COTT CORP /CN/
Form 10-Q
October 29, 2009
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United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended: September 26, 2009

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from ______ to ______

Commission File Number: 000-31410

COTT CORPORATION

(Exact name of registrant as specified in its charter)

CANADA	**98-0154711**
(State or Other Jurisdiction of	**(IRS Employer**
Incorporation or Organization)	**Identification No.)**
6525 VISCOUNT ROAD	
MISSISSAUGA, ONTARIO	**L4V 1H6**
5519 WEST IDLEWILD AVE	
TAMPA, FLORIDA	**33634**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (905) 672-1900 and (813) 313-1800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at October 23, 2009**
Common Stock, no par value per share	81,306,330 shares

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Cott Corporation

Consolidated Statements of Operations

(in millions of U.S. dollars, except per share amounts)

Unaudited

		For the Three Months Ended		For the Nine Months Ended	
		September 26, 2009	September 27, 2008	September 26, 2009	September 27, 2008
Revenue, net		**$ 404.9**	$ 420.5	**$ 1,210.7**	$ 1,276.7
Cost of sales		**341.1**	372.8	**1,015.4**	1,131.2
Gross profit		**63.8**	47.7	**195.3**	145.5
Selling, general and administrative expenses		**36.9**	42.4	**106.7**	139.7
Loss on disposal of property, plant & equipment			0.1		0.4
Restructuring, goodwill and asset impairments	Note 2				
Restructuring			(0.1)	**1.6**	6.6
Goodwill impairments			69.2		69.2
Asset impairments			26.6	**3.5**	27.0
Operating income (loss)		**26.9**	(90.5)	**83.5**	(97.4)
Other expense (income), net		**3.2**	0.4	**0.5**	(5.8)
Interest expense, net		**7.6**	8.6	**22.7**	24.3
Income (loss) before income taxes		**16.1**	(99.5)	**60.3**	(115.9)
Income tax (benefit) expense	Note 4	**0.9**	(12.2)	**(10.7)**	(6.5)
Net income (loss)		**$ 15.2**	$ (87.3)	**$ 71.0**	$ (109.4)
Less: Net income attributable to non-controlling interests		**1.3**	0.3	**3.5**	1.3
Net income (loss) attributed to Cott Corporation		**$ 13.9**	$ (87.6)	**$ 67.5**	$ (110.7)
Net income (loss) per common share attributed to Cott Corporation	Note 5				
Basic		**$ 0.18**	$ (1.25)	**$ 0.93**	$ (1.56)
Diluted		**$ 0.18**	$ (1.25)	**$ 0.92**	$ (1.56)
Weighted average outstanding shares attributed to Cott Corporation					
Basic		**76.6**	70.3	**72.5**	71.1

Diluted	**77.0**	70.3	**73.1**	71.1

The accompanying notes are an integral part of these consolidated financial statements.

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Cott Corporation

Consolidated Balance Sheets

(in millions of U.S. dollars, except share amounts)

Unaudited

		September 26, 2009	December 27, 2008
ASSETS			
Current assets			
Cash & cash equivalents		**$ 19.0**	$ 14.7
Accounts receivable, net of allowance of $6.7 ($5.5 as of December 27, 2008)		**169.4**	164.4
Income taxes recoverable		**9.2**	7.7
Inventories	Note 7	**112.5**	111.1
Prepaid and other expenses		**11.1**	9.3
Deferred income taxes		**12.7**	3.0
Other current assets		**2.1**	
Total current assets		**336.0**	310.2
Property, plant and equipment		**338.3**	346.8
Goodwill	Note 8	**29.7**	27.0
Intangibles and other assets	Note 8	**152.2**	169.6
Deferred income taxes		**22.0**	10.3
Other tax receivable			9.2
Total assets		**$ 878.2**	$ 873.1
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	Note 9	**$**	$ 107.5
Current maturities of long-term debt		**7.2**	7.6
Income taxes payable		**2.1**	0.1
Accounts payable and accrued liabilities		**171.1**	166.7
Total current liabilities		**180.4**	281.9
Long-term debt	Note 9	**269.0**	294.4
Other long-term liabilities	Note 2	**13.7**	16.0
Other tax liabilities		**12.3**	18.3
Deferred income taxes		**21.0**	16.0
Total liabilities		**496.4**	626.6
Contingencies and Commitments	Note 10		
Equity			
Capital stock, no par - 81,306,330 (December 27, 2008 - 71,871,330) shares issued		**322.4**	275.0
Treasury stock	Note 11	**(5.3)**	(6.4)
Additional paid-in-capital		**38.1**	38.1
Retained earnings (deficit)		**37.8**	(29.7)

Accumulated other comprehensive loss		**(27.0)**		(47.8)
Total Cott Corporation equity		**366.0**		229.2
Non-controlling interests		**15.8**		17.3
Total equity		**381.8**		246.5
Total liabilities and equity	**$**	**878.2**	$	873.1

The accompanying notes are an integral part of these consolidated financial statements.

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Cott Corporation

Consolidated Statements of Cash Flows

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2009	September 27, 2008	September 26, 2009	September 27, 2008
Operating Activities				
Net income (loss)	**$ 15.2**	$ (87.3)	**$ 71.0**	$ (109.4)
Depreciation and amortization	**16.4**	20.1	**49.7**	60.9
Amortization of financing fees	**0.4**	0.2	**1.0**	0.8
Share-based compensation expense	**0.4**	0.3	**1.2**	5.4
Increase (decrease) in deferred income taxes		(4.7)	**2.9**	(3.2)
Decrease in other income tax liabilities	**(0.1)**	(10.1)	**(16.6)**	(11.1)
Loss on disposal of property, plant & equipment		0.1		0.4
Gain on buyback of Notes	**0.2**		**0.2**	
Asset impairments		(0.8)	**3.5**	(0.4)
Intangible asset impairments		27.4		27.4
Goodwill impairments		69.2		69.2
Lease contract termination loss				0.3
Lease contract termination payments	**(0.9)**	(2.7)	**(2.8)**	(3.1)
Other non-cash items	**2.9**	4.2	**1.8**	4.8
Change in accounts receivable	**37.2**	30.4	**1.9**	5.0
Change in inventories	**7.7**	3.3	**2.2**	(1.3)
Change in prepaid expenses and other current assets	**1.5**	3.8	**(1.5)**	(2.8)
Change in other assets	**0.5**	(5.6)	**0.3**	(6.0)
Change in accounts payable and accrued liabilities	**(24.4)**	(30.7)	**(0.2)**	(3.9)
Change in income taxes recoverable	**(0.2)**	1.0	**0.6**	8.7
Net cash provided by operating activities	**56.8**	18.1	**115.2**	41.7
Investing Activities				
Additions to property, plant and equipment	**(5.3)**	(22.5)	**(18.9)**	(46.7)
Additions to intangibles		(0.1)		(3.4)
Proceeds from disposal of property, plant & equipment and held-for-sale assets	**0.1**	(0.1)	**1.4**	2.5
Net cash used in investing activities	**(5.2)**	(22.7)	**(17.5)**	(47.6)
Financing Activities				
Payments of long-term debt	**(22.7)**	(3.0)	**(26.4)**	(4.5)
Issuance of long-term debt		17.0		33.6
Borrowings on credit facility, net				(127.5)
Short-term borrowings, net		0.2		(8.2)
Short-term borrowings, ABL	**48.9**	436.5	**679.4**	1,031.9
Short-term repayments, ABL	**(115.5)**	(446.2)	**(788.1)**	(910.4)
Distributions to non-controlling interests	**(2.6)**	(1.1)	**(4.9)**	(2.7)
Proceeds from issuance of common shares, net of offering costs	**47.4**		**47.4**	
Purchase of treasury shares				(6.4)
Deferred financing fees	**(1.1)**	(0.7)	**(1.1)**	(5.0)
Other financing activities	**(0.2)**	(0.5)	**(0.4)**	(0.4)
Net cash (used in) provided by financing activities	**(45.8)**	2.2	**(94.1)**	0.4

Effect of exchange rate changes on cash		(0.9)	**0.7**	(1.3)
Net increase (decrease) in cash & cash equivalents	**5.8**	(3.3)	**4.3**	(6.8)
Cash & cash equivalents, beginning of period	**13.2**	23.9	**14.7**	27.4
Cash & cash equivalents, end of period	**$ 19.0**	$ 20.6	**$ 19.0**	$ 20.6
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	**$ 2.1**	$ 2.5	**$ 16.7**	$ 17.4
Cash paid for income taxes, net	**3.5**	2.4	**3.3**	1.1

The accompanying notes are an integral part of these consolidated financial statements.

