



Financial Statements of

**HALDIMAND-NORFOLK, RESOURCE,
EDUCATION AND COUNSELLING HELP
(H-N R.E.A.C.H.)**

And Independent Auditor's Report thereon
year ended March 31, 2023



GOOD REDDEN KLOSLER

Supporting Growth. Providing Direction.

Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:

HALDIMAND-NORFOLK RESOURCE, EDUCATION AND COUNSELLING HELP

Qualified Opinion

We have audited the accompanying financial statements of Haldimand-Norfolk R.E.A.C.H. which comprise the statement of financial position as at March 31, 2023, statement of changes in fund balances, statement of operations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Haldimand-Norfolk R.E.A.C.H. derives revenue from the general public through donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of Haldimand-Norfolk R.E.A.C.H.. Therefore, we were not able to determine whether any adjustments might be necessary to revenue and net assets.

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 Financial Statements section of our report. We are independent of Haldimand-Norfolk R.E.A.C.H. in accordance with the ethical requirements that are relevant to our audit of the 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

Continued

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 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 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 entity'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 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 entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Good Redden Klosler LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Simcoe, Ontario
June 28, 2023

HALDIMAND-NORFOLK RESOURCE, EDUCATION AND COUNSELLING HELP

STATEMENT OF FINANCIAL POSITION

As at March 31, 2023

	Operating	Charity	Nevada	Replacement	Total	Total
	Fund	Fund	Fund	Reserve	2023	2022
				Fund		
ASSETS						
Cash	1,716,582	331,365	38,225	-	2,086,172	3,339,633
Accounts receivable	1,080,715	-	-	-	1,080,715	754,190
Due from other H-N R.E.A.C.H. funds	-	-	-	-	-	21,147
Prepaid expenses	46,263	-	-	-	46,263	76,955
Investments	307,605	-	41,091	52,558	401,254	357,160
	3,151,165	331,365	79,316	52,558	3,614,404	4,549,085
Property, equipment and leasehold improvements - Note 3	1,784,127	-	-	-	1,784,127	1,974,878
	4,935,292	331,365	79,316	52,558	5,398,531	6,523,963
LIABILITIES AND FUND BALANCES						
Accounts payable and accrued liabilities	1,685,176	-	-	-	1,685,176	2,846,428
Government remittances payable	8,809	-	-	-	8,809	151,203
Due to other H-N R.E.A.C.H. funds	-	-	-	-	-	21,147
ELCC professional development fund	-	-	-	-	-	135
Current portion of mortgages payable - Note 4	43,899	-	-	-	43,899	50,487
	1,737,884	-	-	-	1,737,884	3,069,400
Mortgages payable - Note 4	532,227	-	-	-	532,227	576,223
Deferred contributions	141,815	-	-	-	141,815	268,863
Contingency - Note 10	863,648	-	-	-	863,648	863,648
	3,275,574	-	-	-	3,275,574	4,778,134
Fund Balances						
Unrestricted	1,659,718	331,365	79,316	-	2,070,399	1,729,736
Externally restricted - Note 6	-	-	-	52,558	52,558	16,093
	4,935,292	331,365	79,316	52,558	5,398,531	6,523,963

Approved by: _____



HALDIMAND-NORFOLK RESOURCE, EDUCATION AND COUNSELLING HELP

STATEMENT OF CHANGES IN FUND BALANCES

For the year ended March 31, 2023

	Operating	Charity	Nevada	Replacement		
	Fund	Fund	Fund	Reserve	2023	2022
	Fund	Fund	Fund	Fund		
Fund Balance, Beginning of Year	1,436,364	214,958	78,414	16,093	1,745,829	1,403,361
Excess of revenue over expenditures	351,336	40,615	(15,161)	338	377,128	342,468
Interfund transfers	(127,982)	75,792	16,063	36,127	-	-
Fund Balance, End of Year	1,659,718	331,365	79,316	52,558	2,122,957	1,745,829



