

Monster Energy Europe Limited

Annual report and financial statements

for the year ended 31 December 2015

Registered number: 06394100



Monster Energy Europe Limited

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Monster Energy Europe Limited

Strategic report

Review of the business

The principal activity of the Monster Energy Europe Limited ("the company") during the year has been the marketing of energy drinks across Europe, the Middle East and Africa.

The business has achieved its goals in 2015 involving further expansion and investment in support of group activities, most notably the successful integration following the agreement with The Coca-Cola Company ("TCCC") to acquire its energy drinks business in 2014 which became effective 13th June 2015. The directors anticipate the continuation of this model as the group continues to expand into further new markets.

In the opinion of the directors, the key performance indicator of the company is increase in turnover. In the year to 31 December 2015, the company's turnover increased £7,671,760 (17.2%) from £44,592,514 in 2014 to £52,264,274 in 2015 due to the effects of the above mentioned expansion and investment.

As at 31 December 2015, the company had net assets of £16,299,875 (2014: £12,506,298 restated) and cash at bank and in hand of £8,995,707 (2014: £5,890,532).

Going concern

The directors view the company as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors.

The company is reliant on a group intercompany service agreement and has obtained a written confirmation from its intermediate parent company guaranteeing that it will provide financial support to the company for a period of at least 12 months from the date of approving these financial statements if required. The company continues to receive a high level of commitment to support the growth of the Energy brands across Europe and other territories from its intermediate parent Monster Energy Company and its ultimate parent Monster Beverage Corporation, both incorporated in the USA. The directors consider that the intermediate parent company has adequate liquidity and assets to support the company for the foreseeable future and where necessary will make funds available to meet the company's obligations as they fall due.

Principal risks and uncertainties

The company is not directly exposed to price, competition and credit risks as the principal activity during the year has been the provision of marketing services to a group company.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations, the company uses long term financial support from its immediate parent company, which continues to provide a high level of commitment.

There is exposure to the financial risk of changes in foreign currency exchange rates on inter-company funding and transactions in foreign currency. The company does not operate a hedging policy as its parent company bears the risk of foreign currency fluctuations.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Consultation

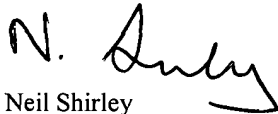
The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the Company website and the annual financial statements.

Monster Energy Europe Limited

Strategic report

Future developments

The directors expect the general level of activity to increase compared with 2015 in the forthcoming year. This is as a result of the full year effect of the TCCC agreement which came into effect on 13th June 2015.



Neil Shirley

Director

7th September 2016

Unit 51, Metropolitan Park,
Bristol Road,
Greenford UB6 8UP

Monster Energy Europe Limited

Directors' report

The directors present their annual report on the affairs of Monster Energy Europe Limited ('the Company'), together with the financial statements and auditor's report, for the year ended 31 December 2015.

Disclosures required by s416 (4) elevated to the strategic report are:

- Financial risk management objectives and policies
- Future developments
- Employee consultation

Existence of branches outside the UK

The company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows:

Monster Energy Albania

Monster Energy Europe Limited [Belgium]

Monster Energy Europe Limited Branch Bulgaria

Monster Energy Europe Limited – Podružnica Zagreb [Croatia]

Monster Energy Europe Limited [Cyprus]

Monster Energy Europe Limited organizacni slozka [Czech Republic]

Monster Energy Denmark

Monster Energy Europe Limited [Dubai]

Monster Energy Europe Limited eesti filiaal [Estonia]

Monster Energy Europe Limited Suomen sivuliike [Finland] (registered 1st January 2016)

Monster Energy Europe Limited Zweigniederlassung Deutschland [Germany]

Monster Energy Europe Limited [Greece]

Monster Energy Europe Limited Magyarorszagi Fioktelepe [Hungary]

Monster Energy Europe Limited [Italy]

Monster Energy Europe Limited Latvijas filiale [Latvia]

Monster Energy Europe Limited filialas [Lithuania]

Monster Energy UK Ltd [Netherlands]

