Design Source, Inc.
Form 10QSB
November 14, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number 000-52089

DESIGN SOURCE, INC.

(Exact name of registrant as specified in its charter)

NEVADA	None
(State of other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

100 Europa Drive
Suite 455
Chapel Hill, North Carolina 27517

(Address of principal executive offices)

(919) 933-2720

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant is a Shell company (as defined in Rule 12b-2 of the Exchange Act: Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

As of November 7, 2006, the total number of shares issued and outstanding is: 4,168,457.

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PART I. FINANCIAL INFORMATION

ITEM 1. INTERIM FINANCIAL STATEMENTS

DESIGN SOURCE, INC.
(A Development Stage Company)
BALANCE SHEETS

	September 30, 2006 (unaudited)	March 31, 2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 64,656	$ 160,447
TOTAL ASSETS	$ 64,656	$ 160,447
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 6,292	$ 24,348
Accounts payable - Related party	2,150	
TOTAL CURRENT LIABILITIES	8,442	24,348
LONG-TERM LIABILITIES		
Accrued interest	-	1,080
Shareholder loans	-	21,560
TOTAL LONG-TERM LIABILITIES	-	22,640
COMMITMENTS AND CONTINGENCIES	-	-

STOCKHOLDERS' EQUITY		
Common stock, $0.00001 par value, 100,000,000 shares authorized; 4,168,457 and 4,038,457 shares issued and outstanding, respectively	42	40
Additional paid-in capital	208,381	201,883
Subscription Receivable	-	(6,000)
Accumulated deficit during development stage	(152,209)	(82,464)
TOTAL STOCKHOLDERS' EQUITY	56,214	113,459
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 64,656	$ 160,447

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

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DESIGN SOURCE, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended		From Inception (April 2, 2003) through
	September 30, 2006 (unaudited)	September 30, 2005 (unaudited)	September 30, 2006 (unaudited)	September 30, 2005 (unaudited)	September 30, 2006 (unaudited)
REVENUES	$ -	$ -	$ -	$ -	$ -
EXPENSES					
General and administrative	21,286	30	25,237	85	28,736
Professional fees	15,489	5,195	21,031	7,695	86,905
Consulting	2,640	-	4,720	-	16,731
Rent and utilities	6,810	-	13,422	-	13,422

Marketing and advertising	4,499	-	6,499	-	6,499
Total Expenses	50,724	5,225	70,909	7,780	152,293
LOSS FROM OPERATIONS	(50,724)	(5,225)	(70,909)	(7,780)	(152,293)
OTHER INCOME (EXPENSE)					
Interest income	933	-	1,737	-	1,737
Interest expense	(300)	(230)	(573)	(383)	(1,653)
Total Other Income (Expense)	633	(230)	1,164	(383)	84
LOSS BEFORE TAXES	(50,091)	(5,455)	(69,745)	(8,163)	(152,209)
INCOME TAX EXPENSE	-	-	-	-	-
NET LOSS	$ (50,091)	$ (5,455)	$ (69,745)	$ (8,163)	$ (152,209)
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	4,168,457	718,457	4,168,457	718,457	

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

DESIGN SOURCE, INC.
(A Development Stage Company)

STATEMENT OF STOCKHOLDERS' DEFICIT

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Stock Subscription Receivable	Deficit Accumulated During Development Stage	Total Stockholders' Deficit
Balance, April 2, 2003 (Inception)	-	$ -	$ -	$ -	$ -	$ -
Stock issued upon incorporation at $0.05 per share for payment of advances and expense reimbursement	435,000	$ 4	21,746	-	-	21,750
Stock issued for cash at $0.05 per share	200,000	2	9,998	-	-	10,000
Stock issued for expense reimbursement at $0.05 per share	83,457	1	4,172	-	-	4,173
Net loss for the period ended March 31, 2004	-	-	-	-	(30,760)	(30,760)
Balance, March 31, 2004	718,457	7	35,916		(30,760)	5,163
Net loss for the year ended March 31, 2005	-	-	-	-	(16,676)	(16,676)
Balance, March 31, 2005	718,457	7	35,916	-	(47,436)	(11,513)
Stock issued for cash at $0.05 per share	3,320,000	33	165,967	(6,000)	-	160,000
Net loss for the year ended March 31, 2006	-	-	-	-	(35,028)	(35,028)
Balance, March 31, 2006	4,038,457	$ 40	201,883	(6,000)	(82,464)	$ 113,459
Payment of stock subscription receivable	-	-	-	6,000	-	6,000
Stock issued for cash at $0.05 per share	130,000	2	6,498	-	-	- 6,500
Net loss for the six months ended September 30, 2006	-	-	-	-	(69,745)	- (69,745)

