

Forestry Innovation Investment

2023/24

Annual Service Plan Report

August 2024



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Board Chair's Accountability Statement



The Forestry Innovation Investment 2023/24 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2023/24 - 2025/26 Service Plan published in 2023. The Board is accountable for those results as reported.

Signed on behalf of the Board by:

A handwritten signature in black ink that reads "R. Manwaring". The signature is written in a cursive, flowing style.

Rick Manwaring
Board Chair, Forestry Innovation Investment
August 2, 2024

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Letter from the Board Chair

In 2023/24, the operations of Forestry Innovation Investment (FII), including its goals, strategies, performance measures and targets, fully aligned with the Government's strategic direction to FII, as set out in the 2023/24 Mandate Letter from the Minister of Jobs, Economic Development and Innovation.

British Columbia's (B.C.) forest sector faced a downturn in industry activity across 2023/24 with a continued lag in global economic activity impacting the demand for forest products in key export markets. Alongside global dynamics, the Province has been working to modernize its forest policies—reflecting commitments to Indigenous Reconciliation, community engagement and sustainable forest management. To aid in the sector's transition to a smaller, higher-value industry, programs were delivered to support value-added production, enhance utilization and advance First Nations partnerships to ensure resiliency of communities across the province.

Throughout the year, FII and its Board met to discuss global and domestic market dynamics impacting the forest sector and FII's role in broader strategic initiatives to advance wood use in B.C. We have prioritized positioning the province as a global leader in low-carbon wood products and building solutions.

FII worked with staff in both the Ministry of Jobs, Economic Development and Innovation (JEDI) and the Ministry of Forests (FOR) to ensure continued alignment in meeting the priorities established by Government. This included ongoing work with B.C.'s Office of Mass Timber Implementation (OMTI) to advance the mass timber and engineered wood products sector, and to deliver the Mass Timber Demonstration Program.

We are pleased to report that in all operations during the year, FII demonstrated efficiency, accountability and integrity in the delivery of its programs. The company concluded the year having met all of its targets related to the 2021 Mandate Letter, and its core objectives established in the company's 2023/24–2025/26 Service Plan.



Rick Manwaring
Chair
August 2, 2024

Purpose of the Annual Service Plan Report

This annual service plan report has been developed to meet the requirements of the Budget Transparency and Accountability Act (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's [2021 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures and financial plan outlined in the Forestry Innovation Investment [2023/24 - 2025/26 Service Plan](#) and the actual results reported on in this annual report.

Purpose of the Organization

Forestry Innovation Investment (FII) is the Government of B.C.'s market development agency for forest products. FII works with the forest industry and government to maintain, create and diversify demand for B.C. forest products in Canada and in key world markets; promote B.C.'s forest products and forest management to the global marketplace; and help ensure that the forest sector, through innovation and strong international sales, continues to be a leading contributor to the B.C. economy.

In pursuing its mandate, FII uses a collaborative model for developing, funding and delivering its programs. Under this model, FII works with the B.C. forest industry, government and leading research institutions to grow exports to existing markets, such as the United States of America (U.S.), Japan, China and South Korea, while promoting the use of B.C. products in high-potential, emerging markets, such as India and Vietnam. This approach takes advantage of partner expertise and marketing networks and ensures program costs are shared with other organizations, including industry. FII also works closely with Trade and Invest BC and its network of Trade and Investment Representatives (TIRs) as well as Canadian Trade Commissioners in select global markets. By leveraging these partnerships, FII is able to lead a comprehensive effort to expand B.C.'s exports to major markets in Asia and North America and to foster greater capacity and innovation in the domestic manufacturing sector.

FII receives its mandate letter direction from JEDI and supports the Government's strategic direction to JEDI, FOR, and the Minister of State for Trade related to developing markets for B.C.'s forest products, including mass timber.

FII's mandate is closely aligned with a range of government priorities, with FII actively collaborating with and supporting other agencies and partners in areas of common interest. Collaboration with OMTI, FOR and agencies across government is helping to advance the use of engineered wood products and mass timber wood building solutions. Expanding the use of

mass timber products at home in B.C., and in export markets, contributes to the Province's green building objectives and to securing greater value from B.C.'s forest resource. Work with BC Housing, the Office of Construction of Housing Standards and the Ministry of Housing supports the expansion of building codes and the development of taller mass timber building solutions to enhance affordability objectives and the availability of rental housing in the Province. FII shares objectives with CleanBC and focuses on initiatives to improve the performance of B.C.'s built environment.

Across all activities, FII is committed to advancing Indigenous reconciliation, and diversity, equity and inclusion principles. In doing so, FII works with the B.C. government, partners and First Nations to understand the diverse needs of different groups to ensure equitable access, and to explore opportunities to make a positive impact.

Details on FII's mandate, governance, goals and values, locations, and organizational structure are available at www.bcfii.ca, as are previous Service Plans and Annual Service Plan Reports. Details on FII's subsidiaries can be found in [Appendix B](#).

Operating Environment

B.C.'s forest industry continued to experience a downturn in 2023/24, impacting production and forest product exports. A post-pandemic lag in economic activity and the effects of higher interest rates on construction activity, geopolitical relations, and low global prices combined with competition from other wood supply regions all influenced the demand for B.C. forest products. Despite the retraction, the forest sector continued to play a critical role in supporting B.C.'s economy with forest product exports totalling \$11.2 B in 2023, representing 20 per cent of B.C.'s total commodity exports¹.

In B.C., unprecedented wildfires affected communities across the province and drove further dialogue on the need for climate mitigation strategies and joint stewardship of the forest resource involving First Nations, government, industry, and communities. Forest policy modernization—focused on Indigenous Reconciliation, sustainable forest management, and protecting diverse forest values—and targeted programs to support the sector in its transition to a smaller, higher-value industry remained a priority. Government and industry partners worked together to expand the use of engineered wood and mass timber building systems while promoting the development of the value-added sector.

The U.S. remains B.C.'s largest export market for lumber and value-added products, with total exports of all forest products totalling more than CAD \$6.6 B in 2023. Despite higher interest rates and a suppressed housing construction market, B.C. wood products continued to play a prominent role in the construction market with 72 per cent of B.C. lumber and 96 per cent of value-added exports shipped south of the border. Alongside the growing recognition of the environmental benefits of building with wood, the adoption of mass timber and taller wood buildings continued to expand in the U.S. market with opportunities for B.C. wood products in the multi-family/multi-storey residential and non-residential construction segments. The

¹ B.C. Stats, 2023.

softwood lumber trade dispute with the United States continued with average duties of eight per cent on Canadian lumber shipments ².

Japan was B.C.'s largest offshore lumber market by monetary value in 2023 and second largest market for B.C.'s value-added wood sector³. Despite this, Japan's weak economy and slowing housing market⁴ presented strong headwinds for B.C. forest products across the year. While B.C. is a top supplier to the market, competition remains fierce from both domestic production and other exporting nations, particularly European suppliers. Trends favouring green and prefabricated building solutions, as well as recent government policy encouraging wood use in public buildings, is presenting opportunities for B.C. wood products in hybrid, multi-family/multi-storey and non-residential construction. B.C. remains Japan's second largest supplier of wood pellets, helping to support the country's efforts to replace nuclear energy.

In China, B.C. forest product imports were down 11 per cent by value in 2023—reflective of a general slowdown of the Chinese economy and an ailing real estate sector impacting construction activity. Canadian pine products continue to be impacted by stringent [phytosanitary requirements](#) and reduced port access into China⁵. Despite these constraints, the volume of softwood lumber B.C. exported to China saw a slight rebound, increasing 15 per cent in 2023. Increasing urbanization and carbon reduction targets are escalating the emphasis on prefabrication and green building solutions/materials, creating new higher-value market opportunities for B.C. wood products and wood building technologies. China remains B.C.'s most important market for pulp and paper exports, with over 50 per cent of exports going to the market. Over the past five years, U.S. supply to China has declined steeply with Brazil and Indonesia coming to the forefront as Canada's main pulp competitors.

India's demand for wood products continued to expand alongside an overall economic growth of 7.8 per cent in 2023⁶. While the volumes are still modest, India represented the highest value per cubic metre market for B.C. softwood in 2023 at \$550 (\$CAD/m³) with coastal species representing 86 per cent of the volume. A diminishing supply of global hardwoods is creating an opportunity to introduce B.C. softwood species for use in manufacturing applications, such as furniture, doors, windows and interior finishings. While market barriers such as distance and price sensitivity exist, the longer-term potential remains promising.

As the second largest exporter of wooden furniture in the world, and facing similar hardwood supply constraints as India, Vietnam presents a significant opportunity for B.C. As exports of value-added products to the U.S. and Europe are subject to laws with respect to traceable, sustainable, legal fibre, B.C. softwoods are well positioned to meet this demand. In 2023, 75 per cent of B.C. exports to Vietnam were high-value coastal species making the value per

² Note, some companies have their own specific duty rate which varies slightly from this figure.

