

REGISTERED NUMBER: 00201929 (England and Wales)

**Strategic Report, Directors' Report and
Financial Statements for the Year Ended 31 March 2020**
for
**Howarth Timber & Building Supplies
Limited**



**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Contents of the Financial Statements
for the Year Ended 31 March 2020**

	Page
Company Information	1
Strategic Report	2
Directors' Report	5
Statement of Directors' Responsibilities	7
Report of the Independent Auditors	8
Income Statement	11
Other Comprehensive Income	12
Balance Sheet	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15

**Howarth Timber & Building Supplies
Limited**

**Company Information
for the Year Ended 31 March 2020**

Directors:

A P Howarth
N D Howarth
A P Turner

Registered office:

Prince Edward Works
Pontefract Lane Leeds
West Yorkshire
LS9 0RA

Registered number:

00201929 (England and Wales)

Auditors:

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Strategic Report
for the Year Ended 31 March 2020**

Principal activities and business review

The principal activity is the supply of timber and other building supplies to merchants, building material suppliers and DIY retailers.

Business Model

Howarth Timber & Building Supplies purchase products competitively through industry buying Groups and sells them on, primarily to small builders who will most commonly be involved with small developments or in the repairs and renewals market. Through competitive pricing, quality products and excellent customer service, the business is one of the leading independent Merchants in the UK.

Review of business

Turnover declined 2% during the year to £100.4m (2019: £102.5m). Two new branches were added in the second half of the year, but the difficult market we encountered from the summer of 2019 through to the end of the calendar year as well as falling timber prices have negatively impacted turnover. Operating profit fell to £0.7m (2019: £1.3m) and has been impacted by ongoing margin pressure in the difficult marketplace and also due to the newer branches within the business still developing and making operating losses during the year. The management team continues to work closely with branches to improve performance, both sales and operating profit.

Key performance indicators

Key financial performance indicators include the monitoring of the management of profitability and working capital.

Financial	2020	2019	Measure
Return on capital	0.03	0.03	Profit before tax/net assets
Current ratio	1.02	1.3	Current assets/current liabilities
Stock turnover	8.87	8.65	Turnover/stock
Days debtors	42	42	Trade debtor's/turnover x 365
Sales per employee (£000)	200	205	Turnover/average number of employees
Operating profit per employee (£000)	1.3	2.6	Operating profit/average number of employees

The above ratios reflect the continued strong management of the business in terms of sound investment choices, good working capital management and strong employee base. Key performance ratios are used to monitor the use of working capital and cost controls, in particular employment costs which make up over 50% of the company overhead costs. Management are focusing on both margin and overhead costs in the current year.

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Strategic Report
for the Year Ended 31 March 2020**

Principal risks and uncertainties

The principal risks and uncertainties affecting the business include the following:

Raw material availability and prices: the company monitors raw material sources on a national basis.

Environmental risks: the company places considerable emphasis upon environmental compliance in each of its businesses and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.

Debtors: the company maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed. In addition, the company maintains credit insurance whereby the majority of outstanding debts are credit insured.

Major disruption/disaster: business continuity planning is reviewed regularly.

The effect of legislation or other regulatory activities: the group monitors forthcoming and current legislation regularly.

All appropriate measures are taken to protect the company's intellectual property rights and to minimise the risk of infringement of third party rights.

Competitive risk: The company operates in highly competitive markets. The diversity of operations reduces the possible effect of action by any single competitor.

Covid 19: the pandemic has caused enormous disruption worldwide and the true economic implications are yet to be seen. This has already led to new ways of working in the business as we seek to operate safely through the pandemic. The impact of a second wave could cause disruption to the business in terms of demand and we are expecting that the economy will come under increasing pressure as a result of increased unemployment as Government financial support is phased out in 2020.

Brexit: The UK has left the EU and the transition period ends on 1 January 2021. We are making preparations for this in respect of our business relationships with EU counterparties and also monitoring its effect on our supply chain and the general economy.

