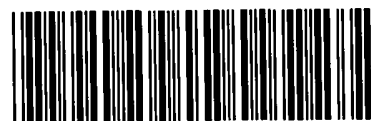


Company Registration No. SC370971 (Scotland)

FASTENAL EUROPE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016

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FASTENAL EUROPE LIMITED

COMPANY INFORMATION

Directors	A Davidson D L Florness J M Watts H Lewis
Secretary	Pinsent Masons Secretarial Limited
Company number	SC370971
Registered office	Unit M & N Glasgow Trade Park Glasgow G69 6GA
Auditors	RSM UK Audit LLP Chartered Accountants Davidson House Forbury Square Reading Berkshire RG1 3EU
Business address	Unit M & N Glasgow Trade Park Glasgow G69 6GA

FASTENAL EUROPE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present the Strategic Report and financial statements for the year ended 31 December 2016.

Fair Review of the Business

Fastenal Europe Limited has achieved another record breaking year for revenue growth in 2016, as it has consistently done each year since its opening in 2010. For the year 2016, our company has posted revenues of £13,120,316, a 3.0% increase over 2015.

Of the company's 2016 sales, 73.5% was from OEM fasteners supplied to manufacturers across the UK. This is down from 81.33% in 2015 and is attributed to selling more range of product into both new and existing customers.

Distribution costs have decreased in 2016, down 26.2% from £450,293 to £332,213. The two main causes are the removal of anti-dumping on most carbon steel fasteners and updating our importation procedures to have product imported directly to our hub located in the Netherlands.

Employee-related expenses again make up the majority of our administrative expenses for the year. Overall, they increased by approximately 8.0% from 2015. By monthly average, we had an additional headcount of 14 employees in 2016 compared to 2015. This was almost entirely made up of additional sales employees that were hired to service our growing base of active customers. The directors feel we were understaffed at the end of 2015 and have a better ratio of employees to daily sales numbers in 2016.

Our company had inventory levels of £4,863,574 at the end of the financial year which was customer specific inventory stored throughout our nine stocking locations. This inventory is a 4.6% decrease from the end of 2015. This decrease is mostly from a number of our larger customers moving their production outside of the UK in the second half of the year.

Our cash balance as of the end of 2016 has increased 471.1% to £4,908,053 from £859,417 at the end of 2015. This increase is mainly due to the exchange rate fluctuation we have experienced recently. As a result, our group creditor balances have also increase significantly from last year, growing 43.0% from £8,162,058 to £11,671,854.

Fixed assets have almost doubled in 2016, increasing from £457,769 to £842,285, mostly due to an increase in vending machines, fleet vehicles, and shelving. We have implemented a change in sales strategy of using vending machines to channel sales. Most of the business that was lost or slowed in 2016 was not tied to vending sales. As mentioned above, we have added more sales people to the team to service a larger base of active customers, and as a result have also invested more into our fleet of delivery vehicles. Our increase in shelving has primarily been related to Vendor Managed Inventory systems within our customers' facilities. We have also opened a new branch this year and increased the warehouse space in two other branches.

Key Performance Indicators

The directors have identified the following key performance indicators:

- Total revenue growth of >12.5% per annum
- Having quality PPM¹ <1000
- Having customer on-time delivery >98%
- Maintaining inventory turns >3 turns per year

Future Outlook

Over the next five years, we expect negative growth in 2017 and strong growth to follow in 2018 (>25%) and to continue with this growth trend over the next few years after that. Post-Brexit in 2016 a number of our larger customers decided to exit the UK, creating a sales gap that we need to fill.

Despite a shortfall in sales expected in 2017, we are continuing to strengthen the number of sales staff and customer-facing roles in the company. We expect a higher headcount going into the end of 2017 vs 2016.

Principal & Financial 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, despite if the market in general is increasing. Having a large customer exit the UK could hurt our turnover and profit.

FASTENAL EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Liquidity Risk

Fastenal Europe Limited ensures all of its liquidity needs are and have been 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

We have seen that in the past a few County Court Judgements could widely affect our credit rating, as we have only been incorporated for six years. We have mitigated this with early payment to suppliers where possible, clean accounting practices and now have the highest credit rating since our incorporation.