Monster Energy Europe Limited SP. ZO.O. W Polsce [Poland]

Monster Energy Europe Ltd. Sucursal em Portugal

Monster Energy Europe Limited Uxbridge Sucursala Bucuresti [Romania]

Monster Energy Europe Limited organizacna zlozka [Slovakia]

Monster Energy Europe Limited Podružnica v Ljubljani [Slovenia]

Monster Energy Europe Limited Sucursal en Espana [Spain]

Monster Energy Europe Limited UK Filial [Sweden]

Monster Energy Europe Ltd Uxbridge Zweigniederlanssung Zurich [Switzerland]

Directors

The directors, who served throughout the year except as noted, were as follows:

Monster Energy Europe Limited

Directors' report

Guy Carling

Norman Epstein

Rodney Sacks

Hilton Schlosberg

Neil Shirley

The Company Secretary of the company throughout the year was Mr Norman Epstein.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

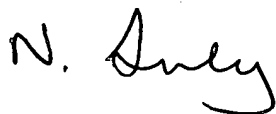
Approval of reduced disclosures

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and there have been no adjustments. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2015.

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder/s have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by Monster Energy Ltd, as the immediate parent of the entity, or by a shareholder/s holding in aggregate 5 per cent or more of the total allocated shares in the Company or more than half of the allotted shares in the entity not held by Monster Energy Ltd as the immediate parent. They should be served by no later than 7 September 2016.

Approved by the Board and signed on its behalf by:



Neil Shirley

Director

7th September 2016

Unit 51, Metropolitan Park,

Bristol Road, Greenford UB6 8UP

Monster Energy Europe Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Monster Energy Europe Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONSTER ENERGY EUROPE LIMITED

We have audited the financial statements of Monster Energy Europe Limited for the year ended 31 December 2015 which comprise Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. 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".

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 explained more fully in the Directors' Responsibilities Statement, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 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 matters 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.

Matthew Hall

Matthew Hall (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Cambridge, England

8 September 2016

Monster Energy Europe Limited

Profit and loss account

For the year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	3	52,264,274	44,592,514
Administrative expenses		(49,454,687)	(39,668,119)
Operating profit		2,809,587	4,924,395
Finance costs (net)	4	(291,371)	(921,596)
Profit on ordinary activities before taxation	5	2,518,216	4,002,799
Tax on profit on ordinary activities	9	(296,676)	(743,168)
Profit for the financial year attributable to the equity shareholders of the Company		2,221,540	3,259,631

Monster Energy Europe Limited

Statement of comprehensive income For the year ended 31 December 2015

	Note	2015 £	2014 £
Profit for the financial year		<u>2,221,540</u>	<u>3,259,631</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income attributable to equity shareholders of the Company		<u><u>2,221,540</u></u>	<u><u>3,259,631</u></u>

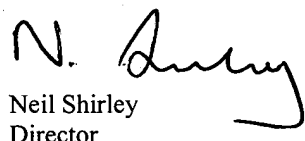
Monster Energy Europe Limited

Balance sheet

At 31 December 2015

	Note	2015 £	2014 restated (see note 21) £
Fixed assets			
Tangible assets	11	6,556,166	5,374,915
Investments	12	396,880	396,880
		<u>6,953,046</u>	<u>5,771,795</u>
Current assets			
Debtors	13	13,333,851	20,879,888
Cash at bank and in hand		<u>8,995,707</u>	<u>5,890,532</u>
		22,329,558	26,770,420
Creditors: amounts falling due within one year	15	(12,581,004)	(20,035,917)
Net current assets		<u>9,748,554</u>	<u>6,734,503</u>
Total assets less current liabilities		16,701,600	12,506,298
Provisions for liabilities	16	(401,725)	-
Net assets		<u>16,299,875</u>	<u>12,506,298</u>
Capital and reserves			
Called-up share capital	18	500,000	500,000
Profit and loss account		<u>15,799,875</u>	<u>12,006,298</u>
Shareholders' funds		<u>16,299,875</u>	<u>12,506,298</u>