Future Developments

Key areas of strategic development and performance of the business include:

- Sales and marketing: new and replacement business is being won continually and key customer relationships are monitored on a regular basis.
- Health and Safety: accident and absenteeism rates are monitored and the company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

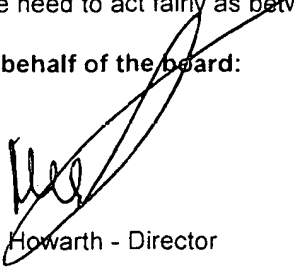
**Strategic Report
for the Year Ended 31 March 2020**

Section 172(1) statement

The directors have an obligation to act in accordance with the duties set out in section 172 of the Companies Act 2006. This states that they must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so, have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and environment
- the desirability of the Company maintaining a reputation for high standards of business conduct
- the need to act fairly as between shareholders of the Company

On behalf of the board:



N D Howarth - Director

25 September 2020

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Directors' Report
for the Year Ended 31 March 2020**

The directors present their report with the financial statements of the company for the year ended 31 March 2020.

Principal activity

The principal activity is the supply of timber and other building supplies to merchants, building material suppliers and DIY retailers.

Dividends

No interim dividend was paid during the year. The directors recommend a final dividend of £21.875 per share.

The total distribution of dividends for the year ended 31 March 2020 will be £1,050,000.

Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements.

Directors

The directors shown below have held office during the whole of the period from 1 April 2019 to the date of this report.

A P Howarth
N D Howarth
A P Turner

Political donations and expenditure

There were no political contributions.

Employees

Howarth Timber and Buildings Supplies operates on the belief that employees are its most important asset and staff are treated as such. The business also has a zero tolerance approach to all forms of discrimination and all employees are judged on their abilities and all staff have the same opportunity for progression. Furthermore, the business is committed to the development of employee consultation so that the views of the employees can be taken into account in making decisions which are likely to affect their interests.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report in pages 3 and 4

Engagement with employees

The company recognises that its employees are key to the ongoing success of the business and regularly engages with employees, via company newsletters, company briefings, and engagement surveys. Reward and recognition schemes have been rolled out over the current financial year and further development of employee engagement activity is ongoing.

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Directors' Report
for the Year Ended 31 March 2020**

Engagement with suppliers, customers and others

Suppliers

We are a key member of the Fortis buying Group, with the majority of stock purchases made via Fortis. This not only provides access to better pricing, but also promotes longer term supplier relationships and focus by key members of the buying group on each category, with regular meetings and discussions between these.

Customers

Our customer base ranges from retail customers to larger construction companies and many other smaller trades people and businesses in between.

We focus on delivering products and services to the variety of customers to address their needs. This ranges from a B2C and B2B website offering, fostering longer term relationships with key customers and ensuring that the branches are staffed with knowledgeable staff to provide help and advice to the customers on a day to day basis.

Environment

The Group has an environmental policy, and all timber is sourced from accredited suppliers with Chain of Custody procedures in place to ensure these materials meet the Government and C.P.E.T. (Central Point of Expertise in Timber) policy and guidelines on sustainable forest management practices are obtained from legal and sustainable forest sources.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board:



N D Howarth - Director

25 September 2020

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Statement of Directors' Responsibilities
for the Year Ended 31 March 2020**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Report of the Independent Auditors to the Members of
Howarth Timber & Building Supplies
Limited**

Opinion

We have audited the financial statements of Howarth Timber & Building Supplies Limited ("the company") for the year ended 31 March 2020 which comprise the Income Statement, Balance Sheet, statement of changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

**Report of the Independent Auditors to the Members of
Howarth Timber & Building Supplies
Limited**

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company'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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Report of the Independent Auditors to the Members of
Howarth Timber & Building Supplies
Limited**

A handwritten signature in black ink, appearing to read 'David Morritt', with a stylized flourish at the end.

David Morritt (Senior Statutory Auditor)
for and on behalf of KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Date: 30 September 2020

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Income Statement
for the Year Ended 31 March 2020**

	Notes	2020 £'000	2019 £'000
TURNOVER	2	100,429	102,472
Other operating income	3	67	258
		<u>100,496</u>	<u>102,730</u>
Raw materials and consumables		(69,564)	(71,598)
		<u>30,932</u>	<u>31,132</u>
Staff costs	4	(16,221)	(15,730)
Depreciation		(2,267)	(1,895)
Other operating expenses		(11,792)	(12,265)
		<u>652</u>	<u>1,242</u>
OPERATING PROFIT			
Income from shares in group undertakings	5	116	-
		<u>768</u>	<u>1,242</u>
Amounts written off investments	6	(104)	(602)
		<u>664</u>	<u>640</u>
Interest payable and similar expenses	7	(232)	(95)
		<u>432</u>	<u>545</u>
PROFIT BEFORE TAXATION	8		
Tax on profit	10	(143)	(35)
		<u>289</u>	<u>510</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>289</u></u>	<u><u>510</u></u>

