

COTT CORP /CN/  
Form 10-Q  
August 09, 2007

**Table of Contents**

**United States  
Securities and Exchange Commission  
Washington, D.C. 20549  
FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**  
For the quarterly period ended: **June 30, 2007**

**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: 000-19914  
COTT CORPORATION**

(Exact name of registrant as specified in its charter)

CANADA

NONE

(State or Other Jurisdiction of Incorporation  
or Organization)

(IRS Employer Identification No.)

207 QUEEN S QUAY WEST, SUITE 340,  
TORONTO, ONTARIO  
5481 WEST WATERS AVENUE, SUITE 111  
TAMPA, FLORIDA

M5J 1A7

33634

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (416) 203-3898 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  No   
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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 June 30, 2007

Common Stock, no par value per share

71,865,830 shares

**TABLE OF CONTENTS**

**PART I FINANCIAL INFORMATION**

<b><u>Item 1.</u></b>	<b><u>Financial Statements</u></b>	
	<u>Consolidated Statements of Income for the three and six month periods ended June 30, 2007 and July 1, 2006</u>	Page 3
	<u>Consolidated Balance Sheets as of June 30, 2007 and December 30, 2006</u>	Page 4
	<u>Consolidated Statements of Shareowners' Equity as of June 30, 2007 and July 1, 2006</u>	Page 5
	<u>Consolidated Statements of Cash Flows for the three and six month periods ended June 30, 2007 and July 1, 2006</u>	Page 6
	<u>Notes to Consolidated Financial Statements</u>	Page 7
<b><u>Item 2.</u></b>	<b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	Page 22
<b><u>Item 3.</u></b>	<b><u>Quantitative and Qualitative Disclosures about Market Risk</u></b>	Page 28
<b><u>Item 4.</u></b>	<b><u>Controls and Procedures</u></b>	Page 28

**PART II OTHER INFORMATION**

<b><u>Item 1.</u></b>	<b><u>Legal Proceedings</u></b>	Page 30
<b><u>Item 1A.</u></b>	<b><u>Risk Factors</u></b>	Page 30
<b><u>Item 4.</u></b>	<b><u>Submission of Matters to a Vote of Security Holders</u></b>	Page 30
<b><u>Item 6.</u></b>	<b><u>Exhibits</u></b>	Page 32
	<b><u>Signatures</u></b>	Page 33
	<b><u>Financial Statement Schedules</u></b>	Page 34
	<u>EX-10.1</u>	
	<u>EX-10.2</u>	
	<u>EX-10.3</u>	
	<u>EX-10.4</u>	
	<u>EX-10.5</u>	
	<u>EX-10.6</u>	
	<u>EX-10.7</u>	
	<u>EX-10.8</u>	
	<u>EX-31.1</u>	
	<u>EX-31.2</u>	
	<u>EX-32.1</u>	
	<u>EX-32.2</u>	

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Cott Corporation****Consolidated Statements of Income***(in millions of U.S. dollars, except per share amounts)**Unaudited*

	For the three months ended		For the six months ended	
	<b>June 30, 2007</b>	<b>July 1, 2006</b>	<b>June 30, 2007</b>	<b>July 1, 2006</b>
<b>Revenue</b>	\$ 498.4	\$ 502.0	\$ 898.7	\$ 896.2
Cost of sales	438.8	429.7	785.6	771.2
<b>Gross profit</b>	59.6	72.3	113.1	125.0
Selling, general and administrative expenses	44.7	48.7	82.3	88.6
Gain on disposal of property, plant and equipment	(0.4)	(0.1)	(0.4)	
Restructuring, asset impairments and other charges note 2				
Restructuring	9.1	0.2	9.4	1.8
Asset (recovery) impairments		(0.1)		1.3
Other		0.6		2.6
<b>Operating income</b>	6.2	23.0	21.8	30.7
Other income, net	(2.6)		(2.3)	(0.2)
Interest expense, net	7.9	7.5	15.7	15.7
Minority interest	0.8	1.1	1.5	2.1
<b>Income before income taxes</b>	0.1	14.4	6.9	13.1
Income tax (recovery) expense note 4	(4.6)	6.8	(2.6)	7.6
<b>Net income</b> note 5	\$ 4.7	\$ 7.6	\$ 9.5	\$ 5.5
<b>Per share data</b> note 6				
<b>Income per common share</b>				
Basic	\$ 0.07	\$ 0.11	\$ 0.13	\$ 0.08
Diluted	\$ 0.07	\$ 0.11	\$ 0.13	\$ 0.08

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



**Table of Contents**

**Cott Corporation**  
**Consolidated Balance Sheets**  
*(in millions of U.S. dollars)*  
*Unaudited*

	<b>June 30, 2007</b>	<b>December 30, 2006</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 6.4	\$ 13.4
Accounts receivable	241.1	187.0
Income taxes recoverable	25.6	17.8
Inventories note 7	157.8	131.2
Prepaid expenses and other assets	11.3	10.3
Deferred income taxes	12.9	11.7
	<b>455.1</b>	<b>371.4</b>
<b>Property, plant and equipment</b> note 9	<b>384.0</b>	<b>360.2</b>
<b>Goodwill</b>	<b>162.5</b>	<b>158.4</b>
<b>Intangibles and other assets</b> note 10	<b>240.1</b>	<b>250.7</b>
<b>Deferred income taxes</b>	<b>12.5</b>	
	<b>\$ 1,254.2</b>	<b>\$ 1,140.7</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Short-term borrowings note 11	\$ 133.0	\$ 107.7
Current maturities of long-term debt	2.0	2.0
Accounts payable and accrued liabilities	226.3	186.5
	<b>361.3</b>	<b>296.2</b>
<b>Long-term debt</b>	<b>276.1</b>	<b>275.2</b>
<b>Deferred income taxes</b>	<b>53.3</b>	<b>48.2</b>
<b>Other tax liabilities</b> note 4	<b>34.5</b>	<b>11.5</b>
	<b>725.2</b>	<b>631.1</b>

<b>Minority interest</b>		<b>21.1</b>	20.9
<b>Shareowners Equity</b>			
<b>Capital stock</b>			
Common shares 71,865,830 shares issued (December 30, 2006 71,749,630)		<b>275.0</b>	273.4
<b>Restricted shares</b>		<b>(0.6)</b>	(0.7)
<b>Additional paid-in-capital</b>		<b>29.7</b>	29.8
<b>Retained earnings</b>		<b>173.9</b>	168.7
<b>Accumulated other comprehensive income</b>		<b>29.9</b>	17.5
		<b>507.9</b>	488.7
		<b>\$ 1,254.2</b>	\$ 1,140.7

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

---

**Table of Contents****Cott Corporation  
Consolidated Statements of Shareowners Equity***(in millions of U.S. dollars)**Unaudited*

	Number of Common Shares (IN THOUSANDS)	Common Shares	Restricted Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance at December 31, 2005	71,712	\$ 273.0	\$	\$ 18.4	\$ 186.2	\$ 4.3	\$ 481.9
Options exercised	3						
Share-based compensation				4.6			4.6
Comprehensive income note 5							
Currency translation adjustment						10.1	10.1
Unrealized losses on cash flow hedges note 8						0.2	0.2
Net loss					5.5		5.5
					5.5	10.3	15.8
Balance at July 1, 2006	71,715	\$ 273.0	\$	\$ 23.0	191.7	14.6	502.3
Balance at December 30, 2006	71,750	\$ 273.4	\$ (0.7)	\$ 29.8	\$ 168.7	\$ 17.5	\$ 488.7
Options exercised (net of tax of nil) note 13	48	0.5					0.5
Common shares issued note 13	68	1.1					1.1
Restricted shares note 13			0.1				0.1
Share-based compensation note 13				4.9			4.9
Reclassified share-based compensation to liabilities note 13				(0.4)			(0.4)
Change in accounting policy note 1				(4.6)	(4.3)		(8.9)
Comprehensive income note 5							
Currency translation adjustment						12.4	12.4
Net income					9.5		9.5
					9.5	12.4	21.9
<b>Balance at June 30, 2007</b>	<b>71,866</b>	<b>\$ 275.0</b>	<b>\$ (0.6)</b>	<b>\$ 29.7</b>	<b>\$ 173.9</b>	<b>\$ 29.9</b>	<b>\$ 507.9</b>

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





**Table of Contents****Cott Corporation**  
**Consolidated Statements of Cash Flows***(in millions of U.S. dollars)**Unaudited*

	For the three months ended		For the six months ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
<b>Operating Activities</b>				
Net income	\$ 4.7	\$ 7.6	\$ 9.5	\$ 5.5
Depreciation and amortization	17.7	19.1	35.6	38.4
Amortization of financing fees	0.2	0.2	0.5	0.5
Share-based compensation expense	2.4	1.9	4.9	4.6
Deferred income taxes	3.6	6.4	3.4	6.6
(Decrease) increase in other income tax liabilities note 4	(0.7)		0.5	
Minority interest	0.8	1.1	1.5	2.1
Gain on disposal of property, plant and equipment	(0.4)	(0.1)	(0.4)	
Asset (recovery) impairments		(0.1)		1.3
Other non-cash items	0.2	0.2	0.5	0.5
Net change in non-cash working capital note 12	(33.2)	(15.6)	(45.3)	(31.4)
Cash (used in) provided by operating activities	(4.7)	20.7	10.7	28.1
<b>Investing Activities</b>				
Additions to property, plant and equipment	(20.1)	(8.4)	(36.3)	(16.7)
Additions to intangibles and other assets	(1.3)	(3.3)	(1.7)	(5.7)
Proceeds from disposition of property, plant and equipment	0.6	0.8	0.8	1.5
Cash used in investing activities	(20.8)	(10.9)	(37.2)	(20.9)
<b>Financing Activities</b>				
Issuance of common shares	0.5		0.5	
Payments of long-term debt	(0.4)	(0.3)	(1.6)	(0.5)
Short-term borrowings	26.3	(9.7)	22.1	(16.7)
Distributions to subsidiary minority shareowner	(0.7)	(0.7)	(1.3)	(1.8)
Other financing activities	(0.1)		(0.2)	(0.1)
Cash provided by (used in) financing activities	25.6	(10.7)	19.5	(19.1)
Effect of exchange rate changes on cash	0.1	(0.1)		

<b>Net increase (decrease) in cash</b>	<b>0.2</b>	<b>(1.0)</b>	<b>(7.0)</b>	<b>(11.9)</b>
<b>Cash, beginning of period</b>	<b>6.2</b>	<b>10.8</b>	<b>13.4</b>	<b>21.7</b>
<b>Cash, end of period</b>	<b>\$ 6.4</b>	<b>\$ 9.8</b>	<b>\$ 6.4</b>	<b>\$ 9.8</b>

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

---

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements***Unaudited***Note 1**

Summary of Significant Accounting Policies

**Basis of Presentation**

The interim consolidated financial statements have been prepared in accordance with United States ( U.S. ) generally accepted accounting principles ( GAAP ) for interim financial information. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements in conformity with U.S. GAAP. In our opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These financial statements should be read in conjunction with the most recent annual consolidated financial statements. The accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements, except for the Accounting for Uncertainty in Income Taxes as outlined below.

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. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining whether an impairment has occurred requires various estimates and assumptions including evaluating the lowest level of cash flows associated with groups of assets as well as estimates of cash flows that are directly related to the potentially impaired asset or groups of assets, the useful life over which cash flows will occur and their amounts. The measurement of an impairment loss requires an estimate of fair value, which is also based on estimates of future cash flows. These estimates could change in the near term and any such changes could be material.

*Accounting for Uncertainty in Income Taxes*

In 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 ( FIN 48 ), which provides specific guidance on the financial statement recognition, measurement, reporting and disclosure of uncertain tax positions taken or expected to be taken in a tax return. FIN 48 addresses the determination of whether tax benefits, either permanent or temporary, should be recorded in the financial statements. We adopted FIN 48 as of the beginning of our 2007 fiscal year and, as a result, recognized a \$4.3 million decrease to retained earnings and \$4.6 million decrease in additional paid-in- capital from the cumulative effect of adoption. As of the beginning of our 2007 fiscal year, we recorded a liability for uncertain tax positions in our Consolidated Balance Sheet of \$30.2 million. This liability consists of the \$4.3 million and \$4.6 million decreases in retained earnings and additional paid-in-capital, respectively; \$11.5 million of amounts reclassified from income taxes recoverable and deferred income tax liabilities and \$9.8 million recognition of deferred income tax assets. Of the \$30.2 million, approximately \$24.2 million would, if recognized, impact our effective tax rate over time. In addition, we accrue interest and any necessary penalties related to unrecognized tax positions in our provision for income taxes. As of December 31, 2006, we accrued approximately \$3.0 million of interest and penalties, which are included in Other Tax Liabilities.

