

Design Source, Inc.
Form 10KSB
June 30, 2008

**U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-KSB

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Fiscal Year Ended: March 31, 2008

OR

TRANSITION REPORT UNDER 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 small business issuer as
specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

36-4528166

(I.R.S. Employer
Identification No.)

**100 Europa Drive, Suite 455, Chapel Hill,
North Carolina**

(Address of principal executive offices)

27517

(Zip Code)

(919) 933-2720

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act: **None**

Name of each Exchange on Which Registered: **None**

Securities registered under Section 12(g) of the Exchange Act: **None**

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of issuer's knowledge, in definitive proxy or information statements

Edgar Filing: Design Source, Inc. - Form 10KSB

incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. x

Indicate by check mark whether the issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes x No "

State issuer's revenues for its most recent fiscal year. None

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity as of a specified date within the past 60 days.

As of June 20, 2008 there were 4,150,000 issued and outstanding shares of our common stock, \$.00001 par value, held by non-affiliates. The aggregate value of the securities held by non-affiliates on June 20, 2008 was approximately \$622,500 based on the average bid and asked price of our common stock on June 20, 2008, which was \$0.15 per share.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 11,218,457 shares of common stock, \$.00001 par value, as of June 20, 2008.

Transitional Small Business Disclosure Format (check one): Yes " No x

DOCUMENTS INCORPORATED BY REFERENCE

Not Applicable

TABLE OF CONTENTS

Item Number and Caption	Page
Forward Looking Statements	3
PART I	
Item 1. Description of Business	3
Item 2. Description of Property	4
Item 3. Legal Proceedings	4
Item 4. Submission of Matters to Vote of Security Holders	4
PART II	
Item 5. Market for Common Equity and Related Stockholders	5
Item 6. Plan of Operation	6
Item 7. Financial Statements	7
Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	8
Item 8A. Controls and Procedure	8
Item 8B. Other Information	8
PART III	
Item 9. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act	9
Item 10. Executive Compensation	11
Item 11. Security Ownership of Certain Beneficial Owners and Management	12
Item 12. Certain Relationships and Related Transactions , and Director Independence	13
Item 13. Exhibits	14
Item 14. Principal Accountant Fees and Services	15

FORWARD-LOOKING STATEMENTS

Except for historical information, this report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our business strategy, future revenues and anticipated costs and expenses. Such forward-looking statements include, among others, those statements including the words “expects,” “anticipates,” “intends,” “believes” and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the sections “Plan of Operation” and “Description of Business”. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this report. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances taking place after the date of this document.

PART I

ITEM 1. BUSINESS

Recent Events

We were incorporated on April 2, 2003, to offer a comprehensive supply of, market and distribute commercial upholstery, drapery, bedspread, panel, and wall covering fabrics to the interior designer industry and individual retail customers on our proprietary Internet website.

We have determined that we cannot continue with our business operations as outlined in our original business plan because of a lack of financial results and resources; therefore, although we may return to our intended business operations at a later date, we have redirected our focus towards identifying and pursuing options regarding the development of a new business plan and direction. We intend to explore various business opportunities that have the potential to generate positive revenue, profits and cash flow in order to financially accommodate the costs of being a publicly held company. However, we cannot assure you that there will be any other business opportunities available, or of the nature of any business opportunity that we may find, or of the financial resources required of any possible business opportunity.

General

We have minimal operating costs and expenses at the present time due to our limited business activities. We may, however, be required to raise additional capital over the next twelve months to meet our current administrative expenses, and we may do so in connection with or in anticipation of possible acquisition transactions. This financing may take the form of additional sales of our equity securities and/or loans from our directors. There is no assurance that additional financing will be available, if required, or on terms favorable to us.

We are not currently engaging in any product research and development and have no plans to do so in the foreseeable future. We have no present plans to purchase or sell any plant or significant equipment. We also have no present plans to add employees although we may do so in the future if we engage in any merger or acquisition transactions

Private Placement

On February 7, 2008, we sold 500,000 shares of our common stock to one investor at a price of \$0.10 per share, or \$50,000 in the aggregate, in a private placement exempt from registration under the federal securities laws pursuant to Section 4(2) of the Securities Act of 1933, as amended. There was no other cash provided by financing activities for the three months ended March 31, 2008.

Employees; Identification of Certain Significant Employees.

We are a development stage company and currently have no employees, other than our officers and directors. We will hire additional employees on an as needed basis.

Offices

Our offices are 100 Europa Drive, Suite 455, Chapel Hill, North Carolina 27517. Our telephone number is (919) 933-2720. This is an office leased to our president, Peter Reichard. Mr. Reichard allows us to use approximately 200 square feet of the office for our operations. Pursuant to an oral agreement with Mr. Reichard, we pay \$400 per month in rent.