³ Value-added refers to products manufactured beyond the primary stage, (lumber, basic panels and other commodity products). This includes everything from furniture, doors and windows, shakes and shingles, to millwork and cabinets. It also includes non-commodity next-generation engineered products such as dowel-laminated timber and cross-laminated timber.

⁴ Total housing starts in Japan were down 4.6 per cent in 2023. Japan Lumber Reports, February 2024.

⁵ The restrictions impact pinewood log and lumber imports from seven countries, including Canada, Japan, South Korea, Mexico, Portugal, Spain and the United States.

⁶ IMF, 2024.

cubic metre (\$460 CAD) the second highest of all B.C. markets. Like India, targeted efforts have been, and will continue to be, required to create awareness of B.C. species and their potential in manufacturing applications.

Economic Statement

Following two years of strong recovery from the pandemic, economic growth in British Columbia moderated in 2023. After expanding by 3.9 per cent in 2022, B.C.'s real GDP increased by 1.6 per cent in 2023, the second highest growth rate among provinces (tied with Saskatchewan and Ontario) and outperforming the national average. Growth in B.C.'s real GDP was supported by service-producing industries such as real estate, rental and leasing; professional, scientific and technical services; transportation and warehousing; and healthcare. Despite steady growth in the construction and mining, quarrying and oil and gas extraction sectors, output for goods-producing industries decreased in 2023, partly due to lower manufacturing activity. While B.C.'s economy continued to expand in 2023, some sectors such as transportation and warehousing and accommodation and food services have yet to fully return to pre-pandemic levels.

B.C.'s labour market continued to grow in 2023, with employment growth of 1.6 per cent and wages and salaries increasing by 6.9 per cent. However, B.C.'s unemployment rate rose to 5.2 per cent in 2023 from 4.6 per cent in the previous year as the labour force, supported by record high immigration, grew faster than employment. High interest rates tempered consumer spending on goods in 2023 and nominal retail sales edged down 0.1 per cent. In 2023, price pressures in B.C. moderated among a broad number of goods and services but remained elevated. B.C.'s inflation rate averaged 3.9 per cent in 2023, down from 6.9 per cent in 2022. B.C. home construction activity strengthened in 2023. Housing starts totalled 50,490 units in 2023, the highest annual pace on record and up 8.1 per cent compared to the previous year. High interest rates continued to weigh on home sales activity last year. B.C. MLS home sales decreased by 9.2 per cent in 2023, while the MLS average home sale price was 2.6 per cent lower than 2022. On the external front, B.C.'s international merchandise exports declined by 13.5 per cent in 2023, due to weaker global demand and lower commodity prices compared to 2022.

Report on Performance: Goals, Objectives, and Results

The following goals, objectives and performance measures have been restated from the 2023/24 – 2025/26 service plan. For forward-looking planning information, including current targets for 2024/25 – 2026/27, please see the latest FII Service Plan on the [BC Budget website](#).

Goal 1: Forest products are viewed as environmentally friendly, and B.C. is viewed as a reliable global supplier of quality products from sustainably managed forests

Objective 1.1: Opportunities for B.C. forest products are expanded by positioning wood, and wood-based products from B.C., as the first choice for environmentally friendly materials

This objective focuses on two significant market trends, which are the increasing recognition of wood products as renewable and sustainable, and the growing consumer demand for forest products that are produced in an environmentally responsible manner. With these factors in mind, FII aims to articulate:

- The benefits of wood as a sustainable, renewable building material;
- The advantages of wood in creating a significantly smaller environmental footprint than other building materials; and,
- The fact that wood, pulp and paper, and pellet products from B.C. are sourced from sustainably managed forests backed by stringent regulations and public consultation.

Key results

- Over the past year, [naturally:wood](#)⁷ has seen a 27 per cent increase in visits and a 100 per cent increase in content engagements (PDF downloads, video views, podcast listens, tool launches and virtual tours) resulting from amplification of content across digital channels.
- FII has profiled over 200 wood and mass timber projects on the [naturallywood.com project gallery](#), showcasing wood use and innovation in the province. This section had over 61,000 page views in 2023/24.

⁷ FII's naturallywood.com website is a comprehensive information resource detailing the environmental benefits of wood products from B.C.'s sustainably managed forests.

- Through its biannual customer perception survey, FII connected with 493 international wood customers from eight markets. Results indicate that Canada remains a top choice for forest products with 75 per cent of customers agreeing that Canada's reputation for sustainability remains a competitive advantage for their business.

Summary of progress made in 2023/24

In 2023/24, FII continued to develop and deliver forest, wood, carbon and B.C.-related messaging and content through its naturally:wood platform—providing factual, consistent and credible information about the environmental benefits of B.C.'s forest products and the [forest practices](#) that support healthy forests and future supply.

Throughout the year, FII continued its active participation in the Canadian Council of Forest Ministers' (CCFM) Forest in Mind (FMP) program, promoting Canada's sustainable forest management leadership to international audiences and addressing market access issues for Canadian forest products. FII also collaborated with FOR, JEDI and other provincial and federal partners to support advocacy outreach regarding non-tariff trade barriers in the United States and Europe.

Objective 1.2: B.C. is recognized as a reliable global supplier of quality products from sustainably managed forests

The growing awareness of the benefits of wood products is increasing the consumer, company and jurisdictional expectations that forest products are produced in an environmentally responsible manner. To help position B.C. to meet this demand, FII delivers a suite of programming that showcases B.C. as a reliable supplier of quality forest products, and a global leader in sustaining forest resources and environmental values. This positioning helps strengthen awareness of, and interest in, B.C. forest products in major markets, thus supporting greater market share, premium positioning and easier access to new markets.

Key results

- FII reached new international audiences in its promotion of the [naturally:wood B.C. Supplier Directory](#), which contains approximately 380 suppliers of high-quality, eco-friendly wood products, helping potential buyers find wood products from B.C. This directory had over 38,500 visitor engagements (up 14 per cent from last fiscal).
- The combined page views on naturallywood.com related to B.C.'s forest products across all content for the fiscal year were just over 105,000 (up 26 per cent from last fiscal, which saw 83,000 page views). Visits to B.C. tree species pages totaled 91,000.
- FII exhibited at four major events under the naturally:wood brand, reaching an audience of over 9,000 attendees across events and sharing information on B.C.'s sustainable forest practices and products, the B.C. Wood Supplier Directory, mass timber innovation and advanced wood building systems.

Summary of progress made in 2023/24

During 2023/24, FII shared content utilizing owned and paid digital marketing channels to engage key audiences and foster awareness of, and demand for, B.C. value-added wood products. FII disseminated learnings from research and projects funded under the Wood First program (see Goal 3) and Mass Timber Demonstration Program. Exhibiting at select industry events across the year helped to reach and interact with target audiences including international forest product buyers, local building and design professionals, municipal officials, and building industry specifiers.

Performance measure(s) and related discussion

Performance Measure	2023/24 Baseline	2022/23 Actual	2023/24 Target	2023/24 Actual
[1a] Percent of target customers who perceive that forest products from B.C. are a good choice for the environment ^{1,2}	90%	N/A	90%	96%

Data source: Leger - The Research Intelligence Group. Analysis of Market Acceptance Issues.

¹PM [1a] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as N/A and 90%, respectively.

²Surveys are conducted biennially.

This measure provides an indication over time of the effectiveness of FII’s international advocacy and communications initiatives to influence customer perceptions of B.C. and its forest management practices.

The survey of international customers is conducted on a biennial basis as a cooperative undertaking between FII and other partners such as the Canadian Council of Forest Ministers with data gathered by an independent research firm. The survey which is focused on environmental perspectives, forests, and key forestry jurisdictions around the world, identifies the percentage of target international customers (pulp, paper and wood-buying company executives in key export markets) who agree that B.C.’s forest products are a good choice for the environment. For future targets, FII and its partners consider that maintaining a 90 per cent rating represents optimal performance given that there will always be some who have varying degrees of concern about the environmental impact of forest practices in different jurisdictions.

The 2023/24 results indicated that 96 per cent of customers feel that choosing products from B.C. is a good choice for the environment. This result is four per cent higher than the 92 per cent attained in the last biennial survey in 2021/22. Through its naturally:wood digital platform and working closely with key industry and government stakeholders in B.C.’s export markets, FII shared timely and relevant information and response to customer and jurisdictional queries with regards B.C.’s forestry and green construction practices.

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
[1b] Number of prospects connecting with B.C. manufacturers from the naturallywood.com Supplier Directory, an online platform developed by FII ¹	33,731	36,300	38,512

Data source: Forestry Innovation Investment Ltd/Google Analytics.

¹PM [1b] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 38,200 and 40,000, respectively.

