

DM Products, Inc.

Consolidated Financial Statements

December 31, 2006

DM Products, Inc.

December 31, 2006

Contents

	Page
Accountant's Compilation Report	3
Consolidated Balance Sheet	4
Consolidated Statements of Operations	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-12

Accountant's Compilation Report

Board of Directors
DM Products, Inc.
Costa Mesa, California

We have compiled the accompanying consolidated balance sheet of DM Products, Inc. (a Nevada coporation and Direct Success, Inc. its wholly owned subsidiary) as of December 31, 2006, and the related consolidated statements of operations, shareholders' equity and cash flows for the year ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Kenneth A. Carroll, CPA PC
Irvine, California
February 21, 2007

DM Products, Inc.
Consolidated Balance Sheet
December 31, 2006

Current Assets		
Cash	18,619	
Accounts Receivable	423	
Inventory - Note 1	34,944	
Total Current Assets	53,986	53,986
Property and Equipment - Note 4		
Mold	3,000	
Furniture & Fixtures	10,739	
Office Equipment	18,637	
Web Site	1,300	
Total Cost	33,676	
Less: Accumulated Depreciation	(26,213)	
Property and Equipment, Net	7,463	7,463
Other Assets		
Deposit	48,309	
Advance Beauty Solutions - Note 2	-	
Reserve-5% DPI Merchant Ser.	-	
Total Other Assets	48,309	48,309
Intangible Assets-Note 7		
Infomercial Productions	235,373	
Other Intangibles	4,225	
Total Cost	239,598	
Less: Accumulated Amortization	(225,978)	
Total Intangible Assets	13,620	13,620
TOTAL ASSETS		123,377
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	9,000	
Sales Tax Payable	2,424	
Other Current Liabilities	28,776	
Total Current Liabilities	40,200	40,200
Long Term Liabilities		
		-
Total Liabilities		40,200
Shareholders' Equity		
Common Stock: \$0.001 par value; 300,000,000 shares authorized; 163,587,043 issued and outstanding at December 31, 2006 -Note 8	127,133	
Additional Paid In Capital	635,236	

See accompanying notes to consolidated financial statements and accountants' compilation report

DM Products, Inc.
Consolidated Statements of Operations
For the year ended December 31, 2006

Sales Revenues		87,660
Cost of Sales		<u>218,203</u>
Gross Profit		(130,542)
Operating Expenses		
Outside Services	130,530	
Accounting	4,845	
Audit	429	
Bank Service Charges	426	
Depreciation	4,000	
D & O and Liability Insurance	25,442	
Product Liability Insurance	2,245	
Fees	529	
Health Insurance	7,032	
Fire Insurance	1,253	
Internet	427	
Legal Fees	5,530	
Miscellaneous	1,200	
Payroll Service Fees	658	
Postage and Delivery	937	
Professional Fees - other	14,180	
Rent	21,392	
Repair	620	
Salary & Wages - Other	12,346	
Salary- Employer Taxes	1,749	
Tax- State	2,750	
Telephone	4,031	
Website Host	450	
Work Comp	<u>870</u>	
Total Operating Expense		<u>243,871</u>
Operating (loss) before other income (loss)		(374,413)
Other Income (Loss)		
Royalty Income	166,976	
Writedown of investment	(1)	
Interest Income	<u>75</u>	
Total Other Income		<u>167,050</u>
(Loss) before income taxes		(207,363)
Provision for income taxes-Note 5		<u>-</u>
Net (loss)		<u><u>(207,363)</u></u>

See accompanying notes to consolidated financial statements and accountants' compilation report

DM Products, Inc.
 Consolidated Statements of Shareholders' Equity
 For the year ended December 31, 2006

	Common Stock		Additional Paid In Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance at December 31, 2005	163,587,043	127,133	635,236	(635,849)	126,520
Prior Period Adjustment				14,020	14,020
Net Income (Loss)				(207,363)	(207,363)
Balance at December 31, 2006	163,587,043	127,133	635,236	(829,191)	(66,822)
	163,587,043	127,133	635,236	(829,191)	(66,822)

See accompanying notes to consolidated financial statements and accountants' compilation report

DM Products, Inc.
Consolidated Statements of Cash Flows
For the year ended December 31, 2006

Cash flow from operating activities	
Net (Loss)	(207,363)
Adjustment to reconcile net loss to net cash used by operating activities:	
Depreciation	4,000
Amortization	34,000
(Increase) or decrease in current assets:	
Accounts receivables	407
Other current asset	18,986
Other assets	9,739
Increase (decrease) in liabilities:	
Liabilities	(13,744)
Net cash used by operating activities	(153,974)
Cash flow from investing activities	
Increase in retained earnings	14,020
Decrease in tangible assets	956
Decrease in intangible assets	(4,321)
Increase in common stock investors	-
Net cash used by investing activities	10,655
Cash flow from financing activities	
Issuance of stock	-
Repayment of short-term debt	-
Net cash provided by financing activities	-
Net change in cash	(143,319)
Cash at beginning of year	161,938
Cash at end of year	18,619

See accompanying notes to consolidated financial statements and accountants' compilation report

DM Products, Inc.
Notes to Consolidated Financial Statements
December 31, 2006

Note 1: Summary of Significant Accounting Policies

Nature of Operations

DM Products, Inc.(the Company) was incorporated on March 1, 2001 as Effective Sport Nutrition Corporation. Subsequently, on April 11, 2005, the Company changed its name to Midwest E.S.W.T Corp and on December 14, 2005, it changed its name again to DM Products, Inc.