The financial statements of Monster Energy Europe Limited (registered number 06394100) were approved by the board of directors and authorised for issue on 7th September 2016. They were signed on its behalf by:


Neil Shirley
Director

Monster Energy Europe Limited

Statement of changes in equity At 31 December 2015

	Called-up share Capital £	Profit and loss account £	Total £
At 31 December 2013 as previously stated	500,000	6,885,466	7,385,466
Prior period adjustment	-	696,931	696,931
At 1 January 2014 as restated	500,000	7,582,397	8,082,397
Profit for the financial year		3,259,631	3,259,631
Share-based payments		1,164,270	1,164,270
At 31 December 2014	<u>500,000</u>	<u>12,006,298</u>	<u>12,506,298</u>
At 1 January 2015 as restated	500,000	12,006,298	12,506,298
Profit for the financial year		2,221,540	2,221,540
Share-based payments		1,572,037	1,572,037
At 31 December 2015	<u>500,000</u>	<u>15,799,875</u>	<u>16,299,875</u>

Monster Energy Europe Limited

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

Monster Energy Europe Limited ('the Company') is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 2.

The financial statements have been prepared under the historical cost convention, modified to include share options and financial instruments at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2015. The company has performed an assessment of the impact of FRS102 adoption on the accounting policies and as a consequence of adopting FRS 102, except for the reclassification of the deferred tax asset from amounts falling due within one year to over one year, there has been no impact.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Monster Beverage Corporation, which may be obtained at 1 Monster Way, Corona, California 92879, USA.

Going concern

The financial statements have been prepared using the going concern basis of accounting. The directors view the company as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors. The company is reliant on a group intercompany service agreement and has obtained a written confirmation from its ultimate parent company guaranteeing that it will provide financial support to the company for a period of at least 12 months from the date of approving these financial statements if required. The company continues to receive a high level of commitment to support the growth of the Energy brands across Europe from its intermediate parent Monster Energy Company and its ultimate parent Monster Beverage Corporation, both incorporated in the USA. The directors consider that the intermediate parent company has adequate liquidity and assets to support the company in the foreseeable future and where necessary will make funds available to meet the company's obligations as they fall due.

b. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	term of lease
Motor vehicles	4 years
Office and computer equipment	3-5 years
Coolers	3 years
Event equipment	3-5 years

Monster Energy Europe Limited

Notes to the financial statements

For the year ended 31 December 2015

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

1. Accounting policies (continued)

c. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(ii) Financial assets and liabilities (continued)

- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Monster Energy Europe Limited

Notes to the financial statements

For the year ended 31 December 2015

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

1. Accounting policies (continued)

c. Financial instruments (continued)

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(iii) Investments

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

d. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

e. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

Monster Energy Europe Limited

Notes to the financial statements

For the year ended 31 December 2015

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.

1. Accounting policies (continued)

e. Taxation (continued)

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

f. Turnover

Turnover is stated net of VAT. Turnover from the supply of services represents recharges for marketing services performed across Europe and other territories for another group company and is billed on a quarterly basis.

Monster Energy Europe Limited

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies (continued)

g. Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

h. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above); and
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

i. Leases

The Company as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Monster Energy Europe Limited

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies (continued)

j. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

k. Share-based payment

The Company grants to its employees rights to equity instruments of Monster Beverage Corporation, its ultimate parent company. The required disclosures are therefore included in Monster Beverage Corporation consolidated financial statements. The Company records compensation expense for employee stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes-Merton option pricing formula.

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Notes to the financial statements

For the year ended 31 December 2015

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Company's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty – valuation of share based payments

Determining the value of share based payments requires an estimation of their cost to the Company. The value calculation requires the entity to estimate using the Black-Scholes-Merton Options Pricing Formula future option volatility, expected life, risk free rate and expected dividend yield.

Monster Energy Europe Limited

Notes to the financial statements

For the year ended 31 December 2015

3. Turnover and revenue

An analysis of the Company's turnover by class of business is set out below.