Collecting data on connections made with suppliers tracks the effectiveness of FII’s online product and supplier sourcing tool to increase awareness of, and interest in, B.C.’s forest products while advancing commercial connections with B.C. manufacturers. The performance metric tracks the number of visitors who search for B.C. products and suppliers and the number of visitors who engage with a supplier’s email, phone number or website address. The 2023/24 target for prospects connecting with B.C. manufacturers via the Directory was set at 36,300; FII exceeded this target with 38,512 supplier interactions made.

Goal 2: Enhance the value of B.C.’s forest products in traditional and emerging markets

Objective 2.1: Open markets for B.C. wood products in India

FII’s market development program in India is focused on augmenting the country’s dwindling supply of tropical and domestic hardwoods with Canadian softwoods. The program targets applications for B.C. wood species, with a focus on coastal species, in the manufacturing of doors, windows, architectural millwork, furniture for domestic and export markets, and interior finishing product applications.

Key results

- With 35 product trials completed with Indian manufacturers in 2023/24, FII India has now conducted 225 product trials with Indian manufacturers across 67 cities since 2015 to introduce B.C. wood species.
- FII India worked with a local manufacturer, Furniture World, to manufacture finger-jointed edge glued (FJEG) door jambs and other door framing components using western hemlock. The product trials resulted in an order of nine containers with plans to incorporate more hemlock into the firm’s production line.
- To showcase the benefits of B.C. wood in commercial-led building projects, FII India worked with the developers of the Parallel Hotel, a boutique hotel in Udaipur in northwestern India, to incorporate western red cedar (WRC) into the project. WRC was used for all exterior walls, in the rooftop restaurant and bar, and for ceiling finishings—showcasing the beauty and versatility of B.C. wood.

- FII India has collaborated with Caple Industrial Solutions to support the opening of a Centre of Excellence for training in wood manufacturing. Based at Caple's facilities in Mumbai, the new training centre covers 13,000 square feet and features western hemlock, S-P-F, Douglas-fir, and western red cedar—all from B.C.
- 25 educational events (seminars, workshops and training programs) were delivered by the FII India team aimed at building capacity amongst India's architecture, design and manufacturing sectors to use B.C. wood products.

Summary of progress made in 2023/24

During 2023/24, FII India's Try Canadian Wood product trials program continued to motivate Indian manufacturers to test B.C. softwood species in their manufacturing applications and strengthen technical skills in working with B.C. species. FII India also continued to support the greater adoption of B.C. wood use into structural and related non-structural applications by the design and construction communities. These projects were led by commercial partners, with FII India providing technical support and assistance in sourcing and using B.C. wood products. In 2023/24, these projects spanned residential, education, hospitality and tourism sectors.

The FII India team also undertook an extensive program of ongoing promotion, trade shows, outreach, and education across the year. FII India participated in major trade shows, including Index Fair 2023 and IndiaWood 2024. The Canadian Wood-branded booth space featured furniture, interior and outdoor applications crafted by Indian manufacturers from B.C.'s certified, sustainable wood species. Promotion and outreach across the year included the use of social media, seminars, workshops, and training programs—raising awareness of the attributes and benefits of working with B.C. softwoods, and the increasing importance of using sustainable, certified forest products like those from B.C.

Objective 2.2: Wood products secure greater market penetration in U.S. non-residential and multi-family construction

The U.S. housing sector, in particular single-family home construction, remains the leading consumer of B.C. lumber, panels, cedar products and value-added wood products. However, with the market moving toward multi-family living, FII is focusing its funding support on work that expands wood beyond the single-family residential segment and into growth opportunity sectors in multi-family/multi-storey construction and non-residential (commercial, institutional and recreational) construction. These segments have significant opportunities to increase wood's market share and to expand opportunities to use wood both structurally and architecturally.

Key results

- U.S. WoodWorks delivered 76,312 practitioner hours through a series of in-person events and national webinars on a range of wood design and construction topics. This led to the conversion of 434 projects to wood from other materials.

- FII supported U.S. WoodWorks to develop a set of educational materials focused on Whole Building Life Cycle Analysis⁸—aimed at helping design professionals to incorporate lifecycle analysis into their planning. Materials included a series of case studies that compare the carbon footprint of mass timber to equivalent structures built with concrete and steel.
- The Western Red Cedar Lumber Association (WRCLA) runs a coordinated campaign to reach U.S. consumers and influencers through promotion, social media and direct engagement. Supported by FII, the campaign achieved a 16 per cent year-over-year increase in Find-A-Retailer page searches and 47,000 project downloads from [realcedar.com](https://www.realcedar.com).
- BC Wood’s B2B program in the U.S. facilitated connections between developers and four B.C. companies on a 3,000-acre project in Northern California involving the updating of a spa, the addition of 95 rooms and suites, and 16 premium residences. In another project—thanks to BC Wood connections—five other B.C. firms are supplying wood products and services to a 27-acre project in Nevada that will build a campus to offer free training programs for disabled veterans and their service dogs.

Summary of progress made in 2023/24

Through its recipient funding programs, FII continued to work with partners to provide promotion, technical support, and education aimed at the U.S. construction and design community with the goal of expanding wood use in these segments. For 2023/24, FII directly supported the activities of BC Wood, the Cedar Shake and Shingle Association, the Western Red Cedar Lumber Association and the Wood Products Council (U.S. WoodWorks program). Priorities in the U.S. market focused on expanding business for B.C.’s value-added sector and pursuing emerging opportunities for wood-frame and mass timber systems in mid-rise residential and non-residential markets.

Objective 2.3: B.C.’s sales of higher-value wood products to China are increased

Recognizing the size of the Chinese market, FII, in cooperation with government and industry partners, continues efforts to advance wood use in China in both construction and manufacturing sectors, and to position exports from B.C. in high-potential growth and higher-value segments.

Key results

- FII China hosted Green and Low Carbon Development Forums in [Heibei](#), Chongqing and Sichuan to engage with provincial and municipal authorities on the benefits of wood construction for carbon mitigation and green, low-carbon property development.
- FII welcomed a delegation from Jiangsu Province led by Jiangsu’s Ministry of Housing and Urban-Rural Development in the fall of 2023 to discuss low-carbon building

⁸ The generally accepted approach for calculating an existing building’s carbon footprint or comparing design alternatives for new buildings.

priorities between jurisdictions and showcase B.C.’s leadership in advanced wood use. Delegates participated in group exchanges, wood project visits, and the Global Buyers Mission (GBM) in Whistler hosted by BC Wood.

- Showcasing advanced wood construction methods and building applications for B.C. wood species in China, Canada Wood China supported the development of the 4-storey [Lishui office building](#) using B.C. Douglas-fir glue-laminated timber (GLT) for the structure of the building, and S-P-F roof and floor systems manufactured from Canadian lumber.
- To overcome barriers to wood use in China, Canada Wood China has been working with the China Academy of Building Research on the development of a quality certification scheme for GLT manufacturing. Six firms have now qualified as certified GLT manufacturers.

Summary of progress made in 2023/24

FII China continues to collaborate with key Chinese stakeholders on low-carbon, energy-efficient, and green construction, with expanded efforts to promote B.C. wood products and construction technology across regional governments and provincial authorities.

Engagements in 2023/24 focused on low-carbon construction policy and how wood building technology can contribute to the development of resilient cities—promoting the carbon, seismic and thermal benefits of B.C. wood products.

Across the year, FII also supported the activities of Canada Wood China, focused on advancing building codes and regulatory standards, building technical capacity in advanced wood building systems, and positioning Canadian wood species and building techniques in the market.

Together, FII China and Canada Wood continued to engage with Chinese officials on concerns over imported lumber carrying pinewood nematode (PWN)⁹ and the resulting tightening restrictions on imports since 2022. Through outreach to key ports and customs officials in China, FII and Canada Wood China helped to streamline the entry of B.C. softwood into China, with work continuing to unplug other bottlenecks.

Performance measure(s) and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
[2a] Total number of product trials of B.C. species undertaken in India ^{1,2}	36	20	35

Data source: Forestry Innovation Investment Ltd.

¹PM [2a] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 22 and 24, respectively.

²This performance measure was replaced by a new measure in the latest 2024/25 [service plan](#).

⁹ Pinewood Nematode is an invasive species that infects coniferous trees, especially pines.

Market development in India is led by FII through its India-based subsidiary. FII’s Try Canadian Wood program continues to provide qualified Indian manufacturers with small test volumes of B.C. wood, as well as technical support for trying B.C. wood in new or existing product lines. Product trials completed to date have resulted in a range of furniture and interior finishing products being produced on a test basis, with a number of trials leading to commercial orders for products made with B.C. species.

FII India was able to exceed its target for 2023/24 as a result of product trials that were already in the pipeline, but not yet completed. FII anticipates that the volume of product trials will fall closer to target levels moving forward.

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
[2b] Total sales (USD, millions) of wood attributable to directly influenced and converted projects—U.S. non-residential and multi-storey/multi-family residential construction markets ^{1,2}	\$349	\$321	\$348

Data source: U.S. [WoodWorks](#) program

¹PM [2b] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as \$336 and \$352, respectively.