*Fair Value Measurements*

In September 2006, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 157, Fair Value Measurements ( SFAS 157 ), which establishes a framework for reporting fair value and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of this standard on our Consolidated Financial Statements.

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements***Unaudited***Note 2**

Restructuring, Asset Impairments and Other Charges

	For the three months ended		For the six months ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
	<i>(in millions of U.S. dollars)</i>		<i>(in millions of U.S. dollars)</i>	
Restructuring	\$ 9.1	\$ 0.2	\$ 9.4	\$ 1.8
Asset impairments		(0.1)		1.3
Other		0.6		2.6
	\$ 9.1	\$ 0.7	\$ 9.4	\$ 5.7

On October 26, 2006, we announced the closures of our manufacturing plants in Elizabethtown, Kentucky ( Elizabethtown ) and Wyomissing, Pennsylvania ( Wyomissing ).

On June 29, 2007, we announced further steps to realign our North American business. The realignment includes the creation of fully-integrated business units and Customer Development & Solutions Teams to reduce costs and improve connections with our major customers. As part of this process, we continued our organizational restructuring and announced headcount reductions of approximately 40 executive and salaried positions, associated with the realignment of our North American business and the consolidation of our senior leadership team in Tampa, Florida.

*Restructuring*

We recorded restructuring charges of \$9.4 million including \$8.6 million for severance costs relating to the previously announced office consolidation and the headcount reduction associated with the realignment of the North American business announced on June 29, 2007, and \$0.8 million for severance costs relating to the closures of Elizabethtown and Wyomissing.

The following table is a summary of our cash restructuring charges for the six months ended June 30, 2007 and the year ended December 30, 2006:

	Balance at December 31, 2006	Charged to Costs and Expenses during the period	Payments made during the period	Balance at June 30, 2007
(IN MILLIONS OF U.S. DOLLARS)	2006	period	the period	2007
Severance and termination benefits	\$ 5.4	\$ 9.4	\$ (6.3)	\$ 8.5
Contract loss	7.3		(0.2)	7.1
Total	\$ 12.7	\$ 9.4	\$ (6.5)	\$ 15.6

**Table of Contents**
**Cott Corporation**  
**Notes to the Consolidated Financial Statements**  
*Unaudited*

(IN MILLIONS OF U.S. DOLLARS)	Balance at January 1, 2006	Charged to Costs and Expenses during the year	Payments made during the year	Balance at December 30, 2006
Severance and termination benefits	\$ 1.0	\$ 12.1	\$ (7.7)	\$ 5.4
Contract loss		7.7	(0.4)	7.3
Other		0.7	(0.7)	
<b>Total</b>	<b>\$ 1.0</b>	<b>\$ 20.5</b>	<b>\$ (8.8)</b>	<b>\$ 12.7</b>

In the fourth quarter of 2006, we announced that we would record an estimated \$115 to \$125 million in aggregate charges for cost reduction programs including additional plant closures, office consolidation and organizational streamlining. This range was revised from the \$60 to \$80 million in estimated charges associated with the North American realignment plan and other asset impairments that we initially announced on September 29, 2005. Since September 29, 2005 through the end of the first half of 2007, we have recorded pre-tax charges of \$95.4 million. In 2005, we recorded pre-tax charges of \$36.9 million relating to the North American realignment and other asset impairments, of which \$20.0 million related to customer relationship impairment. In 2006, we recorded pre-tax charges of \$49.1 million, of which \$30.4 million was in connection with the Elizabethtown and Wyomissing closures announced on October 26, 2006. The pre-tax charges of \$30.4 million consisted of \$10.6 million for accelerated depreciation and amortization recorded in cost of sales, \$14.2 million for impairment charges relating to property, plant, equipment and intangible assets, and \$5.6 million for severance of approximately 350 employees. In the first half of 2007, we recorded pre-tax charges of \$9.4 million, primarily for severance costs relating to headcount reductions as a result of the new customer development and solutions teams and office consolidation. We estimate that the remainder of the cost reduction program charges (approximately \$20 million to \$30 million), comprising additional contract losses and severances, will be incurred over the next 12 months.

We may also rationalize products, customers and production capacity but have not yet completed our analysis nor have we completed our detailed plans. Accordingly, the ultimate amount of any asset impairment charges or change in useful lives of assets that may result is uncertain. It is reasonably possible that our estimates of future cash flows generated by, the useful lives of, or both related to certain equipment and intangibles will be significantly reduced in the near term. As a result, the carrying value of the related assets may also be reduced materially in the near term.

**Note 3****Business Seasonality**

Our net income for the three and six month periods ended June 30, 2007 is not necessarily indicative of the results that may be expected for the full year due to business seasonality. Operating results are impacted by business seasonality, which normally leads to higher sales in the second and third quarters versus the first and fourth quarters of the year. Conversely, fixed costs such as depreciation, amortization and interest, are not impacted by seasonal trends.

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements***Unaudited***Note 4**

## Income Taxes

The following table reconciles income taxes calculated at the basic Canadian corporate rates with the income tax provision:

	For the three months ended		For the six months ended	
	<b>June 30, 2007</b>	<b>July 1, 2006</b>	<b>June 30, 2007</b>	<b>July 1, 2006</b>
	<i>(in millions of U.S. dollars)</i>		<i>(in millions of U.S. dollars)</i>	
Income tax provision based on Canadian statutory rates	\$ 0.1	\$ 5.0	\$ 2.4	\$ 4.5
Foreign tax rate differential	(1.1)		(1.0)	0.2
Inter-company debt structures	(2.1)	(1.3)	(3.3)	(2.6)
Non-deductible expenses and other items	(0.8)	4.4	(1.2)	5.6
(Decrease) increase to other income tax liabilities	(0.7)		0.5	
Decrease in valuation allowance		(1.3)		(0.1)
	\$ (4.6)	\$ 6.8	\$ (2.6)	\$ 7.6

As of June 30, 2007, we recognized \$0.7 million of interest and penalties in the income statement and \$3.7 million of interest and penalties in the balance sheet. We have classified the interest and penalties as income tax expense.

The total amount of gross unrecognized tax benefits as at December 31, 2006 was \$28.9 million.

We are currently under audit by the Canada Revenue Agency for tax years 2000 through 2004 and by the Internal Revenue Service for tax years 2002 and 2003. The amounts that may ultimately be payable by us as a result of these audits are uncertain. We believe that the amounts provided for these audits in our tax liabilities are adequate; however, it is reasonably possible that our estimates of tax liabilities for these audits may change materially in the near term.

As of June 30, 2007, the tax years prior to 1997 are closed to examination by major tax jurisdictions.

**Note 5**

## Comprehensive Income

	For the three months ended		For the six months ended	
	<b>June 30, 2007</b>	<b>July 1, 2006</b>	<b>June 30, 2007</b>	<b>July 1, 2006</b>
	<i>(in millions of U.S. dollars)</i>		<i>(in millions of U.S. dollars)</i>	
Net income	\$ 4.7	\$ 7.6	\$ 9.5	\$ 5.5
Foreign currency translation	11.3	10.7	12.4	10.1
Unrealized losses on cash flow hedges note 8		0.1		0.2
	\$ 16.0	\$ 18.4	\$ 21.9	\$ 15.8





**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements***Unaudited***Note 6**

## Income Per Share

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated using the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, that would occur if in-the-money stock options were exercised.

The following table reconciles the basic weighted average number of shares outstanding to the diluted weighted average number of shares outstanding:

	For the three months ended		For the six months ended	
	<b>June 30, 2007</b>	<b>July 1, 2006</b>	<b>June 30, 2007</b>	<b>July 1, 2006</b>
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Weighted average number of shares outstanding basic	<b>71,831</b>	71,714	<b>71,791</b>	71,713
Dilutive effect of stock options	<b>28</b>	46	<b>36</b>	44
Adjusted weighted average number of shares outstanding diluted	<b>71,859</b>	71,760	<b>71,827</b>	71,757

At June 30, 2007, options to purchase 2,155,814 shares (3,835,664 July 1, 2006) of common stock at a weighted average exercise price of C\$31.92 per share (C\$41.59 July 1, 2006) were outstanding, but were not included in the computation of diluted net income per share because the exercise price of such options was greater than the average market price of our common stock during the period.

As of June 30, 2007, we had 71,865,830 common shares and 2,463,814 common share options outstanding. Of our common share options outstanding, 2,056,863 options were exercisable as of June 30, 2007.

During the second quarter ended June 30, 2007, 50,000 common share options were issued at an exercise price of C\$18.48 and 43,200 common share options were exercised at a weighted average exercise price of C\$9.61. In the first half of 2007, 50,000 common share options were issued at an exercise price of C\$18.48 and 48,200 common share options were exercised at a weighted average exercise price of C\$10.06.

**Note 7**

## Inventories

	<b>June 30, 2007</b>	<b>December 30, 2006</b>
	<i>(in millions of U.S. dollars)</i>	
Raw materials	\$ <b>62.9</b>	\$ 52.2
Finished goods	<b>76.6</b>	61.5
Other	<b>18.3</b>	17.5
	<b>\$ 157.8</b>	\$ 131.2



**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements***Unaudited***Note 8**

## Derivative Financial Instruments

At June 30, 2007 and December 30, 2006 there were no outstanding derivatives that were accounted for as hedges. In 2006, we entered into cash flow hedges to mitigate exposure to declines in the value of the Canadian dollar attributable to certain forecasted U.S. dollar raw material purchases of the Canadian business. The hedges consisted of monthly foreign exchange options to buy U.S. dollars at fixed rates per Canadian dollar and matured at various dates through December 28, 2006. The fair market value of the foreign exchange options was included in prepaid expenses and other assets.

As at July 1, 2006, the hedges consisted of foreign exchange options to buy U.S. dollars at fixed rates per Canadian dollar at a cost of \$0.3 million. The unrealized loss of \$0.3 million was recorded in other comprehensive income, reflecting a \$0.2 million change in the unrealized loss in comprehensive income for the period ending July 1, 2006.

**Note 9**

## Property, Plant and Equipment

	<b>June 30, 2007</b>	<b>December 30, 2006</b>
	<i>(in millions of U.S. dollars)</i>	
Cost	\$ 743.0	\$ 684.7
Accumulated depreciation	(359.0)	(324.5)
	<b>\$ 384.0</b>	<b>\$ 360.2</b>

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements***Unaudited***Note 10**

Intangibles and Other Assets

	<b>June 30, 2007</b>			<b>December 30, 2006</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
	<i>(in millions of U.S. dollars)</i>			<i>(in millions of U.S. dollars)</i>		
<b>Intangibles</b>						
<i>Not subject to amortization</i>						
Rights	<b>\$ 80.4</b>	<b>\$</b>	<b>\$ 80.4</b>	\$ 80.4	<b>\$</b>	\$ 80.4
<i>Subject to amortization</i>						
Customer relationships	<b>166.1</b>	<b>55.3</b>	<b>110.8</b>	165.7	50.0	115.7
Trademarks	<b>29.6</b>	<b>12.5</b>	<b>17.1</b>	29.4	11.3	18.1
Information technology	<b>61.8</b>	<b>38.2</b>	<b>23.6</b>	57.0	32.8	24.2
Other	<b>3.6</b>	<b>1.4</b>	<b>2.2</b>	3.6	1.2	2.4
	<b>261.1</b>	<b>107.4</b>	<b>153.7</b>	255.7	95.3	160.4
	<b>341.5</b>	<b>107.4</b>	<b>234.1</b>	336.1	95.3	240.8
<b>Other Assets</b>						
Financing costs	<b>4.9</b>	<b>2.9</b>	<b>2.0</b>	4.8	2.3	2.5
Other	<b>8.4</b>	<b>4.4</b>	<b>4.0</b>	11.2	3.8	7.4
	<b>13.3</b>	<b>7.3</b>	<b>6.0</b>	16.0	6.1	9.9
	<b>\$354.8</b>	<b>\$ 114.7</b>	<b>\$240.1</b>	\$352.1	\$ 101.4	\$250.7

Amortization expense of intangible assets was \$10.9 million for the six-month period ended June 30, 2007 (\$11.6 million July 1, 2006).

**Note 11****Short-Term Borrowings**

Short-term borrowings include bank overdrafts and borrowings under our credit facilities and receivables securitization facility.

