

Company Registration No. SC370971 (Scotland)

**FASTENAL EUROPE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017**

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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 2017

The directors present the Strategic Report and financial statements for the year ended 31 December 2017.

Fair Review of the Business

Fastenal Europe Limited's sales have remained consistent. For 2017, the company has posted revenues of £13,067,650, a 0.4% decrease from 2016.

Distribution costs have increased in 2017, up 28.3% from £332,213 to £426,335. There are two main causes for this increase. We lost a large customer with low freight expense at our Coventry branch. We have shifted our sales to make up for this loss and have a higher freight expense tied to these sales. We have also localized more supply chain purchasing within branches that has driven our freight costs higher. However, this has been overcome by lower Cost of Goods as a percentage of sales.

Employee-related expenses again make up the majority of our administrative expenses for the year. Overall, they increased by approximately 25.7% from 2016. By monthly average, we had an additional headcount of 4 employees in 2017 compared to 2016. This is in addition to the 15 sales employees added mid-year in 2016 to service our growing base of customers.

Our company had inventory levels of £5,177,757 at the end of the financial year which was customer specific inventory stored throughout our nine stocking locations. This inventory is a 6.5% increase from the end of 2016. This increase was made in order to service our customers during the upcoming expected sales growth of 2018.

Our cash balance as of the end of 2017 has decreased 54.3% to £2,241,290 from £4,908,053 at the end of 2016. This decrease is mainly due to payments made towards intercompany balances during 2017.

Fixed assets have increased 67.6% from £842,285 to £1,411,670, mostly due to an increase in vending machines and fleet vehicles. Continuing from a strategy change implemented in 2016, we are using vending machines to channel 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.

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 9% sales growth in 2018 and strong growth to follow in 2019 (>20%) and to continue with this growth trend over the next few years after that. We opened our Irish subsidiary Fastenal Europe IE Ltd in 2017 and moved a portion of our customers and sales to that division towards the end of the year. This will slightly affect our 2018 UK sales.

We are continuing to invest in more customer-facing roles within the business in 2018 and beyond.

Principal & Financial Risks

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).

FASTENAL EUROPE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 seven years. We have mitigated this with early payment to suppliers where possible, clean accounting practices and now have a very respectable credit rating.

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. We have also begun to see a rise in the lead times coming from our suppliers, pushing us to look further out when placing orders and utilising batch shipments in order not to inflate our inventory holdings.

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 2018. Depending on the outcome, this could result in additional tariffs and fines from importing. The Brexit referendum is scheduled to be finalised in October 2018 with a start date of March 2019 and a transitional period through the 31 December, 2020. This will allow us sufficient time to analyse any changes within our supply chain and make the decisions needed for the business.

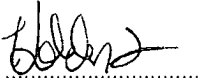
Director Expectations

Despite negative growth year-over-year, 2017 met the expectations of the directors. It was planned that we would see a significant decline in our 2017 sales based on a number of key customers closing their operations in the UK. The momentum through the year and the trends in the business have shown a good growth pick up for 2018 and beyond.

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

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

On behalf of the board



H Lewis
Director

9/26/18

¹ PPM refers to parts per million.

FASTENAL EUROPE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their Annual Report and financial statements for the year ended 31 December 2017.

Principal activities

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

Directors

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

A Davidson
D L Florness
J M Watts
H Lewis

Results and dividends

The results for the year are set out on page 8. No dividends will be paid out for 2017.

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.