Balance, September 30, 2006 (unaudited)	4,168,457	$ 42	$ 208,381	$ -	$ (152,209)	$ 56,214

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

DESIGN SOURCE, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS

	Six Months Ended		From Inception (April 2, 2003)
	Ended September 30, 2006 (unaudited)	Ended September 30, 2005 (unaudited)	through September 30, 2006 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (69,745)	$ (8,163)	$ (152,209)
Adjustments to reconcile net loss to net cash used by operating activities:			
Increase (decrease) in accounts payable	(15,906)	1,724	8,442
Expenses paid by common stock	-	-	25,923
Increase (decrease) in accrued interest	(1,080)	383	-
Net cash used by operating activities	(86,731)	(6,056)	(117,844)
CASH FLOWS FROM INVESTING ACTIVITIES:	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of shareholder loans	(21,560)		(21,560)

Proceeds from shareholder loans	-	11,000	21,560
Proceeds from issuance of common stock	12,500	-	182,500
Net cash provided by financing activities	(9,060)	11,000	182,500
NET INCREASE (DECREASE) IN CASH	(95,791)	4,944	64,656
CASH, BEGINNING OF PERIOD	160,447	1,713	-
CASH, END OF PERIOD	$ 64,656	$ 6,657	$ 64,656
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	$ 1,353	$ -	$ -
Income taxes paid	$ -	$ -	$ -
NON-CASH FINANCING AND INVESTING ACTIVITIES:			
Common stock issued for reimbursement of expenses and advances	$ -	$ -	$ 25,923

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

DESIGN SOURCE, INC.
(A Development Stage Enterprise)
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Design Source, Inc. (hereinafter "the Company") was incorporated on April 2, 2003 under the laws of the State of Nevada for the purpose of offering textiles to the commercial designer market utilizing the internet. The Company's headquarters is located in Chapel Hill, North Carolina. The Company is a development stage company.

The Company has been in a development stage since its inception on April 2, 2003, and has not realized any revenues from its planned operations. The Company's year end is March 31.

The foregoing unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Regulation S-B as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements for the period ended March 31, 2006. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented. Operating results for the six-month period ending September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending March 31, 2007.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the accompanying financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Accounting Method

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basic and Diluted Earnings (Loss) Per Share

The Company adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings (loss) per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings (loss) per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. For the periods reported, diluted net loss per share is the same as basic net loss per share as there were no common stock equivalents outstanding.

Development Stage Activities

The Company has been in the development stage since its formation and has not realized any revenue from operations. It is primarily engaged in offering textiles to the commercial designer market utilizing the internet.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

At September 30, 2006, the Company had an accumulated deficit during the development stage of $152,209. Since its inception, the Company has not generated any revenues and has minimal cash resources. These conditions raise substantial doubt about the Company's ability to continue as a going concern. For the twelve-month subsequent period, the Company anticipates that its minimum operating cash requirements to continue as a going concern will be approximately $50,000. Management's business plan is to develop a website to offer textiles to the commercial design market. Management has raised capital through the sale of shares of common stock. The ability of the Company to continue in existence is dependent upon management's successful development and implementation of its business plan resulting in profitable operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Fair Value of Financial Instruments

The Company's financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," may include cash, receivables, advances, accounts payable and accrued expenses. All such instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at September 30, 2006.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (hereinafter "SFAS No. 157) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. Where applicable, SFAS No. 157 simplifies and codifies related guidance within GAAP and does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier adoption is encouraged. The Company does not expect the adoption of SFAS No. 157 to have a significant immediate effect on its financial position or results of operation