²Targets for performance measure 2b were revised in the latest 2024/25 [service plan](#).

This measure tracks success in increasing wood usage in the U.S. in the commercial, institutional and multi-family residential/mid-rise segments. The ability to achieve Performance Measure 2b is contingent upon the performance of FII’s funding recipient, U.S. WoodWorks, in its delivery of Market Initiatives programming and on other external factors impacting construction activity in the U.S., such as the level of real estate investment and the process for approving and implementing building code changes. U.S. WoodWorks tracks its engagement with projects as the project moves from identification to design and construction. As soon as the project goes into construction, the value of that project is captured in the performance measure.

For 2023/24, U.S. WoodWorks reported 434 projects directly influenced and converted to wood resulting in an incremental \$348 M of wood product sales and exceeding the performance measure target. Targets were exceeded as a result of growing interest and understanding of mass timber use in a range of building applications.

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
[2c] Average value (CAD) per cubic metre generated by softwood lumber sales to China ^{1,2, 3}	\$240	\$210	\$189

Data source: BC Stats. Total value of lumber exported divided by the total volume of exports measured in cubic metres.

¹PM [2c] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as \$215 and \$220, respectively.

²Data is reported by calendar year (January through December), consistent with Statistics Canada data collection and reporting methodologies and to ensure comparability across domestic and international publications.

³This performance measure was removed in the latest 2024/25 [service plan](#).

Performance Measure 2c tracks the extent to which the B.C. forest industry is successful in diversifying markets and moving into higher-value segments. The target emphasizes sales to China, where FII investments are leveraging a significant joint industry and government market development effort to position B.C. as a leading exporter of high-quality softwood lumber to China.

The average export value per cubic metre in 2023 (calendar year) was \$189, falling below the 2023/24 target. This value can be attributed to low international prices for softwood lumber, high competition from other suppliers, combined with weak Chinese demand, resulting in a lower average export price.

Goal 3: B.C. is a leader in using innovative forest products and building systems

Objective 3.1: Wood is a preferred building material in B.C.

Driven by the evolving needs of urban environments, building performance, and construction productivity, FII is enabling the early adoption of new and advanced wood technologies and building systems—including taller buildings and larger structures using mass timber—that will help shape more resilient, climate-smart communities and position wood as a preferred building material.

Key results

- FII funded the development of B.C. industry average Life Cycle Inventory (LCI) data and Environmental Product Declarations (EPDs) for B.C. glulam and plywood (details in summary below).
- Simon Fraser University's Renewable Cities program researched and launched [Building Capacity: Local Prefab Mass Timber Solutions](#). Developed in partnership with FII, this report focuses on critical areas that will foster further adoption of mass timber and wood-hybrid construction by municipalities.
- To facilitate mass timber adoption in the building and design community, FII funded the development of two innovative pre-design tools, [TimberX](#) and the [Mass Timber Navigator](#) (in coordination with Mass Timber Implementation).

Summary of progress made in 2023/24

FII's efforts in this area are developed and delivered through its [Wood First program](#). Across 2023/24, FII continued to work with industry and government partners to strengthen capacity of B.C. professionals in advanced wood building design and construction and on the specialized wood products required for these projects. FII's efforts include funding research to assist with regulatory changes, delivering education programs and networking events to grow the profession and optimizing supply chains and overcoming specific barriers to greater wood use.

FII supported several initiatives and projects in 2023/24 to address barriers to greater use of mass timber and engineered wood products in construction. These included research on specific technical issues as well as preparing guides, tools, market reports and white papers for practitioners and policymakers, such as those detailed in the key results.

Increasingly, life cycle assessments (LCA) are being used to record the total carbon footprint of a building. And, as wood construction scores high in LCA, promotion of LCA is a clear way to boost wood construction, particularly for larger and taller buildings. Across the year, FII worked with several partners to advance understanding and calculation of the carbon impacts of buildings. FII commissioned UBC's Sustainability Hub to document global, Canadian and regional developments in embodied carbon emissions policies and initiatives. To help credibly demonstrate the benefits of low-carbon design, FII supported the Athena Sustainable Materials Institute to establish a LCA benchmarking database, as well as complete the last of a series of B.C. wood product EPDs and data which will feed into a national LCI database for building materials being developed by the National Research Council. This new data will enable industry experts to conduct LCAs more easily and improve the accuracy of embodied carbon calculations for mass timber buildings.

Objective 3.2: Next generation B.C. wood technologies and building solutions showcase wood innovation

Long-term sustainability of the forest economy requires the active maintenance, creation and diversification of demand for B.C. forest products. FII is focused on expanding and advancing opportunities across the product value chain, from lumber suppliers and engineered wood manufacturers to skilled labour, engineers, designers, and architects. This will position B.C. as a leader in wood innovation and B.C.'s forest products can be more effectively marketed for construction, interior design and daily living at home and abroad.

Key results

- FII disseminated results and analyses of a major fire demonstration test program conducted with funding through the Mass Timber Demonstration Program (MTDP). Deemed the most comprehensive mass timber fire test conducted to date, content was profiled through a SiteNews [article](#) as well as through naturally:wood's e-newsletter, [blog](#) and social channels and received strong interest from followers.
- FII shared lessons learned on mass timber building projects across residential, commercial and public applications through its [naturally:wood](#) platform. Technical bulletins and videos, such as the [KF Aerospace Centre for Excellence](#), have driven over 164,000 page views to mass timber content this fiscal.
- To support education and knowledge sharing on affordable housing applications, working with BC Housing, FII funded the best practice documentation of a 102-unit affordable housing demonstration project, including the integration of digital tools, prefabrication strategies and lean project delivery methods to achieve quality performance and reliability. Through naturally:wood and social media, FII also

amplified the Builder Technical Bulletin Series on a variety of owned and social channels.

Summary of progress made in 2023/24

Across 2023/24, FII worked with B.C. government, research and industry organizations to build expert networks, share lessons learned and showcase B.C.'s wood products, design and construction expertise.

FII continues to work with the Office of Mass Timber Implementation on the delivery of the Mass Timber Demonstration Program (MTDP). Following Intake 3 of the MTDP, FII has been working with teams in the Lower Mainland, Vancouver Island/Sunshine Coast, Okanagan and the Kootenays to document lessons learned in the areas of taller wood, scalability, rental housing, energy efficiency, new design and construction practices. FII and naturally:wood are collaborating with WoodWorks BC to document learnings from the MTDP and facilitate knowledge transfer across the industry. Photography, videography and documentation, including project team and building owner interviews, are underway for the first eight of the 19 demonstration buildings, to form a library of content from which to develop education and communications materials and tools.

Performance measure(s) and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
[3a] Total sales (\$CAD, millions) of wood attributable to directly influenced and converted projects—B.C.'s non-residential and multi-storey/multi-family residential construction markets ^{1,2}	\$78.5	\$74	\$178

Data source: Canadian Wood Council's [WoodWorks BC](#) program.

¹PM [3a] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as \$76 and \$78, respectively.

²Targets for performance measure 3a were revised in the latest 2024/25 [service plan](#).

This measure tracks success in increasing wood usage in B.C. in the commercial, institutional and multi-family residential/mid-rise segments. To this end, FII cost-shares the WoodWorks BC program to deliver education and technical advisory activities that assist architects, builders and developers to incorporate more wood into projects, as well as convert their projects from other materials to wood. Efforts focus on a range of building types (i.e., multi-storey/multi-family, non-residential and taller buildings). This diversification strategy will help expand the influence of the program across the construction sector while protecting suppliers against market fluctuations in any one particular segment of the building sector.

The ability to achieve Performance Measure 3a is contingent upon the performance of FII's funding recipients in their delivery of Wood First programming and on other external factors impacting construction activity in B.C., such as the level of real estate investment and the process for approving and implementing building code changes. WoodWorks BC tracks its engagement with projects as the project moves from identification to design and construction.

As soon as the project goes into construction, the value of that project is captured in the performance measure.

For 2023/24, WoodWorks BC reported 104 projects directly influenced and converted to wood, resulting in an incremental \$178 M of wood product sales. The program exceeded its target for 2023/24 as a result of an overall increase in building costs, a number of very large four- to six-storey residential construction projects, and new, more sophisticated project sources and tracking methods, particularly for private developments. Forward-looking targets from 2025/26 onward will be adjusted to reflect this change.

Financial Report

For the auditor's report and audited financial statements, see [Appendix C](#). These documents can also be found on the Forestry Innovation Investment website.

Discussion of Results

Additional funding for 2023/24 (and the three future years) was made available from the Province of B.C. as part of the Shared Recovery Mandate. The final budget for 2023/24 also includes \$0.100 M from the Province which is deferred for depreciation on capital asset purchases. Other Revenue was primarily interest income earned on bank account balances held in India and Canada from accumulated retained earnings.

