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

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

SEC FILE NUMBER  
24841

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: Southampton Investment Services Inc

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

SOUTHAMPTON INVESTMENT SERVICES, INC.  
175 ROSEBUD ROAD  
SOUTHAMPTON, PA 18512

(No. and Street)

SOUTHAMPTON INVESTMENT SERVICES, INC.  
175 ROSEBUD ROAD  
SOUTHAMPTON, PA 18512

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
DINESH S. SHAH (215) 322-8530  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

RICARDI MICHAEL E.  
(Name - if individual, state last, first, middle name)

14 S. STATE ST. NEWTON PA 18940  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED  
JUN 07 2007  
THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

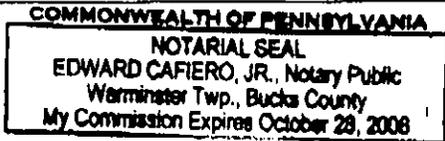
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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, DINESH S. SHAH, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Southampton Inv. Serv. Inc., as of 12-31- 20 06, 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:



Dinesh S. Shah  
Signature  
President  
Title

Ed Cafiero 1/27/07  
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. **NO LOANS**
- (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. **NOT REQUIRED**
- (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.S. For (h), (i) and (j) Exception claimed.  
Please refer to Independent Auditor Report.

*M. Riccardi Agency*

at Cornell Place

14-16 South State Street  
Newtown, PA 18940

Michael E. Riccardi  
P.A., E.A., A.T.A.  
Real Estate Broker in PA & NJ

Office: (215) 860-3557  
Fax: (215) 860-6277

January 16, 2007

Mr. Dinesh S. Shah, President  
Southampton Investment Services, Inc.  
1476 Rosebud Road  
Southampton, PA 18966

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying balance sheet of Southampton Investment Services, Inc. as of December 31, 2006 and the related statements of income, financial earnings, and cash flows for the year then ended. 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 generally accepted auditing standards. 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 included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Southampton Investment Services, Inc., is exempted from SEC Rule 15c3-3, under Exemption Rule 15c3-3(k) (ii). All customer transactions are cleared through SWS Clearing Corporation on fully disclosed basis. SWS Clearing also holds all customer accounts (funds and securities).

Under this Exemption, Southampton Investment Services, Inc. is not required  
(1) Computation for determination of Reserve Requirements, and  
(2) Provide information relating to the Possession or Control Requirements.

In our opinion, except for the inability to inspect securities for the reason mentioned, the financial statements referred to above present fairly, in all material respects, the financial position of Southampton Investment Services, Inc. as of December 31, 2006 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

  
M.E. Riccardi  
Public Accountant\*

\* Registered as a Public Accountant in the Commonwealth of Pennsylvania License #PA-001506-L

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Office: (215) 860-3557  
Fax: (215) 860-6277

January 16, 2007

## **To the Shareholders and Directors:**

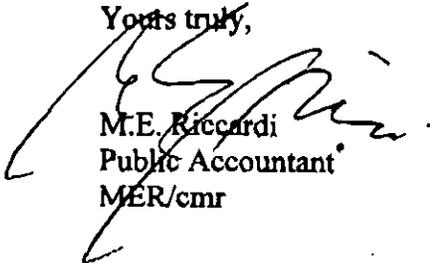
I have examined the financial statements of Southampton Investment Services, Inc. as of December 31, 2006 and have issued my report thereon. As part of my examination, I reviewed and tested the system of internal accounting control (including the accounting system, the procedures for safeguarding securities, and the practices and procedures the review of which is specified in subparagraphs (i) to (iv) of rule 17a-(g)(1), to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and by Rule 17a-5 under the securities exchange act of 1934. Rule 17a-5 contemplates that the scope of the review and tests should be sufficient to prove reasonable assurance that any material weakness existing at the date of my examination would be disclosed. Under these standards and the Rule, the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of other audited procedures that are necessary for expressing an opinion on the financial statements and to provide a basis for reporting material weakness in internal accounting control.

The objective on internal accounting control is to provide reasonable, but no absolute, assurance as the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintenance accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting should not exceed the benefits derived and also recognizes judgments by management. However, for the purpose of this report under Rule 17a-5, the cost-benefit relationship has been disregarded in determining weakness to be reported.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

My study and evaluation of the system of internal accounting control for the period December 31, 2006 which was made for the purpose set forth in the first paragraph above and would not necessarily disclose all weakness in the system which may have existed during the period under review, disclosed no weakness that I believe to be material.

