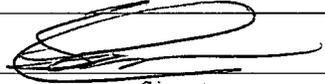
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

I, Samuel Lieberman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Rothschild Lieberman Limited, as of October 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

Feb 28, 2006  
Fairfield, CT



Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of ~~Income (Loss)~~ **Operations**.
- (d) Statement of ~~Changes in Financial Condition~~ Cash Flows.
- (e) Statement of Changes in ~~Stockholders' Equity or Partners' or Sole Proprietors' Capital~~ Stockholder's Equity.
- (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).

**ROTHSCHILD LIEBERMAN LIMITED**

**FINANCIAL STATEMENTS**

**OCTOBER 31, 2005**

**(with supplementary information)**

**ROTHSCHILD LIEBERMAN LIMITED  
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**OCTOBER 31, 2005**

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**POVOL AND FELDMAN, CPA, PC**  
CERTIFIED PUBLIC ACCOUNTANTS  
1981 MARCUS AVENUE - SUITE C100  
LAKE SUCCESS, NEW YORK 11042

ALLAN D. POVOL, CPA  
PAUL I. FELDMAN, CPA

(516) 354-2662  
FAX (516) 326-6954

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
Rothschild Lieberman Limited**

We have audited the accompanying statement of financial condition of Rothschild Lieberman Limited as of October 31, 2005, 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. 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 enumerated above present fairly, in all material respects, the financial position of Rothschild Lieberman Limited at October 31, 2005, and the results of its operations, changes in stockholder's equity, 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of computation of net capital 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 aspects in relation to the basic financial statements taken as a whole.

*Povol and Feldman CPA PC*

Lake Success, New York  
November 30, 2005

**ROTHSCHILD LIEBERMAN LIMITED**  
**STATEMENT OF FINANCIAL CONDITION**  
**OCTOBER 31, 2005**

**ASSETS**

<b>Current Assets:</b>	
Cash	\$ 26,308
Receivable from correspondent broker	28,459
Securities owned, at market	904,769
Other assets	<u>          </u>
<b>Total Assets</b>	<u><b>\$ 959,536</b></u>

**LIABILITIES AND MEMBERS' EQUITY**

<b>Current Liabilities:</b>	
Payable to correspondent broker	\$ 148,632
Accounts payable, income taxes payable and accrued expenses	55,242
Securities sold not yet purchased, at market	270,182
Deferred income taxes payable	<u>72,750</u>
<b>Total Current Liabilities</b>	<u><b>546,806</b></u>
<b>Stockholder's Equity</b>	
Common stock, \$1 par value; authorized 20,000 shares; issued and outstanding 1,000 shares	1,000
Additional paid-in capital	74,000
Retained earnings	<u>337,730</u>
	<u>412,730</u>
<b>Total Liabilities and Stockholder's Equity</b>	<u><b>\$ 959,536</b></u>

See the accompanying notes and auditors' report.

**ROTHSCHILD LIEBERMAN LIMITED  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED OCTOBER 31, 2005**

<b>Revenues:</b>	
Dealer trading	\$ 210,786
Commissions	300,857
Interest and dividends	<u>18,076</u>
	<u>529,719</u>
 <b>Cost of Operations:</b>	
Clearance	43,953
Employee compensation and benefits	234,127
Other operating expenses	<u>167,895</u>
	<u>445,975</u>
 <b>Income before income tax expense</b>	 <u>83,744</u>
 <b>Income tax expense:</b>	
Current	51,883
Deferred	<u>(24,250)</u>
	<u>27,633</u>
 <b>Net Income</b>	 <u>\$ 56,111</u>

See the accompanying notes and auditors' report.

**ROTHSCHILD LIEBERMAN LIMITED**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED OCTOBER 31, 2005**

	<u>Balance</u> <u>November 1, 2004</u>	<u>Net</u> <u>Income</u>	<u>Balance</u> <u>October 31, 2005</u>
Common Stock \$1 Par Value	\$ 1,000	\$ -	\$ 1,000
Additional Paid-in Capital	74,000	-	74,000
Retained Earnings	<u>281,619</u>	<u>56,111</u>	<u>337,730</u>
Stockholder's Equity	<u>\$ 356,619</u>	<u>\$ 56,111</u>	<u>\$ 412,730</u>

See the accompanying notes and auditors' report.

**ROTHSCHILD LIEBERMAN LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED OCTOBER 31, 2005**

<b><u>Cash Flows From Operating Activities:</u></b>	
Net income	\$ 56,111
Adjustments to reconcile net income to net cash used in operating activities:	
Deferred tax benefit	(24,250)
Changes in:	
Securities owned, net	(301,412)
Correspondent broker, net	283,505
Accounts payable, income taxes payable and accrued expenses	<u>6,437</u>
Net Cash Provided by Operating Activities	20,391
Cash – November 1, 2004	<u>5,917</u>
Cash – October 31, 2005	<u>\$ 26,308</u>
<b><u>Supplemental Disclosures of Cash Flow Information:</u></b>	
Cash paid during the year for:	
Income taxes	<u>\$ 53,233</u>

See the accompanying notes and auditors' report.