During the year, FII managed the risks associated with funding and monitoring activities developed and delivered by third parties, and with initiatives delivered by FII in foreign and domestic markets. FII ended the year with a surplus of \$0.434 M, resulting mainly from recipients returning funds in the last quarter that were not able to be reallocated to other projects.

Financial Summary

(\$000s)	2022/23 Actual	2023/24 Budget	2023/24 Actual	2023/24 Variance
Revenues				
Contributions from Province ⁽²⁾	23,065	19,811	20,274	463
Contributions from the Federal Government ⁽³⁾	1,906	1,980	290	(1,690)
Other Revenue ⁽⁴⁾	413	200	609	409
Total Revenue	25,384	21,991	21,173	(818)
Expenses				
Funding Recipient Initiatives ⁽⁵⁾	13,673	9,050	8,350	(700)
Market Outreach and Initiatives				
Government Initiatives and Outreach ⁽⁵⁾	4,133	5,311	4,679	(632)
China Market Development	2,199	2,300	2,216	(84)
India Market Development ⁽⁵⁾	2,328	2,100	1,879	(221)
Vietnam Market Development ⁽⁶⁾	1,152	1,500	1,714	214
Corporate Services	1,613	1,730	1,901	171
Total Expenses	25,098	21,991	20,739	(1,252)
Annual Surplus	286	0,000	434	434
Total Liabilities	2,554	2,500	2,248	(252)
Capital Expenditures	112	250	148	48
Accumulated Surplus	6,070	6,070	6,504	434

¹ The above financial information was prepared based on current Generally Accepted Accounting Principles.

² Additional funding made available from the Province of B.C. as part of the Shared Recovery Mandate plus deferred revenue.

³ Reflects a reduction in Natural Resources Canada (NRCan) funding to the offshore markets.

⁴ Includes contributions from industry associations, interest earned on cash balances and other misc. income.

⁵ Reflects a reduction in program activities to account for much reduced NRCan funding.

⁶ Reflects funds reprofiled from other programs to expand the efforts in Vietnam.

Variance and Trend Analysis

In 2023/24 FII had to respond to much reduced funding from Natural Resources Canada (NRCan) for the offshore markets program, as a result of NRCan canceling their Emerging Market Opportunities Funding Program.

Risks and Uncertainties

FII funds extensive market development programming in offshore markets, particularly in Asia. As a result, FII is subject to foreign exchange risk through its program payables and advances, and through a portion of FII's program costs, which are denominated in Chinese Renminbi, the Indian Rupee, Vietnamese Dong, U.S. dollars and other foreign currencies. While FII manages exposure to currency risk by monitoring assets and liabilities denominated in foreign currencies and by purchasing foreign denominated currency when market conditions are favourable, volatility in the value of the Canadian dollar against foreign currencies has increased exchange rate risk.

Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the [2021 Mandate Letter](#) from the Minister Responsible. Note: The [2023 Mandate Letter](#) confirmed priorities identified in the 2021 Letter.

2021 Mandate Letter Priority	Status as of March 31, 2024
<p>Promote wood’s environmental merits as a preferred, sustainable and renewable building material.</p>	<ul style="list-style-type: none"> • FII’s naturallywood.com hosts information on the environmental benefits of wood products from B.C.’s sustainably managed forests. • FII undertakes research to ensure that science-based information is available to support key messages. For example, across the fiscal year FII supported the further development of carbon calculation tools, life cycle inventory data, and environmental product declarations to support whole building life cycle assessments—improving the accuracy of embodied carbon calculations and demonstrating the benefits of building with wood. • FII works with provincial and national partners through the Canadian Council of Forest Ministers and the Forest Products Association of Canada to ensure refreshed and consistent messaging regarding Canada’s sustainable forest management practices.
<p>Expand international market diversification for B.C. wood products by opening new opportunities in existing and new markets, with a strong focus on high-potential markets in Asia, including China, Japan, South Korea, India and Vietnam.</p>	<ul style="list-style-type: none"> • FII supports market diversification strategies in Japan, South Korea, India, Vietnam, China and North America. • FII conducts an annual call for proposals, making available \$5 M to co-fund market diversification programs in priority markets. Led by industry trade associations and research institutes, these cost-shared initiatives reflect the priorities outlined in FII’s Market Initiatives Investment Strategy. • Through this collection of efforts, achievements in 2023/24 include: <ul style="list-style-type: none"> ○ In Japan, with support from Canada Wood Japan, a new mid-rise commercial building has been constructed entirely of wood to demonstrate wood’s fire-resistance and seismic performance. The building makes extensive use of Canadian 2x4 and 2x6 S-P-F dimension lumber. ○ In South Korea, Canada Wood Korea supported the construction of a Canadian Super E® building—demonstrating wood’s role in creating healthy, energy-efficient housing. Framing the building from pre-fabricated

2021 Mandate Letter Priority	Status as of March 31, 2024
	<p>components took only five days--an incredibly fast timeline that has caught the attention of developers and builders.</p> <ul style="list-style-type: none"> ○ In India, 35 product trials were completed to introduce B.C. wood species. FII India continues to work with 34 importers and distributors of B.C. wood species in India to enable the timely delivery of B.C. supply. ○ In Vietnam, 23 product trials were undertaken with Vietnamese manufacturers. Taking learnings from the India market development program, early-stage trials in Vietnam have resulted in positive signs for the uptake of B.C. wood species in furniture and door applications. ○ In China, 7 codes and standards were influenced/ supported through work with Chinese regulators to address barriers and advance wood use in China. 12 non-residential projects were converted to wood totalling 35,000 square metres of wood use.
<p>Showcase B.C.'s leadership in manufacturing and using wood by profiling innovative projects and leveraging that experience to expand the use of wood at home and abroad.</p>	<ul style="list-style-type: none"> • FII continues to work with partners to identify barriers to the use of wood and is investing in technical research and communications activities to overcome these challenges and misconceptions. • Each year, FII conducts an annual call for proposals, making available \$2.0 M to co-fund wood innovation and capacity building programs in B.C. Led by industry trade associations, post-secondary institutions and training programs, these cost-shared initiatives reflect the priorities outlined in FII's Wood First Investment Strategy. • To support the adoption of wood technology across the architecture, engineering, and construction industries, FII continues to update the ThinkWood Research Library—a central searchable database of academic and technical research studies focused on wood and mass timber construction. Since April 1, 2023, the Research Library has added 394 new reports, bringing the total number of publications on the site to 2,819. Over the past year, a total of 5,509 unique users visited the site to access research content. • FII has profiled 203 wood buildings on the naturallywood.com project gallery, promoting leading wood projects in B.C. and providing inspiration for design professionals. Across 2023/24, this section has had over 54,000 page views.

2021 Mandate Letter Priority	Status as of March 31, 2024
	<ul style="list-style-type: none"> • As mass timber construction gains momentum throughout B.C., FII has been disseminating a steady cadence of content, including blogs, contributed articles and podcasts via owned and paid channels to help profile B.C.'s leadership in manufacturing and wood use.
<p>Collaborate with B.C. Provincial Government partners to jointly deliver on the Province's objective to expand our mass timber and engineered wood products sector in B.C.</p>	<ul style="list-style-type: none"> • As the Provincial Crown Corporation for forest products, FII has been tasked with supporting efforts to advance mass timber innovation and its use in the Province. • Alongside government initiatives to remove regulatory hurdles, FII is leading and supporting several initiatives to address technical barriers, build capacity in the design and construction industries, and identify project opportunities for the use of engineered wood products, including mass timber. • Collaborating with JEDI and the Office of Mass Timber Implementation to support strategic planning efforts and to help further the establishment of the overall mass timber initiative through providing FII's experience, research, information and advice on mass timber.

Appendix B: Subsidiaries

Active Subsidiaries

FII Consulting (Shanghai) Co. Ltd.

Wholly owned by Forestry Innovation Investment Ltd.

Primary business: Supporting the B.C. forest industry by directing market research and leading government relations and business development, particularly with state-owned enterprises.

Objective: To grow the market for B.C. wood products in China, primarily by creating new demand for structural lumber and related building products.

Strategic Direction and Operating Environment: The business activities and priorities of FII Consulting (Shanghai) Co. Ltd. are fully consistent with the mandate, strategic priorities and fiscal plan of FII Ltd.

Financial Summary

(\$000)	2022/23 Actual	2023/24 Budget	2023/24 Actual
Revenues	2,199	2,300	2,216
Expenses	2,199	2,300	2,216
Net Income	0,000	0,000	0,000

Discussion of Variance

Reflects spending at budget levels for the China Program.

FII Consulting India Private Limited

(Jointly owned by Forestry Innovation Investment Ltd. and 0939031 B.C. Ltd.)

Primary business: Supporting the development of the Indian market for B.C. forest products through market research, promoting B.C. wood products and related technologies, undertaking product trials and demonstration work, and leading communication and education outreach efforts to enhance awareness of B.C. and Canadian softwood species in India.