HALDIMAND-NORFOLK RESOURCE, EDUCATION AND COUNSELLING HELP

STATEMENT OF OPERATIONS

For the year ended March 31, 2023

	Operating Fund	Charity Fund	Replacement		2023	2022
			Nevada Fund	Reserve Fund		
REVENUE						
Ministry funding	9,858,866	-	-	-	9,858,866	10,950,227
County funding	2,308,203	-	-	-	2,308,203	2,528,992
Hamilton Health Sciences Corp. funding	1,366,484	-	-	-	1,366,484	829,563
Other major funders	-	48,172	-	-	48,172	23,007
User fees	1,146,897	-	-	-	1,146,897	1,203,045
Canadian Emergency Wage Subsidy	-	-	-	-	-	115,804
Donations and fundraising	-	-	-	-	-	500
Interest and other	313,620	6,862	1,073	338	321,893	354,368
	14,994,070	55,034	1,073	338	15,050,515	16,005,506
EXPENDITURES						
Salaries and wages	6,610,649	-	-	-	6,610,649	6,586,799
Benefits	1,599,353	-	-	-	1,599,353	1,521,616
Travel	146,713	-	-	-	146,713	65,371
Professional development	72,652	-	-	-	72,652	31,399
Occupancy	714,033	-	-	-	714,033	698,296
Professional fees	75,675	-	-	-	75,675	100,261
Program supplies and start-up costs	221,664	2,189	144	-	223,997	141,578
Purchased services - client	791,520	-	-	-	791,520	643,218
Food	108,044	-	-	-	108,044	35,273
Community initiatives	2,423,423	-	-	-	2,423,423	3,920,327
Advertising and promotion	60,924	-	-	-	60,924	35,744
Telephone and internet	61,995	-	-	-	61,995	59,692
Office administration	181,131	30	3	-	181,164	191,719
Dues, fees and licences	33,188	-	-	-	33,188	26,336
Insurance	82,404	-	-	-	82,404	68,019
Capital asset expensed	23,330	-	-	-	23,330	67,000
Board and general meeting	17,050	-	-	-	17,050	3,999
Amortization	254,020	-	-	-	254,020	256,724
Caregiver, provider and facilitator fees	155,031	-	-	-	155,031	181,383
Respite contracts	857,257	-	-	-	857,257	840,669
Mortgage and loan interest	14,728	-	-	-	14,728	16,458
Funds repaid to funders	59,638	-	-	-	59,638	-
Accounts receivable write-offs	1,812	-	-	-	1,812	9,269
Other	76,500	12,200	16,087	-	104,787	17,980
Contingency - Note 10	-	-	-	-	-	143,908
	14,642,734	14,419	16,234	-	14,673,387	15,663,038
Excess of Revenue over Expenditures	351,336	40,615	(15,161)	338	377,128	342,468



HALDIMAND-NORFOLK RESOURCE, EDUCATION AND COUNSELLING HELP

STATEMENT OF CASH FLOWS

For the year ended March 31, 2023

	2023	2022
Operating Activities		
Excess of revenue over expenditures	377,128	342,468
Amortization of property, equipment and leasehold improvements	270,824	270,659
	647,952	613,127
Change in non-cash working capital accounts		
Accounts receivable	(326,524)	1,026,597
Prepaid expenses	30,692	(8,957)
Investments	(44,094)	(341,739)
Accounts payable and accrued liabilities	(1,161,252)	(498,543)
Government remittances payable	(142,394)	18,050
ELCC professional development fund	(135)	-
Contingency	-	28,104
Deferred contributions	(127,048)	(351,506)
	(1,122,803)	485,133
Financing and Investing Activities		
Proceeds from issuance of mortgages payable	-	300,000
Repayment of mortgages payable	(50,583)	(43,558)
Purchase of property, equipment and leasehold improvements	(80,075)	(232,987)
	(130,658)	23,455
Net Cash Flow	(1,253,461)	508,588
Cash Balance at Beginning of Year	3,339,633	2,831,045
Cash Balance at End of Year	2,086,172	3,339,633



