



Statement of financial condition

PI Financial (US) Corp.

(Expressed in U.S. dollars)

March 31, 2011

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Report of independent registered public accounting firm

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To the Board of Directors of PI Financial (US) Corp.

We have audited the accompanying statement of financial condition of PI Financial (US) Corp., as of March 31, 2011, and a summary of significant accounting policies and other explanatory information for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. 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 auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. 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 consideration of 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 PI Financial (US) Corp. as of March 31, 2011, and the results of its operations, changes in financial condition and changes in stockholder's equity for the year then ended in conformity accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Vancouver, Canada

May 25, 2011

Chartered accountants

PI Financial (US) Corp.

Statement of financial condition

(Expressed in U.S. dollars)

March 31

2011

2010

Assets

Current

Cash	\$ 3,529,990	\$ 2,790,650
Accounts receivable (Note 6)	136,626	42,898
Due from clients	51,515	-
Due from broker and dealer (Note 6)	-	104,788
Income taxes receivable	120,183	122,680
Prepaid expenses	2,069	5,081
	<u>\$ 3,840,383</u>	<u>\$ 3,066,097</u>

Liabilities

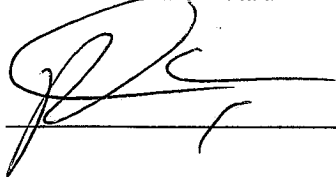
Current

Accounts payable and accrued liabilities	\$ 34,939	\$ 37,481
Due to clients	-	104,788
Due to broker and dealer (Note 6)	51,515	-
Income taxes payable	191,195	-
	<u>277,649</u>	<u>142,269</u>

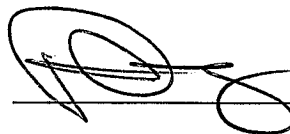
Stockholder's equity

Capital stock (Note 5)	1,225,100	1,225,100
Retained earnings	2,337,634	1,698,728
	<u>3,562,734</u>	<u>2,923,828</u>
	<u>\$ 3,840,383</u>	<u>\$ 3,066,097</u>

On behalf of the Board



Director



Director

See accompanying notes to the statement of financial condition.

PI Financial (US) Corp.

Notes to the statement of financial condition

(Expressed in U.S. dollars)

March 31, 2011

1. Nature of operations

PI Financial (US) Corp. (the "Company") is a broker/dealer registered under the Securities Exchange Act of 1934 and incorporated under the Business Corporations Act (British Columbia) on January 13, 2003.

PI Financial (US) Corp. became a registrant with the Financial Industry Regulatory Authority ("FINRA") of the United States of America on December 2, 2003.

2. Summary of significant accounting policies

a Generally accepted accounting principles

These financial statements are prepared in United States (U.S.) dollars, in accordance with accounting principles generally accepted in the United States of America.

b Basis of presentation

These financial statements are prepared based on settlement date basis regarding marketable security transactions and related revenues and expenses.

c Use of estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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 amount of revenues and expenses during the year. Actual results may differ from those estimates.

d Revenue recognition

Institutional sales revenue consists of revenue generated through commission based brokerage services provided to institutional clients, recognized on a settlement date basis.

Private placement revenue consists of commissions earned on private placements of securities. Commissions earned on private placements of securities are recorded when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable.

Corporate finance revenue consists of advisory fees. Revenue from advisory fees is recognized when services are performed.

Interest revenue consists of amounts earned on cash deposited in bank accounts. The interest is recognized as it is earned.

PI Financial (US) Corp.

