

PINK OTC MARKETS

**DALRADA FINANCIAL CORPORATION
(A Delaware Company)**

ANNUAL REPORT:

For the Fiscal year ended June 30, 2011

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Part A General Company Information

Item (1): The exact name of the issuer and its predecessor (if any):

The exact name of the Issuer is Dalrada Financial Corporation

Name Change history:

- April 2, 2004: Imaging Technologies Corporation to Dalrada Financial Corporation
- May 1995 to Imaging Technologies Corporation
- May 1983 Incorporated as Principal Computer Products, Inc.

Item (II): The address of its principal executive offices:

11956 Bernardo Plaza Drive #516
San Diego, CA 92128

Item (III): The state and date of the issuer's incorporation or organization:

The issuer is a Delaware Corporation Incorporated in May 1983

Part B Share Structure

Item (IV): The exact title and class of securities outstanding.

Security Symbol:	DFCO
CUSIP Number	45244U401
Common Stock:	1,000,000,000 authorized
Preferred Stock:	7,500 authorized

NO CUSIP number for the preferred.

Item (V): Par or stated value and description of the security

There are One Billion (1,000,000,000) shares of Common Stock authorized at \$.005 per share. Holders of the common stock are entitled to one vote for each share held in the election of directors and in all other matters to be voted on by shareholders. Stockholders have cumulative voting rights in the election of directors. Holders of common stock are entitled to receive dividends as may be declared from time to time by our board of directors out of funds legally available. In the event of liquidation, dissolution or winding up, holders of common stock are to share in all assets remaining after the payment of liabilities.

The holders of common stock have no preemptive or conversions rights and are not subject to further calls or assessments. There are no redemption or sinking fund provisions applicable to the common stock. The rights of the holders of the common stock are subject to any rights that

may be fixed for holders of preferred stock. All of the outstanding shares of common stock are fully paid and non-assessable.

The holders of the outstanding shares of common stock are entitled to receive dividends out of assets legally available at such times and in such amounts as the Board of Directors may from time to time determine, subject to the rights of the holders of our preferred stock. Upon our liquidation, dissolution, or winding up, our assets, which are legally available for distribution to the stockholders, will be distributed equally among the holders of the shares.

There are 7,500 shares of preferred stock authorized at \$1,000 par value per share. There are currently zero shares outstanding. The rights of the preferred shareholders are to be determined by the Board of Directors.

Item (VI): The number of share or total amount of the securities outstanding for each class of securities authorized.

Most Current Fiscal Year:

(i)	As at:	June 30, 2010
(ii)	Total Authorized Common:	1,000,000,000
	Total Authorized Preferred:	7,500
(iii)	Total Outstanding	
	Common:	47,717,970
	Preferred:	0
(iv)	Free Trading	
	Common:	39,217,970
	Common Restricted:	8,500,000
(v)	Beneficial Shareholders:	approximately 499
(vi)	Number of Shareholders	529

Prior Year: Same information

Part C: Business Information

Item (VII): The name and address of the transfer agent:

*Standard Registrar and Transfer Company, Inc.
12528 South 1840 East
Draper, Utah 84020
Telephone: (801) 571-8844*

Standard Registrar and Transfer Company, Inc. is currently registered under the Exchange Act and is an SEC approved transfer agent.

Item (VIII): The nature of the issuer's Business.

A. Business Development

Dalrada Financial Corporation (the "Company") was incorporated under the laws of the State of Delaware in May 1983 under the name Principal Computer Products, Inc. Subsequently, its name was changed to Imaging Technologies Corporation and in 2004, changed to its present name, Dalrada Financial Corporation. It is currently not a reporting issuer with the United States Securities and Exchange Commission.

The Company's principal business from 2001 to 2010 was to provide financial services to Staffing and Professional Employment Organizations as well as to offer Staffing and Professional Employment services directly to clients. The primary services were comprised of payroll processing; worker's compensation insurance, other employee related benefits and earned administration fees. Dalrada also provides a non-qualified Deferred Compensation Plan for key clients.

In 2010, Dalrada commenced providing management consulting services to three clients it secured. The consulting services consisted of:

- Consulting CFO advice
- Workers' Compensation Administration
- Human Resource Consulting
- Legal Consulting with respect to Labor Law
- Systems and IT Consulting

The consulting service for the periods reported represent essentially all of the business activity of the Company.

1. The form of organization of the issuer:

Dalrada Financial Corporation is a Delaware corporation

2. The Year that the Issuer (or any predecessor) was organized:

The Company was incorporated in May 1983 as Principal Computer Products, Inc. In May 1995, the Company changed its name to Imaging Technologies Corporation. On April 4, 2004 the Company changed its name to Dalrada Financial Corporation.

3. Issuer's fiscal year end date:

Our fiscal year end is June 30,

4. Whether the issuer (and or any predecessor) has been in bankruptcy, receivership or any similar proceedings:

The Company has never been in bankruptcy, receivership or any similar proceedings with the exception of a loan workout agreement with Comerica Bank in 1999 which was settled and paid.

5. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business:

None

6. Any default of the terms of any note, loan lease, or other indebtedness or financing arrangement requiring the issuer to make payment:

None

7. Any change of control:

As a result of the circumstances described in item 5 above, the number of outstanding shares has decreased; however, there is no single "Control Person or Entity" as defined by the Security and Exchange Commission

8. Any increase in 10% or more of the same class of outstanding equity securities:

Certificate of Incorporation was amended April 2, 2005 pursuant to which the total authorized shares increased to 1,000,000,000 shares together with a reverse split of outstanding and issued shares of 200:1. All shares are common with a par value of \$.005.

9. Describe any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization:

As discussed in item 8 above, the Company concluded a reverse split of its common stock at a ratio of 200:1. There are no further pending items related to this item.

10. Any delisting of the issuer's securities by any securities exchange or NASDAQ or deletion from the OTC Bulletin Board:

The Company's securities have been de-listed by the OTC Bulletin Board due to its inability to file timely Forms 10-KSB and Forms 10QSB within the prescribed time requirements.

11. Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations. Any current, past or pending trading suspensions by a securities regulator"

There are no current, past, pending or threatened legal proceedings or administrative actions either by or against the Company that could have a material effect on the Company's business, financial condition or operations. All judgments and liabilities are reflected in the unaudited financial statements and notes thereto.

(B) Business of Issuer. Describe the Issuer's business so a potential investor can clearly understand it. Please also include, to the extent material to an understanding of the issuer, the following specific items:

The Company commenced providing management consulting services to clients in similar lines of business that the Company had participated in. Please refer to Note 1 of the unaudited financial statements for a description. At present, management consulting services is the primary line of business for the Company.

1. The issuer's Primary and secondary SCI Codes:

Primary – 0742

Secondary - None

2. If the issuer has never conducted operations, is it in the development stage or is currently conducting operations:

Our PEO business is currently on hold until additional capital can be raised, however we are currently providing financial products and management consulting services.

3. Is the Issuer is considered a "shell company" pursuant to SEC Rule 405 of the Securities Act of 1933?

The issuer is not a "shell company" pursuant to SEC Rule 405 of the Securities Act of 1933.

4. State the names of any parent, subsidiary, or affiliate of the issuer, and describe its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this disclosure:

None

5. The effect of existing or probable governmental regulations on the business:

We do not see a favorable or unfavorable impact resulting from recent or pending governmental regulations.

6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities are borne directly by customers:

None

7. Cost and effects of compliance with environmental laws (federal, state and local)

We currently are not subject to compliance with any federal, state of local laws related to environmental compliance.

8. Number of total employees and the number of full time employees:

We currently have 0 full-time employees and anticipate hiring outside contractors.

Item (IX) The nature of the products or services offered:

- A. Principal products or services and their markets:

We provide management consulting services to clients in similar businesses as described above.

- B. Distribution methods of the products or services:

We intend to develop strategic relationships with other Staffing and PEO providers which can benefit from our consulting expertise.

- C. Status of any publicly announced new product or services:

None at this time

- D. Competitive business conditions, the Issuer's competitive position in the Industry, and the methods of competition:

We will be operating in a highly competitive industry, competing with major Staffing and PEO firms such as Administaff, Barett Business Services and Applied Data Processing

- E. Sources and availability of raw materials and the names of principal suppliers:

Not Required

- F. Dependence on one or a few major customers;

None

- G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration:

None

- H. The need for any government approval of principal products or services:

We are not currently subject to any governmental approval for any of our products or services.

Item (X): The Nature and extent of the Issuer's facilities

1. Describe the general character and locations of all materially important properties held or intended to be acquired by or leased to the Issuer and describe the present or proposed use of such properties and their suitability and adequacy for such use.

*We lease office space in the San Diego area only.
The term of the lease is month to month.*

2. State the nature of the Issuer's title, or other interest in, such properties and the nature of the Issuer's title thereto, or other interest in, such properties and the nature and amount of all material mortgages, liens or encumbrances against such properties. Disclose the current principal of each material encumbrance, interest and amortization provisions, prepayment provisions, maturity date and the balance due at maturity assuming no payments:

We do not hold title to any real estate properties. Accordingly, we do not have any mortgages, liens or encumbrances against such properties.

3. Outline briefly the terms of any lease or any of such properties or any option on contract to purchase or sell and such properties:

None

4. Outline briefly any proposed program for renovation, improvement or development of such properties, including the estimated cost thereof and method of financing to be used. If there are no present plans for the improvement or development of any unimproved or undeveloped property, so state and indicate the purpose for which the property is to be held or acquired:

We have no properties and accordingly, the answer is NONE

5. Describe the general competitive conditions to which the properties are or may be subject:

See 4 above.

6. Include a statement as to whether, in the opinion of the management of the Issuer, the properties are adequately covered by insurance:

As we have no properties, no insurance is required.