Supply Chain Risks

The general commodity market has been rising steadily putting greater pressures on our cost of goods. This is mitigated with customer contracts stating specific clauses around how we deal with the rise and/or fall of specific commodities.

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, despite if the market in general is increasing. 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.

Political Risks

The fastener market is undergoing an EU surveillance program, with the possibility of another anti-dumping investigation being launched in 2017. Depending on the outcome, this could result in additional tariffs and fines from importing.

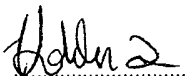
Director Expectations

Despite growing year-over-year, 2016 did not meet the expectations of the directors. Based on our KPIs we did not achieve our goals primarily because of how our customer-base shrank after the EU referendum. We saw a decrease in production at our key customers and saw a few key clients shut their businesses entirely.

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
- Look to slow down the rate of branch openings, calming occupancy expenses
- Review growing markets for our sales people to focus on more

On behalf of the board



H Lewis

Director

21/09/17

¹ PPM refers to parts per million.

FASTENAL EUROPE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their Annual Report and financial statements for the year ended 31 December 2016.

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 – appointed 1 November 2016

Results and dividends

The results for the year are set out on page 6. No dividends will be paid out for 2016.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

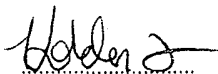
Statement of disclosure to auditor

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.

Strategic report

The company has adopted the requirements of section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

On behalf of the board



H Lewis

Director

21/09/17

FASTENAL EUROPE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

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 LIMITED

Opinion on financial statements

We have audited the financial statements on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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, based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where 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.

Respective responsibilities of directors and auditor

As more fully explained 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

Mayulee Pinkerton CA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU
Date: **21/09/2017**.....

FASTENAL EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME


FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	Notes	£	£
Turnover	3	13,120,316	12,738,070
Cost of sales		(8,663,482)	(8,458,925)
Gross profit		4,456,834	4,279,145
Distribution costs		(332,213)	(450,293)
Administrative expenses		(2,871,145)	(3,138,356)
Operating profit	4	1,253,476	690,496
Interest receivable and similar income	7	1,065	959
Profit on ordinary activities before taxation		1,254,541	691,455
Taxation	8	(237,061)	(135,367)
Profit on ordinary activities after taxation		1,017,480	556,088
Total comprehensive income for the year		1,017,480	556,088

FASTENAL EUROPE LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2016**

	Notes	£	2016 £	£	2015 £
Fixed assets					
Tangible assets	9		842,285		457,769
Current assets					
Stocks	10	4,863,574		5,095,297	
Debtors	11	3,855,398		3,887,869	
Cash at bank and in hand		4,908,053		859,417	
			<u>13,627,025</u>	<u>9,842,583</u>	
			<u>(12,868,762)</u>	<u>(9,757,331)</u>	
Creditors: amounts falling due within one year	12				
Net current assets			758,263		85,252
Total assets less current liabilities			<u>1,600,548</u>		<u>543,021</u>
Provisions for liabilities	14		<u>(88,900)</u>		<u>(48,853)</u>
Net assets			<u>1,511,648</u>		<u>494,168</u>
Capital and reserves					
Called up share capital	15	275,000		275,000	
Profit and loss reserves	16	1,236,648		219,168	
Total equity			<u>1,511,648</u>		<u>494,168</u>

The financial statements were approved by the board of directors and authorised for issue on 21/09/17 and are signed on its behalf by:



H Lewis
Director

FASTENAL EUROPE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2015	275,000	(336,920)	(61,920)
Year ended 31 December 2015:			
Profit and total comprehensive income	-	556,088	556,088
Balance at 31 December 2015	275,000	219,168	494,168
Year ended 31 December 2016:			
Profit and total comprehensive income	-	1,017,480	1,017,480
Balance at 31 December 2016	275,000	1,236,648	1,511,648

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

Fastenal Europe Limited is a private company limited by shares incorporated in Scotland. The registered office is Unit M & N, Glasgow Trade Park, Glasgow, G69 6GA.

The company's principal activities 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.

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

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

Impairment of fixed assets

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

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.

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

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.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

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.

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 except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

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.

