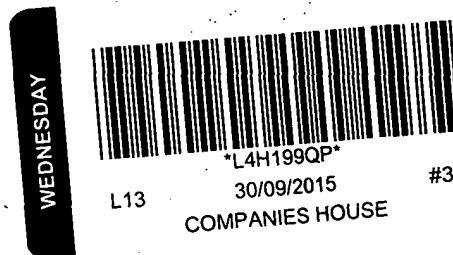


FASTENAL EUROPE LIMITED

**REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014**



FASTENAL EUROPE LIMITED

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FASTENAL EUROPE LIMITED

COMPANY INFORMATION

Directors	A Davidson D L Florness J M Watts
Secretary	Pinsent Masons Secretarial Limited
Company number	SC370971
Business address	Kingsway Park Dundee DD2 4TD
Registered office	Unit M & N Glasgow Trade Park Glasgow G69 6GA
Auditors	Baker Tilly UK Audit LLP Chartered Accountants First Floor, Davidson House Forbury Square Reading RG1 3EU

FASTENAL EUROPE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present the strategic report and financial statements for the year ended 31 December 2014.

Review of the Business

Fastenal Europe Limited has achieved another record breaking year for revenue growth in 2014, as it has consistently done each year since its opening in 2010. For the year 2014, our company posted revenues of £9,620,020, a 19.97% increase over 2013. We opened a strategic branch to service customers in the Southeast United Kingdom and implemented an Onsite¹ location in Wales.

Our company had customer specific inventory of £3,654,509 at the end of the financial year throughout our nine stocking locations. The ending inventory reported is a 19.4% increase from the end of 2013.

Of the company's 2014 sales, 87.8% was from OEM fasteners supplied to manufacturers across the United Kingdom. This is down from 95.4% in 2013 and is attributed to selling a wider range of product to both new and existing customers.

Key Performance Indicators

Some of our key performance indicators include the following:

- Total revenue growth of >19% per annum continuously
- Having quality PPM² <1000
- Having on-time delivery to customers >98%
- Maintaining inventory turns >3 turns per year

Future Outlook

We expect the next five years to provide organic growth of >25% per annum. This will be a result of taking market share in the OEM fastener market along with continuing to develop our non-fastener product lines into the vast industrial market.

At the end of 2014, there were 45 employees within Fastenal Europe Limited. Of the 45 employees, 40 were in direct sales roles. We will continue to invest in our sales force throughout the United Kingdom each year going forward over the next five years and beyond.

In addition to adding sales people, we will continue to open branches in strategic locations throughout the United Kingdom to provide better service to our customers. We will also be opening more Onsite locations to provide superior customer service.

Principal & Financial Risks

With many economic sectors showing signs of slow growth, we could see our present customers decreasing production. Industries, such as Oil & Gas, have had a slow 2014 and any of our sales within these struggling customer industries could result in lower sales.

The strength of the US Dollar (USD) versus the British Pound (GBP) also creates financial risk. As a large portion of our goods are purchased in USD and sold in GBP, this could lower revenue and gross margins.

On behalf of the board



D L Florness
Director

29/09/2015
Date

¹ Onsite is defined as a Fastenal team member executing sales and services from within the customer's facility.

² PPM refers to parts per million.

FASTENAL EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and financial statements for the year ended 31 December 2014.

Results and dividends

The company's trading profit for the year, after taxation was £404,558 (2013: £68,605 profit).

The directors have not recommended a dividend (2013: £nil).

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
S A Rucinski
J M Watts

A Davidson was appointed as a director on 1 January 2014.

S A Rucinski resigned as a director on 1 April 2015.

J M Watts was appointed as a director on 1 April 2015.

Auditors

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

Statement of disclosure to auditors

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 directors have chosen in accordance with section 414C(11) of the Companies Act 2006 to include in the Strategic Report matters otherwise required to be disclosed in the Directors' Report as the directors consider these are of strategic importance to the company.

On behalf of the board



D L Florness

Director

29/09/2015.....

Date

FASTENAL EUROPE LIMITED

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The directors are responsible for preparing the Strategic Report, 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

We have audited the financial statements on pages 7 to 17. 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).

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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 5, 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.

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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

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.

Matters on which we are required to report by exception

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.