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In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (hereinafter "FIN 48"), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect the adoption of FIN 48 to have a material immediate impact on its financial reporting. The Company is currently evaluating the impact, if any, the adoption of FIN 48 will have on its disclosure requirements.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 3 - COMMON STOCK

The Company is authorized to issue 100,000,000 shares of $0.00001 par value common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

Upon incorporation, the Company issued 435,000 shares of common stock at a price of $0.05 per share as reimbursement of a cash advance in the amount of $1,000 and expenses paid personally by a director totaling $21,750.

During the period ending March 31, 2004, an additional 283,457 shares of common stock were issued at $0.05 per share for reimbursement of expenses paid personally by the directors totaling $4,173 and for cash totaling $10,000.

During the period ending March 31, 2006, an additional 3,320,000 shares of common stock were issued at $0.05 per share for cash totaling $160,000 and subscriptions receivable of $6,000. The Company received the remaining $6,000 in cash in the period ending September 30, 2006.

During the period ending September 30, 2006, an additional 130,000 shares of common stock were issued at $0.05 per share for cash totaling $6,500.

DESIGN SOURCE, INC.
(A Development Stage Enterprise)
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 4 - INCOME TAXES

At September 30, 2006, the Company has calculated deferred tax assets of approximately $61,300 calculated at a combined federal and state expected rate of 40.5%. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset has been recorded.

The significant components of the deferred tax assets at September 30, 2006 and March 31, 2006 were as follows:

Net operating loss carryforwards	$	152,000	$	82,464
Deferred tax asset	$	61,600	$	33,100

Valuation allowance for deferred asset	(61,600)	(33,100)
Net deferred tax asset	$ -	$ -

At September 30, 2006, the Company has net operating loss carryforwards of approximately $152,000, which expire in the year 2026. The change in valuation was $28,500 between March 31, 2006 and September 30, 2006.

NOTE 5 - RELATED PARTY DEBT AND PAYABLES

On July 12, 2004, one of the Company's directors loaned the Company $2,500. The underlying note is unsecured and bears interest at 5%, and fully matures in October 2007, when all principal and accrued interest is due. There are no monthly note payments due during the term of the loan.

On October 8, 2004, one of the Company's directors loaned the Company $5,060. The underlying note is unsecured and bears interest at 5%, and fully matures in October 2007, when all principal and accrued interest is due. There are no monthly note payments due during the term of the loan.

On February 8, 2005, one of the Company's directors loaned the Company $2,000. The underlying note is unsecured and bears interest at 5%, and fully matures in October 2007, when all principal and accrued interest is due. There are no monthly note payments due during the term of the loan.

On May 12, 2005, the Company's directors loaned the Company $6,000. The underlying note is unsecured and bears interest at 5%, and fully matures in October 2007, when all principal and accrued interest is due. There are no monthly note payments due during the term of the loan.

On September 26, 2005, the Company's directors loaned the Company $5,000. The underlying note is unsecured and bears interest at 5%, and fully matures in October 2007, when all principal and accrued interest is due. There are no monthly note payments due during the term of the loan.

On November 3, 2005, one of the Company's directors loaned the Company $1,000. The underlying note is unsecured and bears interest at 5%, and fully matures in October 2007, when all principal and accrued interest is due. There are no monthly note payments due during the term of the loan.

On September 21, 2006, one of the Company's directors paid expense on behalf of the Company in the amount of $2,150. This is reported as an account payable - related party.

As of September 30, 2006, all shareholder loans and accrued interest had been repaid. Consequently, no accrual for interest expense has been recorded.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

This section of this report includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like: believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements, which apply only as of the date of this report. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions.

We are a development stage corporation and have only recently begun operations and have not realized any revenues from our business operations.

