

Company Registration No. SC370971 (Scotland)

FASTENAL EUROPE LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021

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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	Units B & C Glasgow Trade Park Springhill Parkway Glasgow G69 6GA
Auditor	Saffery Champness LLP St John's Court Easton Street High Wycombe Buckinghamshire HP11 1JX

FASTENAL EUROPE LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

Fastenal Europe Ltd has posted revenues of £26,892,599, a 10.1% increase over 2020 sales of £24,427,131. Gross profit margin increased from 36.1% to 39.9%, and operating profit remained 5.3%.

Employee-related expenses again make up the majority of our administrative expenses for the year. Despite increases in our administrative expenses, the expense growth was 6.6% over 2020, which presented leverage over both revenue and gross profit increases.

Fixed assets had moderate growth increasing to £3,180,138 up from £3,042,867. Vending machine assets again made up the majority of the increase.

Our company had inventory levels of £10,870,249 (2020: £8,992,981) at the end of the financial year. Inventories outpaced sales growth as the company invested in a new UK central distribution center in the wake of Brexit in 2021, moving inventories previously stored overseas into the UK. In addition, a large influx of inventory arrived in December, which was needed for a large new customer contract.

Our cash balance as of the end of 2021 has decreased 62.9% from £7,236,400 to £2,684,303 at the end of 2021 due to multiple reasons, where the company has built their inventory from opening a central distribution center in Great Britain during the year, by £1,877,268; increase in trade debtors by £1,587,144; and group creditors dropped by £1,238,592.

Key Performance Indicators

The directors have identified the following key performance indicators:

Indicators	Performance
Total revenue growth of >10% per annum	Growth of 10.1% in 2021 (2020: 15.4%)
Having customer on-time delivery >90%	89.2% on-time delivery in 2021 (2020: 91.2%)
Sustaining gross margin above 35%	Gross Margin of 39.9% in 2021 (2020: 36.1%)

Future Outlook

2022 is expected to finish with growth hitting the Directors expectations. With stagflation appearing to be on the horizon, this may begin to slow down revenue in the second half of 2022. The upcoming 5 years are still quite optimistic. We have a very low percentage of the overall market and are planning to keep investing to take additional market-share. As our business grows over the next 5 years, we will invest by adding more service locations and more sales headcount.

FASTENAL EUROPE LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Principal & Financial Risks

Liquidity Risk

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

Commodity Risks

We are exposed to fluctuations in the raw materials of our bought-in costs. We mitigate this risk by having price adjustment clauses in our customer agreements that are based around commodities.

Foreign Currency Risk

We are exposed to transactional foreign exchange (FX) risk. We mitigate this risk by having price adjustment clauses in our customer agreements that are based around 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 2022 and beyond.

Supply Chain Risks

There are many supply chains risks at this moment in time. We are holding larger inventory amounts to mitigate this and have added a central distribution centre in Great Britain in 2021.

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.

Director Expectations

2021 met the expectations of the directors. It was targeted that we would set out to achieve our KPIs and expected less revenue growth in 2021 based on major one-time events of PPE growth in 2020. We managed to hit the remaining KPIs. We expect 2022 will be another strong year of performance.

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:

- Increase selling prices where possible based on FX change, commodity increases, and general inflation
- Expand customer base utilizing 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 add additional focus on
- Expand product portfolio
- Expand customer base into wider industries

On behalf of the board

Holden Lewis

H Lewis

Director

9/29/2022

Date:

FASTENAL EUROPE LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

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 Great Britain and Northern Ireland.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

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

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Post reporting date events

On 22 September 2022, the Company issued 1 £1 Ordinary share for total consideration of £6,000,000. Therefore after the reporting date, the Company's share capital increased up to £275,003 and the share premium increased up to £14,499,997.

Auditor

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

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of business activities, risk and future developments.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

FASTENAL EUROPE LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

On behalf of the board

Holden Lewis

.....
H Lewis
Director

9/29/2022
Date:

FASTENAL EUROPE LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 Limited for the year ended 31 December 2021 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 (CONTINUED)

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 or 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 4, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006, and UK Tax legislation.

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

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

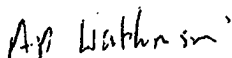
During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://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.



Andrew Watkinson FCCA CTA (Senior Statutory Auditor)
For and on behalf of Saffery Champness LLP, Statutory Auditor
Chartered Accountants
St John's Court
Easton Street
High Wycombe
Buckinghamshire, HP11 1JX
30/09/2022

FASTENAL EUROPE LTD**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £	2020 £
Turnover	3	26,892,599	24,427,131
Cost of sales		(16,165,222)	(15,608,906)
Gross profit		10,727,377	8,818,225
Distribution costs		(877,890)	(460,613)
Administrative expenses		(8,476,878)	(7,113,939)
Other operating income		60,391	53,531
Operating profit	6	1,433,000	1,297,204
Interest receivable and similar income	7	786	4,759
Interest payable and similar expenses	8	(464,166)	(463,755)
Profit before taxation		969,620	838,208
Tax on profit	9	(267,663)	(230,397)
Profit for the financial year		701,957	607,811

