

Company Registration No. SC370971 (Scotland)

FASTENAL EUROPE LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019



FASTENAL EUROPE LTD

COMPANY INFORMATION

Directors	A Davidson D L Florness J M Watts H Lewis
Secretary	Pinsent Masons Secretarial Limited
Company number	SC370971
Registered office	Unit B & C Glasgow Trade Park Glasgow G69 6GA
Auditors	RSM UK Audit LLP Chartered Accountants 25 High Street Crawley RH10 1BG
Business address	Unit B & C Glasgow Trade Park Glasgow G69 6GA

FASTENAL EUROPE LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the Strategic Report and financial statements for the year ended 31 December 2019.

Fair Review of the Business

Fastenal Europe Ltd has achieved substantial growth in 2019. The company has posted revenues of £21,165,627, a 31% increase over 2018 sales of £16,213,494. Our gross profit margin decreased slightly from 46.0% to 44.7%.

Employee-related expenses again make up the majority of our administrative expenses for the year. Overall, they increased by approximately 21% from 2018. By monthly average, we had an additional headcount of 17 employees in 2019 compared to 2018. This can mainly be attributed to the an increase in Sales personnel and Manufacturing personnel.

Intercompany interest expense is also contributing to the increase in administrative expenses. We put a long-term loan in place from our parent company in December 2018.

Fixed assets have increased from £2,791,135 to £3,087,129, mostly due to addition of vending equipment and also additional machinery for our Spensall location. Due to the increase in fixed assets plus a full year of depreciating our Spensall fixed assets for the first time, our depreciation expense had a 50.0% increase in 2019 from £422,409 to £631,750.

Our company had inventory levels of £8,639,847 at the end of the financial year. This inventory is a 29.6% increase from the end of 2018. The primary reason for the increase is Brexit preparation. We purposely increased our minimum stock levels to prepare for a potential delay in our supply chain.

Our cash balance as of the end of 2019 has decreased -20.2% to £3,075,402 from £3,853,594 at the end of 2018 although our Trade Creditors have decreased -37.4% in the past year.

Key Performance Indicators

The directors have identified the following key performance indicators:

- Total revenue growth of >10% per annum
- Having quality PPM¹ <1000
- Having customer on-time delivery >98%
- Sustaining gross margin above 35%

FASTENAL EUROPE LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Future Outlook and Going Concern

In 2020 to date we have seen our manufacturing customer base slow down dramatically. Whilst we have seen an upward trend through the second half of the year, with ongoing lockdowns and Brexit uncertainty, we do not plan on our core manufacturing customers to have a large degree of organic growth into 2021. Our business, Fastenal Europe Ltd, however will see significant growth in 2020. This will result in taking on new additional business, expanding our product mix, and larger personal protective equipment sales supporting front line workers and our customer in a COVID-19 environment. We expect to see modest growth into 2021 if things remain stable and further significant growth if the economy picks back up.

Our overall headcount should be relatively flat in 2020. As our business grows over the next 5 years, we will invest by adding more service locations and more sales headcount.

As described in Note 1, and despite the ongoing uncertainty surrounding COVID-19, the company is prepared for the year ahead. The fundamentals underlying the business of the company remain sound. The financial integrity of the company will however remain sound due to the strength of its balance sheet.

Principal & Financial Risks

Liquidity Risk

Fastenal Europe Ltd ensures all of its liquidity needs are backed up by the parent organisation, Fastenal Company.

Foreign Currency Risk

As we have seen a very unstable foreign exchange since the EU Referendum (Brexit) vote in June 2016, it has caused our cost of goods to fluctuate dramatically. We mitigate this risk by having price adjustment clauses in our customer agreements that are based around foreign exchange (FX).

Credit Risk

In our early years as a business we had County Court Judgements that affected our credit rating. We have mitigated this with early payment to suppliers where possible, clean accounting practices and now have a very respectable credit rating which is expected to continue through 2020 and beyond.

Supply Chain Risks

Our biggest risks regarding supply chain as of the time of this writing, is related to both COVID-19 and a trade deal falling through with the EU. COVID-19 has caused major price spikes in raw materials of key PPE products. It has also added some complexity to exporting from certain countries along with importing into the UK. We see this as a short term issue, and can mitigate this by changing our supply base around to some degree and increasing our pricing based on a force majeure scenario.

At this point in time, the UK government has stated that no border checks will come into place on EU imports even if a free trade deal is not reached with the EU. This will mitigate a lot of the risk involved to our EU supply chain. Alongside that we are investing into more square footage of warehouse space in the UK to act as a central point of UK distribution internally, so we can hold more inventory in-country of the right products.