On July 18, 2005, the Company acquired Direct Success, Inc. a California Corporation in exchange for 70 % of the Company's Common Stock, making Direct Success, Inc. a wholly owned subsidiary of the Company.

Direct Success, Inc operates from Costa Mesa, California and it owns a limited liability company to market products through direct response to television infomercials. The companies obtain the distribution, production, and licensing rights to a product in exchange for royalty agreements based on the sales of the products. The Company sets up the production, marketing and the distribution of the products.

Basis of consolidation

The consolidated financial statements include the accounts of DM Products, Inc., Direct Success, Inc. and the accounts of its wholly owned subsidiaries Direct Success LLC #3. (collectively referred to as Direct Success, Inc.) The Company consolidated all entities in which it has a controlling interest. All material inter-company transactions have been eliminated.

Property, Equipment and Depreciation

Property and equipment has been stated at cost. Depreciation is provided on an accelerated double declining balance method over the estimated useful lives of the assets.

Use of Estimates

Timely preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts, some of which may require revision in future period.

Inventory

Inventory is valued on the cost basis, and accounted for on a first-in-first-out or FIFO basis.

Income Taxes

DM Products Inc. and Direct Success, Inc. is currently being taxed as a C corporation under the IRS code. LLC #3 has elected to be taxed as partnerships under the IRS code.

Note 2: Investments

The Company holds an investment of \$190,000 in a closely held company. The investment was valued at \$ 0 as of December 31, 2006 due to there is no ready market for the investment and invested company had filed bankruptcy.

Note 3: Licensing Agreements

In October 2002, LLC #3 entered into an agreement to license, market and distribute the Banjo Minnow, a fish lure product. In return for those rights the Company agreed to pay the greater of a minimum of \$90,000 a year or royalties on all cash receipts generated by the product on the following sales:

Sales of :	
\$1-10,000,000	3%
\$10,000,000-\$20,000,000	4%
\$20,000,000 and over	5%

The minimum annual royalties of \$90,000 had been modified to actual royalties earned beginning in 2nd qtr 2006 and thereafter until otherwise notified.

The Company subleased its marketing rights to the Banjo Minnow product in May 2005. This sublicense includes the rights for the sub licensee to use the infomercial created by the Company. In return, the Company will receive royalties on all sales of the product.

Note 4: Property and Equipment

Property and Equipment consists of the following:

Direct Success, Inc.

Furniture and fixtures	10,739
Office Equipment	18,637
	<hr/>
	29,376
	<hr/>

LLC #3

Mold	3,000
------	-------

Website	1,300
	<u>4,300</u>
Total	33,676
Accumulated Depreciation	(26,213)
Property and Equipment, net	<u><u>7,463</u></u>

Note 5: Income Taxes

The tax benefit was not reflected due to a 100% valuation allowance provided as a result of losses and an uncertainty of future profitability.

Note 6: Operating Lease

Direct Success, Inc. leases office space under an operating lease agreement. The lease was month to month started August 1, 2006

Note 7: Acquired Intangible Assets

The company books intangibles at cost and amortizes then over their useful lives. The consolidated intangible assets consists of the following:

LLC #3	
Infomercial production costs/intangible	239,598
Accumulated amortization	(225,978)
Unamortized intangible assets	<u><u>13,620</u></u>

Total amortization expenses related to the above mentioned intangible assets were \$34,000 for the period ended, December 31, 2006.

Note 8: Common Stock

The share exchange agreement was agreed on July 18, 2005, however, at that time, the company only has 100,000,000 shares authorized, and 48,736,000 shares issued at par value of one tenth a cent (\$0.001). On April 7, 2006, a certificate of amendment to article of incorporation was filed to secretary of state of Nevada to have the authorized shares increased to 300,000,000 shares, and total shares issued to Direct Success Shareholder changed from 70,000,000 to 114, 948, 532 shares as stated in the exchange agreement, which represent 70% of total issued stocks. 114,948,532 shares was included in the issued shares as of December 31, 2006.

The Company's operations to December 31, 2006 have been financed through the issuance of stock. The Company does not have sufficient working capital to sustain its current level of operations until June 30, 2007. Continued and significant financial support from shareholders, related parties and external sources will be required to fund operations.

Note 9: Prior Period Adjustment

Prior Period Adjustment was made to adjust expenses should have been recorded in year 2005. Among the \$14,020 adjustment, approximate \$6,000 was related to depreciation and the rest was miscellaneous accounts payable and prepaid expenses adjustments.

Note 10: Going Concern

Before being acquired by DM Products, Inc., Direct Success, Inc. had an accumulated loss of \$6,195,881. Notwithstanding the continued losses, these financial statements have been prepared by management on a going concern basis.

The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Certain conditions, discussed below, currently exist which raise substantial doubt upon the validity of this assumption. The consolidated financial statements do not include any adjustments thus might result from the outcome of this uncertainty. If the Company were unable to continue as a going concern, assets and liabilities would require restatement on a liquidation basis, which would differ materially from the going concern basis.

The Company's future operations are dependant upon the marketing of its products and the Company's ability to secure sufficient financing to continue operations and marketing of its products. There can be no assurance that the Company's products will be able to secure market acceptance or that successful commercialization of its products will be achieved.