



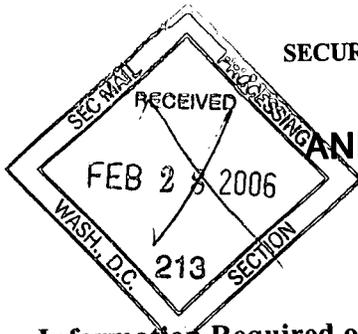
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SECURIT

Washington, D.C. 20549

...ON

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



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

SEC FILE NUMBER
 8-50104

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 01/01/05 AND ENDING 12/31/05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Absolute Return Advisors, Ltd.

OFFICIAL USE ONLY
 FIRM I.D. NO.

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

7190 Main Street

(No. and Street)

Manchester Center

VT

05255

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PROCESSED
 SEP 11 2006
 THOMSON
 FINANCIAL

Siliski & Buzzell, P.C.

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

49 North Main Street

Rutland,

VT

05701

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
 SEP 01 2006
 BRANCH OF REGISTRATIONS
 AND
 EXAMINATIONS
 02

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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)

KEA 9/8

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SEC 1410 (06-02)

OATH OR AFFIRMATION

I, Adam O. Thast, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Absolute Return Advisors, Ltd., as of December 31,, 20 05, 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]
Signature
President
Title

[Signature]
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).

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

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

Form
X-17A-5

FOCUS REPORT
(Financial and Operational Combined Uniform Single Report)
PART II 11

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s):
 1) Rule 17a-5(a) 16
 2) Rule 17a-5(b) 17
 4) Special request by designated examining authority 19
 3) Rule 17a-11 18
 5) Other 28

NAME OF BROKER-DEALER SEC FILE NO. 14
 Absolute Return Advisors, Ltd. 8-50104

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.) FIRM I.D. NO. 15
 7190 Main Street 42938

Manchester (No. and Street) FOR PERIOD BEGINNING (MM/DD/YY) 24
 Center Vermont 05255 AND ENDING (MM/DD/YY) 25

(City) 21 (State) 22 (Zip Code) 23

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT (Area Code) — Telephone No. 31
 Ronald Berti 802/362-0825

NAMES OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT: OFFICIAL USE 33
 35
 37
 39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41
 CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

EXECUTION:
 The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements, and schedules remain true, correct and complete as previously submitted.

Dated the _____ day of _____
 Manual signatures of:
 1) _____
 Principal Executive Officer or Managing Partner
 2) _____
 Principal Financial Officer or Partner
 3) _____
 Principal Operations Officer or Partner

ATTENTION — Intentional misstatement or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78f(a))

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TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

Siliski & Buzzell, P.C.

70

ADDRESS

49 North Main Street

Number and Street

71

Rutland

City

72

Vermont

State

73

05701

Zip Code

74

CHECK ONE

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

75

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FOR SEC USE

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WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

as of 12/31/05

BROKER OR DEALER

Absolute Return Advisors, Ltd.

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

	A.I. Liabilities*	Non-A.I. Liabilities*	Total
Liabilities			
17. Bank loans payable:			1460
A. Includable in "Formula for Reserve Requirements"	1030	1240	1470
B. Other	1040	1260	1480
18. Securities sold under repurchase agreement...			
19. Payable to brokers or dealers and clearing organizations:			
A. Failed to receive:			1490
1. Includable in "Formula for Reserve Requirements"	1050	1270	1500
2. Other	1080	1280	
B. Securities loaned:			1510
1. Includable in "Formula for Reserve Requirements"	1070	1290	1520
2. Other	1080		
C. Omnibus accounts:			1530
1. Includable in "Formula for Reserve Requirements"	1090	1300	1540
2. Other	1085		
D. Clearing organizations:			1560
1. Includable in "Formula for Reserve Requirements"	1100	1310	1560
2. Other	1105	1320	1570
E. Other			
20. Payable to customers:			1580
A. Securities accounts-including free credits of is \$ 950	1120	1330	1590
B. Commodities accounts	1130		
21. Payable to non customers:			1600
A. Securities accounts	1140	1340	1600
B. Commodities accounts	1150	1350	1610
22. Securities sold not yet purchased at market value-including arbitrage of \$ 960		1360	1620
23. Accounts payable and accrued liabilities and expenses:			1630
A. Drafts payable	1160		1640
B. Accounts payable	26,450	1170	1650
C. Income taxes payable	1180		1660
D. Deferred income taxes		1370	1670
E. Accrued expenses and other liabilities	9,538	1190	1680
F. Other	101,604	1200	1690
		1380	1690

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

as of 12/31/05

BROKER OR DEALER Absolute Return Advisors, Ltd.