The credit facilities are collateralized by substantially all of our personal property with certain exceptions including the receivables sold as part of our receivables securitization facility discussed below.

In general, borrowings under the credit facilities bear interest at either a floating or fixed rate for the applicable currency plus a margin based on our consolidated total leverage ratio. A facility fee of between 0.15% and 0.375% per annum is payable on the entire line of credit. The level of the facility fee is dependent on financial covenants.

As at June 30, 2007, credit of \$154.4 million was available after borrowings of \$66.1 million and standby letters of credit of \$4.5 million. The weighted average interest rate was 6.95% on these facilities as of June 30, 2007. The amount of funds available under the receivables securitization facility is based upon the amount of eligible receivables and various reserves required by the facility. Accordingly, availability may fluctuate over time, as a result of changes in eligible receivables balances and calculation of reserves, but will not exceed the \$75.0 million program limit. This facility bears interest at a variable rate, based on the cost of borrowing of an unaffiliated entity, Park Avenue Receivables Company, LLC and certain other financial institutions. A fee of between 0.20% and 0.40% per annum is currently payable on the unused portion of the facility. The level of the facility fee is dependent on financial covenants. As of June 30, 2007, \$53.4 million of eligible receivables, net of reserves, were available for purchase and \$53.3 million was outstanding under this facility, at a weighted average interest rate of 6.34%.

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements***Unaudited*

On July 17, 2007, we entered into a third amendment to our senior secured credit facilities. The third amendment, effective June 29, 2007, adjusts the maximum total leverage ratio that is required to be maintained under the credit facilities for the period from April 1, 2007 through and including September 30, 2007 from 3.00 to 1.00 to 4.00 to 1.00. A conforming change was made to the receivables securitization facility to align the total leverage ratio set forth in that agreement with that contained in the amended credit facilities. Our financial covenants are calculated and determined at the end of each quarter. After giving effect to the amendment, we are in compliance with our covenants as of June 30, 2007.

**Note 12**

## Net Change in Non-Cash Working Capital

The changes in non-cash working capital components, net of effects of unrealized foreign exchange gains and losses, are as follows:

	For the three months ended		For the six months ended	
	<b>June 30, 2007</b>	<b>July 1, 2006</b>	<b>June 30, 2007</b>	<b>July 1, 2006</b>
	<i>(in millions of U.S. dollars)</i>		<i>(in millions of U.S. dollars)</i>	
Increase in accounts receivable	\$ (40.5)	\$ (48.7)	\$ (49.8)	\$ (40.3)
Increase in income taxes recoverable	(9.4)	(2.1)	(7.8)	(4.4)
(Increase) decrease in inventories	(6.9)	13.3	(23.1)	(14.1)
Decrease (increase) in prepaid and other expenses	0.9	(5.2)	(0.7)	(7.7)
Increase in accounts payable and accrued liabilities	22.7	27.1	36.1	35.1
	\$ (33.2)	\$ (15.6)	\$ (45.3)	\$ (31.4)

**Note 13**

## Share-Based Compensation

As of June 30, 2007, we had three share-based compensation plans, which are described below. The share-based compensation plans have been approved by the shareholders, except for our Common Share Option Plan, which was adopted prior to our initial public offering. Subsequent amendments to that plan that required shareholder approval have been so approved.

The table below summarizes the compensation expense for the six-month period ended June 30, 2007 and the unrecognized compensation expense on non-vested awards at that date. This compensation expense was recorded in selling, general and administrative expenses.

(IN MILLIONS OF U.S. DOLLARS)	<b>Compensation expense</b>	<b>Unrecognized compensation expense</b>
Stock options	\$ 2.5	\$ 1.9
Performance share units	2.1	11.4
Share appreciation rights	0.3	2.0
Total	\$ 4.9	\$ 15.3



**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements***Unaudited***Common Share Option Plan**

Under the 1986 Common Share Option Plan, as amended, we have reserved 14.0 million common shares for future issuance. Options are granted at a price not less than fair value of the shares on the grant date.

There were 50,000 options granted during the second quarter of fiscal 2007 as compared to nil during the second quarter of 2006. The fair value of each option grant is estimated to be C\$5.70 using the Black-Scholes option pricing model. These grants were fully vested at the time of the grant and therefore the entire amount was recorded as share-based compensation expense during the second quarter of 2007.

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

	<b>June 30, 2007</b>
Risk-free interest rate	4.73%
Average expected life (years)	3
Expected volatility	37.4%
Expected dividend yield	
Option activity was as follows:	

	<b>Shares (IN THOUSANDS)</b>	<b>Weighted average exercise price (C\$)</b>	<b>Weighted average remaining contractual term (in years)</b>
Balance at December 31, 2005	4,605	\$ 30.69	
Granted			
Exercised	(3)	5.95	
Forfeited or expired	(645)	33.93	
Outstanding at July 1, 2006	3,957	40.61	4.2
Exercisable at July 1, 2006	2,548	\$ 29.63	4.5
Balance at December 30, 2006	2,696	\$ 29.65	
Granted	50	18.48	
Exercised	(48)	10.06	
Forfeited or expired	(234)	29.15	
Outstanding at June 30, 2007	2,464	29.85	3.1
Exercisable at June 30, 2007	2,057	30.44	2.8



Total compensation cost related to non-vested options to be recognized in future periods is \$1.9 million. The weighted average period over which this is expected to be recognized is 1 year.

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements***Unaudited*

Outstanding options at June 30, 2007 are as follows:

Range of Exercise Prices (C\$)	Options Outstanding			Options Exercisable	
	Number Outstanding (IN THOUSANDS)	Remaining Contractual Life (Years)	Weighted Average Exercise Price (C\$)	Number Exercisable (IN THOUSANDS)	Weighted Average Exercise Price (C\$)
\$8.15 \$16.10	58	0.8	\$ 9.68	58	\$ 9.68
\$16.68 \$24.25	475	2.2	\$ 17.79	382	\$ 17.46
\$26.57 \$33.30	1,316	3.4	\$ 29.87	1,005	\$ 30.11
\$35.73 \$43.64	615	3.8	\$ 41.03	612	\$ 41.04
	2,464	3.1	\$ 29.85	2,057	\$ 30.44

**Long-Term Incentive Plans**

During the second quarter of 2006, our shareowners approved and adopted two new long-term incentive plans for 2006 and future periods, the Performance Share Unit Plan ( PSU Plan ) and the Share Appreciation Rights Plan ( SAR Plan ). The PSU Plan and SAR Plan were amended and restated in the second quarter of 2007.

*Amended and Restated PSU Plan*

Under the Amended and Restated PSU Plan, performance share units ( PSUs ) may be granted 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 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. The amendments to the PSU Plan clarify the authority of our Board of Directors to accelerate the vesting of all or a portion of the unvested PSUs of all of or any of the participants under the PSU Plan on a Change of Control (as such term is defined in the PSU Plan) irrespective of whether termination has occurred and allow for early funding by us under the PSU Plan.

*Amended and Restated SAR Plan*

Under the Amended and Restated SAR Plan, share appreciation rights ( SARs ) may be granted to employees and directors of our Company and its subsidiaries. SARs will 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. If our share price on the date of vesting is lower than on the date of grant, no payment will be made in respect of those vested SARs. Prior to vesting, there are no dividends paid on the SARs and holders do not have the right to vote the common shares represented by their SARs. The amendments to the SAR Plan clarify the authority of our Board of Directors to accelerate vesting of some or all of the SARs of all of or any of the participants under the SAR Plan as determined by the Board of Directors or the Committee (as such term is defined in the SAR Plan) in its sole discretion, irrespective of whether termination or a Change of Control (as such term is defined in the SAR Plan) has occurred and allow for early funding by us under the SAR Plan.

We recognize the compensation cost of the PSUs and SARs based on the fair value of the grant. We recognize these compensation costs net of a forfeiture rate on a straight-line basis over the requisite service period of the award, which is generally the vesting term of three years. Compensation cost of the PSUs may vary depending on management's estimates of the probability of the performance measures being achieved and the number of PSUs expected to vest.

---

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements***Unaudited*

During the first half of 2007, the PSU activity was as follows:

	<b>Number of PSUs (IN THOUSANDS)</b>	<b>Target Value per PSU (C\$)</b>	<b>Total Value at date of grant (IN MILLIONS OF C\$)</b>	<b>Total Value at date of grant (IN MILLIONS OF U.S. DOLLARS)</b>
Granted				
June 25, 2007	13	\$ 15.84	\$ 0.2	\$ 0.2
June 13, 2007	27	15.92	0.4	0.4
May 7, 2007	14	17.86	0.2	0.2
March 26, 2007	44	16.13	0.7	0.6
February 16, 2007	562	17.08	9.6	8.3
Total	660		\$ 11.1	\$ 9.7

During the first half of 2007 as compared to the first half of 2006, the PSU and SAR activity was as follows:

	<b>Number of PSUs (IN THOUSANDS)</b>	<b>Number of SARs (IN THOUSANDS)</b>
Balance at December 31, 2005		
Granted	98	
Forfeited		
Outstanding at July 1, 2006	98	
Balance at December 30, 2006	531	415
Granted	660	218
Forfeited	(153)	(4)
Outstanding at June 30, 2007	1,038	629

The number of PSUs granted and target values per PSU noted above are based on an assumption that our performance target will be achieved. The number of units and target values 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 granted in fiscal 2006 and 2007 will be December 27, 2008 and December 26, 2009, respectively. The target value per PSU noted above was determined based on the closing market price of our common shares on the Toronto Stock Exchange ( TSX ) on the last trading day prior to the grant date. Compensation costs of \$2.1 million were

recognized in selling, general and administrative expenses in the period ended June 30, 2007. As of June 30, 2007 there was approximately \$11.4 million of unearned compensation relating to the grants that is expected to be recognized on a straight-line basis over a period of 15 to 36 months.

In connection with the termination of certain employees announced on June 29, 2007, we will make a cash payment equal to the value (based on the closing price of our stock on the TSX on the applicable date of termination) representing the pro rata portion of PSUs granted to each terminated employee in 2006 and 2007. Therefore, the amount of \$0.4 million previously recognized relating to these PSUs recorded in additional paid-in-capital has been reclassified to accrued liabilities as of June 30, 2007.

During the first quarter of 2007, we granted 217,836 SARs to our employees at a fair value of \$1.0 million. Subject to the terms of the SAR plan, the vesting dates for the SARs granted in fiscal 2006 and 2007 will be July 26, 2009, October 25, 2009 and February 19, 2010. Compensation costs of \$0.3 million were recognized in selling, general and administrative expenses in the period ended June 30, 2007. As of June 30, 2007 there was \$2.0 million of unearned compensation relating to the grants that is expected to be recognized on a straight-line basis over a period of 25 to 33 months.

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements***Unaudited*

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

	<b>June 30, 2007</b>	<b>December 30, 2006</b>
Risk-free interest rate	5.05%	5.05%
Average expected life (years)	4	4
Expected volatility	33.9%	33.9%
Expected dividend yield		

**Other Share-Based Compensation**

In 2006, Brent Willis, our Chief Executive Officer, received a net cash award of \$0.9 million at commencement of employment to purchase shares of the Company. The purchased shares must be held for a minimum of three years and must be transferred to the Company (or as the Company may otherwise direct) for no additional consideration on a prorated basis if the service condition of three years is not met. This award is recognized as compensation expense over the vesting period. For the period ended June 30, 2007, \$0.1 million was expensed as compensation expense and the remaining balance is classified as restricted shares which is a reduction in shareowners' equity. 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. Compensation costs of \$0.6 million were recognized in selling, general and administration expenses in the period ended June 30, 2007 with respect to this grant. On May 16, 2007, one third of his grant vested and, as a result, he received 68,000 common shares, which has been recognized as an issuance of share capital. As of June 30, 2007 there was \$2.0 million of unearned compensation relating to the grant that is being recognized on a straight-line basis over a period of 23 months.

**Note 14**

## Contingencies

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations, income taxes, 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.

In January 2005, we were named as one of many defendants in a class action suit in British Columbia alleging the unauthorized use by the defendants of container deposits and the imposition of recycling fees on customers. On June 2, 2006, the British Columbia Supreme Court granted a summary trial application, which resulted in the dismissal of the plaintiffs' action against us and the other defendants. The plaintiffs appealed the dismissal, and on June 21, 2007 the British Columbia Court of Appeal dismissed the appeal. The plaintiffs have until September 20, 2007 to make an application for leave to appeal to the Supreme Court of Canada. In February 2005, similar class action claims were filed in a number of other Canadian provinces. The claims which were filed in Quebec have since been discontinued.