The notes form part of these financial statements

Howarth Timber & Building Supplies
Limited (Registered number: 00201929)

Other Comprehensive Income
for the Year Ended 31 March 2020

	Notes	2020 £'000	2019 £'000
PROFIT FOR THE YEAR		289	510
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>289</u>	<u>510</u>

The notes form part of these financial statements

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Balance Sheet
31 March 2020**

	Notes	2020 £'000	2019 £'000
FIXED ASSETS			
Intangible assets	12	1,269	724
Tangible assets	13	20,231	11,454
Investments	14	10	114
		<u>21,510</u>	<u>12,292</u>
CURRENT ASSETS			
Stocks	15	11,315	11,849
Debtors	16	14,448	15,590
Cash at bank		-	1,303
		<u>25,763</u>	<u>28,742</u>
CREDITORS			
Amounts falling due within one year	17	(25,219)	(21,892)
NET CURRENT ASSETS		<u>544</u>	<u>6,850</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>22,054</u>	<u>19,142</u>
CREDITORS			
Amounts falling due after more than one year	18	(5,568)	(2,055)
PROVISIONS FOR LIABILITIES	21	(193)	(33)
NET ASSETS		<u>16,293</u>	<u>17,054</u>
CAPITAL AND RESERVES			
Called up share capital	22	48	48
Retained earnings	23	16,245	17,006
SHAREHOLDERS' FUNDS		<u>16,293</u>	<u>17,054</u>

The financial statements were approved by the Board of Directors and authorised for issue on 25 September 2020 and were signed on its behalf by:


N D Howarth - Director

The notes form part of these financial statements

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Statement of Changes in Equity
for the Year Ended 31 March 2020**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2018	48	16,496	16,544
Changes in equity			
Total comprehensive income	-	510	510
Balance at 31 March 2019	48	17,006	17,054
Changes in equity			
Dividends	-	(1,050)	(1,050)
Total comprehensive income	-	289	289
Balance at 31 March 2020	48	16,245	16,293

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Howarth Timber & Building Supplies Limited (the "Company") is a company incorporated and domiciled in the UK. The Company's registered office is at Prince Edward Works, Pontefract Lane, Leeds, LS9 0RA.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company's ultimate parent undertaking, Howarth Timber Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Howarth Timber Group Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Going concern

The company is a subsidiary undertaking of Howarth Timber Group Limited and manages its day-to-day working capital requirements through a group wide facility (incorporating an overdraft, and revolving credit facility) which covers all the group's trading entities.

The Group manages its financial requirements through a combination through retained earnings and external finance facilities. The external financial facilities currently available to the Group include longer term fixed rate borrowings, medium term revolving credit facility, bank overdrafts and asset finance facilities.

The revolving credit facility was renewed at an increased facility level of £10m (previously £7.5m) on 5 August 2019 for a 3 year period through to 5 August 2022, ensuring the business has sufficient flexibility to manage its affairs in the short to medium term. The overdraft facility was renewed at a level of £5.0m in January 2020 and is due for renewal in January 2021. Howarth Timber Group Ltd will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed. However, the group has held discussions with its bankers about its future borrowing needs and no matters have been drawn to the attention of the directors to suggest that renewal will not be forthcoming on acceptable terms.

The directors have prepared forecasts for the Group for a period to 31 March 2022. These forecasts take into account reasonable changes in trading performance and have been adjusted for the potential impact of Covid 19 on the business. These forecasts have then been further sensitised for severe, but plausible downside scenarios, in relation to a further decline in sales, an increase in overhead costs and increased working capital requirements.

These forecasts and projections show that the Group is expected to be able to operate within the level of its current facility and in the view of the directors there is significant headroom under the current facility that would enable the Group to trade in the event of the severe, but plausible downside risks which have been modelled.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Turnover

Turnover is generated from the sale of timber and building products and is recognised in the income statement on the day the stock is delivered to customers. Figures for turnover are net of rebates paid and accruing to customers.