ITEM 2. DESCRIPTION OF PROPERTY

We do not own any property. We maintain our statutory registered agent's office at 101 Convention Center Drive, Suite 700, Las Vegas, Nevada 89109 and our business office is 100 Europa Drive, Suite 455, Chapel Hill, North Carolina 27517. Our telephone number is (919) 933-2720. This is the office of our President, Peter Reichard, and the current business office of Tryon Capital Ventures, LLC. We pay Mr. Reichard rent of \$400 per month.

ITEM 3. LEGAL PROCEEDINGS

We are not presently a party to any litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter, there were no matters submitted to a vote of our shareholders.

PART II**ITEM 5. MARKET FOR COMMON STOCK AND RELATED STOCKHOLDER MATTERS**

A limited market exists for our securities, but there is no assurance that a regular trading market will develop, or if developed, that it will be sustained. A shareholder in all likelihood, therefore, will be unable to resell the securities referred to herein should he or she desire to do so. Furthermore, it is unlikely that a lending institution will accept our securities as pledged collateral for loans unless a regular trading market develops.

Our shares are traded on the Bulletin Board operated by the National Association of Securities Dealers, Inc. under the symbol "DSGS." A summary of the closing high and low bids by quarter for the 2008 and 2007 fiscal years is as follows:

Fiscal Quarter	High Bid	Low Bid
2008		
Fourth Quarter 01-01-08 to 03-31-08	\$ 0.15	\$ 0.15
Third Quarter 10-01-07 to 12-31-07	\$ 0.15	\$ 0.15
Second Quarter 07-01-07 to 09-30-07	\$ 0.15	\$ 0.15
First Quarter 04-01-07 to 06-30-07	\$ 0.15	\$ 0.15
2007		
Fourth Quarter 01-01-07 to 03-31-07	\$ 0.15	\$ 0.15
Third Quarter 10-01-06 to 12-31-06	\$ 0.15	\$ 0.05
Second Quarter 07-25-06 to 09-30-06	None	None

Of the 11,218,457 shares of common stock outstanding as of June 20, 2008, 7,068,457 shares are owned by our officers and directors and may only be resold in compliance with the Securities Act of 1933.

At June 20, 2008, there were 15 holders of record.

Dividends

We have not declared any cash dividends, nor do we intend to do so. We are not subject to any legal restrictions respecting the payment of dividends, except that they may not be paid to render us insolvent. Dividend policy will be based on our cash resources and needs and it is anticipated that all available cash will be needed for our operations in the foreseeable future.

Securities authorized for issuance under equity compensation plans

We do not have any equity compensation plans and accordingly we have no securities authorized for issuance thereunder.

ITEM 6. PLAN OF OPERATION

We were incorporated on April 2, 2003, to offer a comprehensive supply of, market and distribute commercial upholstery, drapery, bedspread, panel, and wall covering fabrics to the interior designer industry and individual retail customers on our proprietary Internet website.

We have determined that we cannot continue with our business operations as outlined in our original business plan because of a lack of financial results and resources; therefore, although we may return to our intended business operations at a later date, we have redirected our focus towards identifying and pursuing options regarding the development of a new business plan and direction. We intend to explore various business opportunities that have the potential to generate positive revenue, profits and cash flow in order to financially accommodate the costs of being a publicly held company. However, we cannot assure you that there will be any other business opportunities available, or of the nature of any business opportunity that we may find, or of the financial resources required of any possible business opportunity.

We have minimal operating costs and expenses at the present time due to our limited business activities. To meet our current needs for cash we completed a private placement of our common stock on February 7, 2008 and raised \$50,000. We believe that the \$50,000 we raised will be sufficient to meet our administrative expenses for the next six to 12 months. We may, however, be required to raise additional capital over the next twelve months to meet our current administrative expenses, and we may do so in connection with or in anticipation of possible acquisition transactions. This financing may take the form of additional sales of our equity securities and/or loans from our directors. There is no assurance that additional financing will be available, if required, or on terms favorable to us.

Recent accounting pronouncements

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" (hereinafter "SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Management has not determined the effect that adopting this statement would have on the Company's financial condition or results of operation.

In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (hereinafter "SFAS No. 158"). This statement requires an employer to recognize the overfunded or underfunded positions of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not for profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year end statement of financial position, with limited exceptions. The adoption of this statement had no immediate material effect on the Company's financial condition or results of operations.

PART III

ITEM 7. FINANCIAL STATEMENTS.