**Note 15**

## Segment Reporting

We produce, package and distribute retailer brand and branded bottled and canned soft drinks to regional and national grocery, mass-merchandise and wholesale chains in North America and International business segments. The International segment includes our United Kingdom business, our European business, our Mexican business, our Royal Crown International business and our business in Asia. The concentrate manufacturing plant assets, sales and related expenses have been included in the North America segment. Total assets under the heading Eliminations include the elimination of intersegment receivables and investments. For comparative purposes, segmented information has been restated to conform to the way we currently manage our beverage business.



**Table of Contents**

**Cott Corporation**  
**Notes to the Consolidated Financial Statements**  
*Unaudited*

(IN MILLIONS OF U.S. DOLLARS)	Business Segments			Total
	North America	International	Eliminations	
<b>For the three months ended June 30, 2007</b>				
External revenue	\$ 364.5	\$ 133.9	\$	\$ 498.4
Depreciation and amortization	12.8	4.9		17.7
Restructuring, asset impairments and other charges note 2				
Restructuring	9.1			9.1
Operating (loss) income	(7.0)	13.2		6.2
Additions to property, plant and equipment	11.6	8.5		20.1
<b>As of June 30, 2007</b>				
Property, plant and equipment	246.1	137.9		384.0
Goodwill	81.5	81.0		162.5
Intangibles and other assets	210.4	29.7		240.1
Total assets	1,748.3	450.7	(944.8)	1,254.2

(IN MILLIONS OF U.S. DOLLARS)	Business Segments			Total
	North America	International	Eliminations	
<b>For the three months ended July 1, 2006</b>				
External revenue	\$ 384.9	\$ 117.1	\$	\$ 502.0
Depreciation and amortization	14.7	4.4		19.1
Restructuring, asset impairments and other charges note 2				
Restructuring	0.2			0.2
Asset recovery	(0.1)			(0.1)
Other		0.6		0.6
Operating income	12.9	10.1		23.0
Additions to property, plant and equipment	6.1	2.3		8.4
<b>As of December 30, 2006</b>				
Property, plant and equipment	235.3	124.9		360.2
Goodwill	79.1	79.3		158.4
Intangibles and other assets	215.5	35.2		250.7
Total assets	1,560.3	404.9	(824.5)	1,140.7





**Table of Contents**

**Cott Corporation**  
**Notes to the Consolidated Financial Statements**  
*Unaudited*

(IN MILLIONS OF U.S. DOLLARS)	North America	International	Eliminations	Total
<b>For the six months ended June 30, 2007</b>				
External revenue	\$660.1	\$238.6	\$	\$898.7
Depreciation and amortization	25.9	9.7		35.6
Restructuring, asset impairments and other charges note 2				
Restructuring	9.3	0.1		9.4
Operating income	3.6	18.2		21.8
Additions to property, plant and equipment	22.8	13.5		36.3

(IN MILLIONS OF U.S. DOLLARS)	North America	International	Eliminations	Total
<b>For the six months ended July 1, 2006</b>				
External revenue	\$695.9	\$200.3	\$	\$896.2
Depreciation and amortization	29.7	8.7		38.4
Restructuring, asset impairments and other charges note 2				
Restructuring	1.8			1.8
Asset impairments	1.3			1.3
Other		2.6		2.6
Operating income	18.0	12.7		30.7
Additions to property, plant and equipment	12.6	4.1		16.7

Credit risk arises from the potential default of a customer in meeting its financial obligations with us. Concentrations of credit exposure may arise with a group of customers which 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.

Revenue attributable to our largest customer (Wal-Mart Stores, Inc.) in the first half of 2007 and 2006 accounted for 38% and 39%, respectively, of our total revenue. Revenue attributable to the top ten customers in the first half of 2007 and 2006 accounted for 60% and 61%, respectively, of our total revenue. The loss of any significant customer, or customers which in the aggregate represent a significant portion of our revenue, could have a material adverse effect on our operating results and cash flows.

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements***Unaudited*

Revenues by geographic area are as follows:

	For the three months ended		For the six months ended	
	<b>June 30, 2007</b>	<b>July 1, 2006</b>	<b>June 30, 2007</b>	<b>July 1, 2006</b>
	<i>(in millions of U.S. dollars)</i>		<i>(in millions of U.S. dollars)</i>	
United States	\$ <b>308.9</b>	\$ 327.7	\$ <b>573.0</b>	\$ 604.1
Canada	<b>61.9</b>	64.8	<b>101.2</b>	105.4
United Kingdom	<b>104.9</b>	90.3	<b>184.2</b>	153.6
Other Countries	<b>22.7</b>	19.2	<b>40.3</b>	33.1
	<b>\$ 498.4</b>	\$ 502.0	<b>\$ 898.7</b>	\$ 896.2

Revenues are attributed to countries based on the location of the plant.

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

(IN MILLIONS OF U.S. DOLLARS)	<b>June 30, 2007</b>	<b>December 30, 2006</b>
United States	\$ <b>185.8</b>	\$ 181.5
Canada	<b>60.3</b>	53.8
United Kingdom	<b>128.0</b>	114.9
Other countries	<b>9.9</b>	10.0
	<b>\$ 384.0</b>	\$ 360.2

**Note 16**

## Shareowner Rights Plan Agreement

On April 25, 2007, we entered into a Shareowner Rights Plan Agreement with Computershare Investor Services Inc. (the Rights Plan), which provides for the issuance of one right for each outstanding common share without nominal or par value outstanding at 8:01 p.m. (Toronto time) on April 25, 2007. The rights issued under the Rights Plan become exercisable only when a person, including any party related to it, acquires or announces its intention to acquire 20% or more of the Company's outstanding common shares without complying with the Permitted Bid provisions of the Rights Plan or without the approval of the Board of Directors. Should such an acquisition occur, each right would entitle its holder, other than the Acquiring Person and persons related to it, to purchase that number of common shares having an aggregate market price equal to twice the exercise price of the rights. Each right will have an initial exercise price of \$100 (subject to anti-dilution adjustments). As of May 24, 2007, our Board of Directors approved an amendment to the Rights Plan which extends the Expiration Time of the Rights Plan and the rights to the earlier of the Termination Time (as defined in the Rights Plan) and May 24, 2008, but provides that the Rights Plan and the rights shall terminate on October 24, 2007, unless the Rights Plan is approved by our shareowners at a meeting held on or before that date. These changes were made to address comments received from the TSX regarding the Rights Plan and are reflected in the Amended and Restated Shareowner Rights Plan Agreement, dated as of May 24, 2007.

**Note 17**

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

21

---

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Overview**

We are one of the world's largest non-alcoholic beverage companies and the world's largest retailer brand soft drink company.

**Results of Operations**

	For the three months ended				For the six months ended			
	June 30, 2007		July 1, 2006		June 30, 2007		July 1, 2006	
	Millions of Dollars	Percent of Revenue	Millions of Dollars	Percent of Revenue	Millions of Dollars	Percent of Revenue	Millions of Dollars	Percent of Revenue
Revenue	<b>\$498.4</b>	<b>100.0%</b>	\$502.0	100.0%	<b>\$898.7</b>	<b>100.0%</b>	\$896.2	100.0%
Cost of sales	<b>438.8</b>	<b>88.0%</b>	429.7	85.6%	<b>785.6</b>	<b>87.4%</b>	771.2	86.1%
Gross profit	<b>59.6</b>	<b>12.0%</b>	72.3	14.4%	<b>113.1</b>	<b>12.6%</b>	125.0	13.9%
Selling, general and administrative expenses ( SG&A )	<b>44.7</b>	<b>9.0%</b>	48.7	9.7%	<b>82.3</b>	<b>9.2%</b>	88.6	9.9%
Gain on disposal of property, plant and equipment	<b>(0.4)</b>	<b>(0.1)%</b>	(0.1)		<b>(0.4)</b>			
Restructuring, asset impairments and other charges	<b>9.1</b>	<b>1.8%</b>	0.7	0.1%	<b>9.4</b>	<b>1.0%</b>	5.7	0.6%
Operating income	<b>6.2</b>	<b>1.2%</b>	23.0	4.6%	<b>21.8</b>	<b>2.4%</b>	30.7	3.4%
Other income, net	<b>(2.6)</b>	<b>(0.5)%</b>			<b>(2.3)</b>	<b>(0.3)%</b>	(0.2)	
Interest expense	<b>7.9</b>	<b>1.6%</b>	7.5	1.5%	<b>15.7</b>	<b>1.7%</b>	15.7	1.8%
Minority interest	<b>0.8</b>	<b>0.2%</b>	1.1	0.2%	<b>1.5</b>	<b>0.2%</b>	2.1	0.2%
Income before income taxes	<b>0.1</b>		14.4	1.4%	<b>6.9</b>	<b>0.8%</b>	13.1	0.8%
Income taxes	<b>(4.6)</b>	<b>(0.9)%</b>	6.8	1.4%	<b>(2.6)</b>	<b>(0.3)%</b>	7.6	0.8%
Net income	<b>\$ 4.7</b>	<b>0.9%</b>	\$ 7.6	1.5%	<b>\$ 9.5</b>	<b>1.1%</b>	\$ 5.5	0.6%
Depreciation & amortization	<b>\$ 17.7</b>	<b>3.6%</b>	\$ 19.1	3.8%	<b>\$ 35.6</b>	<b>4.0%</b>	\$ 38.4	4.3%

We reported net income of \$4.7 million or \$0.07 per diluted share for the second quarter ended June 30, 2007, down 38% as compared with net income of \$7.6 million, or \$0.11 per diluted share for the second quarter of 2006. The decrease in net income from the second quarter of 2006 was primarily due to:

higher packaging and ingredients costs driven by aluminum and sweeteners, which reduced gross margin; and

increased restructuring, asset impairments and other charges relating to the restructuring of our North American sales force and support teams and severance and other costs associated with the closing of the

Wyomissing and Elizabethtown plants.

The decrease in net income was partially offset by:

decreased SG&A costs due to non-recurring executive transition costs incurred in 2006;

an increase in other income from a foreign exchange gain on debt to a third party held in Canada due to a stronger Canadian dollar; and

a recovery of income tax arising from inter-company debt structures.

**Table of Contents**

For the first half of 2007, net income increased 73% to \$9.5 million or \$0.13 per diluted share, from \$5.5 million or \$0.08 per diluted share in the same period last year. The increase in net income over the first half of 2006 was primarily due to the same factors affecting net income in the second quarter of 2007.

**Revenue** Revenue in the second quarter of 2007 was \$498.4 million, a slight decrease of 1% from \$502.0 million in the second quarter of 2006. Excluding the impact of foreign exchange, revenue declined 3% compared to the prior year same quarter. Total 8-ounce equivalent volume in the second quarter of 2007 was 340.3 million cases, a decrease of 6% compared to the second quarter of 2006. The decline was primarily driven by North America, due to the continued declines in the carbonated soft drink category, ongoing product rationalization, and the impact of increased pricing by some U.S. customers.

Revenue for the first half of 2007 increased slightly to \$898.7 million from \$896.2 million in the first half of 2006. Excluding the impact of foreign exchange, revenue declined 2% compared to the prior year same period.

Total 8-ounce equivalent case volume was 658.1 million cases for the first half of 2007, compared to 658.6 million cases for the first half of 2006.

The following table shows the change in revenue excluding foreign exchange between the second quarter of 2007 and the first half of 2007, as compared to the second quarter and the first half of 2006, respectively, on a consolidated and business segment basis.

(IN MILLIONS OF U.S. DOLLARS)	For the three months ended June 30, 2007			For the six months ended June 30, 2007		
	Cott	North America	International	Cott	North America	International
Change in revenue	\$ (3.6)	\$(20.4)	\$ 16.8	\$ 2.5	\$(35.8)	\$ 38.3
Impact of foreign exchange	(9.7)	(1.4)	(8.3)	(16.3)	(0.8)	(15.5)
Change excluding foreign exchange	\$(13.3)	\$(21.8)	\$ 8.5	\$(13.8)	\$(36.6)	\$ 22.8
Percentage change excluding foreign exchange	(3%)	(6%)	7%	(2%)	(5%)	11%

In North America, revenue was \$364.5 million in the second quarter of 2007, a decrease of 5% from the second quarter of 2006. Excluding the impact of foreign exchange, revenue decreased by 6%. The decline was due to continued softness in the carbonated soft drink category, product rationalization and the impact of pricing increases taken in the quarter. In the first half of 2007, revenue was \$660.1 million, a decrease of 5% from the first half of 2006. Excluding the impact of foreign exchange, revenue decreased by 5%.

