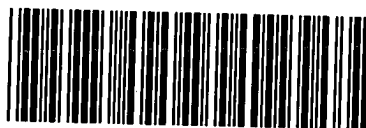


Company Registration No. SC370971 (Scotland)

FASTENAL EUROPE LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022



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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 LLP 71 Queen Victoria Street London EC4V 4BE

FASTENAL EUROPE LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

Fastenal Europe Limited has posted revenues of £37,127,287 an 38.1% increase over 2021 sales of £26,892,599. Gross profit margin decreased from 39.9% to 36%, while operating profit remained stable at 5.3%.

Employee-related expenses again make up the majority of our administrative expenses for the year. Despite a 25% increase, driven by a 15% increase in employees and a 10% increase in overall remuneration, the business was able to maintain prior-year operating margin of 5.3% due to strong top line growth.

Fixed assets had moderate growth increasing to £3,672,181 up from £3,180,138. Shop equipment and shelving made up the majority of the increase as the business built-out its new distribution center.

Our company had inventory levels of £15,871,506 at the end of the financial year. Inventory growth outpaced sales growth again as the company continued to build-out its new UK central distribution center, moving inventories previously stored overseas into the UK in the wake of Brexit in 2021. In addition, inventory levels increased to support the ongoing growth from a large new customer contract secured in late 2021.

Our cash balance as of the end of 2022 has increased 56% from £2,684,303 to £4,188,715 at the end of 2022 due to a contribution to capital in the amount of £6,000,000 from the immediate parent Fastenal Netherlands Holdings B.V., supplemented by an increase in current liabilities of £3,809,528. These increases were used to finance further growth of the business and expansion of the central distribution center in the form of a £4,011,029 increase in Trade Debtors and a £5,001,257 increase in inventories.

Key Performance Indicators

The directors have identified the following key performance indicators:

Indicators	Performance
Total revenue growth of >10% per annum	Growth of 38.1% in 2022 (2021: 10.1%)
Having customer on-time delivery >90%	91.3% on-time delivery in 2022 (2021: 89.2%)
Sustaining gross margin above 35%	Gross Margin of 36.0% in 2022 (2021: 39.9%)

Future Outlook

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 2022

Principal & Financial Risks

Liquidity Risk

Fastenal Europe Limited ensures all of its liquidity needs are and have been backed up by the parent organization, 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 2023 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 support ongoing growth including the central distribution center and a large new client added 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

2022 met the expectations of the directors. It was targeted that we would set out to achieve our KPIs and expected revenue growth in 2022 based on some new client wins and existing client growth. We managed strong performance on the remaining KPIs. We expect 2023 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

Date: 9/27/2023

FASTENAL EUROPE LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

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 8.

No ordinary dividends were paid in the current or prior year. 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.

Auditor

The auditor, Saffery 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 financial risk management 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.

On behalf of the board

Holden Lewis

.....
H Lewis
Director

Date: 9/27/2023
.....

FASTENAL EUROPE LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 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 2022 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.

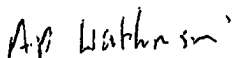
During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of 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 LLP, Statutory Auditor
Chartered Accountants
71 Queen Victoria Street
London
EC4V 4BE
28 September 2023

FASTENAL EUROPE LTD**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £	2021 £
Turnover	3	37,127,287	26,892,599
Cost of sales		(23,769,376)	(16,165,222)
Gross profit		13,357,911	10,727,377
Distribution costs		(994,237)	(877,890)
Administrative expenses		(10,393,564)	(8,476,878)
Other operating income		-	60,391
Operating profit	5	1,970,110	1,433,000
Interest receivable and similar income	6	8,733	786
Interest payable and similar expenses	7	(463,755)	(464,166)
Profit before taxation		1,515,088	969,620
Tax on profit	8	(280,317)	(267,663)
Profit for the financial year		1,234,771	701,957

Company Registration No. SC370971

FASTENAL EUROPE LTD**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	9		3,672,181		3,180,138
Current assets					
Stocks	10	15,871,506		10,870,249	
Debtors	11	14,251,627		10,240,598	
Cash at bank and in hand		4,188,715		2,684,303	
		34,311,848		23,795,150	
Creditors: amounts falling due within one year	12	(7,515,151)		(3,705,623)	
Net current assets			26,796,697		20,089,527
Total assets less current liabilities			30,468,878		23,269,665
Creditors: amounts falling due after more than one year	13		(9,973,226)		(9,973,226)
Provisions for liabilities	14		(357,202)		(392,760)
Net assets			20,138,450		12,903,679
Capital and reserves					
Called up share capital	17		275,003		275,002
Share premium account	18		14,499,997		8,499,998
Profit and loss reserves	18		5,363,450		4,128,679
Total equity			20,138,450		12,903,679

The financial statements were approved by the board of directors and authorised for issue on 9/27/2023 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 2022

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2021		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
Year ended 31 December 2022:					
Profit and total comprehensive income for the year		-	-	1,234,771	1,234,771
Issue of share capital	17	1	5,999,999	-	6,000,000
Balance at 31 December 2022		275,003	14,499,997	5,363,450	20,138,450

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 principal 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 to 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 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 2022

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.

Turnover includes a group management fee which represents amounts receivable from the ultimate parent company, Fastenal Company in accordance with a transfer pricing agreement.

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	2 - 7 years straight line
---------------------	---------------------------

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 and deposits held at call with banks.

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 2022

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.

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.

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.

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

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 £nil (2021: £60,391) 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.