Index to Financial Statements

	Page
Report of Independent Registered Public Accounting Firm – Sherb & Co., LLP	F-1
Report of Independent Registered Public Accounting Firm – Williams & Webster, P.S.	F-2
Balance Sheets as of March 31, 2008 and March 31, 2007	F-3
Statements of Operations for the years ended March 31, 2008 and March 31, 2007 and for the period from April 2, 2003 (inception) through March 31, 2008	F-4
Statement of Stockholders' Deficit	F-5
Statements of Cash Flows for the years ended March 31, 2008 and March 31, 2007 and for the period from April 2, 2003 (inception) through March 31, 2008	F-6
Notes to Financial Statements	F-7

-7-

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors Design Source, Inc. (A Development Stage Company):

We have audited the accompanying balance sheet of Design Source, Inc. (A Development Stage Company) as of March 31, 2008 and the related statement of operations, stockholders' equity and cash flows for the year ended March 31, 2008. The period beginning April 2, 2003 (Inception) through March 31, 2007 were audited by the predecessor accounting firms. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. 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 audits provide 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 the Company as of March 31, 2008 and the results of their operations and their cash flows for the year ended March 31, 2008 and the period beginning April 2, 2003 (Inception) through March 31, 2007 which were audited by the predecessor accounting firms, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred significant losses as more fully described in Note 2. These issues raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Sherb & Co., LLP
Certified Public Accountants

New York, New York
June 20, 2008

Design Source, Inc.
Chapel Hill, North Carolina

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying balance sheets of Design Source, Inc. (a development stage company) as of March 31, 2007, and the related statements of operations, stockholders' equity 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 the standards of the Public Company Accounting Oversight Board (United States). 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 audits provide 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 Design Source, Inc. as of March 31, 2007 and the results of its operations, stockholders' equity and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. Management's plans regarding the resolution of this issue are also discussed in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Williams & Webster, P.S.

Williams & Webster, P.S.
Certified Public Accountants
Spokane, Washington
July 12, 2007

F-2

DESIGN SOURCE, INC.
(a development stage company)

Balance Sheets

	March 31, 2008	March 31, 2007
ASSETS		
CURRENT ASSETS		
Cash	\$ 22,372	\$ 5,259
TOTAL ASSETS	\$ 22,372	\$ 5,259
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 5,000	\$ 2,248
TOTAL CURRENT LIABILITIES	5,000	2,248
TOTAL LIABILITIES	5,000	2,248
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Common stock, \$0.00001 par value, 100,000,000 shares authorized, 11,218,457 and 10,718,457 shares issued and outstanding, respectively	113	108
Additional paid-in capital	585,810	535,815
Accumulated deficit during development stage	(568,551)	(532,912)
TOTAL STOCKHOLDERS' EQUITY	17,372	3,011
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 22,372	\$ 5,259

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

DESIGN SOURCE, INC.
(a development stage company)

Statements of Operations

	For the Year Ended		From Inception (April 2, 2003) through March 31, 2008
	March 31, 2008	March 31, 2007	
REVENUES	\$ -	\$ -	\$ -
EXPENSES			
General and administrative	314	59,280	63,128
Professional fees	35,331	35,262	148,443
Taxes	-	1,036	1,036
Management fees	-	28,919	28,919
Stock compensation	-	327,500	327,500
Total Expenses	35,645	451,997	569,026
LOSS FROM OPERATIONS	(35,645)	(451,997)	(569,026)
OTHER INCOME (EXPENSE)			
Interest income	6	2,122	2,128
Interest expense	-	(573)	(1,653)
Total Other Income (Expense)	6	1,549	475
LOSS BEFORE TAXES	(35,639)	(450,448)	(568,551)
INCOME TAX EXPENSE	-	-	-
NET LOSS	\$ (35,639)	\$ (450,448)	\$ (568,551)
NET LOSS PER SHARE, BASIC AND DILUTED	\$ (0.00)	\$ (0.09)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	11,218,457	4,847,772	

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

DESIGN SOURCE, INC.
(a development stage company)

Statement of Stockholder's Equity (Deficit)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Stock Subscription Receivable	Deficit Accumulated During Development Stage	Total Stockholders' Equity (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 for cash and subscription receivable	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
	130,000	2	6,498	-	-	6,500

Edgar Filing: Design Source, Inc. - Form 10KSB

Stock issued for cash at
\$0.05 per share

Stock issued for
compensation at \$0.05 per
share

Net loss for the year ended
March 31, 2007

Balance, March 31, 2007

Sale of common stock at
\$0.10 per share

Net loss for the period
ended March 31, 2008

Balance, March 31, 2008

6,550,000	66	327,434	-	-	327,500
-	-	-	-	(450,448)	(450,448)
10,718,457	108	535,815	-	(532,912)	3,011
500,000	5	49,995	-	-	50,000
-	-	-	-	(35,639)	(35,639)
11,218,457	\$ 113	\$ 585,810	\$ -	(568,551)\$	17,372

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

F-5

DESIGN SOURCE, INC.
(a development stage company)