The International segment includes our U.K. and Europe business, our Mexican business, our Royal Crown International business ( RCI ) and our business in Asia. Revenue from this segment was \$133.9 million in the second quarter of 2007, an increase of 14% when compared with the second quarter of 2006. The U.K., Europe and Mexico businesses contributed revenue growth of 16%, 45% and 14%, respectively, to drive the performance of the International business unit. Case volume in 8-ounce equivalents decreased by 6% in the second quarter of 2007 when compared with the second quarter of 2006. The decline was due to the timing of RCI shipments. In the first half of 2007, revenue was \$238.6 million, an increase of 19% from the first half of 2006. Case volume in 8-ounce equivalents increased by 11% in the first half of 2007 when compared with the first half of 2006.

**Cost of Sales** Cost of sales was \$438.8 million or 88% of revenue for the second quarter of 2007, as compared with \$429.7 million or 86% of revenue in the second quarter of 2006. Cost of sales was \$785.6 million or 87% of revenue for the first half of 2007, as compared with \$771.2 million or 86% of revenue for the first half of 2006. Variable costs represented 90% of total cost of sales in the second quarter of 2007, up from 88.5% in the second quarter of 2006. Variable costs represented 89.6% of total cost of sales in the first half of 2007, up from 88.4% in the first half of 2006. Major elements of these variable costs included ingredients and packaging costs, distribution costs and fees paid to

third-party manufacturers.



**Table of Contents**

The following table shows the change in total cost of sales between the second quarter of 2007 and the first half of 2007, as compared to the second quarter and the first half of 2006, respectively, on a consolidated and business segment basis.

Increase (decrease)	For the three months ended <b>June 30, 2007</b>			For the six months ended <b>June 30, 2007</b>		
	Cott	North America	International	Cott	North America	International
Volume impact	(5)%	(7)%	4%	(4)%	(7)%	8%
Ingredients & packaging costs	6%	6%	6%	5%	5%	5%
Foreign exchange				1%		4%
Other	1%		3%			1%
Total cost of sales change	2%	(1)%	13%	2%	(2)%	18%

As noted in the above table, the increase in total cost of sales in the second quarter of 2007 over the second quarter of 2006 was 2%. Contributing to this increase were ingredients and packaging costs, which increased by 6% primarily due to higher costs of aluminum cans and sweeteners. Other costs such as manufacturing fixed costs and variable overhead also contributed 1% to the increase in cost of sales. The increases in ingredients and packaging costs and other costs were partially offset by a 5% decrease in volume. The increase in total cost of sales in the first half of 2007 over the first half of 2006 was also 2%. Contributing to this increase were ingredients and packaging costs, which increased by 5% primarily due to higher costs of aluminum cans and sweeteners. Foreign exchange also contributed 1% to the increase in cost of sales. The increases in ingredients and packaging costs and foreign exchange were partially offset by a 4% decrease in volume.

**Gross Profit** Gross profit for the second quarter of 2007 was \$59.6 million, or 12% of revenue, down from 14.4% of revenue in the second quarter of 2006. Gross profit in the first half of 2007 was \$113.1 million, or 12.6% of revenue, compared to gross profit of \$125.0 million, or 13.9% of revenue, in the first half of 2006. The gross profit decline was primarily due to higher ingredient and packaging costs.

**Selling, General and Administrative Expenses ( SG&A )** SG&A was \$44.7 million in the second quarter of 2007, a decrease of \$4.0 million from the second quarter of 2006. Excluding executive transition costs of \$6.3 million in the prior year quarter, SG&A increased 5.4%. The increase was primarily due to increased selling expenses in North America, the investment in people in the International business unit, and key actions to continue the business turnaround, including office consolidation and the creation of customer development and solutions teams in North America. SG&A was \$82.3 million in the first half of 2007, a decrease of \$6.3 million from the first half of 2006, due to executive transition costs of \$6.3 million in 2006. As a percentage of revenue, SG&A decreased to 9% during the second quarter of 2007, down from 9.7% for the same period last year and to 9.2% for the first half of the year, down from 9.9% for the same period last year.

**Restructuring, asset impairments and other charges** In the second quarter and first half of 2007, we recorded restructuring, asset impairments and other charges of \$9.1 million and \$9.4 million, respectively, primarily for severance costs relating to the organizational restructuring and headcount reductions associated with the realignment of the North American business announced on June 29, 2007 and severance and other costs related to the closures of the Wyomissing and Elizabethtown plants. In the second quarter of 2006, we recorded restructuring, asset impairments and other charges of \$0.7 million. Restructuring, asset impairments and other charges were \$5.7 million in the first half of 2006 and related primarily to the closures of our Lachine, Quebec juice plant in February 2006, our Columbus, Ohio soft drink plant in March 2006 and to the U.K. Competition Commission review of our August 2005 acquisition of 100% of Macaw (Soft Drinks) Limited.

**Operating Income** Operating income was \$6.2 million in the second quarter of 2007 including restructuring, asset impairments and other charges of \$9.1 million, as compared with \$23.0 million in the second quarter of 2006 which

included restructuring, asset impairments and other charges of \$0.7 million. The decrease in operating income over the second quarter of 2006 was mainly attributable to lower gross margin due to higher packaging and ingredients costs and an increase of \$8.4 million in restructuring, asset impairments and other charges taken during the second quarter of 2007. The lower margin and higher restructuring, asset impairments and other charges were partially offset by a decrease in SG&A due to non-recurring executive transition costs incurred in 2006. Operating income was \$21.8

**Table of Contents**

million for the first half of 2007 including restructuring, asset impairments and other charges of \$9.4 million, as compared with \$30.7 million in the first half of 2006 which included restructuring, asset impairments and other charges of \$5.7 million.

**Interest Expense** Net interest expense was \$7.9 million in the second quarter of 2007, up from \$7.5 million in the second quarter of 2006 due to higher interest rates. Net interest expense for the first half of 2007 and 2006 remained unchanged at \$15.7 million.

**Income Taxes** We recorded an income tax recovery of \$4.6 million for the second quarter and \$2.6 million for the first half of 2007 as compared with an income tax provision of \$6.8 million and \$7.6 million, respectively, for the same periods last year. The tax recovery in the second quarter was favorably impacted by tax benefits arising from inter-company debt structures.

In 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109 (FIN 48), which provides specific guidance on the financial statement recognition, measurement, reporting and disclosure of uncertain tax positions taken or expected to be taken in a tax return. FIN 48 addresses the manner in which tax positions, either permanent or temporary, should be reflected in the financial statements. In accordance with the adoption of FIN 48, we evaluate our tax positions to determine if it is more likely than not that a tax position is sustainable, based on its technical merits. If a tax position does not meet the more likely than not standard, a full reserve is established. Additionally, for a position that is determined to, more likely than not, be sustainable, we measure the benefit at the greatest cumulative probability of being realized and establish a reserve for the balance. A material change in our tax reserves could have a significant impact on our results.

We adopted FIN 48 as of the beginning of our 2007 fiscal year and, as a result, recognized a \$4.3 million decrease in retained earnings and \$4.6 million decrease in additional paid-in-capital from the cumulative effect of the adoption. As of the beginning of our 2007 fiscal year, we recorded a liability for uncertain tax positions in our Consolidated Balance Sheet of \$30.2 million. This liability consists of the \$4.3 million and \$4.6 million decreases in retained earnings and additional paid-in-capital, respectively, as well as \$11.5 million of amounts reclassified from income taxes recoverable and deferred income tax liabilities and \$9.8 million recognition of deferred income tax assets. Of the \$30.2 million, approximately \$24.2 million would, if recognized, impact our effective tax rate over time. In addition, we accrue interest and any necessary penalties related to unrecognized tax positions in our provision for income taxes. As of December 31, 2006, we accrued approximately \$3.0 million of interest and penalties, which are included in Other Tax Liabilities.

As a result of interest, penalties and changes in uncertain tax positions, we recorded a benefit of \$0.7 million in the second quarter and a charge of \$0.5 million for uncertain tax positions in the income tax provision for the first half of 2007.

**Financial Condition**

**Operating Activities** Cash provided by operating activities in the first half of 2007 was \$11.2 million as compared to \$28.1 million for the first half of 2006. Capital expenditures for the first half of 2007 were \$36.3 million as compared to \$16.7 million for the first half of 2006. The increase was primarily related to the addition of the second aseptic line in the U.K.

Cash decreased from \$13.4 million to \$6.4 million in the first half of 2007.

**Capital Resources and Long-Term Debt** Our sources of capital include operating cash flows, short term borrowings under current credit and receivables securitization facilities, issuance of public and private debt and issuance of equity securities. We believe we have adequate financial resources to meet our ongoing cash requirements for operations and capital expenditures, as well as our other financial obligations based on our operating cash flows and currently available credit.

Our senior secured credit facilities allow for revolving credit borrowings of up to \$225.0 million provided we are in compliance with the covenants and conditions of the agreement. As of June 30, 2007, credit of \$154.4 million was available after borrowings of \$66.1 million, and standby letters of credit of \$4.5 million. The weighted average interest rate was 6.95% on these facilities as of June 30, 2007.

**Table of Contents**

On July 17, 2007, we entered into a third amendment to our senior secured credit facilities. The third amendment, effective June 29, 2007, adjusts the maximum total leverage ratio that is required to be maintained under the credit facilities for the period from April 1, 2007 through and including September 30, 2007 from 3.00 to 1.00 to 4.00 to 1.00. Our financial covenants are calculated and determined at the end of each quarter. After giving effect to the amendment, we are in compliance with our covenants as of June 30, 2007.

The receivables securitization facility allows for borrowing up to \$75.0 million based on the amount of eligible receivables and various reserves required by the facility. As of June 30, 2007, \$53.4 million of eligible receivables, net of reserves, were available for purchase and \$53.3 million was outstanding at a weighted average interest rate of 6.34%. On July 17, 2007, in connection with the third amendment to our credit facilities, we made a conforming change to the total leverage ratio required under the receivables securitization facility.

As of June 30, 2007, long-term debt including the current portion totaled \$278.1 million compared with \$277.2 million at the end of 2006. At the end of the first half of 2007, debt consisted of \$271.6 million in 8% senior subordinated notes with a face value of \$275.0 million and \$6.5 million of other debt.

**Outlook**

Our strategy for creating and sustaining long-term growth and profitability is based on three key strategic priorities: 1) being the lowest cost producer; 2) becoming the retailers' best partner; and 3) building and sustaining an innovation pipeline.

Current industry reports show continued decline in the carbonated soft drinks ( CSD ) category in the North American Food and Mass Channels. Energy drinks and non-carbonated beverages, including bottled water, sports drinks and ready-to-drink teas, are showing strong growth. While higher retail prices are likely to have a negative impact on CSD category volumes as beverage manufacturers pass through significant commodity cost increases, the magnitude of the impact is uncertain.

Ingredients and packaging costs represent a significant portion of our cost of sales. Most of these costs are subject to global and regional commodity cost trends. Our three largest commodities are aluminum, PET resin and high fructose corn syrup ( HFCS ). In 2007, the average price paid for aluminum increased significantly, reflecting world pricing. Based on current commodity metals forecasts, we do not expect aluminum prices to decrease through the balance of 2007 and we are taking actions we believe are appropriate to mitigate the impact. Resin prices have increased significantly in recent years but have decreased slightly in 2007 as compared with 2006 levels. We typically purchase HFCS requirements for North America under 12 month contracts and have locked in the majority of our requirements for the year. Our HFCS prices will be up significantly in 2007 over the prior year and we expect this trend to continue in the future, as a result of growing demand for corn-related products. We have taken, and intend to continue to take, steps to mitigate the effects of this cost environment through a variety of initiatives, including cost reductions and pricing, some of which are currently being implemented. In the second quarter of 2007, we implemented price increases in the U.S. and Mexico, which will take effect in the third quarter of 2007, to recover higher than anticipated ingredients and packaging costs. We expect that these price increases will have a short-term negative impact on volume.

Our cost reduction program includes initiatives to optimize asset utilization, reduce fixed costs and implement world-class efficiencies, the adoption of a sub-zero based budgeting system, optimization of selling, general and administrative expenses, further centralization of procurement and suppliers, ongoing SKU rationalization and optimization of all capital investments. In the second quarter of 2007, we continued our organizational restructuring and announced headcount reductions of approximately 40 executive and salaried positions, associated with the realignment of our North American business and the consolidation of our senior leadership team in Tampa, Florida. As part of our efforts to become the retailers' best partner, we have created fully-integrated business units and customer development and solutions teams which will allow for further cost reduction as well as improved service to and connections with our major customers. This new North American structure more closely aligns resources to customer needs. Once fully operational, our new customer development and solutions teams will provide integrated service dedicated to specific customer needs and opportunities, providing streamlined processes and greater accountability.



