

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

FORM 10-QSB

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

For the quarterly period ended: **July 31, 2003**

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

For the transition period ended _____

Commission file number 333-52268

DIRECT RESPONSE FINANCIAL SERVICES, INC.

(Exact name of small business as specified in its charter)

Colorado

(State or other jurisdiction of
incorporation or organization)

84-1547578

(IRS Employer Identification #)

7080 N. Whitney, Suite 101

Fresno, California 93720

(Address of principal executive offices)

(250) 487-7008

(Telephone Number)

(Former name, former address, and former fiscal year, if changed since last report)

The number of shares outstanding of each of the issuer's classes of common equity, as of the last practicable date: Common Stock 18,806,834 as of July 31, 2003

Transitional Small Business Disclosure Format: ☒ YES ☐ NO

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DIRECT RESPONSE FINANCIAL SERVICES, INC.

(A Development Stage Company)

Consolidated Balance Sheets

	ASSETS	
	July 31, 2003 (Unaudited)	January 31, 2003 (Note 1)
CURRENT ASSETS		
Cash	\$ 74	\$ 4,392
Deposit	40,000	50,000
Prepaid Expense	15,619	—
Total current assets	55,693	54,392
PROPERTY AND EQUIPMENT		
Net of \$223 depreciation at July 31, 2003	2,010	2,233
OTHER ASSETS		
Investments	220,000	—
Total assets	\$ 277,703	\$ 56,625
	LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 24,669	\$ 18,612
Accounts payable, related parties	173,948	129,037
Accrued interest payable	5,623	1,152
Advances from stockholders	296,977	10,240
Debentures payable	150,000	150,000
Total current liabilities	651,217	309,041
Total liabilities	651,217	309,041
Commitments and contingencies	—	—
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock – authorized 100,000,000 shares, no par value, 18,806,834 and 18,057,500 shares issued and outstanding at July 31, 2003 and January 31, 2003	1,507,730	1,104,450
Accumulated (deficit)	(354,950)	(354,950)
(Deficit) accumulated during the development stage	(1,526,294)	(1,001,916)
Total stockholders' equity (deficit)	(373,514)	(252,416)
Total liabilities and stockholders' equity (deficit)	\$ 277,703	\$ 56,625

The accompanying notes are an integral part of these statements.

DIRECT RESPONSE FINANCIAL SERVICES, INC.

(A Development Stage Company)

Consolidated Statements of Operations

(Unaudited)

	Six Months Ending July 31, 2003	Six Months Ending July 31, 2002	April 24, 2002 (inception) through July 31, 2003
Revenues	\$ 902	\$ —	\$ 1,121
Cost of sales	529	—	750
Gross Profit	373	—	371
Costs and Expenses:			
Consulting expense	439,640	—	1,270,231
Professional fees	34,480	22,004	140,768
Advertising and marketing	11,939	—	28,084
Website development	—	7,500	—
General and administrative	18,387	6,765	49,268
Rent	12,000	—	28,856
Total	516,446	36,269	(1,517,207)
Earnings (loss) from operations	(516,073)	(36,269)	(1,516,836)
Interest income	—	55	—
Interest expense	(8,305)	—	(9,457)
		(36,214)	
Discontinued Operations			
(Loss) from discontinued operations	—	(63,812)	—
Gain on disposal of discontinued operations	—	82,242	—
Net (loss)	\$ (524,378)	\$ (17,784)	\$ (1,526,293)
(Loss) per share	\$ (.0	\$ nil	\$ (.0
Weighted average shares outstanding	18,353,167	26,114,583	32,372,027

The accompanying notes are an integral part of these statements.