Statements of Cash Flows

	For the Year Ended		From Inception
	Ended	Ended	(April 2, 2003)
	March 31,	March 31,	through
	2008	2007	March 31,
			2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (35,639)	\$ (450,448)	\$ (568,551)
Adjustments to reconcile net loss to net cash used by operating activities:			
Increase (Decrease) in accounts payable	2,752	(22,100)	5,000
Increase (Decrease) in accrued interest	-	(1,080)	-
Stock issued for compensation	-	327,500	327,500
Issuance of common stock for reimbursement of expenses	-	-	25,923
Net cash used by operating activities	(32,887)	(146,128)	(210,128)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from shareholder loans	-	-	21,560
Repayment of shareholder loans	-	(21,560)	(21,560)
Proceeds from issuance of common stock	50,000	12,500	232,500
Net cash provided by (used in) financing activities	50,000	(9,060)	232,500
NET INCREASE (DECREASE) IN CASH	17,113	(155,188)	22,372
CASH, BEGINNING OF PERIOD	5,259	160,447	-
CASH, END OF PERIOD	\$ 22,372	\$ 5,259	\$ 22,372
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	\$ -	\$ 573	\$ 1,653
Income taxes paid	\$ -	\$ -	\$ -

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

DESIGN SOURCE, Inc.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

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 enterprise.

The Company’s year end is March 31.

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.

Development Stage Activities

The Company has been in the development stage since its formation and has not realized any revenue from operations. It has been 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. As reflected in the financial statements, the Company incurred net losses of \$35,639 and \$450,448 for the years ended March 31, 2008 and 2007, respectively. In addition, the Company had an accumulated deficit of \$568,551 at March 31, 2008. Since its inception, the Company has not generated any revenues and has minimal cash resources.

These circumstances raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management's efforts have been directed towards the development and implementation of a plan to generate sufficient revenues to cover all of its present and future costs and expenses. For the twelve-month subsequent period, the Company anticipates that its minimum operating cash requirements to continue as a going concern will be approximately \$55,000.

DESIGN SOURCE, Inc.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

The Company has determined that it cannot continue with our business operations as outlined in our original business plan because of a lack of financial results and resources; therefore, although we may return to our intended business operations at a later date, we have redirected our focus towards identifying and pursuing options regarding the development of a new business plan and direction. The Company intends to explore various business opportunities that have the potential to generate positive revenue, profits and cash flow in order to financially accommodate the costs of being a publicly held company. However, the Company cannot assure that there will be any other business opportunities available nor the nature of the business opportunity, nor indication of the financial resources required of any possible business opportunity.

The Company has minimal operating costs and expenses at the present time due to its limited business activities. The Company, however, be required to raise additional capital over the next twelve months to meet our current administrative expenses, and we may do so in connection with or in anticipation of possible acquisition transactions. This financing may take the form of additional sales of our equity securities and/or loans from our directors. There is no assurance that additional financing will be available, if required, or on terms favorable to the Company.

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.

The accompanying financial statements have been prepared, in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC").

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt with original maturities of three months or less to be cash equivalents.

Compensated Absences

Currently, the Company has no employees; therefore, no liability has been recorded in the accompanying financial statements. The Company's policy will be to recognize the costs of compensated absences when employees earn such benefits.

Concentration of Risk

The Company maintains its cash in primarily one business checking account, the funds of which are insured by the Federal Deposit Insurance Corporation.

DESIGN SOURCE, Inc.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

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 March 31, 2008 and March 31, 2007.

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.

Revenue Recognition

The Company recognizes revenue from sales when there is persuasive evidence that an arrangement exists, services have been rendered, the seller's price to the buyer is determinable, and collectibility is reasonably assured.

Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (hereinafter "SFAS No. 109"). Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against the deferred tax asset if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (hereinafter "SFAS No. 133") as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change. Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes. During the years ended March 31, 2008 and 2007, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

DESIGN SOURCE, Inc.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

Basic and Diluted Earnings (Loss) Per Share

The Company utilizes Statement of Financial Accounting Standards No. 128, "Earnings Per Share". Basic earnings per share is calculated on the weighted effect of all common shares issued and outstanding, and is calculated by dividing net income available to common stockholders by the weighted average shares outstanding during the period. Diluted earnings per share, which is calculated by dividing net income available to common stockholders by the weighted average number of common shares used in the basic earnings per share calculation, plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding, is not presented separately as it is anti-dilutive.

Web Site Development

The Company must develop a web site to facilitate its business plan. Costs incurred in this project will be expensed as incurred in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" as amplified by Emerging Issues Task Force Abstract No. 00-2, "Accounting for Web Site Development Costs." During the years ended March 31, 2008 and 2007 respectively, the Company had incurred \$42 and \$4,183 of web site development costs.