FASTENAL EUROPE LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Customer Risks

As we service a small percentage of the market, we have greater risk on individual customer accounts moving out of the UK or closing entirely. Having a large customer exit the UK could hurt our turnover and profit. Our strategy includes a multi-channel sales plan to acquire a larger number of customers to ensure our sales are spread across a wider base of customers. In addition, we see more risks in the upcoming years around companies going into administration due to insolvency. We are working with a third-party company to monitor all the key financials of our customers much closer so we can see warning signs, before we run into further situations where we may need to write-off large amounts of accounts receivable and customer-specific inventory.

Political Risks

As of the time of this writing, the trade deal with the EU has not been agreed. Our two key risks that come out of this are the aforementioned customs delays and potential newly imposed duties on European imports. At this point we have flexibility of price increases if duty rates are increased and have increased inventory holding to minimise the potential customs delays.

Director Expectations

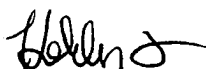
2019 exceeded the expectations of the directors. It was targeted that we would set out to achieve our KPIs, and managed to hit all of them. Despite the current economic conditions we still expect to continue to hit our KPIs moving forward in 2020.

The directors work collectively to plan for any risk, anticipate and mitigate wherever possible. The following plans are being driven into the business by the directors:

- Leverage exchange rate purchasing into our favour
- Increase selling prices where possible based on FX change and commodity increase
- Expand customer base utilising a multi-channel sales team
- Lower our labour expense-sales ratio in order to have more people driving new business
- Review growing markets for our sales people to focus on more
- Expand PPE portfolio to support COVID-19 needs
- Expand customer base into wider industries

¹ PPM refers to parts per million.

On behalf of the board



H Lewis
Director

1/21/2021....

FASTENAL EUROPE LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of the wholesale of hardware, plumbing and heating equipment and supplies. The company operates from its locations in the United Kingdom and Northern Ireland.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Davidson
D L Florness
J M Watts
H Lewis

Results and dividends

The results for the year are set out on page 9. No dividends have been declared or paid in 2019.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

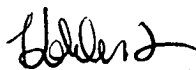
Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Matters of strategic importance

The directors have chosen in accordance with section 414C(11) of the Companies Act 2006 to include the strategic report information in respect of business activities, risk and future developments as the directors consider these are of strategic importance to the company.

On behalf of the board



H Lewis
Director
1/29/2021.....

FASTENAL EUROPE LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic Report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FASTENAL EUROPE LTD

Opinion

We have audited the financial statements of Fastenal Europe Ltd (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statements of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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 the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FASTENAL EUROPE LTD

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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;

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

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.

RSM UK Audit LLP

Zoë Rudling (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 High Street
Crawley
RH10 1BG

Date: 1 February 2021

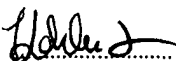
FASTENAL EUROPE LTD**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
Turnover	3	21,165,627	16,213,494
Cost of sales		<u>(11,704,069)</u>	<u>(8,761,650)</u>
Gross profit		9,461,558	7,451,844
Distribution costs		(468,131)	(469,797)
Administrative expenses		<u>(8,467,024)</u>	<u>(6,301,240)</u>
Operating profit	4	526,403	680,807
Interest receivable and similar income	7	<u>10,230</u>	<u>3,955</u>
Profit on ordinary activities before taxation		536,633	684,762
Taxation	8	<u>(134,940)</u>	<u>(90,187)</u>
Profit on ordinary activities after taxation		401,693	594,575
Total comprehensive income for the year		<u><u>401,693</u></u>	<u><u>594,575</u></u>

FASTENAL EUROPE LTD**STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2019**

	Notes	£	2019 £	£	2018 £
Fixed assets					
Tangible assets	9		3,087,129		2,791,135
Current assets					
Stocks	10	8,639,847		6,664,507	
Debtors	11	6,191,818		5,751,981	
Cash at bank and in hand		<u>3,075,402</u>		<u>3,853,594</u>	
		17,907,067		16,270,082	
Creditors: amounts falling due within one year	12	<u>(3,957,654)</u>		<u>(2,455,334)</u>	
Net current assets			<u>13,949,413</u>		<u>13,814,748</u>
Total assets less current liabilities			17,036,542		16,605,883
Creditors: amounts falling due after more than one year	13		(9,973,226)		(9,973,226)
Provisions for liabilities	15		<u>(169,405)</u>		<u>(140,439)</u>
Net assets			<u>6,893,911</u>		<u>6,492,218</u>
Capital and reserves					
Called up share capital	16		275,001		275,001
Share Premium	17		3,799,999		3,799,999
Profit and loss reserves	17		<u>2,818,911</u>		<u>2,417,218</u>
Total equity			<u>6,893,911</u>		<u>6,492,218</u>