Objective: To establish a new market for B.C. wood products in India by creating demand for lumber suitable for the manufacturing of furniture, doors and windows, interior millwork and other products.

Strategic Direction and Operating Environment: The business activities and priorities of FII Consulting India Private Limited are fully consistent with the mandate, strategic priorities, and fiscal plan of FII Ltd.

Financial Summary

(\$000)	2022/23 Actual	2023/24 Budget	2023/24 Actual
Revenues	2,328	2,100	1,879
Expenses	2,328	2,100	1,879
Net Income	0,000	0,000	0,000

Discussion of Variance

Reflects a reduction in program activities to account for much reduced Natural Resources Canada (NRCan) cost-shared funding for FII's India program.

Forestry Innovation Consulting (Vietnam) Ltd.

(Wholly owned by Forestry Innovation Investment Ltd.)

Primary business: Supporting the development of the Vietnam market for B.C. forest products through market research, promoting B.C. wood products, undertaking product trials, and leading communication and education outreach efforts to enhance awareness of B.C. and Canadian softwood species in Vietnam.

Objective: To establish a new market for B.C. wood products in Vietnam by creating demand for lumber suitable for the manufacturing of furniture, doors and windows, interior millwork, and other non-structural products.

Strategic Direction and Operating Environment: The business activities and priorities of Forestry Innovation Consulting (Vietnam) Ltd. are fully consistent with the mandate, strategic priorities, and fiscal plan of FII Ltd.

Financial Summary

(\$000)	2022/23 Actual	2023/24 Budget	2023/24 Actual
Revenues	1,152	1,500	1,714
Expenses	1,152	1,500	1,714
Net Income	0,000	0,000	0,000

Discussion of Variance

Reflects funds reprofiled from other programs to expand the efforts in Vietnam.

Inactive Subsidiaries

- FII maintains a non-operating subsidiary company, 0939031 B.C. Ltd. (wholly owned by Forestry Innovation Investment Ltd.) whose sole purpose is to function as the second shareholder of FII Consulting India Private Limited (reflecting India legislation that requires foreign-owned companies to have at least two shareholders).

Appendix C: Auditor's Report and Audited Financial Statements



**Forestry Innovation
Investment[®]**

Consolidated Financial Statements

Forestry Innovation Investment Ltd.

March 31, 2024

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Statement of Management Responsibility

Scope of Responsibility

Management has supervised preparation of the accompanying consolidated financial statements and related note disclosures and is responsible for their integrity and objectivity. The consolidated financial statements of Forestry Innovation Investment Ltd. (FII) have been prepared by management in accordance with the financial reporting provisions prescribed by the Province of British Columbia pursuant to Section 23.1 of the Budget Transparency and Accountability Act (see Note 2(a)).

We believe that these consolidated financial statements present fairly FII's financial position as at March 31, 2024 and the consolidated statement of operations, change in net assets, and cash flow for the year ending March 31, 2024 and that the other information contained in the Company's annual report is consistent with the consolidated financial statements as presented.

Internal Controls

Management is responsible for the integrity of the financial statements and has established systems of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to facilitate the preparation of the financial statements in a timely manner. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. We believe our system of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the consolidated financial statements are prevented or detected in the normal course of business.

Board of Directors and Audit Committee

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's discharge of its financial reporting responsibilities. An Audit Committee is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee has reviewed these consolidated statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

Independent Auditors

Grant Thornton has performed an independent audit of the consolidated financial statements of Forestry Innovation Investment Ltd. The Auditor's Report, as attached, outlines the scope of this independent audit and expresses an opinion on the financial statements of Forestry Innovation Investment Ltd.



Michael Loseth
Chief Executive Officer



Douglas Greig
Vice President & CFO

Vancouver, British Columbia
May 27, 2024

Independent Auditor's Report

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To the Board of Directors of [Forestry Innovation Investment Ltd.](#)

To the Minister of Jobs, Economic Development and Innovation, [Province of British Columbia](#)

Opinion

We have audited the consolidated financial statements of Forestry Innovation Investment Ltd. (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to Note 2 to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Vancouver, Canada
May 27, 2024

Chartered Professional Accountants

Forestry Innovation Investment Ltd.

Consolidated Statement of Financial Position

(in thousands of dollars)
March 31

		2024	2023
	<u>Note</u>		
Financial assets			
Cash and cash equivalents		\$ 6,831	\$ 6,029
Accounts receivable		189	355
Recipient advances	4	79	113
Due from other governments		<u>917</u>	<u>1,294</u>
Total financial assets		<u>8,016</u>	<u>7,791</u>
Liabilities			
Accounts payable and accrued liabilities	3	1,266	979
Recipient payables	4	151	532
Due to Province of British Columbia		18	15
Due to other governments		276	417
Deferred contributions	6	<u>537</u>	<u>611</u>
Total liabilities		<u>2,248</u>	<u>2,554</u>
Net financial assets		<u>5,768</u>	<u>5,237</u>
Non-financial assets			
Tangible capital assets	7	278	326
Prepaid expenses		<u>458</u>	<u>507</u>
Total non-financial assets		<u>736</u>	<u>833</u>
Accumulated surplus		<u>\$ 6,504</u>	<u>\$ 6,070</u>

Commitments (Note 8)

Approved by the Board

Director

Director

Forestry Innovation Investment Ltd.

Consolidated Statement of Operations and Accumulated Surplus

(in thousands of dollars)
Year ended March 31

	Budget	2024	2023
	<u>Note</u>		
Revenue	10		
Government contributions			
Provincial	\$ 19,811	\$ 20,274	\$ 23,065
Federal	1,980	290	1,906
Other revenue	200	144	78
Investment income	-	465	335
	<u>21,991</u>	<u>21,173</u>	<u>25,384</u>
Expenses	10		
Funding recipient initiatives	9,050	8,350	13,673
Market initiatives and outreach			
FII Vancouver	5,311	4,679	4,133
FII China	2,300	2,216	2,199
FII India	2,100	1,879	2,328
FII Vietnam	1,500	1,714	1,152
Corporate services	1,730	1,901	1,613
	<u>21,991</u>	<u>20,739</u>	<u>25,098</u>
Annual surplus	-	434	286
Accumulated surplus, beginning of year	6,070	6,070	5,784
Accumulated surplus, end of year	<u>\$ 6,070</u>	<u>\$ 6,504</u>	<u>\$ 6,070</u>

Forestry Innovation Investment Ltd.

Consolidated Statement of Changes in Net Financial Assets

(in thousands of dollars)

Year ended March 31	Budget	2024	2023
Annual surplus	\$ -	\$ 434	\$ 286
Acquisition of tangible capital assets	(100)	(148)	(112)
Amortization of tangible capital assets	150	195	196
Disposal of tangible capital assets	-	1	60
Acquisition of prepaid expenses	200	49	44
	250	531	474
Net financial assets, beginning of year	5,237	5,237	4,763
Net financial assets, end of year	\$ 5,487	\$ 5,768	\$ 5,237

Forestry Innovation Investment Ltd.

Consolidated Statement of Cash Flows

(in thousands of dollars)

Year ended March 31

2024

2023

Cash provided by (used in):

Operating

Annual surplus	\$	434	\$	286
Items not involving cash				
Amortization of tangible capital assets		195		196
Amortization of deferred contributions		(211)		(264)
Loss on disposal of assets		1		60
Change in accounts receivable		166		(191)
Change in receipt advances		34		(32)
Change in due from Province of British Columbia		-		13
Change in due from other governments		377		(741)
Change in accounts payable and accrued liabilities		287		6
Change in recipient payables		(381)		381
Change in due to Province of British Columbia		3		(39)
Change in due to other governments		(141)		(13)
Change in prepaid expenses		49		44
		<u>813</u>		<u>(294)</u>

Investing

Acquisition of tangible capital assets		(148)		(112)
Disposition (acquisition) of short-term investments		-		1,009
		<u>(148)</u>		<u>897</u>

Financing

Receipt of deferred contributions		<u>137</u>		<u>272</u>
Increase in cash		802		875
Cash and cash equivalents, beginning of year		<u>6,029</u>		<u>5,154</u>
Cash and cash equivalents, end of year	\$	<u>6,831</u>	\$	<u>6,029</u>

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2024

1. General

Forestry Innovation Investment Ltd. (the “Company” or “FII Vancouver”) was incorporated on March 31, 2003 under the laws of the Province of British Columbia (the “Province”). The Company has authorized capital of 100 common shares without par value of which 10 shares are issued and outstanding. Her Majesty the Queen in Right of the Province of British Columbia, as represented by the Ministry of Jobs, Economic Development and Innovation, holds the shares issued. A board of directors governs the Company, and all directors are appointed by the Province. The Company’s principal activities are to fund forest industry associations and research institutions and to deliver market development and market initiatives and outreach programs.

2. Summary of significant accounting policies

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia which requires accounting policies which are consistent with Canadian public sector accounting standards except in regard to the accounting for restricted capital contributions.