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 Turnover and other revenue

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

Turnover analysed by geographical market

	2016 £	2015 £
UK	11,851,999	12,311,845
Overseas	1,268,317	426,225
	<u>13,120,316</u>	<u>12,738,070</u>

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging:		
Exchange losses	55,740	236,194
Fees payable to the company's auditors for the audit of the company's financial statements	21,125	8,250
Depreciation of owned tangible fixed assets	129,505	77,268
Cost of stocks recognised as an expense	8,663,482	8,458,925
Operating lease charges	<u>388,795</u>	<u>316,064</u>

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

5 Employees

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

	2016 Number	2015 Number
Sales	59	44
Administration	-	2
Office and Clerical	1	-
Information Technology	1	1
Expats	3	3
	<u>64</u>	<u>50</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	1,621,694	1,450,509
Social security costs	192,594	235,340
	<u>1,814,288</u>	<u>1,685,849</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.

7 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	<u>1,065</u>	<u>959</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>1,065</u>	<u>959</u>
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FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

8 Taxation

	2016 £	2015 £
Current Tax		
UK corporation tax	200,601	1,929
Adjustments in respect of prior periods	(3,587)	-
Total current tax	197,014	1,929
Origination and reversal of timing differences	40,047	133,438
Total tax on profit on ordinary activities	237,061	135,367

During the year, the Finance (No 2) Act 2015 was enacted so as to reduce the corporation tax rate to 18% for the financial year 2020. The Finance Bill 2016 reduces the rate by a further 1% for that year to 17%.

The deferred tax assets and liabilities reflect these rates.

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

	2016 £	2015 £
Profit before taxation	1,254,541	691,455
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	250,908	139,996
Fixed asset differences	-	582
Adjustments to tax charge in respect of previous periods	(3,587)	1,929
Adjust closing deferred tax to average rate of 20.00%	(15,494)	(6,097)
Adjust opening deferred tax to average rate of 20.00%	5,234	(1,043)
Tax expense for the year	237,061	135,367

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 Tangible fixed assets

	Plant and machinery etc. £
Cost	
At 1 January 2016	678,956
Additions	527,928
Disposals	(19,309)
At 31 December 2016	<u>1,187,575</u>
Depreciation	
At 1 January 2016	221,187
Charge for the year	129,505
Disposal depreciation	(5,402)
At 31 December 2016	<u>345,290</u>
Net book value	
At 31 December 2016	<u>842,285</u>
At 31 December 2015	<u>457,769</u>

10 Stocks

	2016 £	2015 £
Finished goods and goods for resale	<u>4,863,574</u>	<u>5,095,297</u>

11 Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	3,092,920	3,451,629
Amounts due from fellow group undertakings	690,907	358,920
Other debtors	71,571	77,320
	<u>3,855,398</u>	<u>3,887,869</u>

12 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	256,150	792,616
Amounts due to group undertakings	11,671,854	8,162,058
Other taxation and social security	315,961	237,967
Other creditors	624,797	564,690
	<u>12,868,762</u>	<u>9,757,331</u>

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

13 Financial instruments

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>3,783,827</u>	<u>3,887,869</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>12,552,801</u>	<u>9,519,364</u>

14 Provisions for liabilities

	Deferred tax liability £
Balance as at 1 January 2016	48,853
Credit to profit or loss	<u>40,047</u>
Balance as at 31 December 2016	<u>88,900</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) 2016 £	Asset/ (Liability) 2015 £
Balances:		
Accelerated Capital Allowances	(88,900)	(70,004)
Tax losses	<u>-</u>	<u>21,151</u>
	<u>(88,900)</u>	<u>(48,853)</u>

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

15 Share capital

	2016 £	2015 £
Ordinary share capital		
Issued and fully paid		
275,000 Ordinary shares of £1 each	<u>275,000</u>	<u>275,000</u>

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

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

16 Reserves

Reserves of the company represent the following:

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

17 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:

	2016 £	2015 £
Within one year	159,152	210,898
Between two and five years	159,875	232,747
	<u>319,027</u>	<u>443,645</u>

18 Related party transactions

In accordance with FRS 102, the company has taken the exemption under Section 33-1A from the requirement to disclose transactions with group companies on the grounds that the company is a wholly owned subsidiary.

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 Limited, 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.