

DM Products, Inc.

Consolidated Financial Statements

March 31, 2007

DM Products, Inc.

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## 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 corporation and Direct Success, Inc. its wholly owned subsidiary) as of March 31, 2007, and the related consolidated statements of operations, shareholders' equity and cash flows for 3 months then 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  
May 25, 2007

**DM Products, Inc.**  
**Consolidated Balance Sheet**  
**March 31, 2007**

Current Assets		
Cash	22,308	
Accounts Receivable	34,472	
Other Receivable	34,293	
Prepaid Expense	12,083	
Total Current Assets	103,156	103,156
Property and Equipment - Note 3		
Mold	3,000	
Furniture & Fixtures	10,739	
Office Equipment	18,637	
Web Site	1,300	
Total Cost	33,676	
Less: Accumulated Depreciation	(26,413)	
Property and Equipment, Net	7,263	7,263
Other Assets		
Deposit	2,457	
Total Other Assets	2,457	2,457
Intangible Assets-Note 6		
Infomercial Productions	235,373	
Other Intangibles	4,225	
Total Cost	239,598	
Less: Accumulated Amortization	(228,478)	
Total Intangible Assets	11,120	11,120
<b>TOTAL ASSETS</b>		<b>123,996</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts Payable	7,297	
Sales Tax Payable	2,424	
Loan - Premium Financing Specialists	7,413	
Other Current Liabilities	29,087	
Total Current Liabilities	46,221	46,221
Long Term Liabilities		
Total Long Term Liabilities	-	-
Total Liabilities		46,221
Shareholders' Equity		
Common Stock: \$0.001 par value; 300,000,000 shares authorized; 163,684,532 issued and outstanding at March 31, 2007 -Note 7	127,133	
Additional Paid In Capital	640,236	
Buena Vista Investment	150,000	
Accumulated Deficit	(839,594)	
Total Shareholders' Equity	77,775	77,775
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>123,996</b>

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

DM Products, Inc.  
Consolidated Statements of Operations  
For the Quarter ended March 31, 2007

Sales Revenues		50,236
Cost of Sales		<u>53,860</u>
Gross Profit		(3,624)
Operating Expenses		
Bank Service Charges	38	
D & O and Liability Insurance	4,028	
Depreciation	200	
Fees	599	
Financing Charges	241	
Health Insurance	2,265	
Legal Fees	23	
Miscellaneous	2,979	
Outside Services	20,765	
Postage and Delivery	26	
Printing and Reproduction	85	
Professional Fees - other	3,497	
Rent	1,249	
Telephone	734	
Travel & Ent	<u>930</u>	
Total Operating Expense		<u>37,659</u>
Operating (loss) before other income (loss)		(41,283)
Other Income (Loss)		
Royalty Income	60,788	
Royalty Expense	<u>(27,508)</u>	
Total Other Income		<u>33,280</u>
(Loss) before income taxes		(8,003)
Provision for income taxes-Note 5		<u>(2,400)</u>
Net (loss)		<u><u>(10,403)</u></u>

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

DM Products, Inc.  
 Consolidated Statements of Shareholders' Equity  
 For the Quarter ended March 31, 2007

	Common Stock		Additional Paid In Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance at December 31, 2006	163,684,532	127,133	635,236	(829,191)	(66,822)
Capital Contribution			5,000		5,000
Net Income (Loss)				(10,403)	(10,403)
Balance at March 31, 2007	<u>163,684,532</u>	<u>127,133</u>	<u>640,236</u>	<u>(839,594)</u>	<u>(72,225)</u>

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

DM Products, Inc.  
Consolidated Statements of Cash Flows  
For the Quarter ended March 31, 2007

Cash flow from operating activities		
Net (Loss)	\$	(10,403)
Adjustment to reconcile net loss to net cash used by operating activities:		
Depreciation		200
Amortization		2,500
(Increase) or decrease in current assets:		
Accounts receivables		(34,049)
Other current asset		22,861
Other assets		11,559
Increase (decrease) in liabilities:		
Liabilities		6,021
Net cash used by operating activities		<u>(1,311)</u>
Cash flow from investing activities		
Decrease in tangible assets		
Decrease in intangible assets		
Increase in additional paid in capital		5,000
Net cash used by investing activities		<u>5,000</u>
Cash flow from financing activities		
Issuance of stock		-
Repayment of short-term debt		-
Net cash provided by financing activities		<u>-</u>
Net change in cash		3,689
Cash at beginning of year		18,619
Cash at end of year	\$	<u><u>22,308</u></u>

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

DM Products, Inc.  
Notes to Consolidated Financial Statements  
March 31, 2007

**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: Licensing Agreements

Direct Success entered into a manufacturing, marketing and distribution agreement with Banjo in Oct 2002 thereafter entered into a modification of said agreement in April 2005. In March 2007, Direct Success grants back to Banjo, the right, license and privilege for internet Parts sales and small parts sale of the product.

Under the agreement, Banjo will pay Direct Success a royalty on all sales of product set forth in this Agreement, on Gross Sales in the amount of 4%.

### Note 3: Property and Equipment

Property and Equipment consists of the following:

Direct Success, Inc.

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

LLC #3

Mold	3,000
Website	1,300
	<u>4,300</u>

Total	33,676
Accumulated Depreciation	(26,413)
Property and Equipment, net	<u><u>7,263</u></u>

#### **Note 4: 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 5: Operating Lease**

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

#### **Note 6: Acquired Intangible Assets**

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

LLC #3	
Infomercial production costs	239,598
Accumulated amortization	<u>(228,478)</u>
Unamortized intangible assets	<u><u>11,120</u></u>

Total amortization expenses related to the above mentioned intangible assets were \$2,500 for the period ended, March 31, 2007.

#### **Note 7: 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 March 31, 2007.

#### **Note 8: Going Concern**

Before being acquired by DM Products, Inc., Direct Success, Inc. has 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 that 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.

The Company does not have sufficient working capital to sustain its current level of operations until December 31, 2007. Continued and significant financial support from shareholders, related parties and external sources will be required to fund operations.