7. With respect to each improved property which is separately described, provide the following in addition to the above:

Not applicable see 4 above.

Part D Management Structure and Financial Information

Item (XI): The Name of the Chief Executive Officer, members of the board of directors, as well as control persons.

A. Officers and Directors

Business address for all executive officers and directors is:

*11956 Bernardo Plaza Drive #516
San Diego, CA 92128*

Executive Officer:

Brian Bonar, Chief Executive Officer and Chairman of the Board of Directors. Mr. Bonar has held this post since 2001. Mr. Bonar has over 18 years of experience with IBM in Europe, Asia and the USA and an additional 21 years in high growth companies both private and public in various locations in the USA and the United Kingdom. From 2003 until 2006, Mr. Bonar was the Chairman and CEO of The Solvis Group, which provides staffing, PEO and ASO services to mainly the medical and call centre market segments. From September 2007 until 2009, Mr. Bonar was the President and a member of the board of directors of Allegiant Professional, a publicly traded company. Also from September 2007 until 2009, Mr. Bonar founded AMS Outsourcing, a PEO focusing mainly in the transport market place and also established an international presence in the Czech Republic and Mexico. From 2004 to 2009, he was a member of the board of directors of the following companies and organizations: The Solvis Group, Warning Management Corporation, Dalrada Financial Corporation, American Marine LLC, Alliance National Insurance Company, Smart-Tek Solutions, Inc., and The Boys and Girls Club of Greater San Diego. Mr. Bonar holds a BSC in Mechanical Engineering from the Strathclyde University, Glasgow Scotland and a MBA and a PHD in the field of International Business Development Studies from the Stafford University, England UK.

Directors: *Present Directors of the Company are:*

- 1). Brian Bonar, Chairman of the Board (see above)*
- 2). Ira Frohman - Director*

Mr. Frohman has extensive experience in the Service industry. Ranging from Food Service, Commercial and Industrial Real Estate Management and, most recently, Home Improvement and Development. He holds a Bachelor of Science in Hospitality Management.

Compensation

Officer and Directors do not receive compensation

The following table sets forth the ownership for each class of equity securities of the issuer owned beneficially and of record by all directors and officers of the issuer.

<u>Owner</u>	<u>Title or Class</u>	<u>Amount Owned</u>	<u>Percentage of Voting Shares</u>
Brian Bonar	Common	5,000,000 restricted	10.5%

B. Legal/Disciplinary History

Please also identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses):

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such persons involvement in any type of business, securities, commodities, or banking activities:

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the SED, the CFTC, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

None

C. Disclosure of Family Relationships

Describe any relationships existing among and between the issuer's officers, directors and shareholders:

None

D. Disclosure of Related party Transactions

None

E. Describe any related party transactions or conflicts of interest

None

Item (XII): Financial Information for the issuer's most recent fiscal period.

The following financials are included and attached hereto and incorporated herein by reference:

- *Balance Sheet for June 30, 2011*
- *Statement of Cash Flows for the period June 30, 2011*
- *Statement of Results of Operations for July 1 2010 through June 30, 2011*
- *Statement of Stockholder's Equity as of June 30, 2011*
- *Retained Earnings Detail as of June 30, 2011*
- *Footnotes to financial statements*

Item (XIII): Similar financial information for such part of the two preceding fiscal years of the issuer or its predecessor has been in existence.

The following financials are included and attached hereto and incorporated herein by reference:

- *Balance Sheet for June 30, 2010*
- *Statement of Cash Flows for the period June 30, 2010*
- *Statement of Results of Operations for July 1 2009 through June 30, 2010 and July 1, 2010 through June 30, 2011*
- *Statement of Stockholder's equity as of June 30, 2011*
- *Retained Earnings Detail as of June 30, 2011*
- *Footnotes to financial statements*

Item (XIV): Beneficial Owners

There are no owners of greater than 5% of the Company's issued and outstanding stock except for Mr. Bonar, Chief Executive Officer and Chairman of the Board. He holds a beneficial interest of 5,000,000 restricted shares as of June 30, 2011 and as of the date of this filing.

Item (XV): The name, Address, telephone number and email address of each of the following outside providers that advise the Issuer on matters relating to the operations, business development and disclosure

1 *Investment Banker*

Does not apply to the Company

2 *Promoters*

None at this time

3 *Counsel*

*Naccarato & Associates
Owen M. Naccarato, Esquire
1100 Quail Street, Suite 100
Newport Beach, California 92660*

4 *Accountant*

Accounting Services are provided by consultants to the Company

5 *Public Relations Consultant(s)*

None at this time

6 *Investor Relations*

Investor Relations are provided by Mr. Brian Bonar, Chairman and CEO.