Baker Tilly UK Audit LLP

Mayulee Pinkerton, Senior Statutory Auditor
For and on behalf of

Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU

Date: *30 September 2015*

FASTENAL EUROPE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

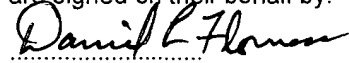
	Note	2014 £	2013 £
Turnover	3	9,620,020	8,018,869
Cost of sales		<u>(6,460,630)</u>	<u>(6,023,393)</u>
Gross profit		3,159,390	1,995,476
Distribution costs		(283,823)	(279,372)
Administrative expenses		<u>(2,556,510)</u>	<u>(1,650,642)</u>
Operating profit/(loss)		319,057	65,462
Interest receivable and other income	4	916	1,214
Interest payable and other charges		<u>-</u>	<u>-</u>
Profit/(loss) on ordinary activities before taxation	5	319,973	66,676
Tax on profit/(loss) on ordinary activities	8	<u>84,585</u>	<u>1,929</u>
Profit/(loss) for the financial year		<u>404,558</u>	<u>68,605</u>

The notes on pages 10 to 17 form part of these financial statements

FASTENAL EUROPE LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2014**

	Note	2014 £	2013 £
Fixed assets			
Tangible assets	9	300,582	150,723
Current assets			
Stocks		3,654,509	3,060,760
Debtors	10	5,346,251	1,835,756
Cash at bank		405,160	1,374,078
		9,405,920	6,270,594
Creditors: Amounts falling due within one year	11	(9,383,422)	(6,887,795)
Net current liabilities		22,498	(617,201)
Total assets less current liabilities		223,080	(466,478)
Provisions for liabilities	12	(385,000)	-
Net liabilities		(61,920)	(466,478)
Capital and reserves			
Called-up share capital	13	275,000	275,000
Profit and loss account	14	(336,920)	(741,478)
Shareholders' funds	15	(61,920)	(466,478)

These accounts were approved by the directors and authorised for issue on 29/09/2015, and are signed on their behalf by:


D L Florness

Director

The notes on pages 10 to 17 form part of these financial statements

FASTENAL EUROPE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Net cash (outflow)/inflow from operating activities	18	(770,241)	450,223
Returns on investments and servicing of finance			
Interest received		916	1,214
Net cash inflow/(outflow) from returns on investments and servicing of finance		916	1,214
Taxation		-	-
Capital expenditure			
Payments to acquire tangible fixed assets		(199,593)	(60,464)
Net cash outflow from capital expenditure		(199,593)	(60,464)
Net cash (outflow)/inflow before financing		(968,918)	390,973
Financing		-	-
(Decrease)/increase in cash		(968,918)	390,973

The notes on pages 10 to 17 form part of these financial statements.

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Turnover

The turnover shown in the profit and loss account represents the value of all goods sold during the year, 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 and depreciation

Tangible fixed assets are stated at cost less depreciation. Cost represents purchase price together with any incidental costs of acquisition.

Depreciation

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	20% - 33% straight line
Fixtures, fittings and equipment	14% straight line

Stocks

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

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Deferred taxation

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

2 Basis of preparation – going concern

The financial statements have been prepared on a going concern basis. The directors believe this basis of preparation to be appropriate as the ultimate parent company, Fastenal Company, has provided a written undertaking not to withdraw existing funds and to provide additional funding for at least 12 months from the date of approval of these financial statements to enable the company to continue to trade and meet its obligations as they fall due.

The directors are confident that the promised support will be forthcoming and accordingly, the financial statements do not contain any adjustments which may arise if the parent company support was withdrawn.

3 Turnover

Geographical market

	2014	2013
	£	£
UK	9,244,078	7,591,711
Overseas	375,942	427,157
	<u>9,620,020</u>	<u>8,018,868</u>

4 Interest receivable and similar income

	2014	2013
	£	£
Bank interest receivable	<u>916</u>	<u>1,214</u>

5 Profit on ordinary activities before taxation

	2014	2013
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Directors' remuneration	-	128,110
Depreciation of owned tangible fixed assets	49,734	38,254
Loss on disposal of tangible assets	-	1,783
Operating lease rentals	301,284	257,555
Auditors' remuneration for statutory audit	6,000	4,900
Net profit on foreign currency translation	<u>(1,828)</u>	<u>(735)</u>

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

6 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2014 Number	2013 Number
Sales	35	24
Administration	1	1
Office and Clerical	2	2
Expats	2	1
	<u>40</u>	<u>28</u>

Employment costs

	2014 £	2013 £
Wages and salaries	1,153,469	922,240
Social security costs	132,632	64,208
	<u>1,286,101</u>	<u>986,448</u>

7 Directors' remuneration

	2014 £	2013 £
Remuneration for qualifying services	<u>-</u>	<u>128,110</u>

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

8 Tax on profit on ordinary activities

	2014	2013
	£	£
Current tax		
U.K. corporation tax	-	(1,929)
Total current tax	-	(1,929)
 Origination and reversal of timing differences	(84,585)	-
Total tax on profit on ordinary activities	(84,585)	(1,929)

Factors affecting the tax charge for the year

The tax assessed for the year at the effective rate of corporation tax of 21.49% (2013: 23.00%).

