

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

COTT CORP /CN/
Form 10-K
March 06, 2006

United States
Securities and Exchange Commission
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

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
(State or Other Jurisdiction
of Incorporation or Organization)

NONE
(IRS Employer
Identification No.)

207 QUEEN'S QUAY WEST, SUITE 340,
TORONTO, ONTARIO
(Address of principal executive offices)

M5J 1A7
(Zip Code)

Registrant's telephone number, including area code: (416) 203-3898

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
COMMON SHARES WITHOUT NOMINAL OR PAR VALUE	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendment to this form 10-K.

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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

The aggregate market value of the common equity held by non-affiliates of the registrant as of July 2, 2005 (based on the closing sale price of the registrant's common stock as reported on the New York Stock Exchange on July 1, 2005) was \$1,546,902,683.

(Reference is made to the last paragraph of Part II, Item 5 for a statement of assumptions upon which the calculation is made.)

The number of shares outstanding of the registrant's common stock as of February 28, 2006 was 71,711,630.

TABLE OF CONTENTS

		PAGE

PART I		
Item 1	Business.....	17
Item 1A	Risk factors.....	21
Item 1B	Unresolved staff comments.....	24
Item 2	Properties.....	24
Item 3	Legal proceedings.....	24
Item 4	Submission of matters to a vote of security holders.....	25
	Supplemental Item Part I - Executive officers of Cott.....	26
PART II		
Item 5	Market for the registrant's common equity and related shareowner matters	27
Item 6	Selected financial data	28
Item 7	Management's discussion and analysis of financial condition and results of operations	29
Item 7A	Quantitative and qualitative disclosures about market risk	38
Item 8	Financial statements and supplementary data	
	Report of management.....	40
	Report of independent registered public accounting firm.....	41
	Consolidated Statements of Income for fiscal years ended 2005, 2004 and 2003.....	43
	Consolidated Balance Sheets as of the fiscal years ended	

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

	2005 and 2004.....	44
	Consolidated Statements of Shareowners' Equity for the fiscal years ended 2005, 2004 and 2003.....	45
	Consolidated Statements of Cash Flows for the fiscal years ended 2005, 2004 and 2003.....	46
	Notes to the Consolidated Financial Statements for the fiscal years ended 2005, 2004 and 2003.....	47
	Quarterly Financial Information.....	61
Item 9	Changes in and disagreements with accountants on accounting and financial disclosure.....	62
Item 9A	Controls and procedures.....	62
PART III		
Item 10	Directors and executive officers.....	63
Item 11	Executive compensation.....	63
Item 12	Security ownership of certain beneficial owners and management and related shareowner matters.....	63
Item 13	Certain relationships and related transactions.....	63
Item 14	Principal accountant fees and services	63
PART IV		
Item 15	Exhibits and financial statement schedules	64

Our consolidated financial statements are prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") in U.S. dollars. Unless otherwise indicated, all amounts in this report are in U.S. dollars and U.S. GAAP.

Any reference to 2005, 2004 and 2003 corresponds to the year-end dates December 31, 2005, January 1, 2005, and January 3, 2004 respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive proxy statement for the 2006 Annual and Special Meeting of Shareowners, to be filed within 120 days of December 31, 2005, are incorporated by reference in Part III.

Such proxy statement, except for the parts therein which have been specifically incorporated by reference, shall not be deemed "filed" for the purposes of this report on Form 10-K.

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 are used to identify forward-looking statements in this report and in the documents

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

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:

- loss of key customers, particularly Wal-Mart, and the commitment of retailer brand beverage customers to their own retailer brand beverage programs;
- increases in competitor consolidations and other market-place competition, particularly among 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;
- our ability to restore plant efficiencies and lower logistics costs;
- fluctuations in the cost and availability of beverage ingredients and packaging supplies, and our ability to maintain favorable arrangements and relationships with our suppliers;
- our ability to pass on increased costs to our customers;
- 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 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;

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

- 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.