Our auditors have issued a going concern opinion. This means that our auditors believe there is substantial doubt that we can continue as an on-going business for the next twelve months unless we obtain additional capital to pay our bills. This is because we have not generated any revenues and no revenues are anticipated until we complete the development of our website, engage suppliers to sell and customers to buy our products. We have not generated any revenues, engaged in any operations, entered into any agreements or fully developed a website. The only operations we have engaged in is the creation of the website, the development of a business plan and vendor research. We believe the technical aspects of our website will be sufficiently developed to use for our operations within 180 days. Our only source for cash at this time is investments by others in our company. We have raised $182,500 to implement our business plan project and begin operations. We believe that this capital will last twelve months. We believe this as a result of analyzing the cost of doing business, however, our officers and directors do not have any experience in the commercial design business.

If we need additional cash and cannot raise it we will either have to suspend operations until we do raise the cash, or cease operations entirely. With the $182,500 raised, we believe the money will last a year and also provide funds for growth strategy. We believe this as a result of analyzing the cost of doing business, however, our officers and directors do not have any experience in the commercial design business.

Other than as described in this section, we have no other financing plans.

Plan of Operation

We raised $182,500 and we believe we can satisfy our cash requirements during the next 12 months. We will not be conducting any product research or development other than the development of our database of potential customers and our belief of their wants and needs. We have examined websites selling different home furnishings. We do not expect to purchase or sell plant or significant equipment other than we will establish an office which will include computer equipment, office equipment, supplies, telephones and other assets needed for operation of our business. Further we will hire one or two additional employees. Other than the foregoing, we do not expect significant changes in the number of our employees.

Our specific goal is to profitably sell a comprehensive supply of products on our Internet website to the interior design industry and individual retail customers. We concluded this from our own analysis of the market channels, researched the industry on the Internet, and held discussions with knowledgeable industry participants. We have not conducted extensive research regarding our plan to develop a website and offering textiles to the commercial design market.

We will attempt to accomplish the foregoing through the following milestones:

1. We have begun to establish our office and acquire the equipment we need to begin operations. Our officers and directors will handle our administrative duties.

2. After our office is established, we will attempt to contact and negotiate with large industry leaders to offer their product on our website. We also will attempt to locate smaller, new manufacturers to offer their product on a more exclusive basis. We believe we should have one contract signed within 30 days of setting up our office. The foregoing is based upon our officers cumulative business experience in other fields, however, our officers and directors do not have any experience in the commercial design business. We will however contact small and large companies to offer their products on our website and we will carry out our marketing plan. The execution of additional contracts with suppliers and the development of the website will be ongoing during the life of our operations. As more products are added and as our customer data base expands, we will have to be continually upgrading the website. We believe that it will cost up to $10,000 in order to have our website initially operational and $5,000 to have our database initially ready to receive information. Both the initial operation of the website and the database should be ready within 120 days. The creation and operation of the website and the database is not dependent upon signing any contracts with a manufacturer. At point we will have industry information available on our website and be able to accept orders for the products we will sell. As additional contracts are signed with suppliers, we will up-grade the website. As our customer base increases we will up-grade the database. Both upgrades will be ongoing during the life of our operations. In addition to offering commercial upholstery, drapery, bedspread, panel, and wall-covering fabrics, we will pass on industry information to interior designers that we acquire from other interior designers and manufacturers of

commercial upholstery, drapery, bedspread, panel, and wall-covering fabrics we will sell.

3. As soon as our website is operational, we will begin to market our website in the United States and in Canada through traditional sources such as trade magazines, conventions and conferences, newspaper advertising, billboards, telephone directories and flyers / mailers. We will attempt to target purchasers of commercial upholstery, drapery, bedspread, panel, and wall-covering fabrics such as interior designers and individual consumers. We may utilize inbound links that connect directly to our website from other sites. Potential customers can simply click on these links to become connected to our website from search engines and community and affinity sites. We believe that it will cost a minimum of $15,500 for our marketing campaign. Marketing and advertising will be focused on promoting our website to prospective customers though direct sales and will be based on the list of prospects developed from our database. Direct sales to the interior designers and individual customer will be accomplished through email, telephone calls and mailings. Advertising will be considered and used to support the email, telephone calls and mailings in certain market segments. The advertising campaign will include the design and printing of various sales material. The cost of developing the campaign is estimated to cost between $15,500 to 60,500. Marketing is an ongoing matter which will continue during the life of our operations.