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Cott Corporation

Consolidated Statements of Equity

(in millions of U.S. dollars, except share amounts)

Unaudited

			Cott Corporation Equity							
	Number of Common Shares *(In thousands)*	**Number of Treasury Shares** *(In thousands)*	**Common Shares**	**Treasury Shares**	**Restricted Shares**	**Additional Paid-in-Capital**	**Retained Earnings (Deficit)**	**Accumulated Other Comprehensive Income (Loss)**	**Non-Controlling Interests**	**Total Equity**
Balance at December 29, 2007	**71,871**		**$ 275.0**		**$ (0.4)**	**$ 32.2**	**$ 93.1**	**$ 32.3**	**$ 19.6**	**$ 451.8**
Treasury Shares - Note 11		1,954		(5.4)						(5.4)
Treasury shares purchased										
Employee Stock Plan - Note 11		353		(1.0)		1.0				
Restricted shares - Note 3					0.4	(0.4)				
Share-based compensation - Note 3						4.6				4.6
Distributions to non-controlling interests									(2.7)	(2.7)
Currency translation adjustment								(25.9)	(0.1)	(26.0)
Pension liabilities, net of tax								0.2		0.2
Net (loss) income							(110.7)		1.3	(109.4)
Balance at September 27, 2008	**71,871**	**2,307**	**$ 275.0**	**$ (6.4)**		**$ 37.4**	**$ (17.6)**	**$ 6.6**	**$ 18.1**	**$ 313.1**
Balance at December 27, 2008	**71,871**	**2,307**	**$ 275.0**	**$ (6.4)**		**$ 38.1**	**$ (29.7)**	**$ (47.8)**	**$ 17.3**	**$ 246.5**
Treasury shares issued - Note 11		(396)		1.1		(1.1)				
Common shares issued - Note 12	9,435		47.4							47.4
Share-based compensation - Note 3						1.2				1.2
Reclassified share-based compensation to liabilities						(0.1)				(0.1)
Distributions to non-controlling interests									(4.9)	(4.9)
Currency translation adjustment								20.3	(0.1)	20.2
Pension liabilities, net of tax								0.5		0.5
Net income							67.5		3.5	71.0

Balance at September 26, 2009	**81,306**	**1,911**	**$ 322.4**	**$ (5.3)**	**$ 38.1**	**$ 37.8**	**$ (27.0)**	**$ 15.8**	**$ 381.8**

The accompanying notes are an integral part of these consolidated financial statements.

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Cott Corporation

Condensed Consolidated Statements of Comprehensive Income (Loss)

(in millions of U.S. dollars, except per share amounts, U.S. GAAP)

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2009	September 27, 2008	September 26, 2009	September 27, 2008
Net income (loss)	**$ 15.2**	$ (87.3)	**$ 71.0**	$ (109.4)
Other comprehensive income (loss), net of tax:				
Net currency translation	**3.2**	(23.5)	**20.2**	(26.0)
Pension benefit plan, net of tax	**0.1**	0.1	**0.5**	0.2
Total other comprehensive income (loss), net of tax	**3.3**	(23.4)	**20.7**	(25.8)
Comprehensive income (loss)	**$ 18.5**	$ (110.7)	**$ 91.7**	$ (135.2)
Less: Net income attributable to non-controlling interests	**1.3**	0.3	**3.5**	1.3
Comprehensive income (loss) attributed to Cott Corporation	**$ 17.2**	$ (111.0)	**$ 88.2**	$ (136.5)

The accompanying notes are an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements

Unaudited

Note 1 Business and Summary of Significant Accounting Policies

Business

Cott Corporation, together with its consolidated subsidiaries (Cott, the Company, our Company, Cott Corporation, we, us, or our), is o world s largest non-alcoholic beverage companies and the world s largest retailer brand soft drink provider. In addition to carbonated soft drinks (CSDs), our product lines include clear, still and sparkling flavored waters, juice-based products, bottled water, energy drinks and ready-to-drink teas. We operate in five operating segments North America (which includes our United States (U.S.) reporting unit and Canada reporting unit), United Kingdom (U.K.) (which includes our United Kingdom reporting unit and our Continental Europe reporting unit), Mexico, Royal Crown International (RCI) and All Other (which includes our Asia reporting unit and our international corporate expenses). We closed our active Asian operations at the end of fiscal year 2008.

Basis of Presentation

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements in conformity with U.S. GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of our results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included. This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited consolidated financial statements and accompanying notes in our Annual Report on Form 10-K and the Form 8-K (filed on May 29, 2009) for the year ended December 27, 2008. The accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements.

The presentation of these interim consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

Reclassifications

Certain comparative figures have been revised to correctly reflect the reclassification within the Consolidated Statement of Cash Flows from a financing activity to an operating activity as of September 27, 2008.

Recent Accounting Pronouncements

ASC No. 805 Business Combinations

In December 2007, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) No. 805, Business Combinations. This statement significantly changes the financial accounting and reporting of business combination transactions. The provisions of this statement are to be applied prospectively to business combination transactions in the first annual reporting period beginning on or after December 15, 2008. This will have an impact on our accounting for any future business combinations; however, at this time, there is no impact.

ASC No. 810-10-10 Non-controlling Interests

In December 2007, the FASB issued ASC No. 810-10-10, Consolidation (ASC 810-10-10). ASC 810-10-10 establishes accounting and reporting standards for noncontrolling interests in subsidiaries. This statement requires the reporting of all noncontrolling interests as a separate component of total equity, the reporting of consolidated net income (loss) as the amount attributable to both the parent and the noncontrolling interests and the separate disclosure of net income (loss) attributable to the parent and to the noncontrolling interests. In addition, this statement provides accounting and reporting guidance related to changes in noncontrolling ownership interests. Other than the reporting requirements described above, which require retrospective application, the provisions of ASC 810-10-10 are to be applied prospectively in the first annual reporting period beginning on or after December 15, 2008. The presentation and disclosure requirements of ASC

Cott Corporation

Notes to the Consolidated Financial Statements (Continued)

Unaudited

810-10-10 have resulted in reclassifications to our prior period consolidated financial information and the remeasurement of our 2008 effective tax rate. We reported non-controlling interests as a component of equity in our Consolidated Balance Sheets and below income tax expense in our Consolidated Statements of Operations. As non-controlling interests will be recorded below income tax expense, it will have an impact on our total effective tax rate, but our total taxes will not change.

ASC No. 815-10 Derivatives and Hedging Disclosure

In March 2008, the FASB issued ASC No. 815-10, Derivatives and Hedging (ASC 815-10). ASC 815-10 increases the disclosure requirements for derivative instruments and hedging activities to improve the transparency of financial reporting. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how an entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. The provisions of this statement are to be applied prospectively in the first annual reporting period beginning on or after November 15, 2008 with comparative disclosures for earlier periods at initial adoption being optional. We have no material contracts for which ASC 815-10 applies.

ASC No. 350-30-55-1C Useful Life Intangibles

In April 2008, the FASB issued ASC No. 350-30-55-1C, Intangibles Goodwill and Other (ASC 350-30-55-1C). ASC 350-30-55-1C amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under ASC No. 350-30, Intangibles Goodwill and Other. Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. This ASC was effective for us as of March 28, 2009. We have evaluated the potential impact of ASC 350-30-55-1C on our consolidated financial statements and it did not have a material impact on our consolidated financial statements.

ASC No. 820-10 Fair Value Measurement and Disclosure

Effective for our 2009 fiscal year, we adopted ASC No. 820-10, Fair Value Measurements and Disclosures (ASC 820-10), as it relates to nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value in the financial statements on at least an annual basis. ASC 820-10 defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions. The adoption of ASC 820-10, as it relates to nonfinancial assets and nonfinancial liabilities had no impact on the financial statements. The provisions of ASC 820-10 will be applied at such time a fair value measurement of a nonfinancial asset or nonfinancial liability is required, which may result in a fair value that is materially different than would have been calculated prior to the adoption of ASC 820-10.

