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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
Estimated average burden
hours per response..... 12.00

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

SEC FILE NUMBER
8- 38377

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 January 1, 2006 AND ENDING December 31, 2006
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: TFS SECURITIES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

437 Newman Springs Road
(No. and Street)

Lincroft, NJ 07738
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Thomas P. Hyland (732) 758-9300
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

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

411 Pompton Ave., Cedar Grove NJ 07009
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

MAR 07 2007

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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)

AP
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OATH OR AFFIRMATION

I, Thomas P. Hyland, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of TFS SECURITIES, INC., as of December 31,, 2006, 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:

SWORN TO AND SUBSCRIBED
BEFORE ME ON THIS DATE

FEB 21 2007

LINDA HYLAND-RASH
Notary Public of New Jersey
Commission Expires 6/5/2007

Linda Hyland-Rash
Notary Public

Signature

President

Title

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 15c3-1 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.
- (o) Independent Auditor's report on internal controls.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

TFS SECURITIES, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2006

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HOLLAND & COMPANY

Certified Public Accountants

411 POMPTON AVENUE

CEDAR GROVE, NEW JERSEY 07009

RICHARD K. HOLLAND, CPA/PFS
WILLIAM S. LOCKWARD, CPA
DANIEL R. HOLLAND, CPA

(973) 857-0666
FAX (973) 857-7135

Independent Auditor's Report

Board of Directors
TFS Securities, Inc.
437 Newman Springs Road
Lincroft, New Jersey 07738

We have audited the accompanying statement of financial condition of TFS Securities, Inc., as of December 31, 2006, and the related statements of income, changes in stockholders' 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 the 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 TFS Securities, Inc. as of December 31, 2006, and the results of their operations and their cash flow 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 information contained in Schedules I, II and III 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 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.



Holland & Company

Certified Public Accountant

February 19, 2007

TFS SECURITIES, INC.
BALANCE SHEET
DECEMBER 31, 2006

ASSETS

Cash and Cash Equivalents	\$ 187,622
Deposits - NASD/CRD Acct	2,095
Deposit - Pershing	25,000
BD Concessions Receivables	310,326
Other Receivables	<u>29,000</u>
 Total Assets	 \$ <u><u>554,043</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities	
Payroll Taxes Payable	\$ 7,045
Simple IRA Plan Payable	21,664
Legal Fees Payable	4,299
Commissions Payable	263,777
Accrued Expenses	<u>9,500</u>
 Total Liabilities	 306,285
 Stockholders' Equity	
Common Stock - \$100.00 par value 10,000 share authorized 804 shares issued and outstanding	 80,400
Additional Paid in Capital	70,000
Retained Earnings	<u>97,358</u>
 Total Stockholders' Equity	 <u>247,758</u>
 Total Liabilities and Stockholders' Equity	 \$ <u><u>554,043</u></u>

*See Accountants Report and accompanying Notes to Financial Statements.

TFS SECURITIES, INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2006

Revenues		
Dealer and Trading Transactions	\$ 18,879,742	
Rep Licensing Fee Income	883,031	
Interest and Investment Income	13,692	
Other Income	<u>55,522</u>	
Total Revenues		\$ 19,831,987
Direct Costs		
Commissions & Advisory Fees Paid	16,649,057	
Representative's Fund Reimbursements	<u>8,972</u>	
Total Direct Costs		<u>16,658,029</u>
Gross Profit		3,173,958
Operating Expenses		
Payroll and Bonuses	873,597	
Payroll Taxes & Benefits	89,615	
Office & Computer Expenses	237,962	
Postage Expense	14,253	
Equipment Leasing Expense	2,625	
Telephone & Utilities	6,983	
Rep Licensing Fees	194,794	
Dues, Fees and Assessments	492,902	
Rent	40,200	
Marketing and Advertising	3,759	
Professional Fees	66,769	
Bank Charges & Interest	5,943	
Reimbursed Employee Business Expenses	38,593	
Insurance	24,214	
Corporate Taxes	179	
Fidelity and Surety Bonds	76,255	
Consulting Fees	176,223	
Miscellaneous Expenses	3,500	
Auto Expenses	1,208	
Conventions and Seminars	4,894	
Overhead Expense - PC	<u>790,650</u>	
Total Operating Expenses		<u>3,145,118</u>
Net Income		\$ <u>28,840</u>
Earnings per share of common stock		\$ <u>35.87</u>

*See Accountants Report and accompanying Notes to Financial Statements.