4. Part of our marketing program includes sourcing out and identifying interior designers and individual consumers who may become potential buyers of commercial upholstery, drapery, bedspread, panel, and wall-covering fabrics from our website. The process of sourcing out suppliers includes identifying manufacturers, large and small by research into existing databases via the internet and research in trade magazines and directories. This process will start as soon as our office is operational and will be ongoing during the life of our operations. Sourcing customers may consist of telephone surveys and may contain questions which would determine the marketing approach and acceptability of specific products. It will also involve research into existing databases available via the Internet to target and extract the applicable names and contacts to create our own customized database. The database will be comprised of two components: suppliers and customers. Supplier information is readily available from online fabric mill directories, and an example can be found at www.apparelsearch.com/fabric.htm. The principal source of customers will be interior designers. Mail lists are available from organizations such as the American Society of Interior Designers, which sells database information at a cost of $120 per thousand names, and World Wide Art Resources, which sells regional interior designer databases such as Florida Interior Designers Directory with up to 2,275 contacts at a cost of $68.25. We will attempt to prepare a database of up to 75 suppliers and up to 10,000 interior designers. The database preparation should take approximately ten weeks to complete. We intend to look into the databases of design schools, interior design associates, trade magazines as well as telephone directories. Databases for design schools, interior design associates, and trade magazines are publicly available through internet research, telephone directories, and periodical research. The cost to source and analyze all of the material to identify suitable candidates to develop and maintain the database is estimated to cost $5,000 to $25,000. We estimate the time to be approximately four weeks. Our current officers and directors will undertake to prepare the database.

5. Within 90 days from the initial launch of our website, we believe that we will begin receiving orders from purchasers. The foregoing is based upon our officers cumulative business experience in other fields, however, our officers and directors do not have any experience in the commercial design business and there is in fact no assurance that the foregoing event will occur.

6. Once the website is fully operational; we have located and negotiated agreements with a suitable number of manufacturers to offer their commercial upholstery, drapery, bedspread, panel, and wall-covering fabrics for sale. We have begun to receive orders for commercial upholstery, drapery, bedspread, panel, and wall-covering fabrics. We will

hire one or two part-time salesperson(s) to call on interior design firms to introduce them to our website. The salesperson(s) will also call on various manufacturers to continue to source new products to offer for sale.

In summary, we should be in full operation and receiving orders within 100 days. We estimate that we will generate revenue 120 to 180 days after beginning operations. The foregoing is based upon our officers cumulative business experience in other fields, however, our officers and directors do not have any experience in the commercial design business and there is in fact no assurance that the foregoing event will occur.

Until our website is fully operational, we do not believe that large industry leaders will provide us with their best prices. We believe, however, that once our website is operational and we have developed a significant database of customers, large industry leaders will provide us with their best prices. There is no guarantee that the large industry leaders will provide us with their best prices.

If the manufacturers do not provide their products to us on reasonable terms, we may have to suspend or cease operations.

We will not be conducting any research and we are not going to buy or sell any plant or significant equipment during the next twelve months, other than in conjunction with opening our office, acquiring office equipment and the development of our website and database.

If we cannot generate sufficient revenues to continue operations, we will suspend or cease operations. We have no plans at this time to raise additional capital if we start generating revenues or if revenues are insufficient to sustain operations. If we cease operations, we do not know what we will do and we do not have any plans to do anything. We have no plans to statutorily dissolve at this time under any circumstances nor do we have any plans to enter into any merger or acquisition.

Limited operating history; need for additional capital

There is no historical financial information about us upon which to base an evaluation of our performance. We are in a start-up stage operations and have not generated any revenues. We cannot guarantee we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources and possible cost overruns due to price and cost increases in services.

To become profitable and competitive, we have to locate and negotiate agreements with manufacturers to offer their products for sale to us at pricing that will enable us to establish and sell the products to our clientele.

We have no assurance that future financing will be available to us on acceptable terms. If financing is not available on satisfactory terms, we may be unable to continue, develop or expand our operations. Equity financing could result in additional dilution to existing shareholders.