Recently Issued Accounting Pronouncements Affecting The Company

Statement of Financial Accounting Standard Statement No. 141 (revised 2007) Business Combinations

In December 2007, the Financial Accounting Standard Board ("FASB") issued FASB Statement No. 141 (revised 2007), Business Combinations. This Statement replaces FASB Statement No. 141, Business Combinations. This Statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. This Statement's scope is broader than that of Statement 141, which applied only to business combinations in which control was obtained by transferring consideration. By applying the same method of accounting—the acquisition method—to all transactions and other events in which one entity obtains control over one or more other businesses, this Statement improves the comparability of the information about business combinations provided in financial reports.

This Statement requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions specified in the Statement. That replaces Statement 141's cost-allocation process, which required the cost of an acquisition to be allocated to the individual assets acquired and liabilities assumed based on their estimated fair values.

This Statement applies to all transactions or other events in which an entity (the acquirer) obtains control of one or more businesses (the acquiree), including those sometimes referred to as "true mergers" or "mergers of equals" and combinations achieved without the transfer of consideration, for example, by contract alone or through the lapse of minority veto rights. This Statement applies to all business entities, including mutual entities that previously used the pooling-of-interests method of accounting for some business combinations. It does not apply to: (a) The formation of a joint venture, (b) The acquisition of an asset or a group of assets that does not constitute a business, (c) A combination between entities or businesses under common control, (d) A combination between not-for-profit organizations or the acquisition of a for-profit business by a not-for-profit organization.

DESIGN SOURCE, Inc.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

Statement of Financial Accounting Standard Statement No. 160 Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51

In December 2007, the FASB issued FASB Statement No. 160 – Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51. This Statement applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. Not-for-profit organizations should continue to apply the guidance in Accounting Research Bulletin No. 51, Consolidated Financial Statements, before the amendments made by this Statement, and any other applicable standards, until the Board issues interpretative guidance.

This Statement amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Before this Statement was issued, limited guidance existed for reporting noncontrolling interests. As a result, considerable diversity in practice existed. So-called minority interests were reported in the consolidated statement of financial position as liabilities or in the mezzanine section between liabilities and equity. This Statement improves comparability by eliminating that diversity.

A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. The objective of this Statement is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require: (a) The ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent's equity, (b) The amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, (c) Changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. A parent's ownership interest in a subsidiary changes if the parent purchases additional ownership interests in its subsidiary or if the parent sells some of its ownership interests in its subsidiary. It also changes if the subsidiary reacquires some of its ownership interests or the subsidiary issues additional ownership interests. All of those transactions are economically similar, and this Statement requires that they be accounted for similarly, as equity transactions, (d) When a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value. The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of any noncontrolling equity investment rather than the carrying amount of that retained investment, (e) Entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners.

DESIGN SOURCE, Inc.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Earlier adoption is prohibited. This Statements hall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

NOTE 3 – EQUITY TRANSACTIONS

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 \$20,750.

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 a director totaling \$4,173 and for cash totaling \$10,000.

DESIGN SOURCE, Inc.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

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 subscription receivable of \$6,000.

During the year ended March 31, 2007, 130,000 shares of common stock were issued at \$0.05 per share for cash totaling \$6,500 to outside investors; 6,550,000 share of common stock were issued to its officers for compensation at \$0.05 per share for \$327,500 and \$6,000 subscription receivable was received.

As of March 31, 2007, the Company had issued no additional shares of common stock. During the year ended March 31, 2008, 500,000 shares of common stock were issued at \$0.10 per share for cash totaling \$50,000 to Milestone Enhanced Fund Ltd;

NOTE 4 – INCOME TAXES

At March 31, 2008 and March 31, 2007, the Company had calculated deferred tax assets of approximately \$229,000 and \$215,000, respectively calculated at a combined federal and state expected rate of 42.5%. 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 March 31, 2008 and March 31, 2007 were as follows:

	March 31, 2008	March 31, 2007
Net operating loss carryforward:	\$ 568,551	\$ 532,912
Deferred tax asset – net operating losses	\$ 229,000	\$ 215,000
Deferred tax asset valuation allowance	(229,000)	(215,000)
Net deferred tax asset	\$ 0	\$ 0

DESIGN SOURCE, Inc.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

At March 31, 2008 and March 31, 2007, the Company has net operating loss carryforwards of \$566,000 and \$531,000 respectively, which begin to expire in the year 2027. The change in the allowance account from March 31, 2007 to March 31, 2008 was \$14,000.

NOTE 5 - RELATED PARTY DEBT AND TRANSACTIONS

In 2004 and 2005, Company directors loaned the Company a total of \$21,560. The underlying notes were unsecured with interest at 5%, and a scheduled maturity of October 2007 for all principal and accrued interest. There were no monthly note payments due during the term of the loans. As of March 31, 2008 and 2007, all shareholder loans and accrued interest had been repaid.

F-14

**ITEM CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND
8. FINANCIAL DISCLOSURE.**

Not applicable.