15

NON-GAAP FINANCIAL MEASURES

In this Annual Report on Form 10-K and in our Annual Report to Shareowners for the year ended December 31, 2005 we use certain non-GAAP measures to provide additional information with regards to our financial performance and liquidity including earnings before interest, taxes, depreciation and amortization ("EBITDA") and cash flow from operations after capital expenditures. EBITDA is defined as earnings from continuing operations before interest, income taxes, depreciation and amortization. Cash flow from operations after capital expenditures is defined as cash from operating activities less additions to property, plant and equipment.

We use operating income as our primary measure of performance and cash flow from operations as our primary measure of liquidity. Nevertheless, we present EBITDA in our filings for several reasons. First, we use multiples of EBITDA and discounted cash flows in determining the value of our operations. In addition, we use "cash return on assets," which is a financial measure calculated by dividing our annualized EBITDA by our aggregate operating assets, for the purposes of calculating performance-related bonus compensation for our management employees, because that measure reflects the ability of management to generate cash while preserving assets. Finally, we include EBITDA in our filings because we believe that our current and potential investors use multiples of EBITDA to make investment decisions about us. Investors should not consider EBITDA an alternative to net income, nor to cash provided by operating activities nor any other indicator of performance or liquidity, which have been determined in accordance with U.S. or Canadian GAAP. Our method of calculating EBITDA may differ from the methods used by other companies and, accordingly, our EBITDA may not be comparable to similarly titled measures used by other companies.

In addition, we use cash flow from operations after capital expenditures as a measure of cash we are able to generate after considering the investments required to maintain or expand our capital base.

16

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

PART I

ITEM 1.

BUSINESS

OUR COMPANY

We operate in North America through our indirect wholly owned subsidiary, Cott Beverages Inc., in the United States, and through our Cott Beverages Canada division in Canada, in the U.K. and Europe through our indirect wholly owned subsidiary, Cott Beverages Ltd., and in Mexico through an indirect 90% owned subsidiary, Cott Embotelladores de Mexico, S.A. de C.V. References throughout this report to North America or our North American business mean, unless otherwise indicated, Canada and the United States.

We incorporated in 1955 and are governed by the Canada Business Corporations Act. Our registered Canadian office is located at 333 Avro Avenue, Pointe-Claire, Quebec, Canada H9R 5W3 and our principal executive office is located at 207 Queen's Quay West, Suite 340, Toronto, Ontario, Canada M5J 1A7.

PRINCIPAL MARKETS AND PRODUCTS

We are one of the world's largest suppliers of retailer brand beverages. Based on industry information, we estimate that we produce (either directly or through third party manufacturers with whom we have co-packing agreements) approximately 74% of all retailer brand carbonated soft drinks sold in North America. We produce 44% of those sold in the U.K. In addition to carbonated soft drinks, our product lines include clear, sparkling flavored beverages, juice-based products, bottled water, energy drinks and iced teas. During the year ended December 31, 2005, approximately 94% of all of the beverages we sell in 8-ounce equivalent cases, in North America and the U.K. are under customer controlled retailer brands, and the remainder are sold under brand names that we either own or license from others. 8-ounce equivalent cases is a standard industry measure and does not equate to physical cases. Sales of carbonated soft drinks including flavored sparkling waters and energy drinks represented approximately 85% of our sales volume in 8-ounce equivalent cases. Sales of bottled water represented 8% of our sales volume in 8-ounce equivalent cases.

In recent years, we expanded our business through acquisitions and growth with key customers. We believe that opportunities exist to increase sales of beverages in our markets by leveraging existing customer relationships, obtaining new customers, exploring new channels of distribution and introducing new products.

During the past five years, we expanded and strengthened our production and distribution capabilities in North America, the U.K. and Mexico through a series of acquisitions totaling \$377.7 million.

RECENT ACQUISITIONS

In August 2005 we acquired 100% of the shares of Macaw (Holdings) Limited, the parent company of Macaw (Soft Drinks) Limited ("Macaw"), which at the time was the largest privately owned manufacturer of retailer brand carbonated soft drinks in the U.K. (the "Macaw Acquisition"). The Macaw Acquisition represents a significant strategic investment in our U.K. business. We expect that the additional production capacity and manufacturing capabilities in the fast-growing aseptic beverage segment will enable us to expand the variety of products and packages we offer and enhance the service we provide to our customers.