Under Section 23.1 of the Budget Transparency and Accountability Act and its related regulations, the Company is required to recognize restricted capital contributions as a liability and recognize them into revenue on the same basis as the related amortization expense.

Under Canadian public sector accounting standards, those transfers with stipulations that have been met or that do not contain stipulations that create a liability, are fully recognized into revenue.

The impact of this difference on the consolidated financial statements of the Company would be a decrease in deferred capital contributions as at March 31, 2024, and increases in revenues and annual surplus for the year then ended.

(b) Reporting Company and basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting Company. The reporting Company is comprised of the Company consolidated with FII Consulting (Shanghai) Co., Ltd. (“FII China”), a wholly-owned subsidiary registered under the laws of the People’s Republic of China; 0939031 B.C. Ltd., a wholly-owned subsidiary registered under the laws of British Columbia; Forestry Innovation Consulting India Pvt. Ltd. (“FII India”), a wholly-owned subsidiary of the Company and 0939031 B.C. Ltd., registered under the laws of the Republic of India; and Forestry Innovation Consulting (Vietnam) Ltd., a wholly-owned subsidiary registered under the laws of Vietnam.

FII China is based in Shanghai, China, FII India is based in Mumbai, India, and FII Vietnam is based in Thu Dau Mot City, Vietnam with all subsidiaries delivering market development programs on behalf of the Company. The subsidiaries are consolidated on a line-by-line basis after inter-organizational transactions and balances between these entities have been eliminated.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2024

2. Summary of significant accounting policies (continued)

(c) Revenue recognition

Unrestricted contributions, donations and grants are recorded as revenue when receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Restricted contributions include amounts received from the Province and the Canadian Federal Government for specific purposes. Restricted contributions are recorded as deferred contributions when received or receivable. The deferred contribution and associated revenue are recognized based upon the nature of the restriction, as follows:

(i) *Restricted capital contributions*

Capital contributions for the purpose of acquiring or developing a depreciable tangible capital asset are recorded and referred to as deferred capital contributions. Deferred capital contributions are reduced and the associated revenue recognized at the same rate and in the same fiscal period that amortization is recognized in respect of acquired depreciable tangible capital asset used to provide services.

(ii) *Other restricted contributions*

Deferred contributions are reduced and the associated revenue recognized in the period during which the stipulation or restriction on the contribution have been met.

Investment income includes interest recorded on an accrual basis.

(d) Program expenses

Program expenses include amounts transferred to recipient organizations based on recipient funding contracts to carry out specific program activities. Amounts transferred are recognized as expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met by the recipient, and reasonable estimates of the amounts can be made.

(e) Pension plans

The Company and its employees contribute to the Public Service Pension Plan, which is a multi-employer jointly trustee plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. As the assets and liabilities of the plan are not segregated by employer, the plan is accounted for as a defined contribution plan and any Company contributions to the plan are expensed as incurred.

(f) Financial instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, recipient advances, amounts due from other governments, accounts payable and accrued liabilities, amounts due to the Province, amounts due to other governments, and recipient payables.

The Company measures its financial instruments at cost or amortized cost.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2024

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

For financial instruments measured at cost or amortized cost, transaction costs are added to the cost of the financial instruments.

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

There are no financial instruments measured at fair value; therefore, the consolidated financial statements do not include a consolidated statement of remeasurement gains and losses.

(g) Non-financial assets

(i) *Tangible capital assets*

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

<u>Asset</u>	<u>Useful life</u>
Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	lesser of the lease term and its useful life
Tradeshow booths	3 years

Assets under construction are not amortized until the asset is available for productive use.

(ii) *Contributions of tangible capital assets*

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

(iii) *Interest capitalization*

The Company does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

(iv) *Intangible assets*

Intangible assets are not recognized in these consolidated financial statements.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2024

2. Summary of significant accounting policies (continued)

(h) Foreign currency translation

These consolidated financial statements are stated in Canadian dollars. The Company's foreign operations, conducted through FII China, FII India, and FII Vietnam are considered financially interdependent with the Company, and are translated from Chinese renminbi ("RMB"), Indian rupee ("INR"), and Vietnamese dong ("VND") using the temporal method of translation. Accordingly, monetary assets and liabilities are translated at the spot exchange rates in effect at the date of the statement of financial position; non-monetary items are translated at historical exchange rates in effect on the dates of the transactions. Revenue and expense items are translated at monthly average exchange rates in effect during the month in which the transaction occurred, except for amortization which is translated at the historical exchange rate of the corresponding non-monetary item. Realized exchange gains and losses are included in the consolidated statement of operations.

(i) Budget

Budget data presented in these consolidated financial statements are based on the Company's Service Plans. The budget was approved by the Board of Directors on January 30, 2023.

(j) Use of estimates

The preparation of these consolidated financial statements 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 consolidated financial statements, and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of tangible capital assets. Actual results could differ from those estimates.

(k) Segment disclosures

A segment is defined as a distinguishable activity or group of activities of an Company for which it is appropriate to separately report financial information. The Company has provided definitions of segments used by the Company as well as presented financial information of the segments in Note 10.

(l) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and deposits with financial institutions.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2024

3. Accounts payable and accrued liabilities	<u>2024</u>	<u>2023</u>
Trade payables	\$ 649	\$ 281
Accrued liabilities	<u>617</u>	<u>698</u>
	<u>\$ 1,266</u>	<u>\$ 979</u>

4. Recipient advances and payables

The Company's policy on recipient funding contracts stipulates that unspent advances are repaid to the Company. Historically, unspent advances have been repaid to the Company prior to the end of the first quarter of the new fiscal year after final reconciliation reports have been submitted.

In addition, the Company withholds a percentage of earnable administration costs from their interim advances. Recipients would qualify for this final funding amount withheld based on meeting eligible reporting criteria in the recipient reporting process.

As at March 31, 2024, the Company has identified \$151 (2023 - \$532) as payable to the recipient organizations and \$79 (2023 - \$113) as receivable from the recipient organizations.

5. Pension plans

The Company and its employees contribute to the Public Service Pension Plan, which is a multi-employer jointly trustee plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age of retirement, length of service and highest earnings averaged over five years. The board of trustees of the plan represents plan members and employers and is responsible for the management of the plan including investment of the assets and administration of the plan.

The most recent actuarial valuation for the Public Service Pension Plan as at March 31, 2023 indicated a \$4,491 funding surplus for basic pension benefits on a going concern basis.

As described in Note 2(e), the plan is accounted for as a defined contribution plan. During the year ended March 31, 2024, the Company paid \$281 (2023 - \$261) for employer contributions to the plan.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2024

6. Deferred contributions

Deferred contributions consist of contributions received from the Province for tangible capital assets and other capital and operating contributions for which goods and services remain outstanding. Deferred contributions are comprised of the following:

	<u>Provincial</u>	<u>Other</u>	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 587	\$ 24	\$ 611	\$ 603
Contributions received during the year	100	37	137	272
Amounts recognized as revenue	<u>(198)</u>	<u>(13)</u>	<u>(211)</u>	<u>(264)</u>
Balance, end of year	<u>\$ 489</u>	<u>\$ 48</u>	<u>\$ 537</u>	<u>\$ 611</u>

Included in Provincial deferred contributions is \$97 (2023 - \$145) that is unspent.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2024

7. Tangible capital assets

(a) Assets in use

Cost

	2023	Additions	Disposals	2024
Computer equipment	\$ 518	\$ 46	\$ (19)	\$ 545
Furniture and equipment	377	29	(4)	402
Leasehold improvements	491	-	-	491
Tradeshow booths	275	73	(7)	341
	\$ 1,661	\$ 148	\$ (30)	\$ 1,779

Accumulated amortization

	2023	Amortization	Disposals	2024
Computer equipment	\$ 452	\$ 65	\$ (19)	\$ 498
Furniture and equipment	281	34	(4)	311
Leasehold improvements	373	66	-	439
Tradeshow booths	230	30	(7)	253
	\$ 1,336	\$ 195	\$ (30)	\$ 1,501

Net book value

	2023			2024
Computer equipment	\$ 66			\$ 47
Furniture and equipment	96			91
Leasehold improvements	118			52
Tradeshow booths	45			88
	\$ 326			\$ 278

(b) Assets disclosed at nominal values

The cost of tangible capital assets includes the fair market value of certain assets transferred to the Company from the Province effective April 1, 2003 for one dollar. These assets are now fully amortized.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2024

8. Commitments

(a) The Company has lease commitments for its premises it occupies.

2025	\$	819
2026		257
2027		24
2028		-
Thereafter		-
		<hr/>
	\$	1,100

(b) The Company also has an obligation to pay \$403 (2023 - \$543) for contracts entered into and not yet completed at March 31, 2024.