ITEM 8A. CONTROLS AND PROCEDURES.

(a) *Management's Annual Report on Internal Control Over Financial Reporting.* The management of Design Source, Inc. is responsible for establishing and maintaining an adequate system of internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Under the supervision and with the participation of our senior management, consisting of Peter Reichard, our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our chief executive officer and chief financial officer concluded, as of the Evaluation Date, that our disclosure controls and procedures are effective such that the information relating to us required to be disclosed in our Securities and Exchange Commission ("SEC") reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. In evaluating the effectiveness of our internal control over financial reporting, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework*. Based on this evaluation, our management concluded that, as of March 31, 2008, our internal control over financial reporting was effective based on those criteria. This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

(b) *Changes in Internal Control over Financial Reporting.* There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter of the period covered by this report that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 8B. OTHER INFORMATION

On February 7, 2008, we sold 500,000 shares of our common stock to one investor at a price of \$0.10 per share, or \$50,000 in the aggregate, in a private placement exempt from registration under the federal securities laws pursuant to Section 4(2) of the Securities Act of 1933, as amended. There was no other cash provided by financing activities for the three months ended March 31, 2008.

**ITEM DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS;
9. COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.**

The members of our board of directors serve until their successors are elected and qualified. Our officers are elected by the board of directors to a term of one (1) year and serve until their successors are duly elected and qualified, or until they are removed from office. The board of directors has no nominating or compensation committees.

The name, address, age and position of our present officers and directors are set forth below:

Name and Address	Age	Position(s)
Peter A. Reichard 2211 Wright Avenue Greensboro, North Carolina 27403	52	president, treasurer, chief executive officer, chief financial officer and a member of the board of directors
Peter L. Coker 12804 Morehead Chapel Hill, North Carolina 27517	66	secretary and a member of the board of directors

The persons named above have held their offices/positions since inception of our company and are expected to hold their offices/positions until the next annual meeting of our stockholders.

Background of officers and directors

Peter A. Reichard has served as our President, Treasurer, and member of our board of directors since September 2003. Mr. Reichard is a partner of Tryon Capital Ventures, LLC, which is engaged in the business of assisting and promoting start-up companies. He has been with the firm since March 2003. From February 2003 to December 2003, Mr. Reichard was a partner in Tryon Capital, a partnership which was engaged in the business of assisting and promoting start-up companies. Tryon Capital was a boutique merchant banking firm located in the Research Triangle Park in North Carolina. It was designed to reenergize and stimulate struggling early-state and middle market companies by combining analyses, strategy, people and money. Tryon Capital is no longer in business. Accordingly, there is no affiliation between Tryon Capital and Tryon Capital Ventures LLC. During the months from December 2002 through March 2003, Mr. Reichard was involved with establishing the Sandpiper Fund, an early stage venture fund in eastern North Carolina. From October 2001 through December 2002, Mr. Reichard was the Finance Director for the Erskine Bowles for U.S. Senate campaign. He served as the Finance Director for the Mike Easley for Governor campaign from January 1999 through October 2001. From January 1985 through December 1998, Mr. Reichard was employed by the Greensboro Area Chamber of Commerce. He began as Manager of Membership/Government Affairs, and then after three years became Vice President and four years later, President, a position he held for six years. Mr. Reichard holds a Bachelor of Arts degree in political science from Guilford College (1980).

Peter L. Coker has served as our Secretary and member of our board of directors since September 2003. Mr. Coker is a partner of Tryon Capital Ventures, LLC, is engaged in the business of assisting and promoting start-up companies. He has been with the firm since January 2004. From June 2001 to December 2003, Mr. Coker was a partner in Tryon Capital, a partnership which was engaged in the business of assisting and promoting start-up companies. Tryon Capital was a boutique merchant banking firm located in the Research Triangle Park in North Carolina. It was designed to reenergize and stimulate struggling early-state and middle market companies by combining analyses, strategy, people and money. Tryon Capital is no longer in business. Accordingly, there is no affiliation between Tryon Capital and Tryon Capital Ventures LLC. Mr. Coker currently sits on the Board of Directors of eTrials Worldwide, Inc., and The North Carolina State University Investment Fund (as Chairman of the Board). From February 2004 to November 2004, Mr. Coker was chairman of the board of directors of Beijing Med-Pharm Corporation. Prior to his work at Tryon Capital Ventures, he was a managing director of Tryon Capital Holdings, LLC, which is also an investment banking firm from June 2001 through December 2003. As Senior Managing Director for Capital Investment Partners, LLC, from June 1996 through May 2001, Mr. Coker worked with small companies primarily in North Carolina that needed financing. He would perform due diligence on them, help structure the new financing and search for interested investors. Mr. Coker has a Bachelor of Arts degree in Economics from North Carolina State University (1966) and an Master of Arts degree in Economics from North Carolina (1968).