ASU No. 2009-05 Measuring Liabilities at Fair Value

In August 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-05, Measuring Liabilities at Fair Value (ASU 2009-05), which amends ASC 820-10. ASU 2009-05 provides clarification in circumstances when a quoted price in an active market for an identical liability is not available. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. Additionally, ASU 2009-05 clarifies that both a quoted price in an active market for an identical liability at the measurement date and the quoted price for an identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. We have evaluated the potential impact of ASU 2009-05 and determined that it did not have a material impact on our consolidated financial statements.

ASC No. 855-10 Subsequent Events

In May 2009, the FASB issued ASC No. 855-10, Subsequent Events (ASC 855-10), which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855-10 became effective in the second quarter of 2009 and did not have a material impact on our consolidated financial statements. We have evaluated certain events and transactions occurring after September 26, 2009 and through October 29, 2009 and no event met the definition of a subsequent event for the period ended September 26, 2009.

ASC No. 105-10 Accounting Standards Codification

In June 2009, the FASB issued ASC No. 105-10, General Accepted Accounting Principles (ASC 105-10), which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles. ASC 105-10 explicitly recognizes rules and interpretive releases of the Securities and Exchange Commission (SEC) under federal securities laws as authoritative GAAP for SEC registrants. ASC 105-10 became effective in the third quarter of 2009 and did not have a material impact on our consolidated financial statements.

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Notes to the Consolidated Financial Statements (Continued)

Unaudited

ASC No. 715-20-50 Pension Plan and Postretirement Benefit Plan Disclosure

In December 2008, the FASB issued ASC No. 715-20-50, Compensation Retirement Benefits (ASC 715-20-50). ASC 715-20-50 requires enhanced disclosures about our plan assets for the defined benefit pension and other postretirement plans. The enhanced disclosures required by this ASC are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. This ASC will become effective for us for our fiscal year ending January 2, 2010. We are currently evaluating the impact of this standard on our consolidated financial statements.

Variable Interest Entity (formerly SFAS No. 167)

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167), which amends FASB Interpretation No. 46 (revised December 2003) to address the elimination of the concept of a qualifying special purpose entity. SFAS 167 also replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Additionally, SFAS 167 provides more timely and useful information about an enterprise s involvement with a variable interest entity. SFAS 167 will become effective in the first quarter of 2010. We are currently evaluating the impact of this standard on our consolidated financial statements.

ASC No. 825-10-50-2A Fair Value Disclosure Financial Instruments

In April 2009, the FASB issued ASC No. 825-10-50-2A, Financial Instruments (ASC 825-10-50-2A), which requires quarterly disclosure of information about the fair value of financial instruments within the scope of ASC No. 825-10, Financial Instruments. ASC 825-10-50-2A was adopted in the second quarter of 2009 and is currently disclosed below.

Fair value of financial instruments

The carrying amounts reflected in the consolidated balance sheets for cash, receivables, payables, short-term borrowings and long-term debt approximate their respective fair values, except as otherwise indicated. The carrying values and estimated fair values of our significant outstanding debt as of September 26, 2009 and December 27, 2008 are as follows:

	September 26, 2009		**December 27, 2008**	
(in millions of US dollars)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
8% senior subordinated notes due in 2011[1]	**$ 248.3**	**$ 246.4**	$ 269.0	$ 164.1
ABL facility			107.5	107.5
Total	**$ 248.3**	**$ 246.4**	$ 376.5	$ 271.6

1 The fair value of our 8% senior subordinated notes (the Notes) is based on the trading levels and bid/offer prices observed by a market participant.

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Cott Corporation

Notes to the Consolidated Financial Statements (Continued)

Unaudited

Note 2 Restructuring and Asset Impairments

The following table summarizes restructuring charges for the three and nine months ended September 26, 2009:

	For The Three Months Ended September 26, 2009		For The Nine Months Ended September 26, 2009	
(in millions of U.S. dollars)	North America	Total	North America	Total
Restructuring	$	$	$ 1.6	$ 1.6
Asset impairments			3.5	3.5
	$	$	$ 5.1	$ 5.1

During the last three years we have undertaken three restructuring plans. In 2007, we implemented our first plan, which involved the realignment of the management of our Canadian and U.S. businesses to a North American basis, rationalization of our product offerings, elimination of underperforming assets, an increased focus on high potential accounts, and the closure of several plants and warehouses in North America that resulted in lease contract termination losses (the North American Plan). In 2008, we implemented a plan to refocus on retailer brands and reduce costs in the operation of our business (the Refocus Plan). The Refocus Plan has been completed and resulted in a partial reduction of our workforce in 2008. We also undertook a plan to improve efficiencies and reduce costs for fiscal year 2009 (the 2009 Restructuring Plan). The 2009 Restructuring Plan is ongoing and has resulted in a partial reduction of our workforce. We will continue to pay cash related to restructuring accruals for lease termination costs under the North American Plan over the next several years. We may incur additional charges related to the 2009 Restructuring Plan throughout fiscal year 2009, but do not anticipate incurring any additional charges related to the North American Plan or the Refocus Plan.

Asset impairments In 2009, we recorded a $3.4 million asset impairment charge related to customer relationships upon the loss of a customer and a $0.1 million charge for our Elizabethtown facility.

The following table is a summary of our restructuring charges through the nine months ended September 26, 2009:

North American Plan:

(in millions of U.S. dollars)	Balance at December 27, 2008	Charge to costs and expenses	Cash payments made during nine months ended September 26, 2009	Balance at September 26, 2009
Lease contract termination loss	$ 9.6	$	$ (2.8)	$ 6.8
	$ 9.6	$	$ (2.8)	$ 6.8

2009 Restructuring Plan:

(in millions of U.S. dollars)	Balance at December 27, 2008		Charge to costs and expenses		Cash payments made during nine months ended September 26, 2009		Balance at September 26, 2009	
Severance and termination benefits	$		$	1.6	$	(1.4)	$	0.2
	$		$	1.6	$	(1.4)	$	0.2

As of September 26, 2009, $3.2 million (December 27, 2008 $5.8 million) of the lease contract termination loss liability has been recorded as other long-term liabilities and $3.8 million of lease contract termination loss liability and severance and termination benefits (December 27, 2008 $3.8 million) has been classified as accounts payable and accrued liabilities.

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Note 3 Share-Based Compensation

As of September 26, 2009, we had six share-based compensation plans, which are described below. The share-based compensation plans have been approved by our shareholders, except for our 1986 Common Share Option Plan, as amended (the Option Plan), which was adopted prior to our initial public offering, and our Chief Executive Officer (CEO) awards, which were inducement grants made in connection with attracting and retaining those executives. Subsequent amendments that required shareowner approval were so approved.

The table below summarizes the compensation expenses for the three and nine months ended September 26, 2009 and September 27, 2008. This compensation expense was recorded in selling, general and administrative expenses.

(in millions of U.S. dollars)	**For the Three Months Ended** September 26, 2009	September 27, 2008	**For the Nine Months Ended** September 26, 2009	September 27, 2008
Stock options	**$ 0.1**	$ 0.3	**$ 0.2**	$ 0.6
Performance share units	**0.2**	0.6	**0.6**	1.7
Share appreciation rights	**0.2**	0.2	**0.4**	0.5
Restricted stock			**0.1**	(0.1)
Former CEO award [1]				1.9
Interim CEO award		(0.8)	**(0.1)**	0.7
Share purchase plan				0.1
Total	**$ 0.5**	$ 0.3	**$ 1.2**	$ 5.4

1 Includes expense for restricted shares of $0.4 million for the nine months ended September 27, 2008.

As of September 26, 2009, the unrecognized compensation expense and years we expect to recognize as future compensation expense were as follows:

	Unrecognized compensation expense as of September 26, 2009 (in millions of U.S. dollars)	**Weighted average years expected to recognize compensation**
Performance share units	$ 0.4	0.7
Stock options	0.1	0.3
Share appreciation rights	0.3	1.5
Total	$ 0.8	

Option Plan

Under the Option Plan, we have reserved a total of 14.0 million common shares for future issuance. Options are granted at a price not less than the fair value of the shares on the date of grant. As of September 26, 2009, there were 7.4 million shares available for issuance under the Option Plan.