DIRECT RESPONSE FINANCIAL SERVICES, INC.*(A Development Stage Company)***Consolidated Statements of Operations***(Unaudited)*

	Three Months Ending July 31, 2003	Three Months Ending July 31, 2002
Revenues	\$ 902	\$ —
Cost of sales	529	—
Gross Profit	373	—
Costs and Expenses:		
Consulting expense	35,361	—
Professional fees	27,770	22,004
Advertising and marketing	8,436	—
Website development	—	7,500
General and administrative	16,412	6,765
Rent	6,000	—
Total	93,979	36,269
Earnings (loss) from operations	(93,606)	(36,269)
Interest income	—	—
Interest expense	(5,305)	—
Net (loss)	<u>\$ (98,911)</u>	<u>(36,269)</u>
(Loss) per share	<u>\$ (.0</u>	<u>\$ nil</u>
Weighted average shares outstanding	<u>18,353,167</u>	<u>16,737,500</u>

The accompanying notes are an integral part of these statements.

DIRECT RESPONSE FINANCIAL SERVICES, INC.

(A Development Stage Company)

Consolidated Statement of Cash Flows

(Unaudited)

	Six Months Ending July 31, 2003	Six Months Ending July 31, 2002	April 24, 2002 (inception) through July 31, 2003
Cash flows from operating activities:			
Net (loss)	\$ (524,378)	\$ (17,784)	\$ (1,526,293)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	223	15,872	223
Expenses paid by issuing common stock	403,280	—	1,127,780
Gain on disposal of discontinued operations	—	(82,242)	
Net change in operating assets and liabilities:			
Prepaid expenses	(15,619)	—	(15,617)
Accounts payable and accrued liabilities	55,439	26,089	204,241
Net cash (used) by operating activities	(81,055)	(58,065)	(209,670)
Cash flows from investing activities:			
Purchase of property and equipment	—	(2,025)	(2,233)
Cash disbursed in disposal of discontinued operations	—	(4,536)	—
Net cash (used) by investing activities	—	(6,561)	(2,233)
Cash flows from financing activities:			
Proceeds from loans payable – related parties	66,737	10,540	76,977
Proceeds from issuance of common stock	—	(250)	25,000
Repayment of debt	—	(7,000)	—
Proceeds from debenture	10,000	—	110,000
Net cash provided by financing activities	76,737	(3,290)	211,977
Net increase (decrease) in cash	(4,318)	(61,336)	74
Cash at beginning of period	4,392	61,696	—
Cash at end of period	\$ 74	\$ 360	\$ 74
Supplemental disclosure of cash flow information:			
Noncash transactions			
Note payable issued for acquisition of investment	220,000	—	—
Cash paid during the period for:			
Interest	\$ —	\$ —	\$ —
Income taxes	\$ —	\$ —	\$ —

The accompanying notes are an integral part of these statements.

Note 1 – Financial Statements

The accompanying consolidated financial statements included herein have been prepared by Direct Response Financial Services, Inc. without audit, pursuant to the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-QSB. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as allowed by such rules and regulations, and the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the January 31, 2003 audited financial statements and the accompanying notes thereto contained in the Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. While management believes the procedures followed in preparing these financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year. The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. In management's opinion all adjustments necessary for a fair presentation of the Company's financial statements are reflected in the interim periods included.

Amounts shown for January 31, 2003 were taken from the audited financial statements of that date.

Note 2 – Summary of Significant Accounting Policies**Organization and Description of Business**

The Company was incorporated in the State of Colorado on April 7, 2000 as Relevant Links, Inc. The Company is in the development stage and has had no significant operations.

On April 29, 2002, the Company entered into an Agreement and Plan of Reorganization between itself and Direct Response Financial Services, Inc., a Delaware corporation (DEL), and changed its focus to the development of financial services for the direct response industry. Because the surviving shareholders are those of the subsidiary, the Company has accounted for the acquisition as a reverse acquisition, which is a capital transaction and not a business combination. Accordingly, the consolidated statements include only the results of operations of DEL from the date of acquisition, and comparative financial statements presented are those of the subsidiary, DEL. Because the subsidiary had been formed on April 24, 2002, no financial information is presented before that date.

On May 16, 2002, the Company participated in forming Direct Card Services, LLC (DCS) for the purpose of facilitating the Company's bankcard processing business. Under the terms of the LLC agreement, the Company has a 50% interest.

In June of 2002, the company changed its name to Direct Response Financial Services, Inc.

The Company provides marketing and financial products and services to merchants.