Involvement in Certain Legal Proceedings

Not applicable.

Audit Committee and Charter

We have a separately-designated audit committee of the board. Audit committee functions are performed by our board of directors. None of our directors are deemed independent. All directors also hold positions as our officers. Our audit committee is responsible for: (1) selection and oversight of our independent accountant; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; (3) establishing procedures for the confidential, anonymous submission by our employees of concerns regarding accounting and auditing matters; (4) engaging outside advisors; and, (5) funding for the outside auditors and any outside advisors engagement by the audit committee.

Audit Committee Financial Expert

None of our directors or officers have the qualifications or experience to be considered a financial expert. We believe the cost related to retaining a financial expert at this time is prohibitive. Further, because of our limited operations, we believe the services of a financial expert are not warranted.

Code of Ethics

We have adopted a corporate code of ethics. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

Disclosure Committee and Charter

We have a disclosure committee and disclosure committee charter. Our disclosure committee is comprised of all of our officers and directors. The purpose of the committee is to provide assistance to the Chief Executive Officer and the Chief Financial Officer in fulfilling their responsibilities regarding the identification and disclosure of material information about us and the accuracy, completeness and timeliness of our financial reports.

Section 16(a) of the Securities Exchange Act of 1934

Pursuant to Section 16(a) of the Exchange Act and the rules issued thereunder, our executive officers and directors are required to file with the SEC reports of ownership and changes in ownership of our common stock. Copies of such reports are required to be furnished to us. Based solely on review of the copies of such reports furnished to us, or written representations that no other reports were required, we believe that during the year ended March 31, 2008, all officers, directors and greater than 10% stockholders complied with all applicable Section 16(a) filing requirements.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth the compensation paid by us for the last two fiscal years ending March 31 for each of our officers. This information includes the dollar value of base salaries, bonus awards and number of stock options granted, and certain other compensation, if any. The compensation discussed addresses all compensation awarded to, earned by, or paid or named executive officers.

Executive Officer Compensation Table

Name and Principal Position (a)	Year (b)	Salary (US\$) (c)	Bonus (US\$) (d)	Stock Awards (US\$) (e)	Option Awards (US\$) (f)	Non- Equity Nonqualified			Total (US\$) (j)
						Incentive Plan Compensation (US\$) (g)	Deferred Earnings (US\$) (h)	All Other Compensation (US\$) (i)	
Peter A. Reichard President	2008	0	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0	0
Peter L. Cokerard Vice President	2008	0	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0	0

We have no employment agreements with any of our officers. We do not contemplate entering into any employment agreements until such time as we begin profitable operations.

The compensation discussed herein addresses all compensation awarded to, earned by, or paid to our named executive officers.

There are no other stock option plans, retirement, pension, or profit sharing plans for the benefit of our officers and directors other than as described herein.

Compensation of Directors

The members of our board of directors are not compensated for their services as directors. The board has not implemented a plan to award options to any directors. There are no contractual arrangements with any member of the board of directors. We have no director's service contracts.

Long-Term Incentive Plan Awards

We do not have any long-term incentive plans that provide compensation intended to serve as incentive for performance.

Indemnification

Under our Articles of Incorporation and Bylaws of the corporation, we may indemnify an officer or director who is made a party to any proceeding, including a law suit, because of his position, if he acted in good faith and in a manner he reasonably believed to be in our best interest. We may advance expenses incurred in defending a proceeding. To the extent that the officer or director is successful on the merits in a proceeding as to which he is to be indemnified, we must indemnify him against all expenses incurred, including attorney's fees. With respect to a derivative action, indemnity may be made only for expenses actually and reasonably incurred in defending the proceeding, and if the officer or director is judged liable, only by a court order. The indemnification is intended to be to the fullest extent permitted by the laws of the State of Nevada.

Regarding indemnification for liabilities arising under the Securities Act of 1933, which may be permitted to directors or officers under Nevada law, we are informed that, in the opinion of the Securities and Exchange Commission, indemnification is against public policy, as expressed in the Act and is, therefore, unenforceable.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of the date of this report, the total number of shares owned beneficially by each of our directors, officers and key employees, individually and as a group, and the present owners of 5% or more of our total outstanding shares. The stockholders listed below have direct ownership of their shares and possess sole voting and dispositive power with respect to the shares.

Name and Address Beneficial Owner [1]	Number of Shares	Percentage of Ownership [2]
Peter A. Reichard [3] 2211 Wright Avenue Greensboro, North Carolina 27403	3,275,0000	29.19%
Peter L. Coker [4] 12804 Morehead Chapel Hill, North Carolina 27517	3,793,457	33.81%
All officers and directors as a group (2 persons)	7,068,457	63.01%

[1] Beneficial Ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities.