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

	A.I. Liabilities*	Non-A.I. Liabilities*	Total
Liabilities			
24. Notes and mortgages payable:			\$ <u>1690</u>
A. Unsecured	\$ <u>1210</u>	\$ <u>1390</u>	\$ <u>1700</u>
B. Secured	\$ <u>1211</u>		
25. Liabilities subordinated to claims of general creditors:			\$ <u>1710</u>
A. Cash borrowings:			
1. from outsiders \$ <u>970</u>			
2. Includes equity subordination (15c3-1(d)) of	\$ <u>980</u>	\$ <u>1410</u>	\$ <u>1720</u>
B. Securities borrowings, at market value from outsiders \$ <u>990</u>			
C. Pursuant to secured demand note collateral agreements:			
1. from outsiders \$ <u>1000</u>		\$ <u>1420</u>	\$ <u>1730</u>
2. Includes equity subordination (15c3-1(d)) of	\$ <u>1010</u>		
D. Exchange memberships contributed for use of company, at market value		\$ <u>1430</u>	\$ <u>1740</u>
E. Accounts and other borrowings not qualified for net capital purposes	\$ <u>1220</u>	\$ <u>1440</u>	\$ <u>1760</u>
26. TOTAL LIABILITIES	\$ <u>137,592</u>	\$ <u>1450</u>	\$ <u>137,592</u>
Ownership Equity			
27. Sole Proprietorship			\$ <u>1770</u>
28. Partnership-limited partners	\$ <u>1020</u>		\$ <u>1780</u>
29. Corporation:			
A. Preferred stock			\$ <u>1791</u>
B. Common stock		\$ <u>71,380</u>	\$ <u>1792</u>
C. Additional paid-in capital		\$ <u>527,603</u>	\$ <u>1793</u>
D. Retained earnings			\$ <u>1794</u>
E. Total			\$ <u>1795</u>
F. Less: capital stock in treasury			\$ <u>1796</u>
30. TOTAL OWNERSHIP EQUITY			\$ <u>598,983</u>
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY			\$ <u>736,575</u>

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

as of 12/31/05

BROKER OR DEALER Absolute Return Advisors, Ltd.

STATEMENT OF FINANCIAL CONDITION

	ASSETS Allowable	Non-Allowable	Total
E. Stocks and warrants	410		
F. Options	420		
G. Arbitrage	422		
H. Other securities	424		
I. Sport commodities	430		
8. Securities owned not readily marketable:			\$ 850
A. At Cost	440	610	880
A. At Cost	130		
9. Other investments not readily marketable:			870
A. At Cost	450	620	870
A. At Cost	140		
B. At estimated fair value			
10. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities	460	630	890
A. Exempted securities	150		
B. Other	180		
11. Secured demand notes-market value of collateral:			
A. Exempted securities	470	640	890
A. Exempted securities	170		
B. Other	180		
12. Memberships in exchanges:			
A. Owned, at market value		650	
A. Owned, at market value	190		
B. Owned at cost		660	900
C. Contributed for use of company, at market value		670	910
13. Investment in and receivables from affiliates, subsidiaries and associated partnerships	480		
14. Property, furniture, equipment, leasehold improvements and rights under lease agreements:			
At cost (net of accumulated depreciation and amortization)	490	106,296	106,296
15. Other Assets:			
A. Dividends and interest receivable	500	690	
A. Dividends and interest receivable	510	700	
B. Pre shipments	520	710	
C. Loans and advances	530	720	5,245
D. Miscellaneous	540	740	930
16. TOTAL ASSETS	\$ 540	\$ 740	\$ 736,575

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

Absolute Return Advisors, Ltd.