Development Stage Company

The Company is in the development stage and has had no significant operations. Prior to April 24, 2002, the Company was in a development stage relating to its internet portal operations. Subsequent to that date, the Company is in a new development stage relating to the development of its financial services business.

Basis of Consolidation

The accompanying consolidated financial statements include the Company and its' wholly owned and controlled subsidiaries. All inter-company accounts have been eliminated in the consolidation.

The Company considers its 50% interest in DCS to be a controlling interest because of control factors in addition to its profit interest. Because DCS has a deficit equity position at period end, no minority interest has been recorded.

Reclassifications

Certain reclassifications have been made to previously reported statements to conform to the Company's current financial statement.

Note 3 – Stock transactions

In March and April of 2003, the Company issued 749,334 shares of common stock in payment of services. The shares were valued at estimated fair value of \$403,280 (weighted average \$.54 per share) based on quoted market prices on the date of the transactions.

Included in the shares issued above were 400,000 shares issued to former officers and directors, valued at \$276,000.

Note 4 – Investments

During July 2003, the Company invested \$200,000 in Optimum Pay USA, Inc. ("Optimum"). Optimum develops electronic payment systems. Optimum Pay, Inc. is privately held company with headquarters in Irvine, California and offices in Covington, Kentucky.. The company exchanged an unsecured promissory note to a shareholder of the company in exchange for 2.5 shares of Series A Convertible Preferred Stock of Optimum, which represents approximately two percent (2%) ownership of Optimum Pay, Inc. The promissory note is due July 31, 2005 and bears interest of three percent (3%). The investment is accounted for using the cost method.

During July 2003, the Company invested \$20,000 in International Settlement Corporation ("ISC"). ISC is a private company headquartered in Las Vegas, Nevada, and is an electronic payment solutions provider. The Company purchased 40,000 common shares of ISC, which represents approximately one percent (1%) interest in ISC. The investment is accounted for using the cost method.

Management's Discussion and Analysis of Financial Condition

This statement may include projections of future results and "forward looking statements" as that term is defined in Section 27A of the Securities Act of 1933 as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 as amended (the "Exchange Act"). All statements that are included in this Quarterly Report, other than statements of historical fact, are forward looking statements. Although management believes that the expectations reflected in these forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct.

Financial Summary

Results of Operations for the Six Months ending July 31, 2003:

The majority of the net loss of \$524,378 was comprised of consulting expense of \$439,640. The remainder of the net loss was comprised of professional fees, advertising and marketing, general and administrative, rent, and interest expenses. Gross profit for the period was \$373.

Management Plan of Operations

Direct Response Financial Services, Inc. is currently traded on the NASD Over the Counter Bulletin Board under the symbol "DRFL". Direct Response Financial Services, Inc. began trading on the Berlin Exchange under the ticker symbol "DFS" on December 3, 2002. The trading number is 804239. Direct Response Financial Services, Inc. is not traded on any other exchange at this time.

The Company is in the development stage and has had no significant operations. Prior to April 29, 2002, the Company was in a development stage relating to its internet portal operations. Subsequent to that date, the Company is in a new development stage relating to the development of its financial services business.

On May 16, 2002, the Company entered into an agreement to form Direct Card Services, LLC, a Delaware limited liability company, for the purpose of marketing debit and credit card processing services.

Direct Card Services, LLC, partially owned by DRFL, began offering card-processing services for business merchants on October 10, 2002 and has had no significant sales to date.

During July 2003, the Company invested \$200,000 in Optimum Pay USA, Inc. ("Optimum"). Optimum develops electronic payment systems. Optimum Pay, Inc. is privately held company with headquarters in Irvine, California and offices in Covington, Kentucky.. The company exchanged an unsecured promissory note to a shareholder of the company in exchange for 2.5 shares of Series A Convertible Preferred Stock of Optimum, which represents approximately two percent (2%) ownership of Optimum Pay, Inc. The promissory note is due July 31, 2005 and bears interest of three percent (3%).

During July 2003, the Company invested \$20,000 in International Settlement Corporation ("ISC"). ISC is a private company headquartered in Las Vegas, Nevada, and is an electronic payment solutions provider. The Company purchased 40,000 common shares of ISC, which represents approximately one percent (1%) interest in ISC.