Results of operations

From Inception on April 2, 2003 to September 30, 2006

During the period we incorporated the company, hired the attorney, and hired an auditor. We prepared a business plan. We also prepared and filed a registration statement with the SEC, that we subsequently withdrew. We are creating an Internet website. Our loss since inception is $152,209, of which $35,350 is for legal fees, $51,555 is for audit and accounting fees. $8,670 was paid to Tryon Capital, a merchant banking group that includes Peter Reichard, our president and Peter Coker, our secretary, for the preparation of the business plan, and an additional $8,061 for development of the initial website and $48,657 is for general office costs, and $1,653 is for interest expense which is offset by $1,737 in interest income.

Since inception, we sold 718,457 shares of common stock to one of our officers and one individual and raised $35,916.

Liquidity and capital resources

We have yet to generate any revenues from our business operations.

In September 2003, we issued 718,457 shares of common stock pursuant to the exemption from registration contained in section 4(2) of the Securities Act of 1933. This was accounted for as a sale of common stock.

As of September 30, 2006, our total assets were $64,656 consisting of cash and we had $8,442 in liabilities.

ITEM 3. CONTROLS AND PROCEDURES.

(a)

Evaluation of Disclosure Controls and Procedures: Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports our files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

(b)

Changes in Internal Controls over Financial Reporting: There were no changes in our internal controls over financial reporting identified in connection with our evaluation of these controls as of the end of the period covered by this report that could have affected those controls subsequent to the date of the evaluation referred to in the previous paragraph, including any correction action with regard to deficiencies and material weakness.

There were no changes in our internal controls or in other factors that could affect these controls subsequent to the date of their evaluation, including any deficiencies or material weaknesses of internal controls that would require corrective action.

PART II OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

On June 4, 2004, our public offering of 1,000,000 shares of common stock minimum, 4,000,000 shares of common stock, maximum was filed with the Securities and Exchange Commission ("SEC") on Form SB-2 (Registration No. 333-116161) and declared effective by the SEC on January 3, 2006 at 1:30 p.m. EDT. On January 11, 2006, we elected to terminate the offering and withdraw the registration statement pursuant to Reg. 477 of the Securities Act of 1933.

No offers of securities were made and no securities were sold, leaving all of the securities unsold.

We withdrew our registration statement and deregistered the shares of common stock because we believed that we could not comply with the laws of the State of North Carolina with respect to our public offering.

ITEM 5. OTHER INFORMATION

In March 2006 we completed a private placement of 3,320,000 shares of common stock to 38 investors in consideration of $166,000. The shares were issued as restricted securities pursuant to the exemption from registration contained in Regulation 506 of the Securities Act of 1933 in that a Form D was filed with the Securities and Exchange Commission; an offering memorandum was delivered to each purchaser; each purchaser was solicited by our officers and directors, Peter Reichard and Peter Coker; each purchaser executed a subscription agreement; each purchaser represented he or she was an accredited investor; and, each purchaser had a preexisting relationship with us. By preexisting relationship we mean that our officers and directors determined that each investor had such knowledge and experience in financial and business matters that he or she was capable of evaluating the merits and risks of the prospective investment and each had an established relationship with Peter Reichard and Peter Coker through previous business dealings or as a result of personal friendship. All of the investors were accredited investors as that term is defined in Reg. D of the Securities Act of 1933. To our knowledge there are no connections, relationships or arrangements between them and any other entities other than as described herein.

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ITEM 6. EXHIBITS.

The following Exhibits are attached hereto:

Exhibit No.	Document Description
31.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-15(a) and Rule 15d-15(a), promulgated under the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant To 18 U.S.C. Section 1350, as adopted pursuant to Section 302 Of The Sarbanes-Oxley Act of 2002.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 14th day of November, 2006.

DESIGN SOURCE, INC.
(Registrant)

BY: PETER REICHARD
Peter Reichard
President, Principal Executive Officer,
Treasurer, Principal Financial Officer,
Principal Accounting Officer and member of
the Board of Directors