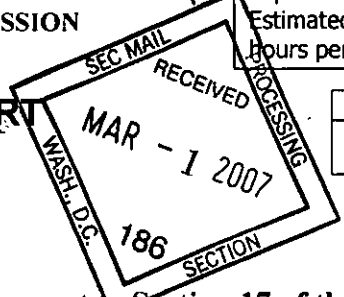




SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

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



OMB APPROVAL
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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 01/01/06 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER: PCS Distributors, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
 1735 Market Street, 3200 Mellon Center
(No. and Street)

Philadelphia PA 19103-7595
(City) (State) (Zip Code)

OFFICIAL USE ONLY
 FIRM ID. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
 Richard P. Shappell (215) 575-7103
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
 Sanville & Company
(Name - if individual, state last, first, middle name)

1514 Old York Road Abington PA 19001
(Address) (City) (State) (Zip Code)

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

PROCESSED
 APR 09 2007

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).

SEC 1410 (3-91)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

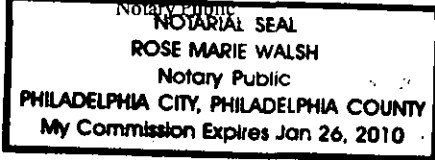
OATH OR AFFIRMATION

I, Richard P. Shappell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PCS Distributors, LLC, 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:

Richard P. Shappell
Signature

Chief Financial Officer
Title

Rose Marie Walsh



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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of 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.
- N/A (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- N/A* (m) A copy of the SIPC Supplemental Report.
- N/A (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 Accounting Control.

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

*A SIPC Supplemental Report is not required because PCS Distributors, LLC has certified that it can claim exclusion from membership due to the nature of its business activities.

Sanville & Company

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT F. SANVILLE, CPA
MICHAEL T. BARANOWSKY, CPA
JOHN P. TOWNSEND, CPA

1514 OLD YORK ROAD ABINGTON, PA 19001
(215) 884-8460 • (215) 884-8686 FAX

MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

140 EAST 45TH STREET NEW YORK, NY 10017
(212) 661-3115 • (646) 227-0268 FAX

INDEPENDENT AUDITOR'S REPORT

PCS Distributors, LLC
Philadelphia, Pennsylvania

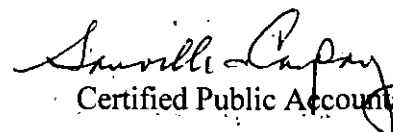
We have audited the accompanying statement of financial condition of PCS Distributors, LLC as of December 31, 2006 and the related statements of income, changes in member's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that you are 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 referred to above present fairly, in all material respects, the financial position of PCS Distributors, LLC as of December 31, 2006, 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 information contained in Schedules I and II 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.

Abington, Pennsylvania
February 17, 2007


Certified Public Accountants

PCS Distributors, LLC
Statement of Financial Condition
December 31, 2006

ASSETS

Cash and cash equivalents (Note 2)	\$ 15,721
Prepaid expenses and deposits	<u>2,571</u>
Total assets	<u>\$ 18,292</u>

LIABILITIES AND MEMBER'S EQUITY

Accrued expenses	\$ <u>5,000</u>
Total liabilities	<u>5,000</u>
Commitments and contingent liabilities	
Member's equity	<u>13,292</u>
Total member's equity	<u>13,292</u>
Total liabilities and member's equity	<u>\$ 18,292</u>

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

PCS Distributors, LLC
Statement of Income
For the Year Ended December 31, 2006

REVENUE

Commissions and 12b-1 Fees	\$ 141,668
Interest	311
	<hr/>
Total revenue	141,979

EXPENSES

Compensation	63,750
Regulatory fees and expenses	410
Professional fees	10,103
Other	1,733
	<hr/>
Total expenses	75,996
	<hr/>
Income before income taxes	65,983
	<hr/>
Provision for income taxes (Note 2)	-
	<hr/>
Net income	\$ 65,983

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

PCS Distributors, LLC
Statement of Changes in Member's Equity
For the Year Ended December 31, 2006

Balance at January 1, 2006	\$ 18,884
Member's contributions	-
Member's distributions	(71,575)
Net income for the year	<u>65,983</u>
Balance at December 31, 2006	<u>\$ 13,292</u>

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

PCS Distributors, LLC
Statement of Changes in Subordinated Borrowings
For the Year Ended December 31, 2006

Subordinated borrowings at January 1, 2006	\$ -
Increases:	-
Decreases:	<u>-</u>
Subordinated borrowings at December 31, 2006	<u><u>\$ -</u></u>

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

PCS Distributors, LLC
Statement of Cash Flows
For the Year Ended December 31, 2006

Cash flows from operating activities:

Net income	\$ 65,983
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Prepaid expenses and deposits	(221)
Increase (decrease) in liabilities:	
Accrued expenses	<u>5,000</u>
Net cash provided by operating activities	<u>70,762</u>

Cash flows from financing activities:

Member's distributions	<u>(71,575)</u>
Net cash expended in financing activities	<u>(71,575)</u>

Net decrease in cash	<u>(813)</u>
Cash at beginning of year	<u>16,534</u>
Cash at end of year	<u><u>\$ 15,721</u></u>