**ROTHSCHILD LIEBERMAN LIMITED  
NOTES TO FINANCIAL STATEMENTS**

**BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Nature of Business**

Rothschild Lieberman Limited (the Company) is a registered broker-dealer that introduces its brokerage accounts on a fully disclosed basis to self-clearing correspondent brokers. The Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

**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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Cash and cash equivalents**

Securities owned by the firm and securities not yet purchased are reported at market value with unrealized gains or losses reflected in operations as dealer trading revenues.

**Revenue Recognition**

Securities transactions and related commissions and expenses are recorded on a trade date basis.

**Income taxes**

Pursuant to the Revenue Reconciliation Act of 1993, the Company, as a dealer in securities, was required to mark-to-market all securities owned, for tax years ending on or after December 31, 1993. The law allows, subject to certain limitations, for the difference between market and carrying value of the Company's securities as of the beginning of the first tax year to which this rule applies to be phased into income over a period of 5 years, or with respect to last-in, first-out cost basis securities, over a period of 15 years. This will result in the recognition of additional taxable income of approximately \$61,000 annually through October 31, 2008.

The current income tax expense consists of federal, state and local taxes of approximately \$52,000 and differs from the expected effective tax rate due to the permanent difference of non-deductible expenses. At October 31, 2005, the deferred income tax liability of approximately \$73,000 results from the mark-to-market income deferral.

**Concentration of credit risk**

In the normal course of business, the Company enters into transactions in securities sold, but not yet purchased. These transactions contain off-balance-sheet risk whereby change in the market value may be in excess of amounts recognized in the statement of financial condition.

**ROTHSCHILD LIEBERMAN LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**Concentration of credit risk (continued)**

As a nonclearing broker, the Company has its securities and its customers' transactions cleared through other broker-dealers pursuant to clearance agreements. All of the Company's cash and securities positions are held with a clearing broker. Recognizing the concentration of credit risk that this implies, the Company utilizes a clearing broker that is a member of major securities exchanges. Although the Company clears its customer transactions through a clearing broker, nonperformance by its customers in fulfilling their contractual obligations pursuant to securities transactions may expose the Company to risk and potential loss.

**Net capital requirements**

The Company is subject to the uniform net capital rule of the Securities and Exchange Commission, which requires that aggregate indebtedness, as defined, shall not exceed 15 times net capital as defined. At October 31, 2005, the Company had a net capital ratio of .15 to 1 and its net capital was approximately \$423,000 compared to the minimum requirement of 100,000. The Company has elected to operate pursuant to SEC rule 15c3-1(a)(6), whereby it is not required to take haircuts on its market-maker securities.

**SUPPLEMENTAL INFORMATION**

**ROTHSCHILD LIEBERMAN LIMITED  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION**

**OCTOBER 31, 2005**

**Computation of Net Capital**

Total stockholder's equity	\$ 412,730
Deduct other assets	<u>-</u>
Net capital	<u>\$ 412,730</u>

**Computation of Aggregate Indebtedness**

Aggregate indebtedness – accounts payable, income taxes payable and accrued expenses	<u>\$ 55,242</u>
Ratio: Aggregate indebtedness to net capital	<u>13%</u>
Minimal capital required	<u>\$ 100,000</u>
Excess of net capital over minimum requirement	<u>\$ 312,730</u>

Note 1: Net capital as reported in the Company's October 31, 2005 unaudited Focus report	\$ 296,000
Adjustments to expense accruals	16,000
Adjustments to market valuation, including trade date amounts	<u>101,000</u>
Total per above	<u>\$ 413,000</u>

Note 2: The Company has elected to operate pursuant to SEC rule 15c3-1(a)(6) and therefore no haircuts have been taken.

See auditors' report on supplemental information.

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To the Board of Directors  
Rothschild Lieberman Limited

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY  
SEC RULE 17a-5 CLAIMING EXEMPTION FROM SEC RULE 15c3-3**

In planning and performing our audit of the financial statements of Rothschild Lieberman Limited (the "Company") for the year ended October 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 the 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 compliance with 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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. 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 errors 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 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 October 31, 2005 to meet the SEC's objectives.

Our opinion recognizes that it is not practicable in a company the size of Rothschild Lieberman Limited to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control, and alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the use of the Board of Directors, management, the SEC, 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, and is not intended to be and should not be used by anyone other than these specified parties.

*Rothschild and Lieberman CPA PC*

Lake Success, New York  
November 30, 2005