Goodwill

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

Tangible fixed assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

Certain items of tangible fixed assets that had been revalued to fair value on or prior to 1 April 2014, the date of transition to FRS 101, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 25 years
- Plant and equipment 7 years
- Fixtures and fitting 7 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

1. ACCOUNTING POLICIES - continued

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

1. ACCOUNTING POLICIES - continued

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

1. ACCOUNTING POLICIES - continued

Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate for that asset class.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
 - lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
 - penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

1. ACCOUNTING POLICIES - continued

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. TURNOVER

	2020 £'000	2019 £'000
Sales of goods	100,429	102,472
Total turnover	<u>100,429</u>	<u>102,472</u>

3. OTHER OPERATING INCOME

	2020 £'000	2019 £'000
Marketing Support Received	-	207
Group Management Income	-	45
Rent Received	67	6
	<u>67</u>	<u>258</u>

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

4. EMPLOYEES AND DIRECTORS

	2020	2019
	£'000	£'000
Wages and salaries	13,996	13,712
Social security costs	1,344	1,187
Other pension costs	881	831
	<u>16,221</u>	<u>15,730</u>

The average number of employees during the year was as follows:

	2020	2019
Production	141	171
Selling and Distribution	289	231
Administration	73	98
	<u>503</u>	<u>500</u>

	2020	2019
	£'000	£'000
Directors' remuneration	-	-
	<u>-</u>	<u>-</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £nil (2019: £nil). All current Directors are remunerated in fellow Group undertakings. The estimated cost of services for the company is £100,000.

5. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2020	2019
	£'000	£'000
Shares in group undertakings	116	-
	<u>116</u>	<u>-</u>

6. AMOUNTS WRITTEN OFF INVESTMENTS

	2020	2019
	£'000	£'000
Amounts written off investment	104	602
	<u>104</u>	<u>602</u>

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£'000	£'000
Bank interest	47	35
Leasing	185	60
	<u>232</u>	<u>95</u>

The increase in the current year in Lease interest costs is as a result of the adoption of IFRS16, with leases previously treated as operating leases now recorded on the balance sheet, with associated depreciation and interest charges.

8. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

	2020	2019
	£'000	£'000
Cost of inventories recognised as expense	69,564	71,598
Depreciation - owned assets	2,421	1,984
Profit on disposal of fixed assets	(154)	(90)
	<u>71,831</u>	<u>73,492</u>

9. AUDITORS' REMUNERATION

	2020	2019
	£'000	£'000
Audit of financial statements	49	49
	<u>49</u>	<u>49</u>

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

10. TAXATION

Recognised in the profit and loss account

	2020 £000	£000	2019 £000	£000
UK corporation tax				
Current tax on income for the period	8		19	
Adjustments in respect of prior years	(26)		(17)	
	<hr/>		<hr/>	
Total current tax		(18)		2
Deferred tax				
Origination and reversal of temporary differences	161		17	
Adjustments in respect of prior years	-		16	
	<hr/>		<hr/>	
Total deferred tax		161		33
		<hr/>		<hr/>
Tax on profit on ordinary activities		143		35

Reconciliation of effective tax rate

	2020 £000	2019 £000
Profit for the year	289	510
Total tax expense	143	35
	<hr/>	<hr/>
Profit excluding taxation	432	545
Tax using the UK corporation tax rate of 19 %	82	104
Non-taxable expense in relation to investment write off	12	113
Non-taxable dividend income	(22)	-
Non-deductible expenses	38	28
Prior period adjustment	(26)	(1)
Adjust closing deferred tax to average rate of 19%	4	(1)
Group losses utilised	-	(271)
Fixed asset timing differences	55	63
	<hr/>	<hr/>
Total tax expense	143	35

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and deferred tax as at prior year was been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020, and therefore deferred tax has been calculated at 19% for the year ended 31 March 2020.

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

11. DIVIDENDS

	2020 £'000	2019 £'000
Ordinary shares of £1 each		
Final	<u>1,050</u>	<u>-</u>

12. INTANGIBLE FIXED ASSETS

	Goodwill £'000
COST	
At 1 April 2019	724
Additions	<u>545</u>
At 31 March 2020	<u>1,269</u>
NET BOOK VALUE	
At 31 March 2020	<u>1,269</u>
At 31 March 2019	<u>724</u>

On 1 May 2019, the company acquired 100% of the ordinary share capital of Builders Store Limited. Subsequently, the trade and assets of Builders Store Limited were hived up into the company and the goodwill element was transferred from investments to Goodwill.