Direct Response Financial Services, Inc. currently has limited operations and is reliant on contributions from officers and shareholders. Liquidity demands have been met through cash advances and financing activities. No formal agreements between any officer or shareholder and the company currently exist to continue funding operations. The company requires additional capital to expand operations to a level where revenues sufficient to sustain operations can be generated.

Contingent upon the availability of additional capital to expand operations, the company will market its Credit Card processing and related services in an effort to develop some significant level of revenue to sustain operations.

Controls and Procedures

Direct Response Financial Services, Inc. management, including the Principal Executive Officer and Principal Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures pursuant to Exchange Act Rule 13a-14(c) and 15d-14(c). This evaluation was conducted within 90 days prior to the filing of this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this quarterly report has been made known to them in a timely fashion. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date the Principal Executive Officer and Principal Financial Officer completed their evaluation.

OTHER INFORMATION**Item 1. Legal Proceedings**

Direct Response Financial Services, Inc. has never been in bankruptcy, receivership or any similar legal proceeding, and is not subject to any pending legal proceedings. Direct Response Financial Services is not aware of any threatened legal proceedings. The foregoing is also true, to the knowledge of the company, with respect to each officer, director and control shareholder as well as any entity owned by any officer, director and control shareholder.

Share Issuances

On January 24, 2003 the company's former president, Rodney Ray, issued 1,000,000 common shares to TRG Marketing Consultants, Inc., an entity controlled by him. These shares have recently been returned to the company for cancellation. The company sought the return of the shares on the basis that the shares were issued without consideration. Mr. Ray resigned as president effective April 6, 2003 and resigned as a board member as of May 7, 2003.

Convertible Debenture

In January 2003 as amended on May 19, 2003, Direct Response Financial Services, Inc sold an 8% convertible debenture for \$150,000, due January 2005. Interest on the debenture is payable monthly. No assets have been pledged as security and the note cannot be prepaid.

The Company has not complied with certain provisions of the agreements; the agreement includes a provision for a registration statement to be filed by the Company within 90 days of the closing of the agreement. The company has not complied with these provisions and by the terms of the agreements is subject to acceleration of the debt, penalties and liquidated damages clauses, which are substantial.

The debenture holder has retained \$50,000 of the proceeds for legal and accounting fees associated with the debenture its conversion and the registration.

Direct Response Financial Services, Inc. has not received any notice of default from the debenture holder as required by the agreements. The company continues to be in communication with the debenture holder and expects to have a registration statement filed soon. The agreements associated with this debenture have been filed as an exhibit to the report on for 10KSB filed by the company for the period ended January 31, 2003.

Item 2. Changes in Securities and Use of Proceeds

In March and April of 2003, the Company issued 749,334 shares of common stock in payment of services. The shares were valued at estimated fair value of \$403,280 (weighted average \$.54 per share) based on quoted market prices on the date of the transactions.

Included in the shares issued above were 400,000 shares issued to former officers and directors, valued at \$276,000.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

Reports on Form 8-K

None during this reporting period.

Exhibits

Direct Response Financial Services includes herewith the following exhibit:

- 99.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.2 Certification of Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the Exchange Act, the registrant has caused this report to be signed on its behalf by the following undersigned, duly authorized.

Direct Response Financial Services, Inc.

Registrant

Date: September 12, 2003

By: /s/ Gregory Rotelli, President

Gregory Rotelli, President and Director

Date: September 12, 2003

By: /s/ Ted Kozub, Principal Accounting Officer

Ted Kozub, Principal Accounting Officer and Director

CERTIFICATION

I, Ted Kozub, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Direct Response Financial Services, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 12, 2003

/s/ Ted Kozub

Ted Kozub
Principal Accounting Officer

CERTIFICATION

I, Gregory Rotelli, certify that:

1. I have reviewed this quarterly report on Form 10-KSB of Direct Response Financial Services, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 12, 2003

/s/ Gregory Rotelli

Gregory Rotelli
Principal Executive Officer