There were no common shares issued pursuant to option exercises during the nine months ended September 26, 2009. Options representing 250,000 shares were granted during the first quarter of 2009 at an exercise price of C$1.10 per share. The fair value of this option grant was estimated to be C$0.475 using the Black-Scholes option pricing model. This grant vests in four equal quarterly installments from the date of grant. In the second quarter and the third quarter of 2008, we granted new board members options to purchase 25,000 shares and 100,000 shares in the aggregate, respectively, that vested immediately upon issuance.

Options granted after September 1, 1998 expire after 10 years. Options granted after July 17, 2001 to the non-management members of the Board of Directors vest immediately. All options are non-transferable and when options are exercised we issue new shares. As a result, shares issued upon the exercise of these options are dilutive to our shareowners.

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The fair value of each option granted during the year is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	September 26, 2009	September 27, 2008
Risk-free interest rate	2.3%	3.3%
Average expected life (years)	10.0	5.0
Expected volatility	50.0%	76.3%
Expected dividend yield		

Option activity was as follows:

	Shares (in thousands)	Weighted average exercise price price (Canadian $)
Balance at December 27, 2008	892	$ 27.52
Awarded	250	1.10
Forfeited or expired	(271)	31.41
Outstanding at September 26, 2009	871	18 .70
Exercisable at September 26, 2009	748	$ 21.66

Long-Term Incentive Plans

Our shareowners have approved and adopted two long-term incentive plans, the Performance Share Unit Plan (PSU Plan) and the Share Appreciation Rights Plan (SAR Plan).

Under the Amended and Restated PSU Plan, performance share units (PSUs) may be awarded to employees of our Company and its subsidiaries. The value of an employee s award under our PSU Plan will depend on (i) our performance over a maximum three-year performance cycle; and (ii) the market price of our common shares at the time of vesting. Performance targets will be established annually by the Human Resources and Compensation Committee of the Board of Directors. PSUs granted will vest over a term not to exceed three fiscal years.

Under the Amended and Restated SAR Plan, share appreciation rights (SARs) may be awarded to employees and directors of our Company and its subsidiaries. SARs typically vest on the third anniversary of the grant date. On vesting, each SAR will represent the right to be paid the difference, if any, between the price of our common shares on the date of grant and their price on the vesting date of the SAR. Payments in respect of vested in-the-money SARs will be made in the form of our common shares purchased on the open market by an independent trust with cash contributed by us.

During the nine months ended September 26, 2009, PSU and SAR activity was as follows:

	Number of PSUs (in thousands)	Number of SARs (in thousands)
Balance at December 27, 2008	1,492	491
Awarded	25	100
Vested	(396)	
Forfeited	(68)	(28)
Outstanding at September 26, 2009	1,053	563

The number of units that actually vest under our PSU Plan can vary from 0 to 150% depending on the level of performance achieved relative to the performance target. Subject to the terms of the PSU Plan, the vesting date for the PSUs awarded in fiscal 2007 will be January 2, 2010. As of September 26, 2009, no compensation costs were recognized in connection with the PSUs awarded in fiscal 2007 because it is not probable that the performance targets will be met.

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During the first quarter of 2008, we awarded 1.5 million PSUs (at a grant date fair value of $4.2 million) to certain executives as a retention incentive. We met certain performance targets as of December 27, 2008 and, as a result, $1.1 million of these awards (0.4 million shares) were paid with shares held in trusts in the first quarter of 2009, with an additional $1.6 million (0.6 million shares) anticipated to be issued in early 2010 if certain performance targets are met as of January 2, 2010. This award is payable in shares and has been accounted for as an equity award. As of September 26, 2009, the trustee under the PSU Plan held 1.2 million of our common shares, which had been previously purchased on the open market to satisfy our anticipated future liability under the PSU Plan. We also awarded $0.4 million of individual sign-on awards throughout 2008 that will vest if certain performance targets are met.

During the third quarter of 2009, we awarded a one-time SAR grant equivalent to 100,000 common shares to a senior executive that had a fair value of $0.2 million. The SAR grant vests in equal installments on the first, second and third anniversaries of the senior executive s hire date, provided he is actively employed by us on each applicable vesting date.

The fair value of the SAR grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	September 26, 2009
Risk-free interest rate	1.2%
Average expected life (years)	2.0
Expected volatility	50.0%
Expected dividend yield	

CEO Share-Based Compensation

On March 24, 2008, we granted to David Gibbons, who was serving as our Interim Chief Executive Officer, restricted stock units payable in cash in respect of 720,000 shares of our common stock, of which 360,000 units vested immediately. Of the remaining 360,000 restricted stock units, 300,000 units vested ratably on a monthly basis over a five-month period beginning October 24, 2008 through February 24, 2009. Upon the appointment of Jerry Fowden as the Company s Chief Executive Officer, Mr. Gibbons resigned his position and his employment arrangements came to an end on February 27, 2009, at which time 6,000 prorated restricted stock units vested and the remaining 54,000 units were forfeited.

Mr. Gibbons award is recognized as compensation expense over the vesting period. For the nine months ended September 26, 2009, ($0.1) million (September 27, 2008 $0.7 million) of this award was recorded as compensation (benefit) to reflect actual vesting. The fair value and compensation costs vary based on share price and this has been accounted for as a liability award in accordance with U.S. GAAP.

In 2006, Brent Willis, our Former Chief Executive Officer who was terminated in March 2008, received a net cash award of $0.9 million at the commencement of his employment to purchase shares of the Company. The purchased shares were required to be held for a minimum of three years. As part of his termination agreement, we ceased to enforce the requirement that Mr. Willis use the cash award paid to him upon his hire date to purchase and hold Cott shares. In 2008, $0.8 million was recorded as compensation expense. In addition, in 2006, 204,000 common shares with a fair value of $3.2 million, which vest over three years, were granted to Mr. Willis. For 2008, compensation costs of $1.4 million were expensed as compensation expense in the first nine months because the shares vested upon termination. As part of his termination agreement, the remaining 136,000 shares became payable and $0.3 million of cash (which was reclassified as a liability award) was paid based on the fair value of such shares.

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Restated Executive Incentive Share Purchase Plan

In the second quarter of 2007, our shareowners approved a restated executive incentive share purchase plan (the Restated EISPP), which allows officers and senior management executives, as designated by the Human Resources and Compensation Committee, to elect to receive their performance bonus (or a portion thereof) as common share units held on their behalf by an independent trust. If the employee elects to receive common share units, we will provide to the employee an equal number of shares, which vest in three years provided certain corporate performance goals are achieved (Match Portion).

The Match Portion of the performance bonus is estimated based on the employee s election and will be amortized over the service period of approximately four years. During 2007, employees elected to defer a total of $1.1 million under the Restated EISPP of which only $0.4 million remains as of September 26, 2009 after employee terminations. The Company recorded an expense of less than $0.1 million and $0.1 million for the nine months ended September 26, 2009 and September 27, 2008, respectively, related to the anticipated 2007 Match Portion. At September 26, 2009, the awards for the 2007 plan year have been accounted for as an equity award under ASC No. 718 because the number of shares has been fixed under the Restated EISPP. Effective as of December 27, 2008, our Human Resources and Compensation Committee approved an amendment to the Restated EISPP with the effect of freezing participation in the plan.

Note 4 Income Taxes

Income tax benefit was $10.7 million on pretax income of $60.3 million for the nine months ended September 26, 2009 as compared to a $6.5 million provision on pretax loss of $115.9 million for the nine months ended September 27, 2008. The 2009 recovery is due in part to a $14.4 million income tax benefit due to a reversal of accruals related to uncertain tax positions in the first nine months of 2009 and a benefit of $2.2 million on the reversal of interest and penalties. The estimated worldwide effective tax rate applied to income from operations differs from the statutory rate due primarily to the partial utilization of deferred tax assets with valuation allowances. The statutory rate declined from the prior year due to reduced Canadian federal and provincial rates. We anticipate that we may reverse specific uncertain tax positions over the next 12 months that could generate $0.5 million to $1.0 million of tax benefits.

We are currently under audit by the Canada Revenue Agency for tax years 2005 through 2008 and by the Internal Revenue Service for tax years 2004 through 2007. The amounts that may ultimately be payable by us as a result of these audits are uncertain. We believe that the amounts provided for the outcome of these audits in our tax liabilities are adequate; however, our estimates of tax liabilities for these audits may change materially in the near term as the audits progress.