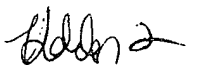
Statement of disclosure to auditor

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

9/26/18

FASTENAL EUROPE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

We have audited the financial statements of Fastenal Europe Ltd (the 'company') for the year ended 31 December 2017, which comprise of Statement of Comprehensive Income, Statement of Financial Position, Statements of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including (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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of directors

As explained more fully 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

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: *27 September 2018*

FASTENAL EUROPE LIMITED**STATEMENT OF COMPREHENSIVE INCOME
AS OF 31 DECEMBER 2017**

	Notes	2017 £	2016 £
Turnover	3	13,067,650	13,120,316
Cost of sales		<u>(7,749,589)</u>	<u>(8,663,482)</u>
Gross profit		5,318,061	4,456,834
Distribution costs		(426,335)	(332,213)
Administrative expenses		<u>(4,160,507)</u>	<u>(2,871,145)</u>
Operating profit	4	731,219	1,253,476
Interest receivable and similar income	7	<u>265</u>	<u>1,065</u>
Profit on ordinary activities before taxation		731,484	1,254,541
Taxation	8	<u>(145,489)</u>	<u>(237,061)</u>
Profit on ordinary activities after taxation		585,995	1,017,480
Total comprehensive income for the year		<u><u>585,995</u></u>	<u><u>1,017,480</u></u>

FASTENAL EUROPE LIMITED**STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017**

	Notes	£	2017 £	£	2016 £
Fixed assets					
Tangible assets	9		1,411,670		842,285
Current assets					
Stocks	10	5,177,757		4,863,574	
Debtors	11	5,258,242		3,855,398	
Cash at bank and in hand		<u>2,241,290</u>		<u>4,908,053</u>	
			12,677,289		13,627,025
Creditors: amounts falling due within one year	12	<u>(6,527,132)</u>		<u>(12,868,762)</u>	
Net current assets			<u>6,150,157</u>		<u>758,263</u>
Total assets less current liabilities			<u>7,561,827</u>		<u>1,600,548</u>
Creditors: amounts falling due after more than one year	13		(5,383,547)		—
Provisions for liabilities	15		<u>(80,637)</u>		<u>(88,900)</u>
Net assets			<u><u>2,097,643</u></u>		<u><u>1,511,648</u></u>
Capital and reserves					
Called up share capital	16	275,000		275,000	
Profit and loss reserves	17	<u>1,822,643</u>		<u>1,236,648</u>	
Total equity			<u><u>2,097,643</u></u>		<u><u>1,511,648</u></u>

The financial statements were approved by the board of directors and authorised for issue on 9.12.2018 and are signed on its behalf by:



H Lewis
Director

FASTENAL EUROPE LIMITED**STATEMENT OF CHANGES IN EQUITY
AS OF 31 DECEMBER 2017**

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2016	<u>275,000</u>	<u>219,168</u>	<u>494,168</u>
Year ended 31 December 2016:			
Profit and total comprehensive income for the year	<u>—</u>	<u>1,017,480</u>	<u>1,017,480</u>
Balance at 31 December 2016	<u>275,000</u>	<u>1,236,648</u>	<u>1,511,648</u>
Year ended 31 December 2017:			
Profit and total comprehensive income for the year	<u>—</u>	<u>585,995</u>	<u>585,995</u>
Balance at 31 December 2017	<u>275,000</u>	<u>1,822,643</u>	<u>2,097,643</u>

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017

1 Accounting policies (Continued)

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.

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 publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Classification of financial liabilities

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

Basic financial liabilities

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

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

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

Equity instruments

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

Taxation

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

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

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

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

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

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

Provisions

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

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

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Turnover and other revenue

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

Turnover analysed by geographical market

	2017 £	2016 £
UK	10,823,786	11,851,999
Overseas	<u>2,243,864</u>	<u>1,268,317</u>
	<u>13,067,650</u>	<u>13,120,316</u>

4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging:		
Exchange losses	(6,325)	55,740
Fees payable to the company's auditors for the audit of the company's financial statements	15,000	21,125
Depreciation of owned tangible fixed assets	202,890	129,505
Cost of stocks recognised as an expense	7,749,588	8,663,482
Operating lease charges	<u>342,087</u>	<u>388,795</u>