(c) The Company has an operating line of credit with HSBC Bank of Canada with maximum available credit of \$2,000 which incurs interest at prime plus 1.5% per annum. As of March 31, 2024, no amounts have been withdrawn through the utilization of the credit line.

9. Financial instruments risk management

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Credit risk is the risk that the Company's counterparties default or become insolvent.

The Company is potentially exposed to credit risk through cash and cash equivalents, accounts receivable, short term investments, recipient advances, amounts due from the Province, and amounts due from other governments. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. Accounts receivable consist mainly of cost share agreements which are monitored on a regular basis. Amounts due from the Province and amounts due from other governments consist of reimbursement claims. It is the Company's opinion that its exposure to credit risk is subject to normal industry risks and is considered minimal.

As at March 31, 2024, accounts receivable, recipient advances, amounts due from the Province, and amounts due from other governments are comprised of:

	<u>Under 90 days</u>	<u>Over 90 days</u>	<u>Total</u>
Accounts receivable	\$ 189	\$ -	\$ 189
Recipient advances	79	-	79
Due from other governments	<hr/> 915	<hr/> 2	<hr/> 917
	<hr/> \$ 1,183	<hr/> \$ 2	<hr/> \$ 1,185

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2024

9. Financial instruments risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company manages its exposure to liquidity risk by maintaining sufficient cash balances throughout the year to meet its short-term obligations. It is the Company's opinion that its exposure to liquidity risk is subject to normal industry risks and is considered minimal.

Market risk

Market risk is the risk that fluctuations in market prices will affect the Company's net financial assets. Market risk comprises two types of risk:

Currency risk and foreign denominated cash

Currency risk is the risk that fluctuations in foreign currencies will affect the Company's net financial assets denominated in foreign currencies.

The Company is subject to foreign exchange risk through its program payables and program advances and a portion of the Company's program and tradeshow costs, which are denominated in Chinese renminbi, Indian rupee, Vietnamese dong and United States dollars. The Company manages its exposure to currency risk by monitoring its assets and liabilities denominated in foreign currencies and purchasing foreign denominated currency to pay upcoming commitments when the market conditions are favourable. The Company does not use derivatives instruments to reduce its exposure to foreign currency risk. Included in office costs is \$46 (2023 - \$177) of foreign exchange gains.

The amounts shown are translated to Canadian dollars at the closing rate:

	2024				
	USD denominated amounts in CAD	RMB denominated amounts in CAD	INR denominated amounts in CAD	VND denominated amounts in CAD	CAD Total
Cash	\$ 842	\$ 534	\$ 2,425	\$ 45	\$ 3,846
Accounts receivable and due from other governments	-	-	628	14	642
Accounts payable	-	94	340	81	515
	2023				
	USD denominated amounts in CAD	RMB denominated amounts in CAD	INR denominated amounts in CAD	VND denominated amounts in CAD	CAD Total
Cash	\$ 728	\$ 358	\$ 2,120	\$ 16	\$ 3,222
Accounts receivable and due from other governments	-	162	482	44	688
Accounts payable	-	162	281	133	576

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2024

9. Financial instruments risk management (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates will affect the Company's net financial assets that bear interest at variable rates. The Company manages its exposure to interest rate risk by investing in interest bearing cash accounts and short-term investments.

10. Segmented information

Segmented information has been identified based upon programs provided by the Company. Company programs and their activities are reported by functional area in the body of the consolidated financial statements. Programs that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) Funding Recipient Initiatives

Uses project funding delivered through an annual "Call for Proposals" in partnership with the Government of Canada to fund non-profit organizations, universities, forest industry associations and research institutions to:

- Maintain and create opportunities for B.C. wood products in existing and emerging markets;
- Ensure that customers, consumers, designers, builders, developers and architects know about BC wood products and the many positive features they bring to wood construction and interior finishing;
- Support the development of innovative new forest products and building systems; and
- Provide interested parties around the world with information on the properties and qualities of BC's forest products and the BC companies that supply them.

(b) Market Initiatives and Outreach Program

(i) *FII Vancouver Initiatives*

Internally directs delivered programs that:

- Promote the benefits of wood as a green building material;
- Position B.C. as a global supplier of world-class environmentally friendly forest products;
- Research opportunities in new and emerging markets, and initiate early market exploration activities;
- Support industry efforts to mitigate non-tariff trade and market barriers for B.C. forest products;
- Champion the Province's wood innovation priorities and advance the use of wood building systems and technologies in public and private construction;
- Raise awareness of the Province as a world leader in innovative, next generation wood construction and design; and
- Encourage a robust valued-added sector in BC through enhanced capacity and competitiveness.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2024

10. Segmented information (continued)

(b) Market Initiatives and Outreach Program (continued)

(ii) FII China Initiatives

FII China has a mandate to optimize the value of B.C. lumber exports to China by expanding the share of wood construction in China's building sector. FII China focuses on the following activities:

- Expand and strengthen relationships with Chinese national, regional and local government entities (including state-owned developers) to position the environmental benefits of wood construction in response to new policies of the Chinese government to encourage low-carbon, energy-efficient and prefabricated construction in China;
- Promote wood construction in high priority segments such as cultural buildings, tourism, wellness and elderly care facilities, hybrid construction (wood mixed with concrete/steel) and mid-rise and taller wood construction; and
- Work closely with Canadian forest industry trade association staff to expand China's technical capacity to deploy wood construction.

(iii) FII India Initiatives

FII India has a mandate to establish a local presence in India for B.C. and Canadian forest products; develop working relationships with manufacturers, importers, architects, developers and the wood-user community; and grow demand for B.C. lumber in the wood in manufacturing sector. The operation focuses on early market development activities including:

- Positioning B.C.'s sustainable softwoods to take advantage of India's growing fibre needs;
- Undertaking promotional and educational activities targeting potential end users;
- Conducting product trials and providing technical support to allow local manufacturers to gain experience working with B.C. species in specific applications; and
- Building a stockist (importer/distributor) network in India to carry and supply B.C. wood species in the market.

(iv) FII Vietnam Initiatives

FII Vietnam has a mandate to identify opportunities for B.C. species in Vietnam's wood manufacturing sector; identify key players in the supply chain to introduce them to B.C. species; and build the demand for, and awareness of, Canadian wood products in the market. The operation focuses on early (pre-commercial) market development activities, including:

- Positioning B.C.'s sustainable softwoods as an alternative to hardwood for furniture manufacturing;
- Introducing B.C. species and suppliers to Vietnamese importers, traders and furniture manufacturers;
- Conducting product trials and providing technical support to allow local manufacturers to gain experience working with B.C. species in specific applications; and
- Identifying opportunities in the marketplace and any barriers to entry.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2024

10. Segmented information (continued)

(c) Corporate services

Corporate services performs the following activities:

- Ensures financial reporting to government standards;
- Provides Human Resource, IT and office services to meet organizational needs;
- Oversees budget and planning, internal controls and cash management;
- Support government and industry trade missions and related initiatives;
- Provide corporate secretary services; and
- Provides corporate communication, market data and analytical services to meet internal and external needs.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2024

10. Segmented information (continued)

	Funding Recipient Initiatives	Market Initiatives and Outreach				Corporate services	2024 Total	2023 Total
		FII Vancouver	FII China	FII India	FII Vietnam			
Revenues								
Government contributions								
Provincial	\$ 9,114	\$ 5,396	\$ 2,388	\$ 907	\$ 752	\$ 1,717	\$ 20,274	\$ 23,065
Federal	124	165	-	-	-	1	290	1,906
Other revenue	-	35	-	104	-	5	144	78
Investment income	5	-	1	126	-	333	465	335
Total revenues	9,243	5,596	2,389	1,137	752	2,056	21,173	25,384
Expenses								
Amortization	-	-	13	18	38	126	195	196
Auditing	192	-	45	25	10	73	345	427
Grants	862	-	-	-	-	-	862	4,386
Office costs	80	303	407	401	312	97	1,600	1,715
Professional services	142	1,522	228	584	583	113	3,172	2,941
Program costs	6,771	565	-	1	-	-	7,337	8,554
Salaries, wages and benefits	303	2,061	1,332	603	628	1,221	6,148	6,043
Trade missions	-	10	17	-	18	-	45	15
Travel and business costs	-	218	174	247	125	271	1,035	821
Total expenses	8,350	4,679	2,216	1,879	1,714	1,901	20,739	25,098
Annual surplus (deficit)	\$ 893	\$ 917	\$ 173	\$ (742)	\$ (962)	\$ 155	\$ 434	\$ 286

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2024

11. Contingency

During the 2023/2024 fiscal year, GST rebate applications in the amount of INR \$21,512,248 (CAD \$358,538) made by FII India were denied by the India GST authority. FII India is appealing the decision and its business operations have remained unchanged since previously accepted filings. The GST rebates receivable are included in Receivable from Other Governments at March 31, 2024. The Company believes the claim is without merit; however, as the outcome is not determinable at this time, no consequent provisions or accruals have been recorded in these financial statements.