Note 5 Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) attributed to Cott Corporation by the weighted average number of common shares outstanding during the period. Diluted net income (loss) attributed to Cott Corporation per common share is calculated using the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options.

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A reconciliation of the numerators and denominators of the basic and diluted net income (loss) per common share computations follows:

	Three Months Ended					
	September 26, 2009			September 27, 2008		
	Net income (numerator) (in millions of U.S. dollars)	Weighted Average Shares (denominator) (in millions)	Per-share amount	Net (loss) (numerator) (in millions of U.S. dollars)	Weighted Average Shares (denominator) (in millions)	Per-share amount
Basic income (loss) available to common shareholders						
Net income (loss)	**$ 13.9**	**76.6**	**$ 0.18**	$ (87.6)	70.3	$ (1.25)
Effect of dilutive securities						
Options		**0.4**				
Diluted income (loss) available to common shareholders						
Net income (loss)	**$ 13.9**	**77.0**	**$ 0.18**	$ (87.6)	70.3	$ (1.25)

	Nine Months Ended					
	September 26, 2009			September 27, 2008		
	Net income (numerator) (in millions of U.S. dollars)	Weighted Average Shares (denominator) (in millions)	Per-share amount	Net (loss) (numerator) (in millions of U.S. dollars)	Weighted Average Shares (denominator) (in millions)	Per-share amount
Basic income (loss) available to common shareholders						
Net income (loss)	**$ 67.5**	**72.5**	**$ 0.93**	$ (110.7)	71.1	$ (1.56)
Effect of dilutive securities						
Options		**0.6**				
Diluted income (loss) available to common shareholders						
Net income (loss)	**$ 67.5**	**73.1**	**$ 0.92**	$ (110.7)	71.1	$ (1.56)

At September 26, 2009, options to purchase 0.9 million (September 27, 2008 1.0 million) shares of common stock at a weighted average exercise price of C$18.70 (September 27, 2008 C$27.87) per share were outstanding, but 0.6 million options were not included in the computation of diluted net income (loss) per share because the options exercise price was greater than the average market price of the common stock. Shares purchased on the open market and held by independent trusts are categorized as treasury shares. We excluded 1.2 million of treasury shares associated with the PSU Plan and held in various trusts under the PSU Plan in the calculation of basic and diluted earnings per share.

Note 6 Operating Segment Reporting

We produce, package and distribute retailer brand and branded bottled and canned CSDs, clear, still and sparkling flavored waters, juice-based products, bottled water, energy drinks and ready-to-drink teas. We operate in five operating segments North America (which includes our U.S. reporting unit and our Canada reporting unit), U.K. (which includes our United Kingdom reporting unit and our Continental European reporting unit), Mexico, RCI and All Other (which includes our Asia reporting unit and our international corporate expenses). We closed our active Asian operations at the end of fiscal year 2008.

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	Operating Segments[1]					
(in millions of U.S. dollars)	North America	U.K.	Mexico	RCI	All Other	Total
For the Three Months Ended September 26, 2009						
External revenue[1]	$ 287.2	$ 101.6	$ 10.3	$ 5.8	$	$ 404.9
Depreciation and amortization	12.4	3.5	0.5			16.4
Operating income (loss)	16.1	10.8	(1.6)	1.6		26.9
Additions to property, plant and equipment	3.7	1.4	0.2			5.3
For the Nine Months Ended September 26, 2009						
External revenue[1]	$ 899.7	$ 264.6	$ 30.7	$ 15.7	$	$ 1,210.7
Depreciation and amortization	38.6	9.7	1.4			49.7
Operating income (loss)	69.0	16.5	(5.1)	3.2	(0.1)	83.5
Restructuring and asset impairments Note 2	5.1					5.1
Additions to property, plant and equipment	11.9	6.7	0.3			18.9
As of September 26, 2009						
Property, plant and equipment	$ 233.1	$ 92.4	$ 12.8	$	$	$ 338.3
Goodwill	25.2			4.5		29.7
Intangibles and other assets	133.2	18.2	0.8			152.2
Total assets[2]	634.3	203.9	29.8	9.7	0.5	878.2

1 Intersegment revenue between North America and the other segments is not material and has not been separately disclosed in the table above.

2 Excludes intersegment receivables, investments and notes receivable.

	Operating Segments[1]					
(in millions of U.S. dollars)	North America	U.K.	Mexico	RCI	All Other	Total
For the Three Months Ended September 27, 2008						
External revenue[1]	$ 296.9	$ 101.9	$ 16.0	$ 5.3	$ 0.4	$ 420.5
Depreciation and amortization	15.3	4.0	0.8			20.1
Operating (loss) income	(27.6)	(62.7)	(1.0)	1.2	(0.4)	(90.5)
Restructuring and asset impairments Note 2	26.4	69.2			0.1	95.7
Additions to property, plant and equipment	20.5	1.2	0.8			22.5
For the Nine Months Ended September 27, 2008						
External revenue[1]	$ 899.6	$ 309.9	$ 50.1	$ 16.3	$ 0.8	$ 1,276.7
Depreciation and amortization	46.8	12.6	1.5			60.9
Operating (loss) income	(43.1)	(53.8)	(4.6)	5.9	(1.8)	$ (97.4)
Restructuring, goodwill and asset impairments Note 2	33.5	69.2			0.1	102.8
Additions to property, plant and equipment	37.0	5.8	3.9			46.7
As of December 27, 2008						
Property, plant and equipment	$ 244.1	$ 88.7	$ 14.0	$	$	$ 346.8
Goodwill	22.5			4.5		27.0
Intangibles and other assets	150.2	18.3	0.9		0.2	169.6
Total assets[2]	642.3	189.3	29.9	11.6		873.1

1 Intersegment revenue between North America and the other segments is not material and has not been separately disclosed in the table above.

[2] Excludes intersegment receivables, investments and notes receivable.

For the nine months ended September 26, 2009, sales to Wal-Mart accounted for 33.9% (September 27, 2008 35.9%) of our total revenues, 39.9% of our North America operating segment revenues (September 27, 2008 42.4%), 17.3% of our U.K. operating segment revenues (September 27, 2008 21.6%), and 18.6% of our Mexico operating segment revenues (September 27, 2008 20.9%).

Credit risk arises from the potential default of a customer in meeting its financial obligations to us. Concentrations of credit exposure may arise with a group of customers that have similar economic characteristics or that are located in the same geographic region. The ability of such customers to meet obligations would be similarly affected by changing economic, political or other conditions. We are not currently aware of any facts that would create a material credit risk.

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Revenues by geographic area are as follows:

(in millions of U.S. dollars)	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2009	**September 27, 2008**	**September 26, 2009**	**September 27, 2008**
United States	**$ 252.5**	$ 255.9	**$ 795.1**	$ 763.8
Canada	**48.0**	55.0	**149.1**	180.8
United Kingdom	**101.8**	101.9	**265.5**	309.9
Mexico	**10.3**	16.0	**30.7**	50.1
RCI[1]	**5.8**	5.3	**15.7**	16.3
All Other		0.4		0.8
Elimination[2]	**(13.5)**	(14.0)	**(45.4)**	(45.0)
	$ 404.9	$ 420.5	**$ 1,210.7**	$ 1,276.7

1 RCI sells products to a number of different countries.

2 Represents intersegment revenue among all countries of which $3.0 million and $9.9 million and $3.0 million and $9.3 million represent intersegment revenue between North America and our international segments for the three and nine months ended September 26, 2009 and September 27, 2008, respectively.

Revenues are attributed to operating segments based on the location of the plant.