7 *Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement*

None

Item (XVI): Management's Discussion and Analysis of Plan of Operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (In thousands, except share data)

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto included in this report. The statements contained in this

report that are not purely historical are forward-looking statements which would include, but not be limited to, statements regarding our expectations, hopes, intentions or strategies regarding the future. Forward-looking statements include statements regarding: future product or product development; future research and development spending on our product development strategies, and are generally identifiable by the use of the words “may”, “should”, “expect”, “anticipate”, “estimates”, “believe”, “intend”, or “project” or the negative thereof or other variations thereon or comparable terminology. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements (or industry results, performance of achievements) expressed or implied by these forward-looking statements to be materially different from those predicted. The factors that could affect our actual results include, but are not limited to, the following: general economic and business conditions, both nationally and in the regions in which we operate; competition’ changes in business strategy or development plans; our inability to retain key employees; our inability to obtain sufficient financing to continue to expand operations; and changes in demand for products by our customers.

Overview

Our business experiences significant liquidity problems and will continue to do so until satisfactory funds can be raised through the sale of its stock to the public or through debt financing.

As important, the Company lost one of its largest clients in early April 2011. As such, the Company may not be a going concern unless additional capital or trade credit is secured in the near future.

In March 2010, the Company negotiated a settlement with a former subsidiary and debt holder, the Solvis Corporation, whereby the remaining debt resulting from an original divestiture in 2006 as adjusted for the paragraph above, was forgiven. Accordingly, the Company recorded as a forgiveness of debt aggregating \$3,240.

TRADITIONAL OPERATIONS

PLAN OF OPERATION

Short-Term Strategy

Our current strategy is to secure additional management consulting contracts with other firms in a similar line of business as the Company participated in. Management Consulting Services has provided operating income to the Company in 2010 and Management intends to expand this business level.

Our future goal is to secure new clients and obtain a competitive workers' compensation policy which will be the main basis for our revenue flow. In addition, we will secure a portfolio of financial products to offer their employees and derive a fee revenue stream from such activities.

To successfully execute our current strategy, we will need to improve our working capital position. The notes to the financial statements attached to this document disclose a going concern disclosure which stipulates that access to adequate working capital is necessary for the Company to continue in operation and to secure the business base necessary to grow the business back to the levels it maintained prior to the September 14, 2007 foreclosure.

There can be no assurance that we will be able to complete any additional debt or equity financings on favorable terms or at all, or that any such financings, equity or convertible debt financings could result in substantial dilution to our shareholders. If adequate funds are not available, we may be required to delay, reduce or eliminate some or all of our planned activities, including any potential mergers, acquisitions or strategic relationships. Our inability to fund our capital requirements would have a material adverse effect on the Company.

RESULTS OF OPERATIONS

(All numbers in thousands except share amounts)

Year Ended June 30, 2010 Compared to June 30, 2009

Revenue:

For the years ending June 30, 2011 and 2010, revenues were approximately \$1,744 and \$869 respectively, for an increase of \$875 (101%) over the same period in 2010. The increase in revenue is primarily attributable to 2010 revenue consisting of management consulting fees, a process the Company commenced in March 2010 as compared to a full year of management consulting fees for the fiscal year of 2011.

Cost of goods sold:

Cost of goods sold for the years ended June 30, 2011 and 2010 were \$956 and \$389 respectively, for an increase of \$567 (146.0%) over the same period in 2010.

The cost of sales consists of consultant subcontracted payroll costs and travel expenses associated with consulting activities. There were no costs associated with fee income. The increase corresponds with the increase in revenue for the year.

Operating Expenses:

Operating expenses for the years ended June 30, 2011 and 2010 were \$661 and \$129 respectively for an increase of \$532 (412%).

The operating expense increase in fiscal 2011 was due primarily to the increase in allowance for bad debts combined with a full year of operating expenses related to management consulting expenses for a full year.

Other income and expense:Gain on extinguishment of debt

Gain on extinguishment of debt the years ended June 30, 2011 and 2010 were \$501 and \$5,303 respectively for a decrease of \$727 (91%). The gain reflected in 2011 represents old judgements which have expired and stale accounts payable amounts.

In connection with its inability to maintain its business as a going concern, The Solvis Corporation terminated operations and liquidated its remaining obligation from the Company of \$3,240. The Company recorded this liquidation as a forgiveness of debt in the year ended June 30, 2010.

Loss on impairment of assets

The Company did incur a loss on evaluating its remaining intangible assets during the year ended June 30, 2011.

The Company evaluated one of its investments in subsidiaries and determined that it should appropriately written off based upon the criteria discussed elsewhere in this report. The amount charged to income was \$125.

Gain on adjustment of payroll taxes:

The Company conducted a detailed reconciliation of its payroll tax liabilities to Internal Revenue Service (IRS) transcripts and adjusted its liabilities to the IRD balances. Such reconciliation resulted in a credit to other income of \$500 for the year ended June 30, 2010.