Notes to the statement of financial condition

(Expressed in U.S. dollars)

March 31, 2011

2. Summary of significant accounting policies (continued)

e Foreign currency translation

The Company uses the Canadian dollar as its functional currency. These financial statements have been translated into U.S. dollars for regulatory purposes. Monetary assets and liabilities accounts denominated in Canadian dollars are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses denominated in Canadian dollars are translated at the exchange rate in effect at the transaction date. Gains and losses from currency translations are included in the determination of income for the year.

f Income taxes

Income taxes are accounted for using an asset and liability approach, which requires the recognition of taxes payable or refundable for the current period and deferred tax liabilities and assets for future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The measurement of current and deferred tax liabilities and assets is based on provisions of enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Deferred tax assets are reduced, if necessary, by a valuation allowance, where, based on available evidence, the probability of realization of the deferred tax asset does not meet a more-likely-than-not criterion.

g Accounting for uncertainty in income taxes

The Company recognizes uncertain tax positions that are more-likely-than-not (50% or greater), based on the technical merits of the position. With the adoption of this standard, the Company has performed a comprehensive review of all material tax positions in accordance with recognition and measurement standards established by FIN 48 (now known as ASC 740).

Based on this review, the provisions of FIN 48 did not have a material impact on the Company's financial statements.

3. Financial Instruments

The Company follows guidance under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") or ("Codification") Topic 820, *Fair Value Measurements and Disclosures*, with regard to financial assets and liabilities measured on a recurring basis. ASC Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

PI Financial (US) Corp.

Notes to the statement of financial condition

(Expressed in U.S. dollars)

March 31, 2011

3. Financial Instruments (continued)

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

4. Financial instruments

Fair value

The financial instruments consist of cash, accounts receivable, due from clients, due from broker and dealer, accounts payable and accrued liabilities, due to clients, and due to broker and dealer. The carrying value approximates fair value due to their short maturities.

Risk management

In the normal course of business the Company is exposed to credit risk, liquidity risk, market risk, fair value risk, interest rate risk and currency risk. These risks are managed in the following manner:

a *Credit risk*

The Company's exposure to credit risk arises from the possibility that a counterparty to a transaction might fail to perform under its contractual commitment, resulting in a financial loss to the Company. To minimize its exposure, the Company trades only for institutional investors, requires settlement of securities transactions on a delivery against payment basis, monitors credit exposures, and monitors the total value of transactions with counterparties.

As at March 31, 2011, all accounts receivable, due from clients and due from broker and dealer are current. Management believes that counterparty concentrations are in the normal course of business and are not unusual. No provisions have been made for any potential uncollectable accounts.

PI Financial (US) Corp.

Notes to the statement of financial condition

(Expressed in U.S. dollars)

March 31, 2011

4. Financial instruments (continued)

Risk management (continued)

b *Liquidity risk*

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's management oversees the liquidity risk management program to ensure the Company has access to enough readily available funds to cover its financial obligations as they come due. The Company's business requires capital for operating and regulatory purposes. The current assets reflected on the statement of financial condition are highly liquid. Client receivables are secured by readily marketable securities and are reviewed daily for impairment in value and collectability.

c *Market risk*

Market risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate because of changes in market prices. For purposes of disclosure, the Company segregates market risk into three categories: fair value risk, interest rate risk and currency risk.

Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. It is management's opinion that the Company is not exposed to significant fair value risk from these financial instruments.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments held by the Company. The Company is exposed to interest rate risk on the cash balances held.

Interest rate sensitivity analysis

The following table provides the effect on net income if interest rates were to decrease or increase by 100 basis points ("bp") for the year ended March 31, 2011, applied to the balances as of this date. This analysis assumes that all other variables remain constant. Due from/to clients and due from/to broker and dealer amounts do not bear interest so there is no interest rate risk on these balances.

		<u>2011</u>	<u>Effect of a 100 bp</u>	<u>Effect of a 100 bp</u>
		<u>Carrying</u>	<u>increase in</u>	<u>decrease in</u>
		<u>value</u>	<u>interest rates</u>	<u>interest rates</u>
			<u>on net income</u>	<u>on net income</u>
Cash	\$	3,529,990	\$ 35,300	\$ (31,646)

PI Financial (US) Corp.