N2

100

STATEMENT OF FINANCIAL CONDITION

as of (MM/DD/YY)

12/31/05

SEC FILE NO.

Consolidated
Unconsolidated

99
98
198
199

	ASSETS Allowable	Non-Allowable	Total
1. Cash	\$ 323,419		\$ 323,419
2. Cash segregated in compliance with federal and other regulations	200		750
3. Receivable from brokers or dealers and clearing organizations:			
A. Failed to deliver:			
1. Includable in "Formula for Reserve Requirements"	220		770
2. Other	230		
B. Securities borrowed:			
1. Includable in "Formula for Reserve Requirements"	240		760
2. Other	250		
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	260		790
2. Other	270		
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements"	280		800
2. Other	264,368		264,368
E. Other	290	550	810
4. Receivables from customers:			
A. Securities accounts:			
1. Cash and fully secured accounts	310		560
2. Partly secured accounts	320		570
3. Unsecured accounts	330		580
B. Commodity accounts	335		590
C. Allowance for doubtful accounts	()		()
5. Receivables from non-customers:			
A. Cash and fully secured accounts	340		37,247
B. Partly secured and unsecured accounts	350	37,247	600
6. Securities purchased under agreements to resell	360		605
7. Securities and spot commodities owned, at market value:			
A. Bankers acceptances, certificates of deposit and commercial paper	370		
B. U.S. and Canadian government obligations	380		
C. State and municipal government obligations	390		
D. Corporate obligations	400		940

OMIT PENNIES

PART II - FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

BROKER OR DEALER
Absolute Return Advisors, Ltd.

For the period (MMDDYY) from 01/01/05 to 12/31/05 3933
 Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOES)

REVENUE		\$ 2,044,092	3939
1. Commissions:			
a. Commissions on transactions in listed equity securities executed on an exchange			3937
b. Commissions on transactions in exchange listed equity securities executed over-the-counter			3938
c. Commissions on listed option transactions			3939
d. All other securities commissions			3940
e. Total securities commissions			3941
2. Gains or losses on firm securities trading accounts			
a. From market making in over-the-counter equity securities	3943		3944
1. Includes gains or (losses) OTC market making in exchange listed equity securities			3945
b. From trading in debt securities			3949
c. From market making in options on a national securities exchange			3950
d. From all other trading			
e. Total gains or (losses)	4235		
3. Gains or losses on firm securities investment accounts	4238		
a. Includes realized gains (losses)			3952
b. Includes unrealized gains (losses)			3955
c. Total realized and unrealized gains (losses)			
4. Profits or (losses) from underwriting and selling groups	4237		
a. Includes underwriting income from corporate equity securities			3960
5. Margin interest			3970
6. Revenue from sale of investment company shares		175,062	3975
7. Fees for account supervision, investment advisory and administrative services			3980
8. Revenue from research services			3985
9. Commodities revenue			3988
10. Other revenue related to securities business		4,194	3988
11. Other revenue			4030
12. Total revenue		\$ 2,223,348	
EXPENSES			
13. Registered representative's compensation			4110
14. Clerical and administrative employees' expenses		299,258	4040
15. Salaries and other employment costs for general partners, and voting stockholder officers		208,378	4120
a. Includes interest credited to General and Limited Partners capital accounts	4130		
16. Floor brokerage paid to certain brokers (see definition)		107,128	4033
17. Commissions and clearance paid to all other brokers (see definition)		60,657	4145
18. Clearance paid to non-brokers (see definition)			4135
19. Communications		51,385	4060
20. Occupancy and equipment costs		85,802	4080
21. Promotional costs			4150
22. Interest expense	4070		
a. Includes interest on accounts subject to subordination agreements			4170
23. Losses in error account and bad debts			4186
24. Data processing costs (including service bureau service charges)			4190
25. Non-recurring charges		6,558	4195
26. Regulatory fees and expenses		1,377,871	4100
27. Other expenses			4200
28. Total expenses		\$ 2,198,071	
NET INCOME			
29. Income (loss) before Federal income taxes and items below (Item 12 less Item 28)		25,277	4210
30. Provision for Federal income taxes (for parent only)			4220
31. Equity in earnings (losses) of unconsolidated subsidiaries not included above			4222
a. After Federal income taxes of	4238		
32. Extraordinary gains (losses)	4239		
a. After Federal income taxes of			4224
33. Cumulative effect of changes in accounting principles			4225
34. Net income (loss) after Federal income taxes and extraordinary items		\$ 25,277	4230
MONTHLY INCOME			
35. Income (current month only) before provision for Federal income taxes and extraordinary items		\$ 5,258	4211

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

as of 12/31/05

BROKER OR DEALER

Absolute Return Advisors, Ltd.