Yours truly,



M.E. Riccardi  
Public Accountant  
MER/cmr

**SOUTHAMPTON INVESTMENT SERVICES, INC**

1476 Rosebud Road, Southampton, PA 18966  
Telephone: (215) 322 - 8530

**BALANCE SHEET AS OF 12/31/06**

**Assets**

*Current Assets*

Cash	\$618.26
Securities	177,642.39
Southwest Clearing	10,937.33

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**Total Current Assets** \$189,197.98

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**TOTAL ASSETS** \$189,197.98

**Liabilities and Shareholders Equity**

*Current Liabilities*

Accounts Payable	966.18
<b>Total Liabilities</b>	<b>\$966.18</b>

*Capital*

Common Shares Authorize 20,000	
No Par Value	120,000.00
Retained Earnings	68,231.80
<b>Total Capital</b>	<b>\$188,231.80</b>

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**TOTAL LIABILITIES & CAPITAL** \$189,197.98

# SOUTHAMPTON INVESTMENT SERVICES, INC

1476 Rosebud Road, Southampton, PA 18966  
Telephone: (215) 322 - 8530

## INCOME STATEMENT FOR THE YEAR 2006

### **Revenues:**

Commissions	\$6,256.08
Interest	606.66
Dividend	6,765.84
Other Income	1,012.00
Trading	9,936.48

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**Total Revenues**            **\$24,577.06**

### **Expenses:**

Communications	7,016.52
Publications	793.39
Employee Benefits	12,131.64
Taxes	6.81
Postage	33.70
Auto	406.28
Registration	2,135.00
Entertainment	133.18
Miscellaneous	765.00
Office Equipment	742.35
Office Supplies	73.39

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**TOTAL EXPENSES**            **24237.26**

**NET INCOME**                    **339.80**

**SOUTHAMPTON INVESTMENT SERVICES, INC**

1476 Rosebud Road, Southampton, PA 18966  
Telephone: (215) 322 - 8530

**JAN**

**STATEMENT OF RETAINED EARNINGS FOR PERIOD JAN 1, 2006 TO DEC 31, 2006**

Retained Earnings: January 1, 2006	\$67,892.00
Net Income for Period	339.80
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<b>Retained Earnings: December 31, 2006</b>	<b>\$68,231.80</b>

Common Stock	120,000.00
Total Capital	188,231.80

**SOUTHAMPTON INVESTMENT SERVICES, INC**

1476 Rosebud Road, Southampton, PA 18966  
Telephone: (215) 322 - 8530  
Fax: (215) 953 - 9216

**RECONCILIATION OF NET CAPITAL ENDING DEC. 31, 2006**

Net Worth At Beginning of Period Covered By This statement January 1,2006	\$187,892.00
Profits (Losses) For 12 Months Ending December 31,2006	339.80
<b>Total</b>	<b>\$188,231.80</b>
<b>Deductions:</b>	
Petty Cash	\$39.87
Hair Cut	4,955.55
<b>Total Deductions</b>	<b>\$4,995.42</b>
<b>Net Capital December 31,2006</b>	<b>183,236.38</b>
<b>Net Computation As Per Unaudited Computation</b>	<b>183,236.00</b>
<b>Discrepancy</b>	<b>\$0.38</b>

# SOUTHAMPTON INVESTMENT SERVICES, INC

1476 Rosebud Road, Southampton, PA 18966  
Telephone: (215) 322 - 8530

## STATEMENT OF CHANGES IN FINANCIAL CONDITION FOR 2006

### **Sources of Funds**

Net Profit	\$339.80
SWS clearing	7,016.28
Increase In Accounts Payable	471.18

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<b>Total</b>	<b>\$7,827.26</b>
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### **Uses of Funds**

Securities	7,696.22
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<b>Total</b>	<b>\$7,696.22</b>
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<b>Increase in Working Capital</b>	<b>\$131.04</b>
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SOUTHAMPTON INVESTMENT  
SERVICES, INC.  
1476 ROSEBUD ROAD  
SOUTHAMPTON, PA 18966

**Notes to statement of Financial Condition:**

- (1) Southampton Investment Services Inc., (the "company") is a broker-dealer and clears all transactions through SWS Securities Inc. on a fully disclosed basis.
- (2) Securities are carried on a settlement day basis.
- (3) Securities are valued on a market value basis.
- (4) No sub-ordinated loans are outstanding.
- (5) As a registered broker-dealer and member of NASD, the "Company" is subject to Uniform Net Capital Rule 17a -5 (a) of Securities and Exchange Commission. "Company" as of December 31, 2006, net capital of \$ 183,236 against the required capital of \$ 100,000.
- (6) "Company" does not have any lease obligations.

*END*