HALDIMAND-NORFOLK RESOURCE, EDUCATION AND COUNSELLING HELP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

1. PURPOSE OF THE ORGANIZATION

Haldimand-Norfolk Resource, Education and Counselling Help (H-N R.E.A.C.H.) is a regional organization operating programs to ensure that there will be a socially and emotionally secure community of individuals and families living within the counties of Haldimand and Norfolk. H-N R.E.A.C.H. is a not-for-profit organization and is a registered charity under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The financial statements are prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPPO).

(b) Fund Accounting

(i) Operating Fund

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

(ii) Charity Fund

Revenues and expenses related to general fundraising activities are reported in the Charity Fund.

(iii) Nevada Fund

Revenues and expenses related to Nevada tickets fundraising activities are reported in the Nevada Fund.

(iv) Replacement Reserve Fund

Revenues and expenses related to the statutory maintenance of a replacement reserve fund for the Ministry of Children, Community and Social Services funding, relating to repairs for the Union (Simcoe) property, are reported in the Replacement Reserve Fund.

(c) Revenue Recognition

H-N R.E.A.C.H. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and if collection is reasonably assured.

User fee revenue is recognized for services that have been provided, it is recognized when it is received or receivable and collection can be reasonably assured. Interest revenue is accrued as it is earned.

Other revenue includes revenue from rental units, funds that have been transferred from other budgets and is off set by the central administration allocation. Other revenue is recognized when it is received or receivable and collection can be reasonably assured.

(d) Expenses

Expenses are reported on the accrual basis of accounting. The cost of goods and services are recorded in the year acquired regardless whether or not payment has been made.

(e) Investments

All of the investments are carried at their fair market value and consist of guaranteed investment certificates (GIC's).



HALDIMAND-NORFOLK RESOURCE, EDUCATION AND COUNSELLING HELP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property and Equipment

Purchased property and equipment are recorded in the Operating Fund at cost. Contributed property and equipment are recorded in the Operating Fund at fair market value at the date of the contribution. Amortization is calculated on a straight-line basis over the capital assets' estimated useful lives at the following annual rates:

Building - Bramble (Townsend)	10 years
Building - Union (Simcoe)	10 years
Building - John (Simcoe)	40 years
Ramsey (Dunnville)	20 years
Furniture and equipment	5 years
Information technology equipment	3 years
Information technology software	5 years
Leasehold improvements	Evenly over the term of the lease
Vehicles	10 years

In accordance with the Ministry of Children, Community and Social Services accounting requirements, the Union (Simcoe) and the Bramble (Townsend) properties are amortized over the life of their related mortgages. Their annual amortization expense matches the mortgage principal payments made during the year on each property.

The costs associated with capital in progress are capitalized during the development phase of the capital project. Upon completion of the project, the assets are allocated to their respective property and equipment class and amortized at the applicable class rate.

(g) Accumulated Fund Balances

The Ministry of Children, Community and Social Services, and the Ministry of Health provide the majority of the funding for H-N R.E.A.C.H. The applicable Ministry will request the repayment of excess funds. The excess funds are set up as accounts payable and recoverable by the Ministry.

(h) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred. Financial instruments are comprised of accounts receivable, short and long term investments, accounts payable and accrued liabilities and long-term debt. All financial instruments are subsequently carried at amortized cost.

(i) Allocation of Expenses

H-N R.E.A.C.H. engages in several client support services and programs. The costs of each program includes the cost of personnel, marketing, premises and other expenses that are directly related to providing the program. H-N R.E.A.C.H. also incurs a number of general support expenses that are common to the administration of the organization and its programs. H-N R.E.A.C.H. allocates its general overhead and marketing expenses by identifying the portion of support applicable to each contract or program and/or the amount permitted by the funding source, which is generally based on a percentage of funding.