Property, plant and equipment by geographic area are as follows:

(in millions of U.S. dollars)	**September 26, 2009**	**December 27, 2008**
United States	**$ 188.1**	$ 201.2
Canada	**45.0**	42.9
United Kingdom	**92.4**	88.7
Mexico	**12.8**	14.0
	$ 338.3	$ 346.8

Note 7 Inventories

(in millions of U.S. dollars)	**September 26, 2009**	**December 27, 2008**
Raw materials	**$ 41.4**	$ 40.0
Finished goods	**55.6**	54.5

Other		**15.5**		16.6
	$	**112.5**	$	111.1

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Note 8 Intangibles and Other Assets including Goodwill

	September 26, 2009			December 27, 2008		
(in millions of U.S. dollars)	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Intangibles						
Not subject to amortization						
Rights	**$ 45.0**	**$**	**$ 45.0**	$ 45.0	$	$ 45.0
Subject to amortization						
Customer relationships	**153.8**	**76.5**	**77.3**	157.5	69.9	87.6
Trademarks	**24.6**	**14.7**	**9.9**	24.8	13.2	11.6
Information technology	**53.2**	**48.0**	**5.2**	51.0	42.4	8.6
Other	**3.6**	**1.9**	**1.7**	3.6	1.7	1.9
	235.2	**141.1**	**94.1**	236.9	127.2	109.7
	280.2	**141.1**	**139.1**	281.9	127.2	154.7
Other Assets						
Financing costs	**7.6**	**2.8**	**4.8**	6.7	1.7	5.0
Deposits	**7.8**		**7.8**	7.6		7.6
Other	**5.7**	**5.2**	**0.5**	7.8	5.5	2.3
	21.1	**8.0**	**13.1**	22.1	7.2	14.9
Total Intangibles & Other Assets	**$ 301.3**	**$ 149.1**	**$ 152.2**	$ 304.0	$ 134.4	$ 169.6
Goodwill	**$ 29.7**	**$**	**$ 29.7**	$ 27.0	$	$ 27.0

Amortization expense of intangible assets was $4.2 million and $13.5 million for the three and nine months ended September 26, 2009 ($6.9 million and $21.9 million for the three and nine months ended September 27, 2008).

The estimated amortization expense for intangibles over the next five years and thereafter is as follows:

(in millions of U.S. dollars)	
Remainder of 2009	**$ 4.0**
2010	**14.3**
2011	**13.5**
2012	**12.5**
2013	**12.4**

Thereafter	**37.4**
	$ 94.1

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Note 9 Debt

Our total debt is as follows:

(in millions of U.S. dollars)	September 26, 2009	December 27, 2008
8% senior subordinated notes due in 2011[1]	**$ 248.3**	$ 269.0
Asset based lending facility		107.5
GE obligation	**23.7**	28.7
Other debt	**2.7**	3.4
Other capital leases	**3.0**	3.2
Total debt	**277.7**	411.8
Less: Short-term borrowings and current debt:		
Asset based lending facility		107.5
Total short-term borrowings		107.5
GE obligation - current maturities	**6.2**	6.7
Other capital leases current maturities	**0.4**	0.3
Other debt - current maturities	**0.6**	0.6
Total current debt	**7.2**	115.1
Long-term debt before discount	**270.5**	296.7
Less discount on 8% notes	**(1.5)**	(2.3)
Total long-term debt	**$ 269.0**	$ 294.4

1 Our 8% senior subordinated notes were issued at a discount of 2.75% on December 21, 2001.

Debt

8% Senior Subordinated Notes due in 2011

During the third quarter of 2009, we completed open market repurchases of $20.7 million in face value of our 8% senior subordinated notes due December 15, 2011 (the Notes) for total consideration of approximately $20.4 million. Following these repurchases, we had Notes representing $248.3 million aggregate principal amount outstanding with a carrying value of $246.8 million as of September 26, 2009. The Notes acquired by the Company have been retired, and we have discontinued the payment of interest. We recorded a gain on extinguishment of debt of $0.2 million in the consolidated statement of operations for the nine months ended September 27, 2009 related to the retirement of these Notes. The issuer of the Notes is Cott Beverages Inc., but we and most of our U.S., Canadian and United Kingdom subsidiaries guarantee the Notes. The interest on the Notes is payable semi-annually on June 15th and December 15th.

We may redeem all or a part of the remaining Notes upon not less than 30 or more than 60 days notice. In addition to the redemption price, accrued and unpaid interest and penalties, including liquidated damages (as defined in the indenture governing the Notes), are due upon any such redemption.

Asset Based Lending Facility

On March 31, 2008, we entered into a credit agreement that created an asset-based lending (ABL) credit facility to provide financing for the U.S., Canada, the United Kingdom and Mexico. Cott Corporation, Cott Beverages Inc. and Cott Beverages Limited are borrowers under the ABL facility. The debt under the ABL facility is guaranteed by most of our U.S., United Kingdom, Canadian and Mexican subsidiaries. The ABL facility replaced our former senior secured credit facilities in the U.S., Canada, the United Kingdom and Mexico and our receivables securitization facility in the U.S., the latter of which was terminated on March 28, 2008. At that time, there were no amounts due under the receivables securitization facility. On March 31, 2008, we paid off the remaining balance and terminated the former senior secured credit facility.

The ABL facility is a five-year revolving facility of up to $225.0 million that runs through March 2013 but is subject to the refinancing of the Notes; the ABL facility will mature early if the Notes have not been refinanced or retired six months prior to their maturity (i.e., June 15, 2011) on terms and conditions specified in the ABL facility.

The amount available under the ABL facility is dependent on a borrowing base calculated as a percentage of the value of eligible inventory, accounts receivable and property, plant and equipment. The ABL facility has subfacilities for letters of credit and swingline loans and geographical sublimits for Canada ($40.0 million) and the United Kingdom ($75.0 million).

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The effective interest rate as of September 26, 2009 on LIBOR and Prime loans is based on average aggregate availability as follows:

Average Aggregate Availability (in millions of U.S. dollars)	ABR Spread	Canadian Prime Spread	Eurodollar Spread	CDOR Spread	LIBOR Spread
Over $150	2.25%	2.25%	3.25%	3.25%	3.25%
$75 - 150	2.50%	2.50%	3.50%	3.50%	3.50%
Under $75	2.75%	2.75%	3.75%	3.75%	3.75%

As of September 26, 2009, we had no ABL borrowings outstanding and the commitment fee was 0.5% of the unused commitment per annum.

We incurred $6.0 million of financing fees in connection with the ABL facility. The financing fees are being amortized over a five-year period, which represents the life of the ABL facility.

GE Financing Agreement

We funded $32.5 million of water bottling equipment purchases through a finance lease arrangement in 2008. The quarterly payments under the lease obligation total approximately $8.8 million per annum for the first two years, $5.3 million per annum for the subsequent two years, then $1.7 million per annum for the final four years.

Covenant Compliance

ABL Facility

We and our restricted subsidiaries are subject to a number of business and financial covenants and events of default. The debt under the ABL facility is guaranteed by most of our U.S., United Kingdom, Canadian and Mexican subsidiaries. The ABL facility contains customary limitations on indebtedness, liens, mergers, consolidations, liquidations and sales, payment of dividends, investments, loans and advances, optional payments and modifications of subordinated and other debt instruments, and transactions with affiliates. Events of default under the ABL facility include nonpayment, inaccuracy of representations and warranties (which would include the occurrence of an event having a material adverse effect), violation of covenants, cross-default to other indebtedness, bankruptcy, material judgments, and a change of control of the Company. Upon the occurrence of an event of default, the lenders may terminate the commitments and declare all loans due and payable. We have agreed to a mandatory prepayment provision (but without a reduction of the commitment), subject to certain exceptions, upon a sale or transfer of assets of a borrower or guarantor, upon the receipt of proceeds from the issuance of any indebtedness, upon the occurrence of an availability shortfall under the revolver, or upon receipt of insurance proceeds or condemnation awards.

As of September 26, 2009, our total availability under the ABL facility was $191.5 million which was based on our borrowing base (accounts receivables, inventory, and fixed assets) as of August 22, 2009 (the August month-end under the terms of the credit agreement) and we had no ABL borrowings outstanding and $9.9 million in outstanding letters of credit. As a result, our excess availability under the ABL facility was $181.6 million. Each month s borrowing base is not effective until submitted to the lenders, which usually occurs on the fifteenth day of the following month. The ABL facility contains a covenant requiring a minimum fixed charge coverage ratio of at least 1.1 to 1.0 effective when and if excess availability is less than $30.0 million. Our fixed charge coverage ratio as calculated under this covenant as of September 26, 2009, was greater than 1.1 to 1.0. If availability is less than $37.5 million, the lenders will take dominion over the cash and will apply excess cash to reduce amounts owing under the revolver. The credit agreement governing the ABL facility requires us to maintain excess availability of at least $15.0 million. We believe we were in compliance with all of the applicable covenants under the ABL facility on September 26, 2009.