The financial statements were approved by the board of directors and authorised for issue on 1/21/2020 and are signed on its behalf by:



H Lewis
Director

FASTENAL EUROPE LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital	Share premium	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2018	<u>275,000</u>	<u>—</u>	<u>1,822,643</u>	<u>2,097,643</u>
Year ended 31 December 2018:				
Profit and total comprehensive income for the year	—	—	594,575	594,575
Allotment of shares	<u>1</u>	<u>3,799,999</u>	<u>—</u>	<u>3,800,000</u>
Balance at 31 December 2018	<u>275,001</u>	<u>3,799,999</u>	<u>2,417,218</u>	<u>6,492,218</u>
Year ended 31 December 2019:				
Profit and total comprehensive income for the year	—	—	401,693	401,693
Balance at 31 December 2019	<u>275,001</u>	<u>3,799,999</u>	<u>2,818,911</u>	<u>6,893,911</u>

FOR THE YEAR ENDED 31 DECEMBER 2019

Company Information

Accounting convention

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Going concern accounting policy

The financial statements have been prepared on the going concern basis as the company's parent company, Fastenal Company, has provided written confirmation of their willingness to provide continued financial support to the company for the foreseeable future, defined as at least 12 months from the date of signing the Fastenal Europe Limited financial statements for the year ended 31 December 2019. Fastenal Company has prepared group forecasts covering a period of at least 12 months from the date of approval of these financial statements which take into consideration the possible impact of the current Coronavirus (Covid-19) global pandemic on the group's operations. These forecasts indicate that the group has sufficient funding and resources available to it to enable the group to meet its forecasted operating expenditure for at least 12 months from the date of signing these financial statements. On this basis, the directors consider it appropriate to prepare these financial statements on the going concern basis.

Turnover

The turnover shown in the statement of comprehensive income represents the value of all goods sold during the period, less returns received, at selling price exclusive of Value Added Tax. Sales are recognised at the point at which the company has fulfilled its contractual obligations and the risks and rewards attaching to the product, such as obsolescence, have been transferred to the customer.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	2 – 7 years straight line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (Continued)

Stock

Stock is stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at banks and other short term liquid investments with original maturities of three months or less.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (Continued)

Equity Instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, or a right to receive repayments of tax.

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (Continued)

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to an expense on a straight line basis over the term of the relevant lease.

Foreign exchange

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or at an average rate for the period if the rates do not fluctuate significantly. Monetary assets and liabilities are translated at year end exchange rates or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. The resulting exchange rate differences are charged to profit or loss account.

Reduced disclosures

In accordance with FRS102, the company has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flows and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' – Key management personnel compensation.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management make estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year include the accounting for income taxes and related reserves, stock obsolescence and related results and inventory cost accruals. While actual results may differ from those estimates and assumptions that management believes are reasonable under the circumstances, they do not believe that actual results will be materially different.

3. Turnover and other revenue

Turnover generated by the company relates wholly to its principal activity.

Turnover analysed by geographical market:

	2019 £	2018 £
UK	17,238,030	13,790,268
Overseas	3,927,597	2,423,226
	<u>21,165,627</u>	<u>16,213,494</u>

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

4. Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging:		
Exchange losses	27,884	124,573
Fees payable to the company's auditors for the audit of the company's financial statements	24,500	19,500
Depreciation of owned tangible fixed assets	631,750	422,409
Cost of stocks recognised as an expense	11,704,069	8,761,650
Operating lease charges	<u>677,521</u>	<u>511,476</u>

5. Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019	2018
	Number	Number
Sales	71	63
Manufacturing	51	42
Other	<u>13</u>	<u>13</u>
	<u>135</u>	<u>118</u>

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	3,330,153	3,065,071
Social security costs	<u>902,084</u>	<u>442,189</u>
	<u>4,232,237</u>	<u>3,507,260</u>

6. Directors' remuneration

The directors did not receive any remuneration in respect of services provided to this company as their duties are considered incidental to their main duties for other Fastenal companies.