The directors do 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 2022

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2022 £	2021 £
Turnover analysed by class of business		
Sale of goods	34,471,106	24,419,635
Group management fee	2,656,181	2,472,964
	<u>37,127,287</u>	<u>26,892,599</u>
	2022 £	2021 £
Other revenue		
Interest income	8,733	786
Grants received	-	60,391
	<u>-</u>	<u>60,391</u>
	2022 £	2021 £
Turnover analysed by geographical market		
UK	27,869,109	21,349,434
Overseas	9,258,178	5,543,165
	<u>37,127,287</u>	<u>26,892,599</u>

Grant income of £nil (2021: £60,391) 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 employed by the company during the year was:

	2022 Number	2021 Number
Sales	100	73
Manufacturing	32	43
Other	21	17
	<u>153</u>	<u>133</u>
Total	153	133

FASTENAL EUROPE LTD**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****4 Employees (Continued)**

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	4,946,660	3,859,764
Social security costs	969,657	870,171
Pension costs	118,783	99,463
	<u>6,035,100</u>	<u>4,829,398</u>

5 Operating profit

	2022 £	2021 £
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	70,565	29,130
Government grants	-	(60,391)
Fees payable to the company's auditor for the audit of the company's financial statements	30,000	22,500
Depreciation of owned tangible fixed assets	937,377	834,879
Loss on disposal of tangible fixed assets	5,734	61,989
Impairment of stocks recognised	81,085	39,591
Operating lease charges	<u>805,091</u>	<u>615,780</u>

6 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	7,771	-
Other interest income	962	786
	<u>8,733</u>	<u>786</u>

7 Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and loans	-	411
Interest payable to group undertakings	463,755	463,755
	<u>463,755</u>	<u>464,166</u>

FASTENAL EUROPE LTD**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 DECEMBER 2022**8 Taxation**

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	308,140	201,318
Adjustments in respect of prior periods	7,735	1,260
	<u>315,875</u>	<u>202,578</u>
Deferred tax		
Origination and reversal of timing differences	(25,212)	(36,552)
Changes in tax rates	(7,962)	103,035
Adjustment in respect of prior periods	(2,384)	(1,398)
	<u>(35,558)</u>	<u>65,085</u>
Total tax charge	<u>280,317</u>	<u>267,663</u>

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:

	2022	2021
	£	£
Profit before taxation	<u>1,515,088</u>	<u>969,620</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	287,867	184,228
Tax effect of expenses that are not deductible in determining taxable profit	(549)	2,438
Adjustments in respect of prior years	7,735	1,260
Permanent capital allowances in excess of depreciation	(4,391)	(13,127)
Deferred tax adjustments in respect of prior years	(2,384)	(1,398)
Movement in the rate of deferred taxation	(7,961)	94,262
Taxation charge for the year	<u>280,317</u>	<u>267,663</u>

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 2022

9 Tangible fixed assets

	Plant and machinery £
Cost	
At 1 January 2022	6,302,430
Additions	1,458,104
Disposals	(114,323)
At 31 December 2022	<u>7,646,211</u>
Depreciation and impairment	
At 1 January 2022	3,122,292
Depreciation charged in the year	937,377
Eliminated in respect of disposals	(85,639)
At 31 December 2022	<u>3,974,030</u>
Carrying amount	
At 31 December 2022	<u>3,672,181</u>
At 31 December 2021	<u>3,180,138</u>

10 Stocks

	2022 £	2021 £
Finished goods and goods for resale	<u>15,871,506</u>	<u>10,870,249</u>

During the year, an impairment loss of £81,085 (2021: £39,591) was recognised within cost of sales in respect of stocks.

11 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	10,145,801	7,217,239
Corporation tax recoverable	-	1,854
Amounts owed by group undertakings	3,546,408	2,821,272
Other debtors	330,255	28,620
Prepayments and accrued income	229,163	171,613
	<u>14,251,627</u>	<u>10,240,598</u>

Amounts owed by group undertakings are interest free and payable on demand.

FASTENAL EUROPE LTD**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****12 Creditors: amounts falling due within one year**

	2022 £	2021 £
Trade creditors	1,060,479	1,377,209
Amounts owed to group undertakings	4,333,852	831,860
Corporation tax	133,460	-
Other taxation and social security	-	34,821
Other creditors	113,357	172,177
Accruals and deferred income	1,874,003	1,289,556
	<u>7,515,151</u>	<u>3,705,623</u>

Amounts owed by group undertakings are interest free and repayable on demand.

13 Creditors: amounts falling due after more than one year

	2022 £	2021 £
Long term loan owed to ultimate parent company	9,973,226	9,973,226
	<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	-	4,589,679
	<u>-</u>	<u>4,589,679</u>

14 Provisions for liabilities

	Notes	2022 £	2021 £
Deferred tax liabilities	15	357,202	392,760
		<u>357,202</u>	<u>392,760</u>

15 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:

Balances:	Liabilities 2022 £	Liabilities 2021 £
Accelerated Capital Allowances	359,689	395,088
Short term timing differences	(2,487)	(2,328)
	<u>357,202</u>	<u>392,760</u>

FASTENAL EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15 Deferred taxation (Continued)

	2022 £
Movements in the year:	
Liability at 1 January 2022	392,760
Credit to profit or loss	(35,558)
	<u>357,202</u>
Liability at 31 December 2022	<u>357,202</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.

16 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	118,783	99,463
	<u>118,783</u>	<u>99,463</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 £20,556 (2021: £18,846) are included in accruals at the year end.

17 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	275,003	275,002	275,003	275,002
	<u>275,003</u>	<u>275,002</u>	<u>275,003</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).

On 22 September 2022, the company issued 1 Ordinary £1 share for total consideration of £6,000,000.

18 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 2022****19 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:

	2022	2021
	£	£
Within one year	641,589	503,872
Between one and five years	1,023,647	706,577
	<u>1,665,236</u>	<u>1,210,449</u>

20 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.