	2015 £	2014 £
Turnover:		
Rendering of services (Intercompany recharge)	52,264,274	44,592,514
	<u>52,264,274</u>	<u>44,592,514</u>

An analysis of the Company's turnover by geographical market is set out below.

	2015 £	2014 £
Turnover:		
Europe	52,264,274	44,592,514
	<u>52,264,274</u>	<u>44,592,514</u>

An analysis of the Company's revenue is as follows:

	2015 £	2014 £
Rendering of services	52,264,274	44,592,514
Total revenue	<u>52,264,274</u>	<u>44,592,514</u>

Monster Energy Europe Limited

Notes to the financial statements For the year ended 31 December 2015

4. Finance costs (net)

	2015 £	2014 £
Interest payable and similar charges	345,502	975,325
Less: Investment income	(54,131)	(53,729)
	<u>291,371</u>	<u>921,596</u>

Investment income

	2015 £	2014 £
Other interest receivable and similar income	54,131	53,729
	<u>54,131</u>	<u>53,729</u>

Interest payable and similar charges

	2015 £	2014 £
Bank loans and overdrafts	6	317
Other loans	59,962	52,487
	<u>59,968</u>	<u>52,804</u>
Net exchange loss on foreign currency borrowings less deposits	285,534	922,521
	<u>345,502</u>	<u>975,325</u>

Monster Energy Europe Limited

Notes to the financial statements

For the year ended 31 December 2015

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2015 £	2014 £
Depreciation of tangible fixed assets (note 11)	2,633,030	2,092,780
Operating lease rentals	444,945	430,633
Foreign exchange loss (gain)	285,534	922,521
Share-based payments	1,572,037	1,164,270
Loss/(gain) on disposal of fixed assets	245,011	(172,930)
	<u>245,011</u>	<u>(172,930)</u>

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £31,425 (2014: £30,000).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

7. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2015 Number	2014 Number
Marketing	252	228
Administration	58	47
	<u>310</u>	<u>275</u>

Their aggregate remuneration comprised:

	2015 £	2014 £
Wages and salaries	12,865,647	11,089,116
Social security costs	2,682,020	2,140,239
Other pension costs (see note 20)	268,613	207,929
Share-based payments	1,572,037	1,164,270
	<u>17,388,317</u>	<u>14,601,554</u>

Monster Energy Europe Limited

Notes to the financial statements For the year ended 31 December 2015

8. Directors' remuneration and transactions

	2015 £	2014 £
<i>Directors' remuneration</i>		
Emoluments	563,982	422,644
Company contributions to money purchase pension schemes	20,250	14,478
	<u>584,232</u>	<u>437,122</u>
	2015 Number	2014 Number
The number of directors who:		
Are members of a money purchase pension scheme	2	2
Exercised options over shares in the parent company	2	2
Had awards receivable in the form of shares in the parent company under a long-term incentive scheme	2	2
	<u>2015 £</u>	<u>2014 £</u>
Remuneration of the highest paid director:		
Emoluments	392,991	378,086
Company contributions to defined benefit pension schemes	13,500	12,750

The highest paid director did exercise share options in the year.

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Notes to the financial statements For the year ended 31 December 2015

9. Tax on profit on ordinary activities

The tax charge comprises:

	2015 £	2014 £
Current tax on profit on ordinary activities		
UK corporation tax at 20.25% (2014 21.5%)	269,078	636,727
Double tax relief	(98,142)	(111,459)
Foreign tax	142,745	137,375
	<u>313,681</u>	<u>662,643</u>
Adjustments in respect of prior years		
UK corporation tax	182,584	(113,510)
Foreign tax	(29,029)	89,174
	<u>153,555</u>	<u>(24,336)</u>
Total current tax	<u>467,236</u>	<u>638,307</u>
Deferred tax		
Origination and reversal of timing differences	(231,240)	104,861
Effect of decrease in tax rate on opening asset	60,680	-
	<u>(170,560)</u>	<u>104,861</u>
Total deferred tax (see note 14)	<u>(170,560)</u>	<u>104,861</u>
Total tax on profit on ordinary activities	<u>296,676</u>	<u>743,168</u>

The standard rate of tax applied to reported profit on ordinary activities is 20.25 per cent (2014: 21.5 per cent). The applicable tax rate has changed following the substantive enactment of the Finance Act 2015. During the year beginning 1 January 2016, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £328,251. This is due to further capital investment.