**Table of Contents**

As part of our goal to build and sustain an innovation pipeline, during the second quarter of 2007, we created two new positions at the Vice President level, one to lead innovation and the other dedicated to expanding business in new products, channels and customers.

While focused on driving improved performance in our North America core portfolio with current customers, our business strategy also contemplates the continued expansion of our business outside North America. We continue to view Mexico and the U.K. as long-term growth opportunities and are working to grow our business in these markets. We also expect to explore opportunities to expand to new global customers and geographies. As part of this initiative, we hired our first General Manager for our China business during the second quarter of 2007.

Since September 29, 2005 through the end of the period ended June 30, 2007, we have recorded pre-tax charges of \$95.4 million relating to our previously announced North American realignment, various cost reduction programs and impairments of customer relationship intangible assets. These amounts are part of an estimated \$115 to \$125 million in total charges related to cost reduction. This range was revised in 2006 from the initially announced range of \$60 to \$80 million, as a result of additional plant closures, office consolidation and organizational streamlining. We estimate that the remainder of the cost reduction program charges (approximately \$20 million to \$30 million), comprising additional contract losses and severances, will be incurred over the next 12 months.

***Forward-looking statements*** In addition to historical information, this report and the reports and documents incorporated by reference in this report contain statements relating to future events and our future results. These statements are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995 and include, but are not limited to, statements that relate to projections of sales, earnings, earnings per share, cash flows, capital expenditures or other financial items, discussions of estimated future revenue enhancements and cost savings. These statements also relate to our business strategy, goals and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. Generally, words such as anticipate, believe, continue, could, estimate, expect, intend, may, plan, predict, project, should and similar terms and phrases identify forward-looking statements in this report and in the documents incorporated in this report by reference. These forward-looking statements are made as of the date of this report.

Although we believe the assumptions underlying these forward-looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could be incorrect. Our operations involve risks and uncertainties, many of which are outside of our control, and any one or any combination of these risks and uncertainties could also affect whether the forward-looking statements ultimately prove to be correct.

The following are some of the factors that could affect our financial performance, including but not limited to sales, earnings and cash flows, or could cause actual results to differ materially from estimates contained in or underlying the forward-looking statements:

changing nature of the North American business;

our ability to successfully implement our cost reduction program, restore plant efficiencies and lower logistics and other costs;

our ability to grow our business outside of North America, including new geographic areas;

our ability to expand our business to new channels and products;

our ability to integrate new management and a new management structure;

loss of key customers, particularly Wal-Mart, and the commitment of our customers to their own Cott-supplied beverage programs;

increases in competitor consolidations and other marketplace competition, particularly among manufacturers of branded beverage products;

our ability to identify acquisition and alliance candidates and to integrate into our operations the businesses and product lines that we acquire or become allied with;

our ability to secure additional production capacity either through acquisitions, or third party manufacturing arrangements;

increase in interest rates;

fluctuations in the cost and availability of beverage ingredients and packaging supplies, and our ability to

27

---

**Table of Contents**

maintain favorable arrangements and relationships with our suppliers;

our ability to pass on increased costs to our customers and the impact those increased prices could have on our volumes;

unseasonably cold or wet weather, which could reduce demand for our beverages;

our ability to protect the intellectual property inherent in new and existing products;

adverse rulings, judgments or settlements in our existing litigation and regulatory reviews, and the possibility that additional litigation or regulatory reviews will be brought against us;

product recalls or changes in or increased enforcement of the laws and regulations that affect our business;

currency fluctuations that adversely affect the exchange between the U.S. dollar on one hand and the pound sterling, the Canadian dollar, the Mexican peso and other currencies on the other;

changes in tax laws and interpretations of tax laws;

changes in consumer tastes and preferences and market demand for new and existing products and our ability to develop new products that appeal to changing consumer tastes;

interruption in transportation systems, labor strikes, work stoppages and other interruptions or difficulties in the employment of labor or transportation in our markets; and

changes in general economic and business conditions.

Many of these factors are described in greater detail in this report and in other filings that we make with the U.S. Securities and Exchange Commission ( SEC ) and Canadian securities regulatory authorities. We undertake no obligation to update any information contained in this report or to publicly release the results of any revisions to forward-looking statements to reflect events or circumstances of which we may become aware of after the date of this report. Undue reliance should not be placed on forward-looking statements.

All future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Reference is made to Item 7A: Quantitative and Qualitative Disclosures about Market Risk described in our Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

Our operations outside the U.S. are concentrated principally in the U.K. and Canada. Our foreign exchange risk has increased in the first half of 2007, due to the volatility of the U.S. dollar with respect to the foreign currencies to which we have principal exposure. There can be no assurance that our exposure to foreign currency exchange rate risk will not increase in the future. As of June 30, 2007, we have no outstanding derivatives that were accounted for as hedges.

**Item 4. Controls and Procedures**

Our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) are not effective, based on their evaluation of these controls and procedures as of the end of the period covered by this report for the reasons discussed below. As discussed below, we have not made any changes in our internal control over financial reporting during the second quarter of 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



As previously disclosed in Item 9A of our Annual Report on Form 10-K for year ended December 30, 2006, we determined that, as of December 30, 2006, our internal control over financial reporting was not effective due to the existence of material weaknesses. As of December 30, 2006, we did not maintain effective controls over the completeness, accuracy, valuation and existence of inventory held by a supplier to our U.K. business and the valuation of credit notes due from that supplier. In addition, we did not maintain appropriate segregation of duties because an employee of our U.K. business negotiated and entered into purchase contracts while maintaining overall responsibility

28

---

**Table of Contents**

for the accounting for these transactions without appropriate review or monitoring. Also, we did not maintain effective internal controls over our procurement process, specifically the authorization and approval of contracts and timely communication of contracts to appropriate accounting personnel to evaluate their accounting treatment. These control deficiencies could have affected financial statement balances of inventory, prepaids, property, plant and equipment and related depreciation, accounts payable and capital lease obligations and could have resulted in a material misstatement to the annual or interim financial statements that would not have been prevented or detected. In accordance with the plan for remediation set forth in Item 9A of our Annual Report on Form 10-K for the year ended December 30, 2006, in the first quarter of 2007, we made changes to strengthen internal controls and procedures in the areas of inventory, segregation of duties and procurement. We have focused on monitoring adherence to our policies by assigning appropriate personnel to undertake responsibility for these controls. We implemented a functional reporting structure intended to ensure appropriate segregation of duties. In addition, we are implementing changes in our policies and procedures to ensure that all contracts are appropriately authorized and adhered to and that appropriate review for proper accounting of contracts takes place on a timely basis. We believe that these corrective actions will remediate the material weaknesses identified above. We will continue to monitor the effectiveness of these actions and will make any changes and take such other actions that we deem appropriate given the circumstances.

**Table of Contents**

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

Reference is made to the legal proceedings described in our Annual Report on Form 10-K for the fiscal year ended December 30, 2006 and to our Quarterly Report on Form 10-Q for the three-month period ended March 31, 2007. Such descriptions continue to be accurate except that, in reference to the action styled the Consumers Association of Canada and Bruce Cran v. Coca-Cola Bottling Ltd. et al., on June 21, 2007, the British Columbia Court of Appeal dismissed the appeal of the plaintiffs. The plaintiffs have until September 20, 2007 to make an application for leave to appeal to the Supreme Court of Canada.

**Item 1A. Risk Factors**

Reference is made to the detailed description of risk factors in Item 1A: Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

The risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 30, 2006 have not changed materially, other than as set forth below.

**IF WE BREACH THE COVENANTS SET OUT IN OUR SENIOR SECURED CREDIT FACILITIES OR SECURITIZATION FACILITY OR OTHERWISE DEFAULT UNDER THEM, THE LENDERS COULD TERMINATE THE FACILITIES AND SEEK REMEDIES AGAINST US OR WE WOULD HAVE TO RENEGOTIATE THESE AGREEMENTS AND MAY INCUR HIGHER FEES AND INTEREST COSTS.**

Our senior secured credit facilities allow for revolving credit borrowings of up to \$225.0 million provided we are in compliance with the covenants and conditions of the agreement. Our securitization facility allows for borrowings of up to \$75.0 million, depending on eligible receivables balances and calculations of reserves. These facilities contain cross default provisions. If we are in default under one facility, default is triggered under the other facility. As of December 30, 2006, total borrowings under these facilities were \$109.2 million. If we breach the covenants and such non-compliance is not waived by the lenders, or certain other events occur such as certain changes in control, certain judgments, certain other defaults or bankruptcy proceedings and such events are not acceptable to the lenders, we would be required to renegotiate the agreements with higher fees and interest rates, provided the lenders wish to renegotiate. The lenders could choose to terminate the facilities, in which case we believe we could replace them. We could however incur higher fees and interest expense which would negatively impact our financial condition and results of operations.

On July 17, 2007, we entered into a third amendment to our senior secured credit facilities. The amendment, effective June 29, 2007, adjusts the maximum total leverage ratio that is required to be maintained under the credit facilities for the period from April 1, 2007 through and including September 30, 2007 from 3.00 to 1.00 to 4.00 to 1.00. A conforming change was made to align the covenants in our securitization facility. Our financial covenants are calculated and determined at the end of each quarter. After giving effect to the amendment, we are in compliance with our covenants as of June 30, 2007.

Our senior unsecured notes include covenants that limit new borrowings with certain exceptions, including borrowings based on receivables and inventory, unless certain conditions are met, which could limit our ability to enter into new credit facilities. In addition if we default under our senior secured facilities and the lenders accelerate our debt under those facilities or if there are certain payment defaults under those facilities, we would be in default under our unsecured notes.

**Item 4. Submission of Matters to a Vote of Security Holders**

- (a) The Annual and Special Meeting of Cott's Shareowners was held on April 26, 2007.
- (b) The meeting was held to consider and vote on the following matters:

**Table of Contents**

<b>Matters Submitted to a Vote</b>	<b>For</b>	<b>Against/ Withheld</b>	<b>Abstentions and Broker Non-votes</b>
To elect directors for a period of one year:			
George A. Burnett	52,411,343	302,746	
David T. Gibbons	52,660,011	54,078	
Serge Gouin	52,657,382	56,707	
Stephen H. Halperin	52,389,709	324,380	
Betty Jane Hess	52,401,367	312,722	
Philip B. Livingston	52,652,409	61,680	
Christine A. Magee	52,398,815	315,274	
Andrew Prozes	52,659,666	54,423	
Donald G. Watt	52,645,445	68,644	
Frank E. Weise III	52,653,505	60,584	
Brent D. Willis	52,662,136	51,953	
To appoint PricewaterhouseCoopers LLP as auditors	52,664,078	50,311	
To approve the restatement of the Executive Investment Share Purchase Plan	44,242,675	2,065,633	6,406,081
To confirm the amendment to By-Law No. 2002-1	52,583,217	131,171	1

---

**Table of Contents**

**Item 6. Exhibits**

Number	Description
3.1	Articles of Amalgamation of Cott Corporation (incorporated by reference to Exhibit 3.1 to our Form 10-K dated February 19, 2007).
3.2	Amended and Restated By-laws of Cott Corporation (incorporated by reference to Exhibit 3.2 to our Form 10-Q dated May 9, 2007).
4.1	Shareowner Rights Plan Agreement between Cott Corporation and Computershare Investor Services Inc. dated as of April 25, 2007 (incorporated by reference to our Form 8-K dated April 27, 2007).
4.2	Amended and Restated Shareowner Rights Plan Agreement between Cott Corporation and Computershare Investor Services Inc. dated as of May 24, 2007 (incorporated by reference to our Form 8-A/A dated May 31, 2007).
10.1	Employment Termination Agreement between Cott Corporation and Mark Halperin dated July 5, 2007 (filed herewith).
10.2	Employment Termination Agreement between Cott Corporation and John Dennehy dated July 31, 2007 (filed herewith).
10.3	Third Amendment to the senior secured credit facilities dated as of July 17, 2007 (filed herewith).
10.4	Amendment No. 2 to Receivables Purchase Agreement dated as of July 17, 2007 (filed herewith).
10.5	Retention, Severance and Non-Competition Plan (filed herewith).
10.6	Amended and Restated Retention, Severance and Non-Competition Plan (filed herewith).
10.7	Amended and Restated Performance Share Unit Plan (filed herewith).
10.8	Amended and Restated Share Appreciation Rights Plan (filed herewith).
31.1	Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended June 30, 2007 (filed herewith).
31.2	Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended June 30, 2007 (filed herewith).
32.1	Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended June 30, 2007 (furnished herewith).
32.2	Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended June 30, 2007 (furnished herewith).