Subsequent to the completion of the Macaw Acquisition, the U.K. Office of

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

Fair Trading ("OFT") decided to review the transaction. Under applicable U.K. law, we were not required to seek pre-clearance of the Macaw Acquisition by the OFT in the U.K. The OFT has referred the transaction to the Competition Commission for further investigation. The Competition Commission ruling is expected in May 2006. Until this regulatory review is complete and a ruling is made, the OFT and Competition Commission have required us to refrain from further integrating the Macaw business into the Cott business in the U.K.

CAPACITY ADDITIONS

In June 2005 we began shipping from our new manufacturing facility in Fort Worth, Texas. As the largest plant in our global operations, Fort Worth is currently expected to produce about 32.0 million physical cases in 2006.

NORTH AMERICAN REALIGNMENT

In September 2005 we announced a plan to realign the management of our Canadian and U.S. businesses to a North American basis to leverage management strengths, improve supply chain efficiencies and position our North American business to become more profitable and responsive to customer needs. The plan includes organizational changes as well as rationalization of product offerings, elimination of underperforming assets and increased focus on high potential accounts. As part of this realignment we closed our juice plant in Lachine, Quebec effective February 2006 and we plan to close our manufacturing plant in Columbus, Ohio effective March 2006.

17

FINANCIAL INFORMATION ABOUT SEGMENTS

For financial information about segments and geographic areas, see note 23 to the consolidated financial statements, found on pages 58 to 59 of this Annual Report on Form 10-K.

MANUFACTURING AND DISTRIBUTION

Approximately 86% of our beverages produced in North America were manufactured in facilities that we, or third party manufacturers with whom we have long-term co-packing agreements, either own or lease. We manufacture virtually all of our U.K. and Mexican beverages in facilities that we either own or lease. We rely on third parties to produce and distribute products in areas or markets where we do not have our own production facilities, such as continental Europe, or when additional production capacity is required.

Our products are either picked up by customers at our facilities or delivered by us, a common carrier, or third party distributors to either the customer's distribution centers or directly to retail locations.

We may be liable if the consumption of any of our products causes injury, illness or death. We also may be required to recall some of our products if they become contaminated or are damaged or mislabeled. A significant unfavorable product liability judgment or a widespread product recall could have a material adverse effect on our results of operations or cash flows. We are insured against product liability claims and product recalls. We believe that our insurance coverage is adequate. Our insurers are comfortable with our deductibles given our operational risk profile, our claims history and our financial stability.

INGREDIENTS AND PACKAGING SUPPLIES

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

The principal raw materials required to produce our products are polyethylene terephthalate ("PET") bottles, caps and PET preforms, cans and ends, labels, cartons and trays, concentrates, sweeteners and carbon dioxide.

We typically enter into annual supply arrangements rather than long-term contracts with our suppliers, which means that our suppliers are obligated to continue to supply us with materials for one-year periods, at the end of which we must either renegotiate the contracts with our incumbent suppliers or find alternative sources.

With respect to some of our key packaging supplies, such as aluminum cans and ends, and some of our key ingredients, such as artificial sweeteners, we have entered into long-term supply agreements, the terms of which range from 1 to 6 years. Crown Cork & Seal USA, Inc. ("CCS") supplies aluminum cans and ends under a contract that expires on December 31, 2011. The contract provides that CCS will supply all of our aluminum can and end requirements worldwide, subject to certain exceptions. The contract contains a pricing mechanism for certain materials, standard representations, warranties, indemnities and termination events, including termination events related to bankruptcy or insolvency of either party. As with our annual supply contracts, we must either renegotiate these long-term supply agreements with the incumbent suppliers when they expire or find alternative sources.

We rely upon our ongoing relationships with key suppliers to support our operations. We believe that we will be able to either renegotiate contracts with these suppliers when they expire or replace them. We could, however, incur higher ingredient and packaging costs in renegotiating contracts with existing suppliers or replacing those suppliers or we could experience temporary disruptions in our ability to deliver products to our customers, either of which could have a material adverse effect on our results of operations.

We believe there is adequate supply of the ingredients and packaging materials used to produce or package our products. However, the supply of specific ingredients and packaging materials could be adversely affected by economic factors such as industry consolidation, energy shortages, governmental controls, labor disputes, natural disasters, acts of war or terrorism and other factors.