HOLLAND & COMPANY
Certified Public Accountants

TFS SECURITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Retained Earnings</u>
Beginning Balance at January 1, 2006	80,400	\$ 70,000	\$ 68,518
Add: Shareholder Contributions			0
Net Income			28,840
Less: Distributions to Shareholders			0
Ending Balance at December 31, 2006	80,400	\$ 70,000	\$ 97,358

*See Accountants Report and accompanying Notes to Financial Statements.

TFS SECURITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Flows from Operating Activities		\$ 28,840
Net Income (Loss)		
Adjustments to reconcile Net Income to Net Cash provided by Operating Activities:		
Changes In:		
Deposits - NASD/CRD Acct	\$ 1,132	
Commissions Receivable-net	40,553	
BD Concessions Receivable	(310,326)	
Payroll Taxes Payable	(442)	
Simple IRA Plan Payable	21,664	
Legal Fees Payable	(4,780)	
Reserve for Breakpoint Refunds	0	
Commissions Payable	263,777	
Accrued Expenses	<u>(2,500)</u>	
Total Adjustments		<u>9,078</u>
Net Cash Provided by Operating Activities		37,918
Cash Flows from Investing Activities		<u>0</u>
Net Increase (Decrease) in Cash		37,918
Cash Balances - Beginning of Period		<u>149,704</u>
Cash Balances - End of Period		<u><u>\$ 187,622</u></u>
Supplemental Disclosures:		
Interest Paid		<u>\$ 0</u>
Income Taxes Paid		<u>\$ 0</u>

*See Accountants Report and accompanying Notes to Financial Statements.

TFS SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 1- *Organization and Nature of Business*

The Company is a broker-dealer registered with the Securities and Exchange Commission and the National Association of Securities Dealers (NASD). The Company is a closely held corporation, operates with several hundred representatives mostly located through out the State of New Jersey. However, the organization does have representatives in many other States. The broker-dealer's primary source of revenue is providing brokerage services to customers, who are predominately small and middle-market businesses and middle and high income individuals.

Note 2- *Significant Accounting Policies*

Transactions

Securities transactions are recorded on a settlement date basis, in accordance with generally accepted accounting principles.

Marketable securities are valued at market value, and securities not readily marketable are valued at fair value as determined by management.

Income Taxes

The Company has elected by consent of its shareholders to be taxed under the provisions of subchapter S of the Internal Revenue Code. Accordingly, no provisions or liability for Federal income taxes is reflected in the accompanying statements. Instead, the shareholders are liable for individual Federal income taxes on their respective share of the Company's taxable income.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles require 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets:

Fixed Assets are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation or amortization are removed from the accounts and any gain or loss is included in income.

Cash Equivalents:

For the purpose of the statement of cash flows, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

HOLLAND & COMPANY
Certified Public Accountants

TFS SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 3-Pension Plan

The Company has established a SIMPLE IRA retirement plan for its' employees. An employee is eligible to participate in any calendar year if he or she received at least \$5,000 of compensation during each of the two preceding calendar years. The Plan must permit each eligible employee to elect to have the employer make payments to the SIMPLE IRA account. An employee may terminate participation in the SIMPLE IRA plan at any time during the calendar year. The Company must match the elective contribution of the employee in an amount not exceeding 3% of the employee's compensation. The Company's matching 3% expense for 2006 was \$21,664.

Note 4-Commitments and Contingent Liabilities

The Company is a defendant in lawsuits incidental to its securities business. Management of the Company, after consultation with legal counsel, believes that the resolution of these various lawsuits will not result in any material adverse effect on the Company's financial position.