Company Registration No. SC370971

FASTENAL EUROPE LTD

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	10		3,180,138		3,042,867
Current assets					
Stocks	11	10,870,249		8,992,981	
Debtors	12	10,240,598		7,206,698	
Cash at bank and in hand		2,684,303		7,236,400	
		23,795,150		23,436,079	
Creditors: amounts falling due within one year	13	(3,705,623)		(3,976,323)	
Net current assets			20,089,527		19,459,756
Total assets less current liabilities			23,269,665		22,502,623
Creditors: amounts falling due after more than one year	14		(9,973,226)		(9,973,226)
Provisions for liabilities	15		(392,760)		(327,675)
Net assets			12,903,679		12,201,722
Capital and reserves					
Called up share capital	18		275,002		275,002
Share premium account	19		8,499,998		8,499,998
Profit and loss reserves	19		4,128,679		3,426,722
Total equity			12,903,679		12,201,722

9/29/2022

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

Holden Lewis

H Lewis
Director

FASTENAL EUROPE LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2020	275,001	3,799,999	2,818,911	6,893,911
Year ended 31 December 2020:				
Profit and total comprehensive income for the year	-	-	607,811	607,811
Issue of share capital	1	4,699,999	-	4,700,000
Balance at 31 December 2020	275,002	8,499,998	3,426,722	12,201,722
Year ended 31 December 2021:				
Profit and total comprehensive income for the year	-	-	701,957	701,957
Balance at 31 December 2021	275,002	8,499,998	4,128,679	12,903,679

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Fastenal Europe Ltd is a private company limited by shares and is registered and incorporated in Scotland. The registered office is Units B & C, Glasgow Trade Park, Springhill Parkway, Glasgow, G69 6GA.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Fastenal Company. These consolidated financial statements are available from its registered office at 2001 Theurer Boulevard, Winona, Minnesota, 55987, USA.

Going concern

In our annual Strategic Report the directors listed out the principle and financial risks Fastenal Europe Ltd ("company") may be facing. The directors remain confident that our UK business will continue to generate a growing net income and continue to generate positive cash flow in future.

The directors anticipate the company will continue be able to finance its operational costs independently through its own cash flow. However, the company is a wholly owned subsidiary of Fastenal Company ("parent"), and have the assurance of financial support from the parent for the immediate future. The directors of both the company and the parent both are aligned to the importance of this business unit, and there is no immediate concern on operations or financial support ceasing.

The industrial economy in the UK is facing ongoing issues around labour shortages and supply chains shortages. Both of these factors may slow growth in our sector over the upcoming years. However, the company has a very small percentage of total market-share and has a very diverse set of customers, which helps to mitigate these additional economic issues.

On this basis, the directors consider it appropriate to prepare these financial statements on the going concern basis.

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

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, net of depreciation and any impairment losses.

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

Plant and machinery, etc.	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.

Stocks

Stocks are 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.

Cost is calculated using the first in, first out (FIFO) method.

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 call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

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 debtors, amounts owed by group undertakings 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.

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

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 creditors, and amounts owed to group undertakings, 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.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction 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 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. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

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 (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

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

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

The company received a discretionary cash grant of £60,391 (2020: £53,531) from the government as part of the Coronavirus Job Retention Scheme (CJRS) which compensates employers for part of the wages, associated national insurance contributions (NICs) and employer pension contributions of employees who have been placed on furlough (i.e. placed on a temporary leave of absence from working for the employer). The grant is conditional upon the employees being employed and on the company PAYE payroll and the employee cannot do any work for their employer that makes money or provides services for their employer or any organisation linked or associated with their employer. There are no unfulfilled conditions or contingencies attached to the grant and the company has received no other forms of government assistance.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Management does not consider there to be any relevant judgements and estimates that have a material impact on the financial statements.

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover and other revenue

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

	2021 £	2020 £
Other revenue		
Interest income	786	4,759
Grants received	60,391	53,531
	<u>60,391</u>	<u>53,531</u>
	2021 £	2020 £
Turnover analysed by geographical market		
UK	21,349,434	22,412,539
Overseas	5,543,165	2,014,592
	<u>26,892,599</u>	<u>24,427,131</u>

Grant income of £60,391 (2020: £53,531) relates to income received under the government's Coronavirus Job Retention Scheme (CJRS). The company furloughed a number of staff under the CJRS and the funding received relates to staff costs in respect of these staff, which are included within note 4. No other grant income was received during the current or prior year.

4 Employees

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

	2021 Number	2020 Number
Sales	73	63
Manufacturing	43	50
Other	17	15
	<u>133</u>	<u>128</u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	3,859,764	3,104,817
Social security costs	870,171	984,480
Pension costs	99,463	99,629
	<u>4,829,398</u>	<u>4,188,926</u>

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

5 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 group companies.