Profit on ordinary activities before taxation	319,973	66,676
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.49% (2013: 23.00%)	68,762	
Effects of:		
Expenses not deductible for tax purposes	-	7
Capital allowances in excess of depreciation	(34,795)	(8,159)
Utilisation of tax losses	(33,967)	(7,348)
Other tax adjustments	-	(1,929)
Current tax charge for the year	-	(1,929)

The company has estimated losses of £714,540 (2013: £823,908) available for carry forward against future trading profits (see note 12).

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

9 Tangible fixed assets

	Plant and machinery etc. £
Cost	
At 1 January 2014	244,908
Additions	199,593
At 31 December 2014	<u>444,501</u>
Depreciation	
At 1 January 2014	94,185
Charge for the year	49,734
At 31 December 2014	<u>143,919</u>
Net book value	
At 31 December 2014	<u>300,582</u>
At 31 December 2013	<u>150,723</u>

10 Debtors

	2014 £	2013 £
Trade debtors	2,981,868	1,702,676
VAT recoverable	-	48,689
Amounts owed by group undertakings	2,183,130	-
Other debtors	96,669	84,391
Deferred tax asset (see note 12)	84,585	-
	<u>5,346,251</u>	<u>1,835,756</u>

11 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	371,253	113,174
Amounts owed to group undertakings	7,978,201	6,606,977
Other taxation and social security costs	86,728	-
Other creditors	947,240	167,644
	<u>9,383,422</u>	<u>6,887,795</u>

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

12 Provisions for liabilities

	2014 £
Balance at 1 January 2014	-
Profit and loss account	<u>385,000</u>
Balance at 31 December 2014	<u>385,000</u>

A provision of £385,000 (2013: £nil) has been recognized for expected legal fees. It is expected that these fees will be paid in the first quarter of 2015 fiscal year.

The deferred tax asset (included in debtors, note 10) is made up as follows:

	2014 £	2013 £
Profit and loss account	<u>(84,585)</u>	<u>-</u>
	2014 £	2013 £
Accelerated capital allowances	48,580	-
Tax losses and carried forward and other deductions	<u>(133,165)</u>	<u>-</u>
	<u>(84,585)</u>	<u>-</u>

13 Share capital

	2014		2013	
	No.	£	No.	£
Ordinary shares of £1 each	<u>275,000</u>	<u>275,000</u>	<u>275,000</u>	<u>275,000</u>

14 Profit and loss account

	Profit and loss account £
Balance at 1 January 2014	(741,478)
Profit for the year	<u>404,558</u>
Balance at 31 December 2014	<u>(336,920)</u>

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

15	Reconciliation of movements in shareholders' funds	2014 £	2013 £
	Profit for the financial year	404,558	68,605
	Opening shareholders' funds	(466,478)	(535,083)
	Closing shareholders' funds	(61,920)	(466,478)

16 Commitments under operating leases

At 31 December 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2015:

	Land and buildings	
	2014 £	2013 £
Operating leases which expire:		
Within one year	43,436	-
Between two and five years	130,084	105,541
	<u>173,520</u>	<u>105,541</u>

17 Control

The directors regard Fastenal International Holdings Company, a company registered in the United States of America, 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 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 2001 Theurer Boulevard, Winona, Minnesota, 55987, USA.

The directors consider there to be no ultimate controlling party.

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

18 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2014	2013
	£	£
Operating profit	319,057	65,462
Depreciation of tangible assets	49,734	38,254
Loss on disposal of tangible assets	-	1,783
Increase in debtors	(3,425,911)	(362,781)
Increase in creditors	2,880,628	494,664
Increase/(decrease) in stocks	(593,749)	212,841
Net cash inflow/outflow from operating activities	(770,241)	450,223

Reconciliation of net cash flow to movement in net funds

	2014	2013
	£	£
(Decrease)/increase in cash in year	(968,918)	390,973
Change in net funds in year	(968,918)	390,973
Movement in net funds in year	(968,918)	390,973
Net funds at 1 January	1,374,078	983,105
Net funds at 31 December	405,160	1,374,078

Analysis of net funds

	1 January 2014	Cash flow	Other non- cash changes	31 December 2014
	£	£	£	£
Net cash:				
Cash at bank and in hand	1,374,078	(968,918)	-	405,160
Net funds	1,374,078	(968,918)	-	405,160

19 Related party relationships and transactions

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures", whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.