



**Forestry Innovation
Investment[®]**

Consolidated Financial Statements

Forestry Innovation Investment Ltd.

March 31, 2020

Contents

	Page
Independent Auditor's Report	1 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 21

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, 2019 and the consolidated statement of operations, change in net assets, and cash flow for the year ending March 31, 2020 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 21, 2020

Independent Auditor's Report

Grant Thornton LLP
Suite 1600
333 Seymour Street
Vancouver, BC
V6B 0A4
T +1 604 687 2711
F +1 604 685 6569

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

To the Minister of International Trade, [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, 2020, 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

Vancouver, Canada
May 21, 2020

Grant Thornton LLP

Chartered Professional Accountants

Forestry Innovation Investment Ltd.

Consolidated Statement of Financial Position

(in thousands of dollars)

March 31

	Note	2020	2019
Financial assets			
Cash and cash equivalents		\$ 4,385	\$ 3,523
Accounts receivable		360	1,377
Recipient advances	4	43	17
Due from Province of British Columbia		16	15
Due from other governments		949	1,044
Total financial assets		<u>5,753</u>	<u>5,976</u>
Liabilities			
Accounts payable and accrued liabilities	3	1,675	2,311
Due to Province of British Columbia		21	27
Due to other governments		174	148
Recipient payables	4	197	287
Deferred contributions	6	521	825
Total liabilities		<u>2,588</u>	<u>3,598</u>
Net financial assets		<u>3,165</u>	<u>2,378</u>
Non-financial assets			
Tangible capital assets	7	344	320
Prepaid expenses		486	799
Total non-financial assets		<u>830</u>	<u>1,119</u>
Accumulated surplus		<u>\$ 3,995</u>	<u>\$ 3,497</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	2020	2019
	<u>Note</u>		
Revenue	10		
Government contributions			
Provincial	\$ 19,610	\$ 19,606	\$ 19,686
Federal	2,160	2,720	1,880
Other revenue	4,340	1,746	3,116
Investment income	-	139	121
	<u>26,110</u>	<u>24,211</u>	<u>24,803</u>
Expenses	10		
Funding recipient initiatives	9,134	8,855	9,949
Market initiatives and outreach			
FII Vancouver	9,456	6,877	7,126
FII China	2,300	2,357	2,468
FII India	3,800	4,071	3,684
Corporate services	1,420	1,553	1,504
	<u>26,110</u>	<u>23,713</u>	<u>24,731</u>
Annual surplus	-	498	72
Accumulated surplus, beginning of year	3,497	3,497	3,425
Accumulated surplus, end of year	<u>\$ 3,497</u>	<u>\$ 3,995</u>	<u>\$ 3,497</u>

Forestry Innovation Investment Ltd.
Consolidated Statement of Changes in Net Financial Assets

(in thousands of dollars)

Year ended March 31	Budget	2020	2019
Annual surplus	\$ -	\$ 498	\$ 72
Acquisition of tangible capital assets	(145)	(186)	(133)
Amortization of tangible capital assets	212	160	212
Disposal of tangible capital assets	-	2	1
(Acquisition) use of prepaid expenses	(150)	313	(147)
Increase in net financial assets	(83)	787	5
Net financial assets, beginning of year	2,378	2,378	2,373
Net financial assets, end of year	\$ 2,295	\$ 3,165	\$ 2,378

Forestry Innovation Investment Ltd.

Consolidated Statement of Cash Flows

(in thousands of dollars)

Year ended March 31

2020

2019

Cash provided by (used in):

Operating

Annual surplus	\$	498	\$	72
Items not involving cash				
Amortization of tangible capital assets		160		212
Amortization of deferred contributions		(516)		(380)
Loss on disposal of tangible capital assets		2		1
Change in accounts receivable		1,017		(632)
Change in recipient advances		(26)		100
Change in due from Province of British Columbia		(1)		2
Change in due from other governments		95		(453)
Change in accounts payable and accrued liabilities		(636)		251
Change in due to Province of British Columbia		(6)		26
Change in due to other governments		26		(33)
Change in recipient payables		(90)		(83)
Change in prepaid expenses		313		(147)
		<u>836</u>		<u>(1,064)</u>

Investing

Acquisition of tangible capital assets		(186)		(133)
Sale of short-term investments		-		201
		<u>(186)</u>		<u>68</u>

Financing

Receipt of deferred contributions		<u>212</u>		<u>488</u>
Net increase (decrease) in cash		862		(508)
Cash, beginning of year		<u>3,523</u>		<u>4,031</u>
Cash, end of year	\$	<u>4,385</u>	\$	<u>3,523</u>

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2020

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 Minister of International Trade, 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, 2020, 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; and 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.