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Cott Corporation

Notes to the Consolidated Financial Statements (Continued)

Unaudited

8% Senior Subordinated Notes due 2011

The indenture governing the Notes contains a number of business and financial covenants and events of default that apply to the issuer and the guarantors. In addition to us, the guarantors are, in general, the subsidiaries organized in Canada, the U.S., and the United Kingdom. Events of default or triggers for prepayment provided for under the indenture include, among others: (i) a change of control of us in certain circumstances; (ii) unsatisfied judgments or cross-default or cross-acceleration to other indebtedness in excess of $10.0 million, in the case of the indenture; (iii) our insolvency or that of the restricted subsidiaries; and (iv) covenant default under the credit facilities or indenture. Some of the more material financial covenants are discussed below.

The indenture has numerous covenants that are applicable to Cott Beverages Inc. and the guarantors. We can only make restricted payments, such as paying dividends, repurchasing our stock or making certain investments, if our fixed charge coverage ratio is at least 2.0 to 1.0. Even then, we can only make those restricted payments in an amount that is no greater than 50.0% of our consolidated net income subject to certain adjustments. Certain other investments, like those not exceeding $60.0 million in the aggregate, may be made without satisfying the restricted payments test.

We may only incur additional debt or issue preferred stock, other than certain specified debt, if our fixed charge coverage ratio is greater than 2.0 to 1.0. As of September 26, 2009, our fixed charge coverage ratio under the indenture was greater than 2.0 to 1.0. Subject to some exceptions, asset sales may only be made where the sale price is equal to the fair market value of the asset sold and we receive at least 75.0% of the proceeds in cash. There are also limitations on what we may do with the sale proceeds such that we may be required to pay down debt or reinvest the proceeds in enumerated business uses within a specified period of time.

There are further restrictions in several of the covenants, such as a complete prohibition on paying any dividends if we are in default under the indenture. Many of the covenants may also limit transactions with our unrestricted subsidiaries or non-guarantor entities.

We believe we have been in compliance with all of the covenants under the Notes and there have been no amendments to any such covenants since they were issued.

The events of default in the Notes indenture related to other indebtedness arise only if there is a failure to pay principal, interest or premiums of such other indebtedness after the expiration of any applicable grace period, or if there has been acceleration in payment of such other indebtedness, in each case, in excess of a threshold amount. As at September 26, 2009, these conditions of default did not exist with respect to any other indebtedness.

Note 10 Contingencies and Commitments

In January 2005, we were named as one of many defendants in a class action suit alleging the unauthorized use by the defendants of container deposits and the imposition of recycling fees on consumers. On June 2, 2006, the British Columbia Supreme Court granted the summary trial application, which resulted in the dismissal of the plaintiffs action against us and the other defendants. On June 26, 2006, the plaintiffs appealed the dismissal of the action to the British Columbia Court of Appeals which was denied, and an appeal to the Supreme Court of Canada was rejected on December 20, 2007. In February 2005, similar class action claims were filed in a number of other Canadian provinces. Claims filed in Quebec have since been discontinued, but is unclear how the dismissal of the British Columbia case will impact the other cases.

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations, and other actions arising out of the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position or results from operations.

We had $9.9 million in standby letters of credit outstanding as of September 26, 2009 (September 27, 2008 $12.6 million).

Note 11 Shares Held in Trust treated as Treasury Shares

In May 2008, an independent trustee acting under certain of our benefit plans purchased 2.3 million of our common shares on the open market for $6.4 million, of which 2.0 million shares, or $5.4 million, are to be used to satisfy any future liability under the PSU Plan and the Restated EISPP and 0.3 million shares, or $1.0 million, are held in trust for our employees as part of the deferred compensation arrangement under the Restated EISPP. As of September 26, 2009, we distributed 0.4 million shares from the trust to satisfy certain PSU obligations that had vested. See Note 3 for further details of these two plans. Treasury shares are reported at cost.

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Cott Corporation

Notes to the Consolidated Financial Statements (Continued)

Unaudited

Note 12 Equity Offering

On August 11, 2009, we completed a public offering of 9,435,000 common shares at a price of $5.30 per share (the Stock Offering). Net proceeds of the Stock Offering were $47.4 million, after deducting expenses, underwriting discounts and commissions.

Note 13 Guarantor Subsidiaries

The Notes issued by our wholly owned subsidiary Cott Beverages Inc. are unconditionally guaranteed on a senior subordinated basis pursuant to guarantees by Cott Corporation and certain other wholly owned subsidiaries (the Guarantor Subsidiaries). Such guarantees are full, unconditional and joint and several.

The following supplemental financial information sets forth on an unconsolidated basis, our balance sheets, statements of income and cash flows for Cott Corporation, Cott Beverages Inc., Guarantor Subsidiaries and our other subsidiaries (the Non-guarantor Subsidiaries). The supplemental financial information reflects our investments and those of Cott Beverages Inc. in their respective subsidiaries using the equity method of accounting.

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Consolidating Statements of Operations

(in millions of U.S. dollars, unaudited)

	For the Three Months Ended September 26, 2009					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue	$ 47.9	$ 234.7	$ 101.8	$ 31.3	$ (10.8)	$ 404.9
Cost of sales	39.5	199.8	86.1	26.5	(10.8)	341.1
Gross profit	8.4	34.9	15.7	4.8		63.8
Selling, general and administrative expenses	15.0	13.4	4.9	3.6		36.9
(Gain) loss on disposal of property, plant and equipment						
Restructuring and asset impairments:						
Restructuring						
Goodwill impairments						
Asset impairments						
Operating income	(6.6)	21.5	10.8	1.2		26.9
Other (income), net	2.9			0.3		3.2
Intercompany interest expense (income), net	(1.5)	2.9	(1.4)			
Interest expense, net		7.4	0.1	0.1		7.6
Income before income taxes (benefit) expense and equity (loss) income	(8.0)	11.2	12.1	0.8		16.1
Income taxes (benefit) expense	(1.1)	1.2	0.8			0.9
Equity (loss) income	20.8	1.5	10.1		(32.4)	
Net income (loss)	$ 13.9	$ 11.5	$ 21.4	$ 0.8	$ (32.4)	$ 15.2
Less: Net income attributable to non-controlling interests				1.3		1.3
Net income (loss) income attributed to Cott Corporation	$ 13.9	$ 11.5	$ 21.4	$ (0.5)	$ (32.4)	$ 13.9

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Consolidating Statements of Operations

(in millions of U.S. dollars, unaudited)

	For the Three Months Ended September 27, 2008					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue	$ 54.9	$ 238.7	$ 103.5	$ 36.4	$ (13.0)	$ 420.5
Cost of sales	45.8	218.0	89.4	32.6	(13.0)	372.8
Gross profit	9.1	20.7	14.1	3.8		47.7
Selling, general and administrative expenses	9.3	21.3	7.9	3.9		42.4
Loss (gain) on disposal of property, plant and equipment		0.1				0.1
Restructuring and asset impairments:						
Restructuring	0.1	(0.2)				(0.1)
Goodwill impairments			69.2			69.2
Asset impairments		26.6				26.6
Operating (loss) income	(0.3)	(27.1)	(63.0)	(0.1)		(90.5)
Other (income) expense, net	(0.3)	1.2	(0.7)	0.2		0.4
Intercompany Interest expense (income), net	(3.0)	3.2	(0.2)			0.0
Interest expense (income), net	0.1	8.7		(0.2)		8.6
(Loss) Income before income taxes expense (benefit) and equity (loss) income	2.9	(40.2)	(62.1)	(0.1)		(99.5)
Income taxes expense (benefit)	1.2	(19.1)	4.4	1.3		(12.2)
Equity (loss) income	(89.3)	1.2	(30.6)		118.7	
Net (loss) income	$ (87.6)	$ (19.9)	$ (97.1)	$ (1.4)	$ 118.7	$ (87.3)
Less: Net income attributable to non-controlling interests				0.3		0.3
Net (loss) income attributed to Cott Corporation	$ (87.6)	$ (19.9)	$ (97.1)	$ (1.7)	$ 118.7	$ (87.6)

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Consolidating Statements of Operations

(in millions of U.S. dollars, unaudited)