HALDIMAND-NORFOLK RESOURCE, EDUCATION AND COUNSELLING HELP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Government Grants

Government grants and funding are recorded when there is reasonable assurance that H-N R.E.A.C.H. has complied with and will continue to comply with all necessary conditions to obtain the grants and funding.

(k) Programs

H-N R.E.A.C.H. administers many different types of programs. Some of these programs are 'managed by the Organization', while others are 'managed on behalf of others'. All programs are subject to audit attestation. Only programs 'managed by the Organization' are included in the combined statement of operations. The programs are segregated in the index to these financial statements between 'managed by the Organization' and 'managed on behalf of others'.

(l) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. The most significant estimates in the financial statements include the useful life of capital assets and the determination of accruals.

(m) Contributed Services

Volunteers contribute numerous hours to assist H-N R.E.A.C.H. in carrying out certain aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in the financial statements.

(n) Economic Dependence

The Ministry of Children, Community and Social Services, and the Ministry of Health provide the majority of the funding for H-N R.E.A.C.H. and as such H-N R.E.A.C.H. has the ability to continue viable operations and is dependent upon continued funding by the Ministries. The funding is based on approved expenditure levels for each program as set out by an agreement between the Ministries and the H-N R.E.A.C.H. Any excess of revenue over expenditures subsidized by the Ministries will be requested to be returned.



HALDIMAND-NORFOLK RESOURCE, EDUCATION AND COUNSELLING HELP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

3. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Cost	Accumulated Amortization	2023	2022
Land - Bramble (Townsend)	39,500	-	39,500	39,500
Land - John (Simcoe)	132,975	-	132,975	132,975
Land - Ramsey (Dunnville)	75,000	-	75,000	75,000
Building - Bramble (Townsend)	178,710	159,196	19,514	22,623
Building - Union (Simcoe)	298,612	288,670	9,942	26,582
Building - John (Simcoe)	377,234	34,272	342,962	352,393
Building - Ramsey (Dunnville)	912,254	122,770	789,484	244,409
Furniture and equipment	852,833	640,920	211,913	315,666
Information technology equipment	363,856	280,732	83,124	56,335
Information technology software	368,864	334,934	33,930	57,263
Leasehold improvements	240,096	216,034	24,062	35,831
Vehicles	38,903	17,182	21,721	25,612
Capital in progress	-	-	-	590,689
	3,878,837	2,094,710	1,784,127	1,974,878

4. MORTGAGE AND LOAN PAYABLE

The mortgage payable on the Union (Simcoe) property bears interest at 3.75% per annum, is repayable in blended monthly instalments of \$1,358 and matures on September 1, 2023. The mortgage is secured by the Union (Simcoe) property. The current portion of the mortgage principal balance is \$8,097 (2022 - \$15,667) and the long-term portion is \$nil (2022 - \$8,097). The loan is expected to be paid out in full.

Two loans are secured by the Ramsey (Dunnville) property. One loan bears interest at 3.35% per annum, is repayable in blended monthly instalments of \$1,574 and matures on December 19, 2024. The current portion of the loan principal balance is \$10,956 (2022 - \$10,247) and the long-term portion is \$230,867 (2022 - \$241,823). A second loan bears floating interest of 1.5% per annum, is repayable in blended monthly instalments of \$1,448 and matures on February 22, 2024. The current portion of the loan principal balance is \$13,376 (2022 - \$13,091) and the long-term portion is \$259,392 (2022 - \$272,768).

The loan payable is secured by the John (Simcoe) property. The loan interest at 4.05% per annum, is repayable in blended monthly instalments of \$1,062 and matures on February 8, 2027. The current portion of the loan principal balance is \$11,470 (2022 - \$11,133) and the long-term portion is \$36,533 (2021 - \$48,003).