FII China is based in Shanghai, China, and FII India is based in Mumbai, India, with both 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, 2020

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, short term investments, amounts due from the Province, amounts due from other governments, recipient advances, 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, 2020

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
Computer software	2 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, 2020

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 and FII India, are considered financially interdependent with the Company, and are translated from Chinese renminbi ("RMB") and Indian rupee ("INR") 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 11, 2019.

(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) Financial assets

(i) Cash and cash equivalents

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

(ii) Short term investments

Short term investments include term deposits measured at cost.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2020

3. Accounts payable and accrued liabilities	<u>2020</u>	<u>2019</u>
Trade payables	\$ 684	\$ 1,316
Accrued liabilities	<u>991</u>	<u>995</u>
	<u>\$ 1,675</u>	<u>\$ 2,311</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, 2020, the Company has identified \$197 (2019 - \$287) as payable to the recipient organizations and \$43 (2019 - \$17) 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, 2017 indicated a \$1,896 million funding surplus for basic pension benefits.

The plan is accounted for as a defined contribution plan. During the year ended March 31, 2020, the Company paid \$236 (2019 - \$216) for employer contributions to the plan.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2020

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>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 341	\$ 484	\$ 825	\$ 717
Contributions received during the year	190	22	212	488
Amounts amortized to revenue	<u>(152)</u>	<u>(364)</u>	<u>(516)</u>	<u>(380)</u>
Balance, end of year	<u>\$ 379</u>	<u>\$ 142</u>	<u>\$ 521</u>	<u>\$ 825</u>

Included in Provincial deferred contributions is \$15 (2019 - \$11) that is unspent.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2020

7. Tangible capital assets

(a) Assets in use

Cost

	2019	Additions	Disposals	2020
Computer equipment	\$ 762	\$ 83	\$ (217)	\$ 628
Computer software	55	-	(43)	12
Furniture and equipment	380	53	(28)	405
Leasehold improvements	1,135	12	(21)	1,126
Tradeshow booths	611	38	(202)	447
	<u>\$ 2,943</u>	<u>\$ 186</u>	<u>\$ (511)</u>	<u>\$ 2,618</u>

Accumulated amortization

	2019	Amortization	Disposals	2020
Computer equipment	\$ 632	\$ 81	\$ (215)	\$ 498
Computer software	55	-	(43)	12
Furniture and equipment	349	23	(28)	344
Leasehold improvements	1,021	34	(21)	1,034
Tradeshow booths	566	22	(202)	386
	<u>\$ 2,623</u>	<u>\$ 160</u>	<u>\$ (509)</u>	<u>\$ 2,274</u>

Net book value

	2019	2020
Computer equipment	\$ 130	\$ 130
Computer software	-	-
Furniture and equipment	31	61
Leasehold improvements	114	92
Tradeshow booths	45	61
	<u>\$ 320</u>	<u>\$ 344</u>

(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, 2020

8. Commitments

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

2021	\$	1,410
2022		1,144
2023		587
2024		541
2025		290
Thereafter		-
	\$	<u>3,972</u>

(b) The Company also has an obligation to pay \$343 (2019 - \$953) for contracts entered into and not yet completed at March 31, 2020.

(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 0.5% per annum. As of March 31, 2020, 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, 2020, 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	\$ 360	\$ -	\$ 360
Recipient advances	43	-	43
Due from Province of British Columbia	16	-	16
Due from other governments	949	-	949
	<u>\$ 1,368</u>	<u>\$ -</u>	<u>\$ 1,368</u>

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2020

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 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 \$62 (2019 – \$60) of foreign exchange gains.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2020

9. Financial instruments risk management (continued)

Market risk (continued)

Currency risk and foreign denominated cash (continued)

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

	2020			
	USD denominated amounts in CAD	RMB denominated amounts in CAD	INR denominated amounts in CAD	CAD Total
Cash	\$ 191	\$ 681	\$ 847	\$ 1,719
Accounts receivable and due from other governments	-	-	734	734
Accounts payable	-	312	442	754
	2019			
	USD denominated amounts in CAD	RMB denominated amounts in CAD	INR denominated amounts in CAD	CAD Total
Cash	\$ 776	\$ 369	\$ 405	\$ 1,550
Accounts receivable and due from other governments	-	-	993	993
Accounts payable	-	149	880	1,029

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.