	For the Nine Months Ended September 26, 2009					
	Cott Corporation	**Cott Beverages Inc.**	**Guarantor Subsidiaries**	**Non-guarantor Subsidiaries**	**Elimination Entries**	**Consolidated**
Revenue	$ 149.0	$ 739.0	$ 265.5	$ 93.8	$ (36.6)	$ 1,210.7
Cost of sales	126.1	615.2	230.6	80.1	(36.6)	1,015.4
Gross profit	22.9	123.8	34.9	13.7		195.3
Selling, general and administrative expenses	28.8	48.9	18.4	10.6		106.7
Loss (gain) on disposal of property, plant and equipment	0.1		(0.1)			
Restructuring and asset impairments:						
Restructuring	0.2	1.4				1.6
Goodwill impairments						
Asset impairments		3.5				3.5
Operating income	(6.2)	70.0	16.6	3.1		83.5
Other income, net	0.2			0.3		0.5
Intercompany Interest expense (income), net	(6.2)	9.4	(3.2)			
Interest expense, net	0.2	22.0	0.3	0.2		22.7
Income before income taxes (benefit) expense and equity (loss) income	(0.4)	38.6	19.5	2.6		60.3
Income taxes (benefit) expense	(16.8)	4.8	1.2	0.1		(10.7)
Equity (loss) income	51.1	4.3	37.8		(93.2)	
Net income (loss)	$ 67.5	$ 38.1	$ 56.1	$ 2.5	$ (93.2)	$ 71.0
Less: Net income attributable to non-controlling interests				3.5		3.5
Net income (loss) income attributed to Cott Corporation	$ 67.5	$ 38.1	$ 56.1	$ (1.0)	$ (93.2)	$ 67.5

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Consolidating Statements of Operations

(in millions of U.S. dollars, unaudited)

	For the Nine Months Ended September 27, 2008					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue	$ 180.7	$ 715.1	$ 314.5	$ 108.0	$ (41.6)	$ 1,276.7
Cost of sales	149.0	651.4	274.0	98.4	(41.6)	1,131.2
Gross profit	31.7	63.7	40.5	9.6		145.5
Selling, general and administrative expenses	27.7	74.2	26.6	11.2		139.7
Loss (gain) on disposal of property, plant and equipment	0.3	0.6	(0.5)			0.4
Restructuring and asset impairments:						
Restructuring	1.0	5.6				6.6
Goodwill impairments			69.2			69.2
Asset impairments		27.0				27.0
Operating income (loss)	2.7	(43.7)	(54.8)	(1.6)		(97.4)
Other (income) expense, net	(0.2)	(0.2)	(5.6)	0.2		(5.8)
Intercompany Interest expense (income), net	(9.7)	9.7				
Interest expense (income), net	0.3	23.8		0.2		24.3
Income (Loss) before income taxes expense (benefit) and equity (loss) income	12.3	(77.0)	(49.2)	(2.0)		(115.9)
Income taxes expense (benefit)	3.7	(16.3)	5.6	0.5		(6.5)
Equity (loss) income	(119.3)	2.1	(67.5)		184.7	
Net (loss) income	$ (110.7)	$ (58.6)	$ (122.3)	$ (2.5)	$ 184.7	$ (109.4)
Less: Net income attributable to non-controlling interests				1.3		1.3
Net (loss) income attributed to Cott Corporation	$ (110.7)	$ (58.6)	$ (122.3)	$ (3.8)	$ 184.7	$ (110.7)

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Consolidating Balance Sheets

As of September 26, 2009

(in millions of U.S. dollars, unaudited)

	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination Entries	Consolidated
ASSETS						
Current assets						
Cash & cash equivalents	$ 0.8	$ 6.9	$ 5.9	$ 5.4	$	$ 19.0
Accounts receivable	33.1	83.5	63.7	16.0	(26.9)	169.4
Income taxes recoverable		9.2	(0.1)	0.1		9.2
Inventories	19.0	68.6	18.7	6.2		112.5
Prepaid expenses and other assets	3.3	3.7	3.9	0.2		11.1
Deferred income taxes		12.7				12.7
Other current assets			2.1			2.1
	56.2	184.6	94.2	27.9	(26.9)	336.0
Property, plant and equipment	45.0	184.5	95.6	13.2		338.3
Goodwill	25.2	4.5				29.7
Intangibles and other assets	1.3	106.8	18.2	25.9		152.2
Deferred income taxes	20.8			1.2		22.0
Tax receivable						
Due from affiliates	251.0	10.0	206.4	41.9	(509.3)	
Investments in subsidiaries		14.9		147.2	(162.1)	
	$ 399.5	$ 505.3	$ 414.4	$ 257.3	$ (698.3)	$ 878.2
LIABILITIES						
Current liabilities						
Short-term borrowings	$	$	$	$	$	$
Current maturities of long-term debt		6.8		0.4		7.2
Income taxes payable			2.1			2.1
Accounts payable and accrued liabilities	32.2	96.1	53.6	16.1	(26.9)	171.1
	32.2	102.9	55.7	16.5	(26.9)	180.4
Long-term debt		266.4		2.6		269.0
Other long-term liabilities	0.1	7.0	6.6			13.7
Other tax liabilities	11.9			0.4		12.3
Deferred income taxes		9.6	10.3	1.1		21.0
Losses and distributions in excess of investment	(53.9)		137.6		(83.7)	
Due to affiliates	43.2	205.1	243.7	17.3	(509.3)	
	33.5	591.0	453.9	37.9	(619.9)	496.4
Equity						
Capital stock						
Common shares	322.4	271.1	368.4	175.0	(814.5)	322.4
Treasury shares	(5.3)					(5.3)

Additional paid-in-capital	38.1					38.1
Retained earnings (deficit)	37.8	(355.1)	(407.6)	(26.6)	789.3	37.8
Accumulated other comprehensive (loss) income	(27.0)	(1.7)	(0.3)	55.2	(53.2)	(27.0)
Total Cott Corporation s equity	366.0	(85.7)	(39.5)	203.6	(78.4)	366.0
Non-controlling interests				15.8		15.8
Total equity	366.0	(85.7)	(39.5)	219.4	(78.4)	381.8
	$ 399.5	$ 505.3	$ 414.4	$ 257.3	$ (698.3)	$ 878.2

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Consolidating Balance Sheets

As of December 27, 2008

(in millions of U.S. dollars)

	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination Entries	Consolidated
ASSETS						
Current assets						
Cash & cash equivalents	$ 2.1	$ 3.1	$ 7.4	$ 2.1	$	$ 14.7
Accounts receivable	37.1	97.2	57.7	18.3	(45.9)	164.4
Income taxes recoverable		7.7				7.7
Inventories	19.2	68.7	17.6	5.6		111.1
Prepaid expenses and other assets	2.2	3.9	3.0	0.2		9.3
Deferred income taxes		3.0				3.0
	60.6	183.6	85.7	26.2	(45.9)	310.2
Property, plant and equipment	42.9	197.1	93.9	12.9		346.8
Goodwill	22.5	4.5				27.0
Intangibles and other assets	3.3	119.1	18.3	28.9		169.6
Deferred income taxes	10.2		0.1			10.3
Tax receivable		9.2				9.2
Due from affiliates	249.7	10.0	210.3	41.9	(511.9)	
Investments in subsidiaries		14.8		131.8	(146.6)	
	$ 389.2	$ 538.3	$ 408.3	$ 241.7	$ (704.4)	$ 873.1
LIABILITIES						
Current liabilities						
Short-term borrowings	$ 2.9	$ 104.6	$	$	$	$ 107.5
Current maturities of long-term debt		7.3		0.3		7.6
Income taxes payable		0.1				0.1
Accounts payable and accrued liabilities	38.2	95.9	64.3	14.2	(45.9)	166.7
	41.1	207.9	64.3	14.5	(45.9)	281.9
Long-term debt		291.4		3.0		294.4
Other long-term liabilities	0.1	9.6	6.3			16.0
Other tax liabilities	18.0			0.3		18.3
Deferred income taxes		4.8	11.2			16.0
Losses and distributions in excess of investment	57.8		272.7		(330.5)	
Due to affiliates	43.0	209.2	247.0	12.7	(511.9)	
	160.0	722.9	601.5	30.5	(888.3)	626.6
Equity						
Capital stock						
Common shares	275.0	211.4	294.5	175.3	(681.2)	275.0
Treasury shares	(6.4)					(6.4)
Additional paid-in-capital	38.1	(1.0)		1.0		38.1

Retained earnings (deficit)	(29.7)	(393.2)	(502.9)	(20.7