Liquidity and capital resources:

Historically, we have financed our operations primarily through cash generated from operations, debt financing and the sale of equity securities with the primary source of funding our operating expenses through the issuance of Company common stock. As of

June 30, 2011 we have no specific means of generating cash other than through management consulting revenue. However, we expect to, once a business base can be restored, to provide operating cash from our traditional lines of business enhanced by aggressive Workers' Compensation premium sales. Our success is contingent on our securing a business base and/or other financial products which will provide positive cash flow. As of June 30, 2010 we have no specific means of generating cash other than through the issuance of the Company's stock. We have no material commitments for capital expenditures. Our capital requirements depend on numerous factors, including market acceptance of our products and services, the resources we devote to marketing and selling our products and services, and other factors.

Risk Factors

As previously discussed, the Company has been relatively dormant since its principal creditor seized all of the assets of the Company until it commenced its management consulting services. In addition, the financial condition of the Company's largest client will hamper the ability to grow, much less remain profitable.

The Company no longer has access to its own worker's compensation and, subject to its continuing availability, will need to have access or ownership of a suitable policy to move forward in this business area.

If such policy is not available, the risk of failure in rebuilding the client base is high.

Governmental regulations which could be promulgated in the future could negatively impact the ability for the Company to conduct its business as described.

As evidenced in the unaudited financial statements appended to this filing, the Company has a negative equity and must be able to raise additional capital, increase business or a combination of both in order to remain a going concern. Combined with the loss of its primary client, the ability to remain a going concern is at significant risk.

Off-Balance Arrangements:

There are no such arrangements at this time.

Part E Issuance history

Item (XVII): List of securities offerings and shares issued for services in the past two years.

Common Shares:

Issuances:

- 1,500,000 shares of common stock for consulting services in 2010

Part F Exhibits

Item (XVIII): Material Contracts

A. Every material contract, not made in the ordinary course of business that will be performed after the disclosure document is posted on the Pink Sheets News Service or was entered into not more than two years before such posting.

- 1) Any contract to which directors, officers, promoters, voting trustees, security holders named in the disclosure document, or the Designated Advisor for Disclosure are parties other than contracts involving only the purchase or sale of current assets having a determinable market price, at such market price.

Not applicable

- 2) Any contract upon which the Company's business is substantially dependent, including but not limited to contracts with principal customers, principal suppliers, and franchise agreements.

Not applicable.

- 3) Any contract for the purchase or sale of any property, plant or equipment for consideration exceeding 15 percent of such assets of the Company.

There are no existing or pending contracts related to the Company

- 4) Any material lease under which a part of the property described in the disclosure document is held by the Company.

Not applicable

Item (XIX): Articles of Incorporation and Bylaws

- a. Articles of Incorporation are attached to this filing Exhibit A
- b. By-laws are attached to this filing as Exhibit B

Item (XX): Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable

Item (XXI): Issuer's Certification

I Brian Bonar certify that:


I have reviewed this Initial Company and Disclosure Statement of Dalrada Financial Corporation

1. Based upon my knowledge and belief, this disclosure statement does not contain any untrue statements made, in light of the circumstances under which such statements were made not misleading with respect to the period(s) covered by this disclosure statement; and
2. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for the periods presented in this disclosure statement.
3. The undersigned hereby certifies that the information herein is true and correct to the best of their knowledge and belief:

Dated this 11th day of August, 2011

DALRADA FINANCIAL CORPORATION

Certified by:


Brian Bonar, CEO and Chairman

Name: Brian Bonar
Position: CEO and Chairman
Phone: 877-325-7232
E-Mail: Bbonar@Dalrada.com
Web-page: www.dalrada.com

SECTION II – Dalrada Financial Corporation Compiled Financial Statements and notes thereto for the periods ending June 30, 2011 and 2010, respectively and Balance Sheets for the periods then ended.

DALRADA FINANCIAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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DALRADA FINANCIAL CORPORATION

BALANCE SHEETS

AS OF JUNE 30, 2011 AND 2010

(in thousands, except share data)

(unaudited)

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11	\$ 7
Accounts receivable, net of allowance	497	115
Prepaid expenses	-	-
Due from affiliates	1	245
TOTAL CURRENT ASSETS	<u>509</u>	<u>367</u>
FIXED ASSETS		
Office Furniture and Equipment	23	-
Less Accumulated Depreciation	<u>(2)</u>	<u>-</u>
TOTAL FIXED ASSETS	<u>21</u>	<u>-</u>
INVESTMENT IN SUBSIDIARY	100	225
WORKER'S COMPENSATION DEPOSIT	-	-
TOTAL ASSETS	<u>\$ 630</u>	<u>\$ 592</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Cash overdraft	\$ -	\$ -
Accounts payable	88	1
PEO payroll taxes and other payroll deductions	7,617	7,769
Accrued compensation	760	760
Other accrued expenses	533	1,123
Due to affiliates	<u>306</u>	<u>241</u>
TOTAL CURRENT LIABILITIES	<u>9,304</u>	<u>9,894</u>
TOTAL LIABILITIES	<u>9,304</u>	<u>9,894</u>
COMMITMENTS AND CONTINGENCIES		
	-	-
STOCKHOLDERS' DEFICIT		
Series A convertible, redeemable preferred stock, \$1,000 par value, 7,500 shares authorized 0 shares issued and outstanding	-	-
Common stock: \$0.005 par value; 1,000,000,000 shares authorized, 47,717,790 and 46,217,970 shares issued and outstanding at June 30, 2009 and 2008, respectively	239	239
Additional paid-in capital	91,050	91,050
Accumulated deficit	<u>(99,963)</u>	<u>(100,591)</u>
TOTAL STOCKHOLDERS' DEFICIT	<u>(8,674)</u>	<u>(9,302)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 630</u>	<u>\$ 592</u>