Details of the acquisition are set out in the table below.

	£'000	£'000
Costs		
Cash consideration		390
Fair value of assets acquired:		
Fixed assets	3	
Stock	125	
Trade Debtors	141	
Taxation	10	
Trade creditors	(336)	
Other creditors	<u>(98)</u>	
		<u>(155)</u>
Goodwill		<u><u>545</u></u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

13. TANGIBLE FIXED ASSETS

	Freehold property £'000	Right of Use Assets £'000	Plant and machiner £'000
COST			
At 1 April 2019	7,426	-	3,644
Additions	4,038	4,725	158
Disposals	-	-	(63)
At 31 March 2020	11,464	4,725	3,739
DEPRECIATION			
At 1 April 2019	1,484	-	3,068
Charge for year	307	378	215
Eliminated on disposal	-	-	(61)
At 31 March 2020	1,791	378	3,222
NET BOOK VALUE			
At 31 March 2020	9,673	4,347	517
At 31 March 2019	5,942	-	576

	Fixtures and fittings £'000	Motor Vehicles £'000	Computer equipment £'000	Totals £'000
COST				
At 1 April 2019	4,678	7,118	685	23,551
Additions	373	1,883	72	11,249
Disposals	(87)	(915)	(10)	(1,075)
At 31 March 2020	4,964	8,086	747	33,725
DEPRECIATION				
At 1 April 2019	3,239	3,900	406	12,097
Charge for year	416	1,018	87	2,421
Eliminated on disposal	(81)	(872)	(10)	(1,024)
At 31 March 2020	3,574	4,046	483	13,494
NET BOOK VALUE				
At 31 March 2020	1,390	4,040	264	20,231
At 31 March 2019	1,439	3,218	279	11,454

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

14. INVESTMENTS

	Shares in group undertakings £'000	Unlisted investments £'000	Totals £'000
COST			
At 1 April 2019	114	-	114
Disposals	(104)	-	(104)
Reclassification/transfer	(10)	10	-
	<u>-</u>	<u>10</u>	<u>10</u>
At 31 March 2020	-	10	10
NET BOOK VALUE			
At 31 March 2020	-	10	10
	<u>-</u>	<u>10</u>	<u>10</u>
At 31 March 2019	114	-	114
	<u>114</u>	<u>-</u>	<u>114</u>

On 1 June 2019, the Company acquired 100% of the ordinary share capital of Builders Store Limited. The trade and assets of this company was transferred to Howarth Timber and Building Supplies Limited during the year

During the prior year the Company acquired 100% of the ordinary share capital of Charm Trading Limited. The trade of this company was transferred to Howarth Timber and Building Supplies Limited during the year.

The reclassification is to correctly move the companies investment in Merchant Distribution Limited, an unrelated unlisted company, into the correct category.

15. STOCKS

	2020 £'000	2019 £'000
Finished Stocks	<u>11,315</u>	<u>11,849</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £69.6m (2019: £72.6m).

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade debtors	11,598	11,816
Amounts owed by group undertakings	-	3
Other debtors	99	546
Tax	18	-
Prepayments and accrued income	2,733	3,225
	<u>14,448</u>	<u>15,590</u>

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000	£'000
Bank loans and overdrafts (see note 19)	7,579	318
Leases (see note 19)	763	535
Trade creditors	14,167	18,605
Amounts owed to group undertakings	1,570	1,766
Tax	-	2
Social security and other taxes	389	373
VAT	90	97
Other creditors	128	-
Accrued expenses	533	196
	<u>25,219</u>	<u>21,892</u>

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£'000	£'000
Bank loans (see note 19)	1,488	1,505
Leases (see note 19)	4,078	548
Shares Classified as Liability	2	2
	<u>5,568</u>	<u>2,055</u>

19. FINANCIAL LIABILITIES - BORROWINGS

	2020	2019
	£'000	£'000
Current:		
Bank overdrafts	7,306	-
Bank loans	273	318
Leases (see note 20)	763	535
	<u>8,342</u>	<u>853</u>
Non-current:		
Bank loans - 1-2 years	1,488	1,505
Leases (see note 20)	4,078	548
	<u>5,566</u>	<u>2,053</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