**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COTT CORPORATION  
(Registrant)

Date: August 8, 2007

*/s/ Juan R. Figueroo*

Juan R. Figueroo  
Chief Financial Officer  
(On behalf of the Company)

Date: August 8, 2007

*/s/ Tina Dell Aquila*

Tina Dell Aquila  
Vice President, Controller & Assistant Secretary  
(Principal accounting officer)

---

**Table of Contents****Financial Statement Schedules**

## SCHEDULE III CONSOLIDATING FINANCIAL STATEMENTS

Cott Beverages Inc., a wholly owned subsidiary of Cott Corporation, has entered into financing arrangements that are guaranteed by Cott Corporation and certain other wholly owned subsidiaries of Cott Corporation (the Guarantor Subsidiaries). Such guarantees are full, unconditional and joint and several.

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

**Cott Corporation****Consolidating Statements of Income (Loss)**

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

	For the three months ended June 30, 2007					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Non-elimination Entries	Consolidated
<b>Revenue</b>	\$80.8	\$ 294.5	\$ 109.6	\$ 37.4	\$(23.9)	\$ 498.4
Cost of sales	67.7	270.8	92.2	32.0	(23.9)	438.8
<b>Gross profit</b>	13.1	23.7	17.4	5.4		59.6
Selling, general and administrative expenses	9.8	25.0	7.9	2.0		44.7
Gain on disposal of property, plant and equipment		(0.4)				(0.4)
Restructuring, asset impairments and other charges						
Restructuring	3.7	5.4				9.1
<b>Operating (loss) income</b>	(0.4)	(6.3)	9.5	3.4		6.2
Other (income) expense, net	(2.9)	3.3	0.2	(2.8)	(0.4)	(2.6)
Interest (income) expense, net	1.1	9.2	(3.2)	0.8		7.9
Minority interest				0.8		0.8
<b>Income (loss) before income taxes and equity income (loss)</b>	1.4	(18.8)	12.5	4.6	0.4	0.1



Edgar Filing: COTT CORP /CN/ - Form 10-Q

Income taxes (recovery)	0.4	(6.1)	1.5	(0.4)		(4.6)
Equity income (loss)	3.7	0.3	(12.5)		8.5	
<b>Net income (loss)</b>	<b>\$ 4.7</b>	<b>\$ (12.4)</b>	<b>\$ (1.5)</b>	<b>\$ 5.0</b>	<b>\$ 8.9</b>	<b>\$ 4.7</b>

---

**Table of Contents****Cott Corporation  
Consolidating Statements of Income (Loss)***(in millions of U.S. dollars, unaudited)***For the six months ended June 30, 2007**

	<b>Cott Corporation</b>	<b>Cott Beverages Inc.</b>	<b>Guarantor Subsidiaries</b>	<b>Non- guarantor Subsidiaries</b>	<b>Elimination Entries</b>	<b>Consolidated</b>
<b>Revenue</b>	\$ 129.3	\$ 545.9	\$ 192.4	\$ 67.5	\$ (36.4)	\$ 898.7
Cost of sales	109.3	490.5	163.6	58.6	(36.4)	785.6
<b>Gross profit</b>	20.0	55.4	28.8	8.9		113.1
Selling, general and administrative expenses	16.3	46.3	16.2	3.5		82.3
Gain on disposal of property, plant and equipment		(0.4)				(0.4)
Restructuring, asset impairments and other charges						
Restructuring	3.8	5.6				9.4
<b>Operating (loss) income</b>	(0.1)	3.9	12.6	5.4		21.8
Other (income) expense, net	(2.7)	5.9	(0.3)	(3.4)	(1.8)	(2.3)
Interest (income) expense, net	1.1	17.2	(3.6)	1.0		15.7
Minority interest				1.5		1.5
<b>Income (loss) before income taxes and equity income</b>	1.5	(19.2)	16.5	6.3	1.8	6.9
Income taxes (recovery)	0.7	(5.2)	1.9			(2.6)
Equity income (loss)	8.7	1.3	(10.4)		0.4	
<b>Net income (loss)</b>	\$ 9.5	\$ (12.7)	\$ 4.2	\$ 6.3	\$ 2.2	\$ 9.5

**Table of Contents****Cott Corporation  
Consolidating Balance Sheets***(in millions of U.S. dollars, unaudited)*

	<b>As of June 30, 2007</b>					
	<b>Cott</b>	<b>Cott</b>	<b>Guarantor</b>	<b>Non-</b>	<b>Elimination</b>	
	<b>Corporation</b>	<b>Beverages</b>	<b>Subsidiaries</b>	<b>guarantor</b>	<b>Entries</b>	<b>Consolidated</b>
		<b>Inc.</b>		<b>Subsidiaries</b>		
<b>Assets</b>						
<i>Current assets</i>						
Cash	\$	\$	\$ 0.9	\$ 5.5	\$	\$ 6.4
Accounts receivable	43.6	28.9	84.8	115.6	(31.8)	241.1
Income taxes recoverable	0.1	25.8	(0.5)	0.2		25.6
Inventories	30.0	81.8	39.7	6.3		157.8
Prepaid expenses and other assets	2.0	3.7	5.5	0.1		11.3
Deferred income taxes		12.9				12.9
	75.7	153.1	130.4	127.7	(31.8)	455.1
Property, plant and equipment	60.3	177.7	136.0	10.0		384.0
Goodwill	26.5	54.4	81.6			162.5
Intangibles and other assets	15.6	161.0	29.0	34.5		240.1
Due from affiliates	266.5	8.3	191.6	41.9	(508.3)	
Investments in subsidiaries	183.6	32.9	(84.2)	151.0	(283.3)	
Deferred income taxes			0.1	12.4		12.5
	\$628.2	\$ 587.4	\$ 484.5	\$ 377.5	\$(823.4)	\$1,254.2
<b>Liabilities</b>						
<i>Current liabilities</i>						
Short-term borrowings	\$ 33.2	\$ 25.3	\$ 21.2	\$ 53.3	\$	\$ 133.0
Current maturities of long-term debt		2.0				2.0
Accounts payable and accrued liabilities	41.4	117.6	74.5	26.4	(33.6)	226.3

Edgar Filing: COTT CORP /CN/ - Form 10-Q

	74.6	144.9	95.7	79.7	(33.6)	361.3
Long-term debt		276.1				276.1
Due to affiliates	45.0	188.5	267.8	7.0	(508.3)	
Deferred income taxes		34.2	19.8	(0.7)		53.3
Other tax liabilities	0.7		1.2	32.6		34.5
	120.3	643.7	384.5	118.6	(541.9)	725.2
Minority interest				21.1		21.1
<b>Shareowners Equity</b>						
Capital stock						
Common shares	275.0	178.4	319.4	175.0	(672.8)	275.0
Restricted shares	(0.6)					(0.6)
Additional paid-in-capital	29.7					29.7
Retained earnings (deficit)	173.9	(234.7)	(192.0)	(8.8)	435.5	173.9
Accumulated other comprehensive income (loss)	29.9		(27.4)	71.6	(44.2)	29.9
	507.9	(56.3)	100.0	237.8	(281.5)	507.9
	\$628.2	\$ 587.4	\$ 484.5	\$ 377.5	\$(823.4)	\$1,254.2

---

**Table of Contents****Cott Corporation  
Consolidating Statements of Cash Flows***(in millions of U.S. dollars, unaudited)*

	<b>For the three months ended June 30, 2007</b>					
	<b>Cott</b>	<b>Cott</b>	<b>Guarantor</b>	<b>Non-</b>	<b>Elimination</b>	
	<b>Corporation</b>	<b>Beverages</b>	<b>Subsidiaries</b>	<b>guarantor</b>	<b>Subsidiaries</b>	<b>Entries Consolidated</b>
		<b>Inc.</b>		<b>Subsidiaries</b>		
<b>Operating activities</b>						
Net income (loss)	\$ 4.7	\$ (12.4)	\$ (1.5)	\$ 5.0	\$ 8.9	\$ 4.7
Depreciation and amortization	2.6	8.6	5.3	1.2		17.7
Amortization of financing fees			0.1	0.1		0.2
Share-based compensation	2.9					2.9
Deferred income taxes	0.8	3.8	(0.5)	(0.5)		3.6
Increase in other income tax liabilities	(0.4)			(0.3)		(0.7)
Minority interest				0.8		0.8
Gain on disposal of property, plant and equipment		(0.3)	(0.1)			(0.4)
Equity (loss) income, net of distributions	(2.5)	0.3	20.6		(18.4)	
Asset impairments		(3.5)	3.5			
Other non-cash items	(0.4)	0.6		0.1		0.3
Net change in non-cash working capital	5.4	3.3	(25.8)	(16.3)	(0.4)	(33.8)
Cash provided (used in) by operating activities	13.1	0.4	1.6	(9.9)	(9.9)	(4.7)
<b>Investing activities</b>						
Additions to property, plant and equipment	(2.7)	(8.4)	(8.5)	(0.5)		(20.1)
Additions to intangible and other assets	(1.1)		(0.2)			(1.3)
Proceeds from disposal of property, plant and equipment		0.5	0.1			0.6
Advances to affiliates		0.1	(2.4)		2.3	
	(3.8)	(7.8)	(11.0)	(0.5)	2.3	(20.8)

Cash (used in) provided  
by investing activities

**Financing activities**

Payments of long-term debt		(0.4)				(0.4)
Short-term borrowings	(10.4)	12.3	12.8	11.6		26.3
Advances from affiliates		2.4		(0.1)	(2.3)	
Distributions to subsidiary minority shareowner				(0.7)		(0.7)
Issuance of common shares	0.5					0.5
Dividends paid		(6.7)	(2.5)	(0.7)	9.9	
Other financing activities	0.1	(0.2)				(0.1)
Cash (used in) provided by financing activities	(9.8)	7.4	10.3	10.1	7.6	25.6
Effect of exchange rate changes on cash				0.1		0.1
Net (decrease) increase in cash	(0.5)		0.9	(0.2)		0.2
Cash, beginning of period	0.5			5.7		6.2
Cash, end of period	\$	\$	\$ 0.9	\$ 5.5	\$	\$ 6.4

---

**Table of Contents****Cott Corporation  
Consolidating Statements of Cash Flows***(in millions of U.S. dollars, unaudited)***For the six months ended June 30, 2007**

	<b>Cott Corporation</b>	<b>Cott Beverages Inc.</b>	<b>Guarantor Subsidiaries</b>	<b>Non- guarantor Subsidiaries</b>	<b>Elimination Entries</b>	<b>Consolidated</b>
<b>Operating activities</b>						
Net income (loss)	\$ 9.5	\$ (12.7)	\$ 4.2	\$ 6.3	\$ 2.2	\$ 9.5
Depreciation and amortization	5.4	17.3	10.4	2.5		35.6
Amortization of financing fees		0.1	0.2	0.2		0.5
Share-based compensation	5.4					5.4
Deferred income taxes	0.7	4.2	(0.9)	(0.6)		3.4
Increase in other income tax liabilities				0.5		0.5
Minority interest				1.5		1.5
Gain on disposal of property, plant and equipment		(0.3)	(0.1)			(0.4)
Equity (loss) income, net of distributions	89.9		18.5		(108.4)	
Asset impairments						
Other non-cash items	(0.5)	1.1				0.6
Net change in non-cash working capital	(127.4)	(44.7)	188.3	(60.3)	(1.8)	(45.9)
Cash (used in) provided by operating activities	(17.0)	(35.0)	220.6	(49.9)	(108.0)	10.7
<b>Investing activities</b>						
Additions to property, plant and equipment	(4.7)	(17.2)	(13.9)	(0.5)		(36.3)
Additions to intangible and other assets	(6.3)	(18.2)	22.8			(1.7)
Proceeds from disposal of property, plant and equipment		0.6	0.2			0.8
Advances to affiliates	(4.6)	0.1	(45.7)		50.2	