H-N R.E.A.C.H. has the following anticipated total principal repayments over the next 5 years:

	Union (Simcoe)	John (Simcoe)	Ramsey	Total
2024	8,097	11,470	24,332	43,899
2025	-	11,816	24,906	36,722
2026	-	12,173	25,497	37,670
2027	-	12,543	26,104	38,647
2028	-	-	26,727	26,727



HALDIMAND-NORFOLK RESOURCE, EDUCATION AND COUNSELLING HELP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

5. OPERATING LINE OF CREDIT

The Organization has an available line of credit for \$185,000 at prime lending rate plus 0.75%. The outstanding balance as at March 31, 2023 was \$nil (2022 - \$nil).

6. EXTERNAL RESTRICTIONS ON FUND BALANCES

The Replacement Reserve Fund is restricted by the Ministry of Children, Community and Social Services for repairs made on the Union (Simcoe) property. The fund balance of \$52,588 (2022 - \$16,093) is restricted for this purpose.

7. INTERFUND TRANSFERS

The Charity Fund and the Nevada Fund each transferred funds to/from the Operating Fund to support programs operated by H-N R.E.A.C.H.

8. RELATED PARTY TRANSACTIONS

H-N R.E.A.C.H. is the sponsor agency for Community Action Program for Children (C.A.P.C.) via a Letter of Understanding. Although C.A.P.C. is not a legal entity unto itself, it is regarded as a non-managed fund and it is required to maintain a separate bank account. C.A.P.C.'s net assets are included as a payable balance in the Statement of Financial Position under the Operating Fund and all of C.A.P.C.'s Statements of Revenues and Expenditures are reported as non-managed funds.

9. LEASE COMMITMENTS

H-N R.E.A.C.H. has the following payments required under operating leases for rental property:

2024	276,507
2025	263,770
2026	275,366
2027	278,045
2028	<u>250,196</u>
	<u>1,343,884</u>

10. CONTINGENCY

During the year and prior year the Organization was required to apply for federal funding in order to secure certain funding. The Organization received funding under the Canadian Emergency Wage Subsidy Program which has resulted in a surplus of funding. The Organization recognizes that the surplus may need to be paid back to a funder and has recorded a provision for the remaining amount that has not been utilized of \$863,648 (2022 - \$863,648).



HALDIMAND-NORFOLK RESOURCE, EDUCATION AND COUNSELLING HELP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

11. FINANCIAL INSTRUMENT RISK

Financial instruments consist of cash, accounts receivable, investments, accounts payable, accrued liabilities and mortgage payable. Cash, accounts receivable, accounts payable, and accrued liabilities are all short-term in nature and as such, their carrying values approximate fair value. Investments consist of guaranteed investment certificates (GIC's) which approximate their fair value. Mortgage payable is at the prevailing market rate and therefore approximates its fair value. Some fee-based-revenue is made on credit and is subject to normal credit risk for service agencies. Adequate provisions have been made for anticipated uncollectible amounts.

H-N R.E.A.C.H. is exposed to various risks through financial instruments and has a framework to monitor, evaluate and manage these risks. The following analysis provides information about risk exposure and concentration as of March 31, 2023:

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The nature and significant number of service participants and the significance of the funding received from Ministry of Children, Community and Social Services minimizes the exposure to credit risk as H-N R.E.A.C.H. does not extend significant credit in the form of trade receivables.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. H-N R.E.A.C.H. is exposed to this risk mainly in respect of its receipt of funds from service participants and other related sources and financial obligations with banking institutions. The nature and significant number of service participants and suppliers minimizes liquidity risk as H-N R.E.A.C.H. does not maintain significant trade payables or receivables. Current amounts due in respect of long term financial obligations are considered manageable.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. H-N R.E.A.C.H. is mainly exposed to interest rate risk. Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. H-N R.E.A.C.H. is exposed to interest rate risk in respect of its long-term financial obligations. Interest rate risk is minimized as the interest rate is fixed.

12. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of these financial statements.