19. FINANCIAL LIABILITIES - BORROWINGS - continued

Terms and debt repayment schedule

	1 year or less £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000	Totals £'000
Bank overdrafts	7,306	-	-	-	7,306
Bank loans	273	1,488	-	-	1,761
Leases	763	515	1,007	2,556	4,841
	<u>8,342</u>	<u>2,003</u>	<u>1,007</u>	<u>2,556</u>	<u>13,908</u>

The bank loans are secured by mortgages on specific freehold properties.

20. LEASING

Lease liabilities

Minimum lease payments fall due as follows:

	2020 £'000	2019 £'000
Gross obligations repayable:		
Within one year	899	535
Between one and five years	2,089	548
In more than five years	2,958	-
	<u>5,946</u>	<u>1,083</u>
Finance charges repayable:		
Within one year	136	-
Between one and five years	567	-
In more than five years	402	-
	<u>1,105</u>	<u>-</u>
Net obligations repayable:		
Within one year	763	535
Between one and five years	1,522	548
In more than five years	2,556	-
	<u>4,841</u>	<u>1,083</u>

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

21. PROVISIONS FOR LIABILITIES

	2020	2019
	£'000	£'000
Deferred tax	<u>193</u>	<u>33</u>

The balance relates to fixed asset timing differences.

22. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2020	2019
			£'000	£'000
48,000	Ordinary	£1	<u>48</u>	<u>48</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

23. RESERVES

	Retained earnings
	£'000
At 1 April 2019	17,006
Profit for the year	289
Dividends	<u>(1,050)</u>
At 31 March 2020	<u>16,245</u>

24. CONTINGENT LIABILITIES

The company and fellow subsidiary undertakings are party to unlimited multilateral company guarantees to HSBC plc in respect of any liability to HSBC plc incurred by Howarth Timber Group Limited or its subsidiaries. The total guaranteed borrowings of parent and fellow subsidiary understanding at 31 March 2020 amounted to £nil (2019: £812,000).

25. CAPITAL COMMITMENTS

	2020	2019
	£'000	£'000
Contracted but not provided for in the financial statements	<u>477</u>	<u>125</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

26. EVENTS AFTER THE REPORTING PERIOD

The Covid 19 pandemic started to impact the business towards the end of March 2020, and resulted in: the closure of all merchant branches in the last week of March in order to protect staff and whilst further guidance was available. In April, as more guidance and certainty was available on the operation of construction services in the UK whilst in lockdown, and as demand increased across the merchant network branches were reopened initially in a phased approach and trading has been strong throughout the summer months. Therefore, to date there has been little impact on the assets of the trading businesses and the business remains profitable and in a strong position. The future impacts of any economic recession are being closely monitored, as is the potential impact of a second wave of Covid 19 pandemic.

27. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Howarth Timber Group Limited which is the ultimate parent company incorporated in the UK. The ultimate controlling party is Howarth Timber Group Limited.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

28. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method - i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 April 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

Definition of a lease

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1. On transition to IFRS 16, the Company elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 April 2019.

Right-of-use assets were measured at:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company has used its assessment of whether leases are onerous applying IAS 37 at 31 March 2019 as an alternative to performing an impairment review of the recognised right-of-use assets on the date of transition.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

**Howarth Timber & Building Supplies
Limited (Registered number: 00201929)**

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

Leases classified as finance leases under IAS 17

For these finance leases, the carrying amount of the right-of-use asset was determined at the carrying amount of the lease asset under IAS 17 at 31 March 2019. There was no change made to the lease liability.

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 March 2020.

Impact of adoption of IFRS 16	As reported	Adjustments	of IFRS 16
Balance sheet	£000	£000	£000
Tangible assets	20,231	(4,347)	15,884
Creditors: Amounts falling due within one year	(25,219)	399	(24,820)
Creditors: Amounts falling due after more than one year	(5,568)	3,939	(1,629)
Retained earnings	(10,556)	(9)	(10,565)

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its borrowing rate at 1 April 2019 which was available on a fixed basis for similar assets. The weighted-average rate applied is 3.1%.