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

DALRADA FINANCIAL CORPORATION
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(in thousands, except share data)
(unaudited)

	June 30,		June 30,
	2011		2010
	<u>(unaudited)</u>		<u>(unaudited)</u>
REVENUE	\$ 1,744	\$	869
COST OF REVENUE	\$ 956	\$	389
GROSS PROFIT	<u>788</u>		<u>480</u>
OPERATING EXPENSES			
Selling, general and administrative	661		129
TOTAL OPERATING EXPENSES	<u>661</u>		<u>129</u>
PROFIT (LOSS) FROM OPERATIONS	<u>127</u>		<u>351</u>
OTHER INCOME (EXPENSES):			
Gain on extinguishment of debt	501		5,303
Loss on impairment of assets	-		-
Gain on adjustment of payroll tax liabilities	-		500
TOTAL OTHER INCOME (EXPENSE)	<u>501</u>		<u>5,803</u>
PROVISION FOR INCOME TAXES	-		-
NET INCOME	<u>628</u>		<u>6,154</u>
EARNINGS PER SHARE - BASIC AND DILUTED	<u>\$ 0.01</u>	<u>\$</u>	<u>0.13</u>
WEIGHTED AVERAGE COMMON EQUIVALENT SHARES OUTSTANDING - BASIC AND DILUTED	<u>47,717,970</u>		<u>46,405,470</u>

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

DALRADA FINANCIAL CORPORATION
STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(in thousands, except share data)
(unaudited)

	Common Stock		Additional	Accumulate d	Total
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in Capital</u>	<u>Deficit</u>	
Balance, June 30, 2009	46,217,970	\$ 231	\$ 91,056	\$ (106,745)	\$ (15,458)
Common stock issued for:					
Consulting services	1,500,000	8	(6)		2
Net income				6,154	6,154
Balance June 30, 2010	47,717,970	239	91,050	(100,591)	(9,302)
Net income				628	628
Balance June 30, 2011	47,717,970	239	\$91,050	(\$99,963)	(\$8,674)

DALRADA FINANCIAL CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(in thousands, except share data)
(unaudited)

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 628	\$ 6,154
Adjustment to reconcile net income to net cash provided by operating activities		
Common stock issued for consulting services	-	2
Gain on extinguishment of debt	(501)	(5,303)
Loss on impairment of assets	-	-
Gain on adjustment of payroll tax liabilities	-	(500)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(382)	(97)
Due from affiliates	244	(14)
Depreciation Expense	2	
Increase (decrease) in:		
Accounts payable and accrued expenses	(1)	(405)
Due to affiliates	(88)	170
Net cash provided by operating activities	<u>(98)</u>	<u>7</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for purchase of equipment	(23)	-
Impact of fair value of investments adjustment	125	
Net cash used in investing activities	<u>102</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in cash overdraft, net	-	-
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4	-
CASH AND CASH EQUIVALENTS, Beginning of period	<u>7</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, End of period	<u>\$ 11</u>	<u>\$ 7</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

Note 1 - Organization and Basis of Presentation

Organization and Line of Business

Dalrada Financial Corporation was incorporated in March 1982 under the laws of the State of California, and reincorporated in May 1983 under the laws of the State of Delaware.

The core business of the Company at present is in providing management consulting services to clients that are in the company's prior predominate business area. These services included both consultation as well as administration processing assistance in the following principal areas:

- Financial Statement Preparation, General Ledger processing and Internal Accounting Control recommendations.
- Clerical support for client accounts payable and receivable processing in accordance with client policies.
- Workers' Compensation claims management including administration of individual claims, settlement negotiations and investigations, and reporting. All actions undertaken in this are consist of recommendations to the client for their follow-up action.
- Preparation of payroll related tax returns for review and approval of client management.
- Human Resource consulting providing recommendations on specific areas of employment regulations.

Under no circumstances does the Company conduct decision making or direct activities of client financial or other operations. All services performed by the company are in the form of review and recommendations to the client management or administration processing as directed by the client's policies and procedures.

The Company's principal executive offices are located at 11946 Bernardo Plaza Drive #516, San Diego, CA 92123. The Company's main phone number is (858) 791-6200.

Segment Reporting

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information" requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. The Company determined it has one operating segment. Disaggregation of the Company's operating results is impracticable, because the Company's operating activities and its assets overlap, and management reviews its business as a single operating segment. Thus, discrete financial information is not available by more than one operating segment.