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 forest industry associations and research institutions to:

- Maintain and create opportunities for BC 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-frame construction and interior finishing;

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2020

10. Segmented information (continued)

(a) Funding Recipient Initiatives (continued)

- Support the development of innovative new forest products; 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:

- Identify potential opportunities for BC forest products through market research and develop market access strategies;
- Ensure BC forest products have access to markets free from regulatory and other barriers through initiatives and research;
- Provide customers and foreign regulators with facts about the environmental merits of BC forest products, including the sustainable forest management regime that underlies their production;
- Research opportunities in new and emerging markets, and initiate early market exploration activities;
- Champion the Province's Wood First priorities and encourage expanded wood use in BC;
- Raise awareness of the Province as a world leader in advanced wood construction and design; and
- Encourage a robust valued-added sector in BC through enhanced capacity and competitiveness.

(ii) FII China Initiatives

FII China has a mandate to increase the volume and value of BC lumber exports to China by expanding the share of wood frame construction in China's building sector. FII China focuses on the following activities:

- Expanding and strengthening relationships with central and regional government agencies responsible for building and construction in China and with large state-owned developers, emphasizing the pursuit of strategic and joint initiatives;
- Building partnerships with established market leaders in China's development sector and supporting these companies in areas of concept development, planning and design, code application, and resource integration; and
- Working closely with Canadian forest industry trade association staff to expand China's technical capacity to deploy wood frame construction.

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2020

10. Segmented information (continued)

(b) Market Initiatives and Outreach Program (continued)

(iii) FII India Initiatives

FII India has a mandate to establish a local presence in India for BC and Canadian forest products companies; develop working relationships with government officials, regulatory agencies, and the wood user community; and position BC and Canadian forest products for future growth. The operation focuses on early-market (pre-commercial) development activities, including:

- Supporting development of the market for BC and Canadian forest products through market research;
- Promoting BC and Canadian wood species in various end-uses;
- Educating the market place on BC and Canadian wood species and their proper use;
- Providing intermediation with Indian regulatory authorities; and
- Providing direct support for BC companies entering the India market.

(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 controls in alignment with strategic objectives; and
- Provides corporate communication 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, 2020

10. Segmented information (continued)

	Funding Recipient Initiatives	Market Initiatives and Outreach			Corporate services	2020 Total	2019 Total
		FII Vancouver	FII China	FII India			
Revenues							
Government contributions							
Provincial	\$ 8,935	\$ 4,565	\$ 2,300	\$ 2,425	\$ 1,381	\$ 19,606	\$ 19,686
Federal	200	769	35	1,716	-	2,720	1,880
Other revenue	-	1,591	-	144	11	1,746	3,116
Investment income	1	-	-	34	104	139	121
Total revenues	9,136	6,925	2,335	4,319	1,496	24,211	24,803
Expenses							
Amortization	-	-	33	36	91	160	212
Auditing	188	-	45	31	49	313	354
Grants	459	-	-	-	-	459	854
Office costs	45	321	258	565	180	1,369	1,245
Professional services	559	4,039	332	1,686	185	6,801	7,140
Program costs	7,251	362	180	134	(85)	7,842	8,528
Salaries, wages and benefits	353	1,938	1,189	1,175	965	5,620	5,399
Trade missions	-	16	127	29	-	172	88
Travel and business costs	-	201	193	415	168	977	911
Total expenses	8,855	6,877	2,357	4,071	1,553	23,713	24,731
Annual surplus (deficit)	\$ 281	\$ 48	\$ (22)	\$ 248	\$ (57)	\$ 498	\$ 72

Forestry Innovation Investment Ltd.

Notes to the Consolidated Financial Statements

(in thousands of dollars)
March 31, 2020

11. Subsequent events

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our operations are not known at this time. These impacts could include potential future decreases in revenue. Management is closely monitoring the evolving situation and taking measures to mitigate potential negative impacts to the Company.

12. Comparative information

Certain of the comparative figures have been reclassified to conform to the classifications used in the current year.