There is no expiry date on timing differences, unused tax losses or tax credits.

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Notes to the financial statements

For the year ended 31 December 2015

9. Tax on profit on ordinary activities (continued)

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2015 £	2014 £
Profit on ordinary activities before tax	<u>2,518,216</u>	<u>4,002,799</u>
 Tax on profit on ordinary activities at standard UK corporation tax rate of 20.25 per cent (2014: 21.5 per cent)	 509,853	 860,328
 Effects of:		
- Expenses not deductible for tax purposes	353,706	356,474
- Share base acquisition	(802,646)	(500,718)
- Effect of decrease in tax rate on opening asset	60,679	-
- Higher tax rates on overseas earnings	44,603	25,916
- Adjustments to tax charge in respect of previous periods	130,481	1,168
 Total tax charge for period	 <u>296,676</u>	 <u>743,168</u>

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Notes to the financial statements

For the year ended 31 December 2015

10. Share-based payments

Equity settled share option plan

Certain employees of the Company have been granted Monster Beverage Corporation share options, restricted stock and restricted stock units under the Monster Beverage Corporation 2011 Omnibus Incentive Plan. This plan provided for a grant price equal to the quoted price of Monster Beverage Corporation shares at the date of grant. The vesting period is generally five years. These options are exercisable at such time and in such amounts as determined by the Compensation Committee of the Board of Directors of Monster Beverage Corporation up to a ten-year period after their date of grant.

If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

The company recognised a total expense of £1,572,037 (2014: £1,164,270) related to equity-settled share based payment transactions in the year.

Stock Options

Details of the Monster Beverage Corporation share options granted to Monster Energy Europe Limited employees during the year ended 31 December 2015 and 2014 are outstanding are as follows:

	2015		2014	
	Options	Weighted average exercise price US \$	Options	Weighted average exercise price US \$
Outstanding at beginning of year	362,408	52.01	374,050	41.46
Granted during the year	101,000	135.44	93,000	71.63
Forfeited during the year	(28,875)	72.80	(38,650)	50.31
Adjustment	-	-	19,000	-
Exercised during the year	(76,483)	32.96	(84,992)	27.88
Outstanding at the end of the year	358,050	77.93	362,408	52.01
Exercisable at the end of the year	35,175	49.01	55,458	29.40

The weighted average exercise price has been expressed in US dollars, as that is the currency in which the options strike price has been granted.

The options outstanding at 31 December 2015 had a weighted average exercise price of \$77.93 (2014: \$52.01) and a weighted average remaining contractual life of 7.58 (2014: 7.87 years). In the year to 31 December 2015 options were granted on a number of dates. The aggregate of the estimated fair values of the options granted on those dates is \$5,125,124 (2014: \$2,495,509).

Monster Energy Europe Limited

Notes to the financial statements For the year ended 31 December 2015

10. Share-based payments (continued)

Stock options

The inputs into the Black-Scholes-Merton Options Pricing Formula are as follows:

	2015	2014
Weighted average share price (US \$)	50.74	26.83
Weighted average exercise price (US \$)	135.44	71.63
Expected volatility	36.97%	38.09%
Expected life (years)	5.82	5.55
Risk free rate	1.59%	1.58%
Expected dividend yield	0.00%	0.00%

Expected volatility was determined by calculating the historical volatility of Monster Beverage Corporation share price over a period of time equivalent to the expected term of option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Restricted Stock Awards and Restricted Stock Units

Stock based compensation cost for restricted stock awards and restricted stock units is measured based on the closing fair market value of the Company's common stock at the date of grant. In the event that the Company has the option and intent to settle a restricted stock unit in cash, the award is classified as a liability and revalued at each balance sheet date.