Use of Estimates

The preparation of the unaudited financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

PEO Service Fees and Worksite Employee Payroll Costs

The Company intends to rebuild this line of business. When such business is secured, the Company will recognize its revenues associated with its PEO business pursuant to EITF 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent." The Company's revenues will be reported net of worksite employee payroll cost (net method) primarily because the Company is not generally responsible for the output and quality of work performed by the worksite employees.

In determining the pricing of the markup component of the gross billings, the Company will also take into consideration its estimates of the costs directly associated with its worksite employees, including payroll taxes, benefits and workers' compensation costs, plus an acceptable gross profit margin. As a result, the Company's operating results will be significantly impacted by the Company's ability to accurately estimate, control and manage its direct costs relative to the revenue derived from the markup component of the Company's gross billings, when such business is secured.

Sale of Products

Revenue is recognized when earned. Our revenue recognition policies are in compliance with all applicable accounting regulations, including American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 97-2, Software Revenue Recognition, and SOP 98-9, Modification of SOP 97-2, Revenue from packaged product sales to and through distributors and resellers is recorded when related products are shipped. Maintenance and subscription revenue, if any, is recognized ratably over the contract period. When the revenue recognition criteria required for distributor and reseller arrangements are not met, revenue is recognized as payments are received. Provisions are recorded for returns and bad debts. Our software arrangements do not contain multiple elements, and we do not offer post contract support.

Comprehensive Income

The Company has adopted SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. During the years ended June 30, 2010 and 2009 the Company had no elements of comprehensive income.

Earnings per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. There were no potentially dilutive securities as of June 30, 2011 and 2010; therefore basic and Diluted earnings per share were the same. There were 7,330,000 and 0 warrants outstanding as of June 30, 2011 and 2010, respectively. There were no options outstanding at June 30, 2011.

Below is the computation of basic and diluted earnings per share:

	Year Ended June 30,				
	2011		2010		
	Income	Per Share	Income	Per Share	
		Shares		Shares	
Basic earnings per share					
Net income	628		56,154		
Weighted shares outstanding		47,717,970		46,405,470	
Net income per share		\$ 0.01		\$ 0.13	
Diluted earnings per share		N/A		N/A	
Net income attributed to common stockholders					
Weighted shares outstanding					
Net income per share					

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses related to this concentration of risk. At June 30, 2011, the Company did not have any deposits in excess of federally insured limits.

Accounts Receivable

The Company is required to make estimates of the collectability of accounts receivables. Management analyzes historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customers' payment tendencies when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of our customers deteriorates, resulting in an impairment of their ability to make payments, additional allowances may be required.

Stock-Based Compensation

The Company accounts for its stock-based compensation in accordance with SFAS No. 123R, "Share-Based Payment, an Amendment of FASB Statement No. 123." The Company recognizes in the statements of operations and other comprehensive loss the grant-date fair value of stock options and other equity-

based compensation issued to employees and non-employees. There were 7,330,000 and 0 warrants outstanding as of June 30, 2011.

Long-Lived Assets

The Company applies the provisions of the Financial Accounting Standards Board (the "FASB") Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of the Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations for a Disposal of a Segment of a Business." The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal. Based on its review, the Company believes that there were no significant impairments of its long-lived assets as of June 30, 2010.

Taxes

The Company utilizes SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the enactment date. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Company is able to realize their benefits, or that future deductibility is uncertain. There were no current or deferred income tax expense or benefits for the years ended June 30, 2011 or 2010.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, on January 1, 2007. As a result of the implementation of FIN 48, the Company made a comprehensive review of its portfolio of tax positions in accordance with recognition standards established by FIN 48. As a result of the implementation of Interpretation 48, the Company recognized no material adjustments to liabilities or stockholders' equity. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest

associated with unrecognized tax benefits are classified as interest expense and penalties are classified in selling, general and Administrative expenses in the statements of operations and other comprehensive loss. The adoption of FIN 48 did not have a material impact on the Company's financial statements.

Fair Value of Financial Instruments

On January 1, 2008, the Company adopted SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosures requirements for fair value measures. The carrying amounts reported in the balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of June 30, 2011, the Company did identify an assets which was required to be presented on the balance sheet at fair value. The Company reduced its investment in a subsidiary to zero (\$0) and reflected the impact in its income statement. There were no that are required to be presented on the balance sheet at fair value.

Note 2 - Going Concern

The accompanying unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As of June 30, 2011, the Company had a working capital deficit of \$8,759 and had a stockholders' deficit of \$8,674. In addition, the Company is delinquent on payroll tax obligations and has been sued by trade creditors for nonpayment of amounts due. These conditions raise substantial doubt about its ability to continue as a going concern. Management believes that it can continue to raise debt and equity financing to support its operations.

The Company must obtain additional funds to provide adequate working capital and finance operations.