The majority of our ingredient and packaging supply contracts allow our suppliers to alter the amounts they charge us based on changes in the costs of the underlying commodities. Aluminum for cans, resin for PET bottles and high fructose corn syrup for sweeteners are examples of these underlying commodities. In addition, the contracts for certain of our ingredients and packaging materials permit our suppliers to increase the costs they charge us based on increases in their cost of converting the underlying commodities into the materials we purchase. In certain cases those increases are subject to negotiated limits. Changes in the prices we pay for ingredients and packaging materials occur at times that vary by product and supplier, but are principally on semi-annual or annual bases.

Accordingly, we bear the risk of increases in the costs of these ingredients and packaging materials, including the underlying costs of the commodities that comprise them and, to some extent, the costs of converting those commodities into finished products. We do not use derivatives to manage this risk. If the cost of these ingredients or packaging materials increases, we may be unable to pass these costs along to our customers through adjustments to the prices we charge. If we cannot pass on these increases to our customers on a timely basis, they could have a material adverse effect on our results of operations.

TRADE SECRETS, TRADEMARKS AND LICENSES

We sell the majority of our beverages under retailer brands to customers who own the trademarks associated with those products. We are the registered owner of various trademarks that are important to our worldwide business, including Cott(R) in Canada and the U.S., as well as Stars & Stripes(R), Vess(R), Vintage(R), Top Pop(R), City Club(R) and Lotsa(R) in the U.S., Red Rooster(R) and Benshaws(R) in the U.K. and RC(R) in more than 100 countries outside of North America. We are licensed to use certain trademarks, including Chubby(R) in Canada and the U.S. and RC(R) in certain regions of Canada, Carters(R) in the U.K. and Jarritos(R) in Mexico. Trademarks are generally of indefinite duration and the licenses to which we are a party are of varying terms, certain of which are perpetual.

Our success depends in part on our intellectual property, which includes trade secrets in the form of concentrate formulas for our beverages and trademarks for the names of the beverages we sell. We either own the trademarks for the products that we sell or license them from our retailer brand customers and other third parties. To protect this intellectual property, we rely principally on registration of trademarks, contractual responsibilities and restrictions in agreements (such as indemnification, nondisclosure and confidentiality agreements) with employees, consultants and customers, and on the common law and statutory protections afforded to trademarks, trade secrets and proprietary "know-how." We also emphasize correct use of our trademarks and vigorously pursue any party that infringes on our trademarks, using all available legal remedies.

We may not be successful in protecting our intellectual property for a number of reasons, including:

- competitors may independently develop intellectual property that is similar to or better than ours;
- employees, consultants or customers may not abide by their contractual agreements and the cost of enforcing those agreements may be prohibitive, or those agreements may prove to be unenforceable or more limited than anticipated;
- foreign intellectual property laws may not adequately protect our intellectual property rights; and
- our intellectual property rights may be challenged, invalidated or circumvented.

If we are unable to protect our intellectual property, it would weaken our competitive position, and we could face significant expense to protect or enforce our intellectual property rights.

If we are found to infringe on the intellectual property rights of others, we could incur significant damages, be enjoined from continuing to manufacture, market or use the affected product, or be required to obtain a license to continue manufacturing or using the affected product. A license could be very expensive to obtain or may not be available at all. Similarly, changing products or processes to avoid infringing the rights of others may be costly or impracticable.

Occasionally, third parties may assert that we are, or may be, infringing on or misappropriating their intellectual property rights. In these cases, we

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

intend to defend against claims or negotiate licenses when we consider these actions appropriate. Intellectual property cases are uncertain and involve complex legal and factual questions. If we become involved in this type of litigation, it could consume significant resources and divert our attention from business operations.

SEASONALITY OF SALES

Sales of our beverages are seasonal, with the highest sales volumes generally occurring in the second and third fiscal quarters, which correspond to the warmer months of the year in our major markets.