Cash (used in) provided by investing activities	(15.6)	(34.7)	(36.6)	(0.5)	50.2	(37.2)
<b>Financing activities</b>						
Payments of long-term debt		(1.6)				(1.6)
Short-term borrowings	30.1	25.3	(86.5)	53.2		22.1
Advances from affiliates		45.7	4.6	(0.1)	(50.2)	
Distributions to subsidiary minority shareowner				(1.3)		(1.3)
Issuance of common shares	0.5					0.5
Dividends paid		(6.7)	(99.9)	(1.4)	108.0	
Other financing activities	0.2	2.1	(2.5)			(0.2)
Cash provided by (used in) financing activities	30.8	64.8	(184.3)	50.4	57.8	19.5
Effect of exchange rate changes on cash						
Net decrease in cash	(1.8)	(4.9)	(0.3)			(7.0)
Cash, beginning of period	1.8	4.9	1.2	5.5		13.4
Cash, end of period	\$	\$	\$ 0.9	\$ 5.5	\$	\$ 6.4

---



**Table of Contents****Cott Corporation  
Consolidating Statements of Income***(in millions of U.S. dollars, unaudited)*

	<b>For the three months ended July 1, 2006</b>					
	<b>Cott Corporation</b>	<b>Cott Beverages Inc.</b>	<b>Guarantor Subsidiaries</b>	<b>Non- guarantor Subsidiaries</b>	<b>Elimination Entries</b>	<b>Consolidated</b>
<b>Revenue</b>	\$69.8	\$ 309.3	\$ 107.7	\$ 35.1	\$(19.9)	\$ 502.0
Cost of sales	56.7	269.4	93.9	29.6	(19.9)	429.7
<b>Gross profit</b>	13.1	39.9	13.8	5.5		72.3
Selling, general and administrative expenses	11.1	26.6	8.9	2.1		48.7
(Gain) loss on disposal of property, plant and equipment	(0.5)	0.4				(0.1)
Restructuring, asset impairments and other charges	(0.3)	0.5				0.2
Asset (recoveries) impairments	(0.3)	0.2				(0.1)
Other			0.6			0.6
<b>Operating income</b>	3.1	12.2	4.3	3.4		23.0
Other (income) expense, net	(0.1)	4.0	(0.4)	(5.7)	2.2	
Interest (income) expense, net	(0.1)	8.0	0.1	(0.5)		7.5
Minority interest				1.1		1.1
<b>Income (loss) before income taxes and equity income (loss)</b>	3.3	0.2	4.6	8.5	(2.2)	14.4
Income taxes	0.1	0.9	1.6	4.2		6.8
Equity income (loss)	4.4	(0.8)	4.7		(8.3)	
<b>Net income (loss)</b>	\$ 7.6	\$ (1.5)	\$ 7.7	\$ 4.3	\$(10.5)	\$ 7.6

## For the six months ended July 1, 2006

	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Elimination Entries	Consolidated
<b>Revenue</b>	\$113.9	\$ 571.4	\$ 185.4	\$ 62.4	\$(36.9)	\$ 896.2
Cost of sales	93.4	499.1	162.7	52.9	(36.9)	771.2
<b>Gross profit</b>	20.5	72.3	22.7	9.5		125.0
Selling, general and administrative expenses	22.5	45.8	16.4	3.9		88.6
(Gain) loss on disposal of property, plant and equipment	(0.5)	0.5				
Restructuring, asset impairments and other charges						
Restructuring	0.2	1.6				1.8
Asset (recoveries) impairments	(0.1)	1.4				1.3
Other			2.6			2.6
<b>Operating (loss) income</b>	(1.6)	23.0	3.7	5.6		30.7
Other (income) expense, net	(0.1)	4.6	(0.8)	(0.9)	(3.0)	(0.2)
Interest (income) expense, net	(0.1)	16.0	0.1	(0.3)		15.7
Minority interest				2.1		2.1
<b>(Loss) income before income taxes and equity income (loss)</b>	(1.4)	2.4	4.4	4.7	3.0	13.1
Income taxes	0.1	1.1	1.9	4.5		7.6
Equity income (loss)	7.0	(0.3)	7.6		(14.3)	
<b>Net income (loss)</b>	\$ 5.5	\$ 1.0	\$ 10.1	\$ 0.2	\$(11.3)	\$ 5.5

**Table of Contents****Cott Corporation  
Consolidating Balance Sheets***(in millions of U.S. dollars)*

	Cott	As of December 30, 2006			Elimination	
	Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Entries	Consolidated
<b>ASSETS</b>						
<b>Current assets</b>						
Cash	\$ 1.8	\$ 4.9	\$ 1.2	\$ 5.5	\$	\$ 13.4
Accounts receivable	37.2	24.6	85.0	84.3	(44.1)	187.0
Income taxes recoverable	0.2	15.1	1.5	(0.2)		16.6
Inventories	21.6	71.6	33.0	5.0		131.2
Prepaid expenses and other assets	1.5	3.2	4.6	1.0		10.3
Deferred income taxes		10.3	0.2	1.2		11.7
	62.3	129.7	125.5	96.8	(44.1)	370.2
Property, plant and equipment	49.5	172.5	128.0	10.2		360.2
Goodwill	23.5	46.0	88.9			158.4
Intangibles and other assets	14.9	155.4	43.9	36.5		250.7
Due from affiliates	102.5	36.2	190.8	41.9	(371.4)	
Investments in subsidiaries	377.8	59.9	38.3	137.8	(613.8)	
	\$630.5	\$ 599.7	\$ 615.4	\$ 323.2	\$(1,029.3)	\$1,139.5
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Short-term borrowings	\$	\$	\$ 107.7	\$	\$	\$ 107.7
Current maturities of long-term debt		2.0				2.0
Accounts payable and accrued liabilities	33.8	108.4	65.3	24.6	(45.6)	186.5
	33.8	110.4	173.0	24.6	(45.6)	296.2
Long-term debt		275.2				275.2
Due to affiliates	108.0	124.7	99.9	38.8	(371.4)	
Deferred income taxes		26.4	22.5	9.6		58.5

Edgar Filing: COTT CORP /CN/ - Form 10-Q

	141.8	536.7	295.4	73.0	(417.0)	629.9
Minority interest				20.9		20.9
SHAREOWNERS						
EQUITY						
Capital stock						
Common shares	273.4	275.8	615.1	175.0	(1,065.9)	273.4
Restricted shares	(0.7)					(0.7)
Additional paid-in capital	29.8					29.8
Retained earnings						
(deficit)	168.7	(212.8)	(201.0)	(5.2)	419.0	168.7
Accumulated other						
comprehensive income						
(loss)	17.5		(94.1)	59.5	34.6	17.5
	488.7	63.0	320.0	229.3	(612.3)	488.7
	\$630.5	\$ 599.7	\$ 615.4	\$ 323.2	\$(1,029.3)	\$1,139.5

---

**Table of Contents****Cott Corporation  
Consolidating Statements of Cash Flows***(in millions of U.S. dollars, unaudited)*

	<b>For the three months ended July 1, 2006</b>					
	<b>Cott Corporation</b>	<b>Cott Beverages Inc.</b>	<b>Guarantor Subsidiaries</b>	<b>Non- guarantor Subsidiaries</b>	<b>Elimination Entries</b>	<b>Consolidated</b>
<b>Operating activities</b>						
Net income (loss)	\$ 7.6	\$ (1.5)	\$ 7.7	\$ 4.3	\$ (10.5)	\$ 7.6
Depreciation and amortization	2.9	9.2	5.7	1.3		19.1
Amortization of financing fees			0.1	0.1		0.2
Share-based compensation expense	1.9					1.9
Deferred income taxes		2.4	0.2	3.8		6.4
Minority interest				1.1		1.1
Equity (loss) income, net of distributions	(4.4)	1.5	(4.7)		7.6	
(Gain) loss on disposal of property, plant and equipment	(0.4)	0.4	(0.1)			(0.1)
Asset recoveries	(0.1)					(0.1)
Other non-cash items	(0.1)	0.3				0.2
Net change in non-cash working capital	(7.2)	(4.7)	(5.5)	(0.4)	2.2	(15.6)
Cash provided by (used in) operating activities	0.2	7.6	3.4	10.2	(0.7)	20.7
<b>Investing activities</b>						
Additions to property, plant and equipment	(0.6)	(5.0)	(2.7)	(0.1)		(8.4)
Additions to intangibles and other assets	(1.2)	(2.1)				(3.3)
Proceeds from disposal of property, plant and equipment	1.0	(0.4)	0.2			0.8
Advances to affiliates	(0.1)	0.1	(2.2)		2.2	
Cash (used in) provided by investing activities	(0.9)	(7.4)	(4.7)	(0.1)	2.2	(10.9)

**Financing activities**

Payments of long-term debt		(0.3)				(0.3)
Short-term borrowings		(1.9)	(2.8)	(5.0)		(9.7)
Advances from affiliates		2.1	0.1		(2.2)	
Distributions to subsidiary minority shareowner				(0.7)		(0.7)
Dividends paid				(0.7)	0.7	
Cash used in financing activities		(0.1)	(2.7)	(6.4)	(1.5)	(10.7)
Effect of exchange rate changes on cash				(0.1)		(0.1)
<b>Net (decrease) increase in cash</b>	<b>(0.7)</b>	<b>0.1</b>	<b>(4.0)</b>	<b>3.6</b>		<b>(1.0)</b>
<b>Cash, beginning of period</b>	<b>4.5</b>		<b>3.7</b>	<b>2.6</b>		<b>10.8</b>
<b>Cash, end of period</b>	<b>\$ 3.8</b>	<b>\$ 0.1</b>	<b>\$ (0.3)</b>	<b>\$ 6.2</b>	<b>\$ -</b>	<b>\$ 9.8</b>

---

**Table of Contents****Cott Corporation  
Consolidating Statements of Cash Flows***(in millions of U.S. dollars, unaudited)*

	<b>For the six months ended July 1, 2006</b>					
	<b>Cott</b>	<b>Cott</b>	<b>Guarantor</b>	<b>Non-</b>	<b>Elimination</b>	
	<b>Corporation</b>	<b>Beverages</b>	<b>Subsidiaries</b>	<b>guarantor</b>	<b>Entries</b>	<b>Consolidated</b>
		<b>Inc.</b>	<b>Subsidiaries</b>	<b>Subsidiaries</b>		
<b>Operating activities</b>						
Net income (loss)	\$ 5.5	\$ 1.0	\$ 10.1	\$ 0.2	\$(11.3)	\$ 5.5
Depreciation and amortization	6.0	18.7	11.1	2.6		38.4
Amortization of financing fees		0.1	0.2	0.2		0.5
Share-based compensation expense	4.6					4.6
Deferred income taxes		2.7		3.9		6.6
Minority interest				2.1		2.1
Equity (loss) income, net of distributions	(7.0)	2.1	(7.6)		12.5	
(Gain) loss on disposal of property, plant and equipment	(0.4)	0.5	(0.1)			
Asset (recoveries) impairments	(0.1)	1.4				1.3
Other non-cash items	(0.1)	0.6				0.5
Net change in non-cash working capital	(9.1)	(17.6)	(6.1)	4.4	(3.0)	(31.4)
Cash (used in) provided by operating activities	(0.6)	9.5	7.6	13.4	(1.8)	28.1
<b>Investing activities</b>						
Additions to property, plant and equipment	(1.3)	(10.2)	(5.1)	(0.1)		(16.7)
Additions to intangibles and other assets	(2.4)	(3.3)				(5.7)
Proceeds from disposal of property, plant and equipment	1.0	0.2	0.3			1.5
Advances to affiliates	(1.8)	0.1	(4.3)		6.0	
Cash (used in) provided by investing activities	(4.5)	(13.2)	(9.1)	(0.1)	6.0	(20.9)

**Financing activities**

Payments of long-term debt		(0.5)				(0.5)
Short-term borrowings		0.2	(6.9)	(10.0)		(16.7)
Advances from affiliates		4.2	1.8		(6.0)	
Distributions to subsidiary minority shareowner				(1.8)		(1.8)
Dividends paid				(1.8)	1.8	
Other financing activities		(0.1)				(0.1)
Cash provided by (used in) financing activities		3.8	(5.1)	(13.6)	(4.2)	(19.1)
Effect of exchange rate changes on cash	0.1			(0.1)		
<b>Net (decrease) increase in cash</b>	<b>(5.0)</b>	<b>0.1</b>	<b>(6.6)</b>	<b>(0.4)</b>		<b>(11.9)</b>
<b>Cash, beginning of period</b>	<b>8.8</b>		<b>6.3</b>	<b>6.6</b>		<b>21.7</b>
<b>Cash, end of period</b>	<b>\$ 3.8</b>	<b>\$ 0.1</b>	<b>\$ (0.3)</b>	<b>\$ 6.2</b>	<b>\$</b>	<b>\$ 9.8</b>