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

5 Employees

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

	2017 Number	2016 Number
Sales	62	59
Administration	4	-
Office and Clerical	1	1
Information Technology	0	1
Expats	1	3
	<u>68</u>	<u>64</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	2,007,374	1,621,694
Social security costs	<u>270,138</u>	<u>192,594</u>
	<u>2,277,512</u>	<u>1,814,288</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

	2017 £	2016 £
Interest income		
Interest on bank deposits	<u>265</u>	<u>1,065</u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	<u>265</u>	<u>1,065</u>

FASTENAL EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

8 Taxation

	2017 £	2016 £
Current Tax		
UK corporation tax	149,498	200,601
Adjustments in respect of prior periods	4,253	(3,587)
Total current tax	153,751	197,014
Origination and reversal of timing differences	(8,262)	40,047
Total tax on profit on ordinary activities	145,489	237,061

During the prior 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:

	2017 £	2016 £
Profit before taxation	731,484	1,254,541
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	140,786	250,908
Fixed asset differences	—	—
Adjustments to tax charge in respect of previous periods	3,687	(3,587)
Movement in the rate of deferred taxation	1,016	(10,258)
Tax expense for the year	145,489	237,061

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

9 Tangible fixed assets

	Assets Under Construction £	Plant and machinery, etc. £	Total £
Cost			
At 1 January 2017	40,129	1,147,446	1,187,575
Additions	117,807	654,467	772,274
Disposals	—	(6,000)	(6,000)
At 31 December 2017	<u>157,936</u>	<u>1,795,913</u>	<u>1,953,849</u>
Depreciation			
At 1 January 2017	—	345,290	345,290
Charge for the year	—	202,889	202,889
Disposal depreciation	—	(6,000)	(6,000)
At 31 December 2017	<u>—</u>	<u>542,179</u>	<u>542,179</u>
Net Book Value			
At 31 December 2017	<u>157,936</u>	<u>1,253,734</u>	<u>1,411,670</u>
At 31 December 2016	<u>40,129</u>	<u>802,156</u>	<u>842,285</u>

10 Stocks

	2017 £	2016 £
Finished goods and goods for resale	<u>5,177,757</u>	<u>4,863,574</u>

11 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	3,946,633	3,092,920
Amounts due from fellow group undertakings	1,216,497	690,907
Other debtors	95,112	71,571
	<u>5,258,242</u>	<u>3,855,398</u>

12 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	331,727	256,150
Amounts due to group undertakings	5,297,184	11,671,854
Other taxation and social security	261,622	315,961
Other creditors	636,599	624,797
	<u>6,527,132</u>	<u>12,868,762</u>

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

13 Creditors: amounts falling due after more than one year

	2017	2016
	£	£
Long term loan owed to ultimate parent company	<u>5,383,547</u>	<u>—</u>

14 Financial instruments

	2017	2016
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>5,163,130</u>	<u>3,783,827</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>11,495,307</u>	<u>12,552,801</u>

15 Provisions for liabilities

	Deferred tax liability £
Balance as at 1 January 2017	88,900
Credit to profit or loss	<u>(8,263)</u>
Balance as at 31 December 2017	<u>80,637</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) 2017 £	Asset/ (Liability) 2016 £
Balances:		
Accelerated Capital Allowances	(80,637)	(88,900)
Tax losses	<u>—</u>	<u>—</u>
	<u>(80,637)</u>	<u>(88,900)</u>

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

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

16 Share Capital

	2017 £	2016 £
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.

17 Reserves

Reserves of the company represent the following:

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

18 Operating lease commitments

Lessee

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

	2017 £	2016 £
Within one year	85,549	159,152
Between two and five years	<u>82,117</u>	<u>159,875</u>
	<u>167,666</u>	<u>319,027</u>

19 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.

FASTENAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

20 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.

21 Post balance sheet events

On 16 July, 2018 the company completed its acquisition of the trade and assets of Spensall Precision Engineering Limited to further expand the Fastenal Company group's offering to its customers.