The following table summarizes the Company's activities with respect to non-vested restricted stock awards and non-vested restricted stock units as follows:

	Number of Shares	Weighted Average Grant - Date Fair Value
Non-vested at 1 January 2015	27,500	\$59.40
Granted	-	-
Vested	(6,666)	\$54.12
Forfeited/cancelled	(5,834)	\$70.54
Adjustment	-	-
Non-vested at 31 December 2015	15,000	\$57.42

There were no restricted stock unit or restricted stock awards granted during the years ended 31 December 2015. As of 31 December 2015, 0.01 million of restricted stock units and restricted stock awards are expected to vest.

At 31 December 2015, total unrecognised compensation expense relating to non-vested restricted stock awards and non-vested restricted stock units was \$ 0.5 million, which is expected to be recognized over a weighted-average period 1.6 years.

Monster Energy Europe Limited

Notes to the financial statements For the year ended 31 December 2015

11. Tangible fixed assets

	Leasehold Improvements	Motor Vehicles	Office & Computer Equipment	Coolers	Event Equipment	Assets in the course of construction	Total
Cost or valuation							
At 1 Jan 2015	880,217	5,553,744	878,317	3,872,534	1,056,322	-	12,241,134
Additions	80,315	401,258	414,829	2,526,955	558,184	203,458	4,184,999
Disposals	-	(369,557)	(815)	(2,144,512)	(8,226)	-	(2,523,110)
	<u>960,532</u>	<u>5,585,445</u>	<u>1,292,331</u>	<u>4,254,977</u>	<u>1,606,280</u>	<u>203,458</u>	<u>13,903,023</u>
Depreciation							
At 1 Jan 2015	80,564	3,853,114	367,168	1,777,535	787,838	-	6,866,219
Additions	92,032	918,331	265,866	1,159,105	197,696	-	2,633,030
Disposals	-	(302,364)	(68)	(1,841,734)	(8,226)	-	(2,152,392)
	<u>172,596</u>	<u>4,469,081</u>	<u>632,966</u>	<u>1,094,906</u>	<u>977,308</u>	<u>-</u>	<u>7,346,857</u>
Net book values							
At 31 Dec 2015	<u>787,936</u>	<u>1,116,364</u>	<u>659,365</u>	<u>3,160,071</u>	<u>628,972</u>	<u>203,458</u>	<u>6,556,166</u>
At 31 Dec 2014	<u>799,653</u>	<u>1,700,630</u>	<u>511,149</u>	<u>2,094,999</u>	<u>268,484</u>	<u>-</u>	<u>5,374,915</u>

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Notes to the financial statements

For the year ended 31 December 2015

12. Fixed asset investments

	2015 £	2014 £
Subsidiary undertakings	396,880	396,880
Total	<u>396,880</u>	<u>396,880</u>

Investments

The Company has investments in the following subsidiary undertakings.

Subsidiary undertakings	Country of incorporation or principal business address	Principal activity	Type of shares held	%
Monster Energy France SAS	France	Marketing of Monster Energy	Ordinary	100%
Monster Energy Ukraine LLC	Ukraine	Marketing & distribution of Monster Energy	Ordinary	99%
Monster Energy Austria GmbH	Austria	Marketing of Monster Energy	Ordinary	100%
Monster Energy Russia LLC	Russia	Marketing of Monster Energy	Ordinary	100%
Monster Energy Beverage Company of South Africa (Proprietary) Limited	South Africa	Marketing & distribution of Monster Energy	Ordinary	100%
M Energy Rus LLC	Russia	Marketing of Monster Energy	Ordinary	100%

All subsidiary undertakings are held directly by Monster Energy Europe Limited.