COMPUTATION OF NET CAPITAL

1.	Total ownership equity from Statement of Financial Condition - Item 1800	\$	598,983		3480
2.	Deduct Ownership equity not allowable for Net Capital				3490
3.	Total ownership equity qualified for Net Capital				3500
4.	Add:				
A.	Liabilities subordinated to claims of general creditors allowable in computation of net capital				3520
B.	Other (deductions) or allowable credits (List)				3525
5.	Total capital and allowable subordinated liabilities		598,983		3530
6.	Deductions and/or charges:				
A.	Total nonallowable assets from				
	Statement of Financial Condition (Notes B and C)	\$	143,591		3540
1.	Additional charges for customers' and non-customers' security accounts				3550
2.	Additional charges for customers' and non-customers' commodity accounts				3560
B.	Aged fail-to-deliver				3570
1.	Number of items	\$	3450		
C.	Aged short security differences- less reserve of				3580
	number of items	\$	3480		3580
	number of items		3470		3590
D.	Secured demand note deficiency				3600
E.	Commodity futures contracts and spot commodities - proprietary capital charges				3610
F.	Other deductions and/or charges				3618
G.	Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)				3620
H.	Total deductions and/or charges		143,591		3630
7.	Other additions and/or allowable credits (List)				3640
8.	Net capital before haircuts on securities positions				3660
9.	Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)):				
A.	Contractual securities commitments				3670
B.	Subordinated securities borrowings				
C.	Trading and investment securities:				
1.	Bankers' acceptances, certificates of deposit and commercial paper				3680
2.	U.S. and Canadian government obligations				3690
3.	State and municipal government obligations				3700
4.	Corporate obligations				3710
5.	Stocks and warrants				3720
6.	Options				3730
7.	Arbitrage				3732
8.	Other securities				3734
D.	Undue Concentration				3850
E.	Other (List)				3758
					3740
10.	Net Capital		455,392		3750

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

as of 12/31/06

BROKER OR DEALER

Absolute Return Advisors, Ltd.

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A		\$	9,173	3758
11. Minimum net capital required (67% of line 19)		\$	250,000	3758
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)		\$	250,000	3760
13. Net capital requirement (greater of line 11 or 12)		\$	205,392	3770
14. Excess net capital (line 10 less 13)		\$	441,633	3780
15. Excess net capital at 1000% (line 10 less 10% of line 19)		\$		

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition		\$	137,592	3790
17. Add:		\$		
A. Drafts for immediate credit		\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited		\$	3810	3830
C. Other unrecorded amounts (List)		\$	3820	3838
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))		\$	137,592	3840
19. Total aggregate indebtedness		\$	30.21	3850
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)		%		
21. Percentage of aggregate indebtedness to net capital after anticipated capital withdrawals (line 19 ÷ by line 10 less item 4880 page 25)		%	30.21	3853

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B		%	3870	
22. 2% of combined aggregate debt items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debts		%		3880
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)		\$		3760
24. Net capital requirement (greater of line 22 or 23)		\$		3910
25. Excess net capital (line 10 less 24)		\$		3851
26. Percentage of Net Capital to Aggregate Debts (line 10 ÷ by line 17 page 8)		%		
27. Percentage of Net Capital, after anticipated capital withdrawals, to Aggregate Debts (line 10 less item 4880 page 11 ÷ by line 17 page 8)		%		3854
28. Net capital in excess of the greater of:		\$		3920
A. 5% of combined aggregate debt items or \$120,000		\$		

OTHER RATIOS

Part C		%	0	3860
29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)		%		
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital		%		3852

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 67% of aggregate indebtedness or 2% of aggregate debts if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.