Notes to the statement of financial condition

(Expressed in U.S. dollars)

March 31, 2011

4. Financial instruments (continued)

Risk management (continued)

c Market risk (continued)

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company incurs currency risk on financial instruments denominated in currencies other than their functional currency, which includes cash, client receivables and payables, and broker receivables and payables.

Currency risk sensitivity analysis

The following table summarizes the effect on net income as the result of a 5% change in the value of foreign currencies where there is significant exposure. This analysis assumes all other variables remain constant.

	<u>2011 Net exposure</u>	<u>Effect of a 5% increase in foreign exchange rate on net income</u>	<u>Effect of a 5% decrease in foreign exchange rate on net income</u>
Canadian dollar reflected in U.S. dollar equivalent	\$ 3,495,201	\$ (174,760)	\$ 174,760

5. Capital stock

2011

2010

Authorized

100,000,000 common shares without par value

Issued:

1,225,100 common shares

\$ 1,225,100 \$ 1,225,100

PI Financial (US) Corp.

Notes to the statement of financial condition

(Expressed in U.S. dollars)

March 31, 2011

6. Related party transactions

- a During the year ended March 31, 2011, the Company paid research and trading fees of \$203,207 (2010: \$111,322), clearing fees of \$85,471 (2010: \$52,511) and rent of \$59,158 (2010: \$55,300) to its parent Company, PI Financial Corp.
- b At March 31, 2011, amounts due to broker and dealer include \$51,515 (2010: \$ Nil) due to PI Financial Corp. At March 31, 2011, amounts due from broker and dealer include \$Nil (2010: \$104,788) due from PI Financial Corp.
- c At March 31, 2011, accounts receivable include \$96,253 (2010: \$39,087) due from PI Financial Corp.
- d During the year ended March 31, 2011, the Company paid dividends of \$250,000 (2010: \$500,000) to its parent Company, PI Financial Corp.

The above transactions occurred in the normal course of operations and were measured at the exchange amount as agreed to by the related parties.

7. Concentrations

For the year ended March 31, 2011, two (2010: one) customer(s) accounted for more than 10% of the Company's commission, private placement and corporate finance revenue totalling approximately \$792,000 (2010: \$120,500).

8. Capital requirements

The Company requires capital for operating and regulatory purposes including the funding of current and future operations. The capital structure is defined as stockholder's equity which is comprised of capital stock and retained earnings.

The Company's capital management framework is designed to exceed the level of capital that will meet the Company's regulatory capital requirements, fund current and future operations, and ensure that the Company is able to meet its financial obligations as they become due.

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule, which requires the maintenance of minimum net capital. The Company follows the primary (aggregate indebtedness) method under rule 15c3-1 with the K(2)(i) exemption which requires the Company to maintain minimum net capital equal to the greater of \$100,000 and one-fifteenth of aggregate indebtedness. As at March 31, 2011, the Company was in compliance with all minimum regulatory requirements.

Net capital is a non-GAAP measure and it is a prescribed calculation by the Securities and Exchange Commission's Uniform Net Capital Rule. As a result, the measure may not be comparable to similar measures prescribed by other companies.

PI Financial (US) Corp.

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9. Income tax

Under the International Financial Activity Act of the Province of British Columbia, certain operations of the Company qualify as prescribed activities for provincial tax relief thereby reducing the applicable statutory rate.

	2011	2010		2011	2010
	Percentage of Income				
Income taxes at the statutory rate	28.0	29.6	\$	293,557	\$ 253,853
International financial business recovery of provincial taxes	(8.5)	(2.8)		(89,046)	(24,273)
Effect of permanent differences	(4.5)	(21.8)		(46,901)	(188,149)
Rate differential and others	0.2	0.1		1,903	455
Income tax provision	15.2	5.1	\$	159,513	\$ 41,886

10. Subsequent events

The Company has evaluated its operations subsequent to March 31, 2011, through the audit report date and has determined there are no material subsequent events to disclose in the financial statements.



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