Supplemental disclosures of cash flow information

Cash paid during the year for:

Income taxes	\$ -
Interest	\$ -

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

PCS Distributors, LLC
Notes to Financial Statements
December 31, 2006

1. ORGANIZATION AND NATURE OF BUSINESS

PCS Distributors, LLC ("the Company") is an introducing broker dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company is a Pennsylvania Limited Liability Company and a wholly-owned subsidiary of Professional Capital Services, LLC (the "Parent"). The Parent is a third-party administration, daily valuation recordkeeping and pension consulting firm. The Company operates pursuant to SEC Rule 15c3-3 (k)(2)(i) (The Customer Protection Rule) and does not hold customer funds or provide safekeeping of customer securities. The Company makes available a platform of independent money managers to sponsors of defined contribution plans and programs such as 401(k), 403(b), 457, profit sharing plans and individual retirement arrangements and gives participants access to management services and/or mutual fund selection on a continuous basis. The Company received NASD Membership and permission to operate in January 2001. The Company, like other securities firms, is directly affected by general economic and market conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements include only those assets, liabilities and results of operations that relate to PCS Distributors, LLC. The financial statements do not include any assets, liabilities, revenues, or expenses attributable to its Parent.

Revenues and Expenses – Income from dealer concessions or commissions and 12b-1 fees from mutual funds are recorded when received. Expenses are recognized on the accrual basis.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

Cash and Cash Equivalents – Cash equivalents are defined as highly liquid investments not held for resale, with a maturity of three months or less when purchased.

Income Taxes – No provision has been made for federal and state income taxes since such taxes are individually paid for by the members of the Parent.

PCS Distributors, LLC
Notes to Financial Statements (Continued)
December 31, 2006

3. RELATED PARTY TRANSACTIONS

The Company has entered into a Funding Agreement (the "Agreement") with its Parent. To the extent not funded from the net cash flow of the Company, the Parent has agreed to fund all of the ordinary operating costs and expenses of the Company. The Parent provides staff and other services to Company. As such the parent allocates a portion of those employees' compensation expense to the Company on a monthly basis. The allocation is based upon an estimate of the percentage of time each employee dedicates to the Company. The Company is located within the offices of Dilworth, Paxson, LLP, a major shareholder of the Parent.

It is the intent of the Parent to withdraw the net income of the Company on an ongoing basis. The Parent does not intend to impact the Company's net capital by these future withdrawals.

4. NET CAPITAL

Pursuant to the net capital provisions of the Securities and Exchange Commission, the Company is required to maintain a minimum net capital as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2006, the Company had net capital and net capital requirements of \$10,721 and \$5,000, respectively. At December 31, 2006, the Company's ratio of aggregate indebtedness to net capital was .47 to 1.

PCS Distributors, LLC
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2006

COMPUTATION OF NET CAPITAL

Total member's equity	\$ 13,292
Deduct member's equity not allowable for Net Capital:	<u>-</u>
Total member's equity qualified for Net Capital	<u>13,292</u>
Deductions and/or charges:	
Non-allowable assets:	
Prepaid expenses and deposits	<u>2,571</u>
Total non-allowable assets	<u>2,571</u>
Net Capital	<u>\$ 10,721</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total aggregate indebtedness liabilities from Statement of Financial Condition	<u>\$ 5,000</u>
Percentage of aggregate indebtedness to Net Capital	47%
Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	0%

PCS Distributors, LLC
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2006

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum Net Capital (6 2/3% of \$5,000)	\$	333
Minimum dollar Net Capital requirement of reporting broker or dealer	\$	5,000
Net Capital requirement	\$	5,000
Excess Net Capital	\$	5,721
Excess Net Capital at 1000%	\$	10,221

RECONCILIATION BETWEEN COMPUTATION OF ANNUAL AUDIT REPORT
AND COMPUTATION IN COMPANY'S UNAUDITED FOCUS REPORTComputation of Net Capital Under Rule 15c3-1

No material difference exists between the broker's most recent, unaudited Part IIA filing and the Annual Audit Report.

PCS Distributors, LLC
Computation for Determination of the
Reserve Requirements Under Rule 15c3-3
of the Securities and Exchange Commission
December 31, 2006

The Company is exempt from the provisions of Rule 15c3-3 in accordance with Section (k)(2)(i).

RECONCILIATION BETWEEN COMPUTATION OF ANNUAL AUDIT REPORT
AND COMPUTATION IN COMPANY'S UNAUDITED FOCUS REPORT

Computation for Determination of Reserve Requirements Under
Exhibit A of Rule 15c3-3

No material difference exists between the broker's most recent, unaudited, Part IIA filing and the Annual Audit Report.

Sanville & Company

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT F. SANVILLE, CPA
MICHAEL T. BARANOWSKY, CPA
JOHN P. TOWNSEND, CPA

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Board of Directors PCS Distributors, LLC

In planning and performing our audit of the financial statements and supplemental schedules of PCS Distributors, LLC (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 the 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 (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 and recordation of differences required by Rule 17a-13.
2. 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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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's 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.

Abington, Pennsylvania
February 17, 2007

Sanvelli Company
Certified Public Accountants