6 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	29,130	(7,562)
Government grants	(60,391)	(53,531)
Fees payable to the company's auditor for the audit of the company's financial statements	22,500	24,250
Depreciation of owned tangible fixed assets	834,879	752,841
Loss on disposal of tangible fixed assets	61,989	3,475
Operating lease charges	615,780	522,884
	<u> </u>	<u> </u>

7 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	-	3,714
Other interest income	786	1,045
	<u> </u>	<u> </u>
Total income	786	4,759
	<u> </u>	<u> </u>

8 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and loans	411	-
Interest payable to group undertakings	463,755	463,755
	<u> </u>	<u> </u>
	464,166	463,755
	<u> </u>	<u> </u>

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	201,318	113,658
Adjustments in respect of prior periods	1,260	(41,531)
Total current tax	202,578	72,127
Deferred tax		
Origination and reversal of timing differences	(36,552)	69,403
Changes in tax rates	103,035	27,186
Adjustment in respect of prior periods	(1,398)	61,681
Total deferred tax	65,085	158,270
Total tax charge	267,663	230,397

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	969,620	838,208
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	184,228	159,260
Tax effect of expenses that are not deductible in determining taxable profit	2,438	620
Adjustments in respect of prior years	1,260	(41,531)
Permanent capital allowances in excess of depreciation	(13,127)	23,180
Deferred tax adjustments in respect of prior years	(1,398)	61,681
Movement in the rate of deferred taxation	94,262	27,187
Taxation charge for the year	267,663	230,397

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021 and therefore deferred tax has been calculated at 25%.

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Tangible fixed assets

	Plant and machinery, etc. £
Cost	
At 1 January 2021	5,535,294
Additions	1,084,480
Disposals	(317,344)
At 31 December 2021	6,302,430
Depreciation and impairment	
At 1 January 2021	2,492,427
Depreciation charged in the year	834,879
Eliminated in respect of disposals	(205,014)
At 31 December 2021	3,122,292
Carrying amount	
At 31 December 2021	3,180,138
At 31 December 2020	3,042,867

11 Stocks

	2021 £	2020 £
Finished goods and goods for resale	10,870,249	8,992,981

During the year, an impairment loss of £39,591 (2020: £18,826) was recognised within cost of sales in respect of stocks.

12 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	7,217,239	5,630,095
Corporation tax recoverable	1,854	271,377
Amounts owed by group undertakings	2,821,272	1,113,973
Other debtors	28,620	33,659
Prepayments and accrued income	171,613	157,594
	10,240,598	7,206,698

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	1,377,209	387,593
Amounts owed to group undertakings	831,860	2,070,452
Taxation and social security	34,821	514,893
Other creditors	172,177	117,323
Accruals and deferred income	1,289,556	886,062
	<u>3,705,623</u>	<u>3,976,323</u>

14 Creditors: amounts falling due after more than one year

	2021 £	2020 £
Long term loan owed to ultimate parent company	<u>9,973,226</u>	<u>9,973,226</u>

Long term loans accrue interest at 4.65% per annum and are repayable between 14 December 2026 and 28 November 2027.

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	<u>4,589,679</u>	<u>9,973,226</u>
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15 Provisions for liabilities

	Notes	2021 £	2020 £
Deferred tax liabilities	16	<u>392,760</u>	<u>327,675</u>

16 Deferred taxation

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:

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Accelerated Capital Allowances	395,088	329,043
Short term timing differences	(2,328)	(1,368)
	<u>392,760</u>	<u>327,675</u>

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

16 Deferred taxation (Continued)

	2021 £
Movements in the year:	
Liability at 1 January 2021	327,675
Charge to profit or loss	65,085
	<u>392,760</u>
Liability at 31 December 2021	<u>392,760</u>

The deferred tax liability set out above is expected to reverse within the foreseeable future and relates to accelerated capital allowances that are expected to mature within the same period.

17 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	99,463	99,629
	<u>99,463</u>	<u>99,629</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions payable totalling £18,846 (2020: £7,200) are included in accruals at the year end.

18 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	275,002	275,002	275,002	275,002
	<u>275,002</u>	<u>275,002</u>	<u>275,002</u>	<u>275,002</u>

The company's Ordinary shares carry voting rights at one vote per share and participate equally in any distributions of dividends and capital (including on winding up).

19 Reserves

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 distributions to owners.

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

20 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:

	2021	2020
	£	£
Within one year	503,872	423,293
Between one and five years	706,577	808,517
	<u>1,210,449</u>	<u>1,231,810</u>

21 Ultimate controlling party

The directors regard Fastenal Netherlands Holdings B.V, 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 smallest and largest 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 2001 Theurer Boulevard, Winona, Minnesota, 55987, USA.

The directors consider there to be no ultimate controlling party.

22 Events after the reporting date

On 22 September 2022, the Company issued 1 £1 Ordinary share for total consideration of £6,000,000. Therefore after the reporting date, the Company's share capital increased up to £275,003 and the share premium increased up to £14,499,997.