However, there can be no assurance that the Company will be able to complete any additional debt or equity financings on favorable terms or at all, or that any such financings, if completed, will be adequate to meet the Company's capital requirements. Any additional equity or convertible debt financings could result in substantial dilution to the Company's stockholders. If adequate funds are not available, the Company may be required to delay, reduce or eliminate some or all of its planned activities. The Company's inability to fund its capital requirements would have a material adverse effect on the Company. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 3 – Convertible Debt Financing and Derivative Liabilities

Notes Payable

As part of the several financing transactions, the Company also issued warrants to purchase shares of stock at various exercise prices.

<u>Date of Warrants Issued</u>	<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Term of Warrants</u>
February 13, 2006	6,760,000	\$ 1.00	7 years
February 13, 2006 (1)	520,000	\$ 1.00	7 years
May 1, 2006 (2)	50,000	\$ 20.00	7 years

(1) = no debt associated with these warrants.

(2) = warrants issued in connection with SSL acquisition

Note 4 – Notes Payable

There were no notes payable as of June 30, 2011 and 2010.

During the year ended June 30, 2010, the Company recorded a gain on extinguishment of debt in its accompanying statements of operations in the amount of \$5,303.

Note 5 – Stockholders' Deficit

Stock Issuances

During the year ended June 30, 2010, the Company issued 1,500,000 shares of common stock for consulting services.

Common Stock Warrants

The following is a summary of the warrant activity:

	<u>Exercise Price Per Share</u>	<u>Underlying Common Shares</u>
June 30, 2009	\$1.00 - \$20.00	7,330,000
Granted	-	-
Canceled	-	-
Exercisable at September 30, 2009	\$1.00 - \$20.00	-

Note 6 – Loss on Impairment of Assets

The Company recognized a loss of \$125 during the year ended June 30, 2011

Note 7 – Related Party Transactions

The Company's CEO and Chairman, Mr. Brian Bonar, is also a member of the Board of Directors of Allegiant Professional Services, principal member of American Marine, LLC which provides the Company with its payroll and Human Resource and Workers' Compensation services and CEO and Chairman of Smart-Tek Communications, Inc. All of the aforementioned entities are clients of the Company.

Note 8 – Income Taxes

The Company's provision for income taxes is accounted for in accordance with SFAS 109. SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under the SFAS 109 asset and liability method, deferred tax assets and liabilities are determined based upon the difference between the financial statement and tax bases of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is then provided for deferred tax assets that are more likely than not to not be realized.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), on January 1, 2007. FIN 48 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on recognition, measurement, classification, interest and penalties, accounting in interim periods,

disclosure and transition issues. The adoption of FIN 48 had no impact on the Company's balance sheets or statements of operations.

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes were as follows for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Statutory federal income tax rate	34 %	34 %
State income taxes, net of federal taxes	6 %	6 %
Usage of deferred tax asset	<u>(40) %</u>	<u>(40) %</u>
Effective income tax rate	<u><u>-</u></u>	<u><u>-</u></u>

Significant components of deferred tax assets and (liabilities) are as follows:

	<u>2011</u>	<u>2010</u>
Deferred tax assets:		
Net operating loss-carry forwards	\$ 99,963	\$ 100,591
Valuation allowance	<u>(99,963)</u>	<u>(100,591)</u>
Net deferred tax asset	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

At June 30, 2011, the Company had federal and state net operating loss carry forwards available to offset future taxable income of \$100,591. These carry forwards will expire in the years 2013 - 2023. These net operating losses are subject to various limitations on utilization based on ownership changes in the prior years under Internal Revenue Code Section 382. The Company is in the process of analyzing the impact of the ownership changes but management does not believe they will have a material impact on the Company's ability to utilize the net operating losses in the future.

The Company periodically evaluates the likelihood of the realization of deferred tax assets, and adjusts the carrying amount of the deferred tax assets by the valuation allowance to the extent the future realization of the deferred tax assets is not judged to be more likely than not. The Company considers many factors when assessing the likelihood of future realization of its deferred tax assets, including its recent cumulative earnings experience by taxing jurisdiction, expectations of future taxable income or loss, the carry forward periods available to the Company for tax reporting purposes, and other relevant factors.

At June 30, 2011, based on the weight of available evidence, including cumulative losses in recent years and expectations of future taxable income, the Company determined that it was more likely than not that its deferred tax assets would not be realized and have a \$99,963 valuation allowance associated with its deferred tax assets.

The components of income tax expense are as follows:

	<u>2011</u>	<u>2010</u>
Current federal income tax	\$ 213	\$ 2,092
Current state income tax	-	-
Deferred taxes	(213)	(2,092)
Valuation allowance	-	-
	<u>\$ -</u>	<u>\$ -</u>

Future changes in the unrecognized tax benefit will have no impact on the effective tax rate due to the existence of the valuation allowance. The Company estimates that the unrecognized tax benefit will not change significantly within the next twelve months. The Company will continue to classify income tax penalties and interest as part of general and administrative expense in its statements of operations. There were no interest or penalties accrued as of June 30, 2011.