[2] Percentage based upon 11,218,457 shares of common stock outstanding as of June 20, 2008.

[3] Does not include 200,000 shares owned by Lawrence J. Reichard, the brother of Peter A. Reichard, as to which Peter A. Reichard disclaims beneficial ownership.

[4] Includes 518,457 shares owned by Tryon Capital, LLC, as to which shares Mr. Coker is the beneficial owner.

Changes in Control

There are no arrangements which may result in a change of control of Design Source.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We currently use a portion of Peter Reichard's office space in consideration of \$400.00 per month. The rent was established through negotiations and payment began as of April 1, 2006. The rent charged by Mr. Reichard is not more favorable to Mr. Reichard than rent charged by an unaffiliated third party. The rental agreement is oral. There are no written documents evidencing the rental agreement.

Director Independence

We are not subject to listing requirements of any national securities exchange or inter-dealer quotation system which has requirements that a majority of the board of directors be "independent" and, as a result, we are not at this time required to have our Board comprised of a majority of "Independent Directors."

PART IV**ITEM 13. EXHIBITS****Exhibits**

The following Exhibits are being filed with this Annual Report on Form 10-KSB:

Exhibit No.	SEC Report Reference Number	Description
3.1	3.1	Articles of Incorporation of Registrant as filed with the Nevada Secretary of State on April 2, 2003 (1)
3.2	3.2	By-Laws of Registrant (1)
14	14.1	Code of Ethics (2)
21	*	List of Subsidiaries
31.1/31.2	*	Rule 13(a) – 14(a)/15(d) – 14(a) Certification of Principal Executive and Financial Officer
32.1/32.2	*	Rule 1350 Certification of Chief Executive and Financial Officer
99.1	99.1	Subscription Agreement (1)
99.2	99.1	Audit Committee Charter (2)
99.3	99.2	Disclosure Committee Charter (2)

* Filed herewith.

(1) Filed with the Securities and Exchange Commission on June 4, 2004 as an exhibit, numbered as indicated above, to the Registrant's registration statement (SEC File No. 333-116161) on Form SB-2, which exhibit is incorporated herein by reference.

(2) Filed with the Securities and Exchange Commission on June 29, 2006 as an exhibit, numbered as indicated above, to the Registrant's Form 10-KSB for the fiscal year ended March 31, 2006 (SEC File No. 333-116161), which exhibit is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICESAudit Fees.

The aggregate fees billed to us by our principal accountant for services rendered during the fiscal years ended March 31, 2008 and March 31, 2007 are set forth in the table below:

Fee Category	Fiscal year ended February 29, 2008		Fiscal year ended February 28, 2007	
Audit fees (1)	\$	12,000	\$	17,000
Audit-related fees (2)		0		0
Tax fees (3)		0		0
All other fees (4)		0		0
Total fees	\$	12,000	\$	17,000

(1) Audit fees consists of fees incurred for professional services rendered for the audit of consolidated financial statements, for reviews of our interim consolidated financial statements included in our quarterly reports on Form 10-QSB and for services that are normally provided in connection with statutory or regulatory filings or engagements.

(2) Audit-related fees consists of fees billed for professional services that are reasonably related to the performance of the audit or review of our consolidated financial statements, but are not reported under "Audit fees."

(3) Tax fees consists of fees billed for professional services relating to tax compliance, tax planning, and tax advice.

(4) All other fees consists of fees billed for all other services.

Audit Committee's Pre-Approval Practice.

Our audit committee's pre-approval policies and procedures described in paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X consisted of our audit committee pre-approval of all accounting related activities prior to the performance of any services by any accountant or auditor.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing of this Form 10-KSB and has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Chapel Hill, North Carolina, on this 30th day of June, 2008.

DESIGN SOURCE, INC.

By: /s/ Peter A. Reichard

Peter A. Reichard

President, Principal Executive Officer, Treasurer, Principal Financial Officer, Principal Accounting Officer and member of the Board of Directors

KNOW ALL MEN BY THESE PRESENT, that each person whose signature appears below constitutes and appoints, Peter Reichard, as true and lawful attorney-in-fact and agent, with full power of substitution, for her and in her name, place and stead, in any and all capacities, to sign any and all amendment (including post-effective amendments) to this report, and to file the same, therewith, with the Securities and Exchange Commission, and to make any and all state securities law or blue sky filings, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in about the premises, as fully to all intents and purposes as she might or could do in person, hereby ratifying the confirming all that said attorney-in-fact and agent, or any substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Peter a. Reichard Peter A. Reichard	President, Principal Executive Officer, Treasurer, Principal Financial Officer, Principal Accounting Officer, and a member of the Board of Directors	June 30, 2008
/s/ Peter L. Coker Peter L. Coker	Secretary and a member of the Board of Directors.	June 30, 2008