Note 5-Concentrations of Credit Risk

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Note 6-Net Capital Requirements

The company is subjected to the Securities and Exchange Commission "Uniform Net Capital Rule" (Rule 15C3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed a ratio of 15 to 1.

At December 31, 2006, the Company had net capital of \$216,663, which was \$166,663 in excess of its required net capital of \$50,000. The Company's net capital ratio was 1.41 to 1.

Note 7-Basic Earnings Per Share

Basic earnings per share of common stock were computed by dividing income available to common stockholders, by the weighted average number of common shares outstanding for the year. Diluted earnings per share are not presented because the Company has no dilutive potential common shares.

Note 8-Rent and Parent Company Overhead

The Company rents office facilities from a partnership owned by the Company's shareholders. The Company also pays shared administrative and overhead expenses to a corporation that is owned by its shareholders. The total amount of expenses paid to the related parties was \$830,850 for the year ended December 31, 2006. The Company also was owed \$29,000 from related entities at December 31, 2006.

SCHEDULE I

TFS SECURITIES, INC.
COMPUTATION OF NET CAPITAL AND AGGREGATED INDEBTEDNESS
AS OF DECEMBER 31, 2006

NET CAPITAL		
Total Stockholders' Equity qualified for Net Capital		\$ 247,758
Deductions and/or charges		
Non-Allowable Assets		
Deposits - NASD/CRD Acct	\$ 2,095	
Other Receivables	<u>29,000</u>	
Total Non-Allowable Assets		<u>31,095</u>
Net Capital Before Haircuts on Securities		216,663
Haircuts on Securities		<u>0</u>
Net Capital		<u>\$ 216,663</u>
AGGREGATE INDEBTEDNESS		
Items included in statement of financial condition		
Payroll Taxes	\$ 7,045	
Simple IRA Plan Payable	21,664	
Legal Fees Payable	4,299	
Commissions Payable	263,777	
Accrued Expenses	<u>9,500</u>	
Total Aggregated Indebtedness		<u>\$ 306,285</u>
COMPUTATION OF BASIC CAPITAL REQUIREMENT		
Minimum Net Capital Required		<u>\$ 50,000</u>
Excess Net Capital		<u>\$ 166,663</u>
Excess Net Capital at 1000%		<u>\$ 186,035</u>
Ratio: Aggregate Indebtedness to Net Capital		<u>\$ 1.41 to 1</u>

SCHEDULE II

**TFS SECURITIES, INC.
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO
CLAIMS OF CREDITORS
DECEMBER 31, 2006**

STATEMENT NOT APPLICABLE
No outstanding loans as of December 31, 2006.

**TFS SECURITIES, INC.
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
PURSUANT TO RULE 15C3-3
DECEMBER 31, 2006**

STATEMENT NOT APPLICABLE. TFS Securities, Inc. does not hold customer's funds and/or securities.

Note: Same explanation for information relating to the possession or control requirements pursuant to Rule 15C3-3 Requirement I.

SCHEDULE III

**TFS SECURITIES, INC.
REQUIREMENT J: RECONCILIATION
DECEMBER 31, 2006**

STATEMENT NOT APPLICABLE

There were no material differences between the Audited Net Capital computation determined in this report and the broker-dealer's corresponding Unaudited Net Capital computation on the Focus Part IIA, a statement to verify the inadequacies is not needed.

The firm does not compute a reserve computation, as stated in Schedule II of this report. Therefore, no reconciliation is required.

HOLLAND & COMPANY

Certified Public Accountants

411 POMPTON AVENUE

CEDAR GROVE, NEW JERSEY 07009

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Independent Auditor's Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15C3-3

Board of Directors
TFS Securities, Inc.
437 Newman Springs Road
Lincroft, New Jersey 07738

In planning and performing our audit of the financial statements and supplemental schedules of TFS Securities, Inc. (the Company), for the year ended December 31, 2006, 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 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 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 judgements 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 safeguard 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 weakness 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 December 31, 2006, to meet the SEC objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the NASD, 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.



Holland & Company

Certified Public Accountants

February 19, 2007

END