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Notes to the financial statements For the year ended 31 December 2015

12. Fixed Asset Investments (continued)

Subsidiary undertakings

	£
Cost	
At 1 January 2015 and 31 December 2015	396,880
Provisions for impairment	
At 1 January 2015 and 31 December 2015	-
Carrying value	396,880

13. Debtors

	2015 £	2014 Restated (see note 21) £
Amounts falling due within one year:		
VAT	1,292,828	1,090,451
Other debtors	375,891	191,869
Prepayments and accrued income	2,504,928	1,896,779
Amounts owed by group undertakings	8,352,515	17,063,661
	<u>12,526,162</u>	<u>20,242,760</u>
Amounts falling due after more than one year:		
Deferred tax asset (Note 14)	<u>807,689</u>	<u>637,128</u>
	<u>13,333,851</u>	<u>20,879,888</u>

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Notes to the financial statements

For the year ended 31 December 2015

14. Deferred Tax Asset

	2015 £	2014 £
At 1 January	637,128	741,989
Profit and loss account	170,561	(104,861)
At 31 December	<u>807,689</u>	<u>637,128</u>
Analysis of deferred tax balance		
Capital allowances in excess of depreciation	371,756	282,952
Prior year adjustment	-	(25,503)
FRS 20 tax expense on outstanding share options	435,933	379,679
At 31 December	<u>807,689</u>	<u>637,128</u>

The Finance Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017, was substantively enacted on 26 October 2015. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date. The closing deferred tax asset as at 31 December 2015 has been calculated at 19% reflecting the tax rate at which the deferred tax asset is expected to be reversed in future periods. The Government intends to enact a further reduction in the main tax rate down to 17% effective from 1 April 2020. As this tax rate was not substantively enacted at the balance sheet date, the relevant rate reduction is not yet reflected in these financial statements.

We estimate that the future rate change to 17% would further reduce our UK deferred tax asset recognised at 31 December 2015 from £807,689 to £722,668. The actual impact will be dependent on our deferred tax position at that time.

15 Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	481,615	1,904,965
Amounts owed to associates	4,262,295	13,638,283
Corporation tax	585,187	718,070
Other taxation and social security	325,144	344,236
Other creditors	74,275	43,208
Accruals and deferred income	6,852,488	3,387,155
	<u>12,581,004</u>	<u>20,035,917</u>

Monster Energy Europe Limited

Notes to the financial statements For the year ended 31 December 2015

16 Provisions for liabilities

	Other £	Total £
At 1 January 2015	-	-
Charged to profit and loss account	401,725	401,725
	<u>401,725</u>	<u>401,725</u>
At 31 December 2015	<u>401,725</u>	<u>401,725</u>

Other

Other provisions relate to National Insurance Contributions (NIC) which will become payable on exercise of share options. The share options can be exercised between 1st January 2016 and 1st December 2024. The amount payable is dependent on the Company's share price at the date of exercise of the options. The provision has been calculated based on the share price at the balance sheet date of £97.94 and the assumption that 100 per cent of employees will exercise the share options and that the rate of NIC is 17.4 per cent.

17 Financial instruments

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2015 £	2014 £
Financial assets at amortised cost		
Measured at amortised cost		
• Current asset amounts owed by subsidiary undertakings (see note 13)	8,352,515	16,366,730
	<u>8,352,515</u>	<u>16,366,730</u>
Financial liabilities at amortised cost		
Measured at amortised cost		
• Current liabilities-Amounts owed to associates (see note 15).	4,262,295	13,638,283
	<u>4,090,220</u>	<u>2,728,447</u>

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Notes to the financial statements For the year ended 31 December 2015

18 Called-up share capital and reserves

	2015 £	2014 £
Allotted, called-up and fully-paid 500,000 ordinary shares of £1 each	500,000	500,000

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

19 Financial commitments

Total future minimum lease payments under operating leases are as follows:

	2015 Land and buildings £	2014 Land and buildings £
- within one year	295,895	301,061
- between one and five years	808,220	914,540
- after five years	245,660	386,037
	1,349,775	1,601,602

20 Employee benefits

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 31 December 2015 was £268,613 (2014: £207,929).

Monster Energy Europe Limited

Notes to the financial statements **For the year ended 31 December 2015**

21 Prior year adjustments

. The financial statements have been adjusted to correct an error in how the inter-company recharge for share based payments was calculated between 2008 and 2013. Opening profit and loss reserve at and the amounts owing from group undertakings at 1 January 2014 have been adjusted up by £696,931.