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

7. Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	<u>10,230</u>	<u>3,955</u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit	<u>10,230</u>	<u>3,955</u>

8. Taxation

	2019 £	2018 £
Current Tax		
UK corporation tax	71,682	63,801
Adjustments in respect of prior periods	<u>34,292</u>	<u>(33,415)</u>
Total current tax	<u>105,974</u>	<u>30,386</u>
Deferred Tax		
Origination and reversal of timing differences	28,746	29,736
Adjustments in respect of prior periods	<u>220</u>	<u>30,065</u>
Total Deferred tax	<u>28,966</u>	<u>59,801</u>
Total tax on profit on ordinary activities	<u>134,940</u>	<u>90,187</u>

The charge/(credit) for the year can be reconciled to the profit per the income statement as follows:

	2019 £	2018 £
Profit before taxation	536,633	684,762
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	101,960	130,105
Other differences	1,850	(33,070)
Adjustments to tax charge in respect of previous periods	34,512	(3,350)
Movement in the rate of deferred taxation	(3,382)	(3,498)
Tax expense for the year	<u>134,940</u>	<u>90,187</u>

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

9. Tangible fixed assets

	Plant and machinery, etc. £	Total £
Cost		
At 1 January 2019	3,746,513	3,746,513
Additions	564,983	564,983
Transfers	531,645	531,645
Disposals	—	—
At 31 December 2019	<u>4,843,141</u>	<u>4,843,141</u>
Depreciation		
At 1 January 2019	955,378	955,378
Charge for the year	631,750	631,750
Depreciation balance from Transfers	168,884	168,884
At 31 December 2019	<u>1,756,012</u>	<u>1,756,012</u>
Net Book Value		
At 31 December 2019	<u>3,087,129</u>	<u>3,087,129</u>
At 31 December 2018	<u>2,791,135</u>	<u>2,791,135</u>

10. Stock

	2019 £	2018 £
Finished goods and goods for resale	<u>8,639,847</u>	<u>6,664,507</u>

11. Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	4,533,544	4,449,323
Amounts due from fellow group undertakings	1,451,079	946,099
Other debtors	174,064	344,010
Corporation tax receivable	33,131	12,549
	<u>6,191,818</u>	<u>5,751,981</u>

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

12. Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	537,833	858,993
Amounts due to group undertakings	2,193,516	1,015,345
Other taxation and social security	345,255	233,396
Other creditors	881,049	347,600
Corporation tax payable	—	—
	<u>3,957,654</u>	<u>2,455,334</u>

13. Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Long term loan owed to ultimate parent company	<u>9,973,226</u>	<u>9,973,226</u>

Long term loans accrue interest at 2.87%-4.65% per annum and are repayable between 14 December 2026 and 15 July 2027.

14. Financial instruments

	2019	2018
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>5,984,624</u>	<u>5,395,422</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>13,618,756</u>	<u>12,350,179</u>

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

15. Provisions for liabilities

	Deferred tax liability
	£
Balance as at 1 January 2019	140,439
Debit to profit or loss	28,966
Balance as at 31 December 2019	<u>169,405</u>

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Asset/ (Liability) 2019 £	Asset/ (Liability) 2018 £
Balances:		
Accelerated Capital Allowances	(169,405)	(140,439)
Tax losses	—	—
	<u>(169,405)</u>	<u>(140,439)</u>

Deferred tax liabilities are expected to be realised in the next financial year.

16. Share capital

	2019 £	2018 £
Ordinary Share Capital		
Issued and fully paid		
275,001 Ordinary shares of £1 each	<u>275,001</u>	<u>275,001</u>

The company's Ordinary shares carry the right to receive dividends and carry voting rights at one vote per share.

17. Reserves

Reserves of the company represent the following:

Share premium

The share premium account represents consideration received for the shares issued above their nominal value net of transaction costs.

Profit and loss reserves

Cumulative profit and loss net of distribution to owners.

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

18. Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	314,736	159,945
Between two and five years	<u>802,452</u>	<u>220,650</u>
	<u>1,117,188</u>	<u>380,595</u>

19. Controlling party

The directors regard Fastenal Netherlands Holdings Company, a company registered in the Netherlands, to be the immediate parent undertaking.

The directors also regard Fastenal Company, a company registered in the United States of America, as the ultimate parent company and the largest and smallest group for which consolidated financial statements, which include Fastenal Europe Ltd, are prepared.

A copy of the consolidated financial statements of Fastenal Company can be obtained from the company's registered office at 2001 Theurer Boulevard, Winona, Minnesota, 55987, USA.

The directors consider there to be no ultimate controlling party.

20. Post Balance Sheet Events

Subsequent to the Company's financial year end, the World Health Organisation (WHO) announced on 31 January 2020 a global health emergency related to a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the associated risks to international communities and the global economy, as the virus spreads beyond its point of origin. On 11 March 2020 the WHO classified the COVID-19 outbreak as a pandemic due to a rapid increase in global exposures. These events are having a significant impact on global stock markets, currencies and general business activities. The timing and extent of the impact and recovery from the COVID-19 outbreak is unknown but may have an impact on the Company's activities in an uncertain global market. The COVID-19 outbreak has no impact on the 31 December 2019 balance sheet carrying values.