CUSTOMERS

A significant portion of our sales is concentrated in a small number of customers. Our customers include many large national and regional grocery, mass-merchandise, drugstore, wholesale and convenience store chains in our core markets of North America and the U.K. and Europe. For the year ended December 31, 2005, sales to Wal-Mart Stores, Inc. and its affiliates (collectively, "Wal-Mart") accounted for approximately 40% of total sales. Wal-Mart was the only customer that accounted for more than 10% of our total sales in that period. For the same period, our top ten customers accounted for approximately 65% of total sales. We expect that sales of our products to a limited number of customers will continue to account for a high percentage of sales for the foreseeable future. The loss of Wal-Mart, or customers which in the aggregate represent a significant portion of our sales, would have a material adverse effect on our operating results and cash flows.

COMPETITION

The carbonated soft drink category is highly competitive in each region in which we compete and competition for incremental volume is intense. The brands owned by the three major national soft drink companies, Coca-Cola, Pepsi and Cadbury Schweppes, control approximately 82% of the aggregate take-home volume of soft drink sales in the combined North American and U.K. markets. Those companies have significant financial resources and spend heavily on promotional programs. They also have direct store delivery systems which enable their personnel to visit retailers frequently to sell new items, stock shelves and build displays.

19

In addition, we face competition in the U.S. and U.K. from regional soft drink manufacturers who sell aggressively priced brands and, in many cases, also supply retailer brand products. A few larger U.S. retailers also self-manufacture products for their own needs and consistently approach other retailers seeking additional business.

Generally, carbonated soft drinks compete against all forms of liquid beverages, including water, teas, coffees and juice-based beverages, for consumers' shopping preferences.

The competitive pressures in the carbonated soft drink industry are significant. However, we seek to differentiate ourselves by offering our customers efficient distribution methods, high-quality products, category management strategies, packaging and marketing strategies and superior service.

GOVERNMENT REGULATION AND ENVIRONMENTAL MATTERS

Our operations and properties are subject to various federal, state, provincial,

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

local and foreign laws and regulations.

As a producer of beverages, we must comply with production, packaging, quality, labeling and distribution standards in each of the countries where we operate, including, in the U.S., those of the federal Food, Drug and Cosmetic Act. We are also subject to various federal, state, provincial, local and foreign environmental laws and workplace regulations. These laws and regulations include, in the U.S., the Occupational Safety and Health Act, the Unfair Labor Standards Act, the Clean Air Act, the Clean Water Act and laws relating to the maintenance of fuel storage tanks.

We do not expect to make any material expenditure in connection with environmental remediation and compliance. However, compliance with, or violation of, future laws or regulations could require material expenditures by us or otherwise have a material adverse effect on our business, financial condition and results of operations.

THE ONTARIO ENVIRONMENTAL PROTECTION ACT ("EPA")

EPA regulations provide that a minimum percentage of a bottler's soft drink sales within specified areas in Ontario must be made in refillable containers. The penalty for non-compliance is a fine, which for companies ranges from \$50,000 per day on which the offense occurs or continues for the first conviction to \$100,000 per day for each subsequent conviction, although such fines may be increased to equal the amount of monetary benefit acquired by the offender as a result of the commission of the offense.

We, and we believe other industry participants, are currently not in compliance with the requirements of the EPA. To comply with these requirements we, and we believe many other industry participants, would have to significantly increase sales in refillable containers to a minimum refillable sales ratio of 30%. We are not in compliance with these regulations and do not expect to be in the foreseeable future. Ontario is not enforcing the EPA at this time, despite the fact that it is still in effect and not amended, but if it chooses to enforce it in the future, we could incur fines for non-compliance and the possible prohibition of sales of soft drinks in non-refillable containers in Ontario. We estimate that approximately 4% of our sales would be affected by the possible limitation of sales of soft drinks in non-refillable containers in Ontario if the Ontario Ministry of the Environment initiated an action to enforce the provisions of the EPA against us. Moreover, the Ontario Ministry of the Environment released a report in 1997 stating that these EPA regulations are "outdated and unworkable". However, despite the "unworkable" nature of the EPA regulations, they have not yet been revoked.

We believe that the magnitude of the potential fines that we could incur if the Ontario Ministry of the Environment chose to enforce these regulations is such that the costs to us of non-compliance could be, although are not contemplated to be, significant. However, our management believes that such enforcement is very remote and, in any event, these regulations are expected to be revoked in the future given the more recent regulatory activity in this area as described below.

In December of 2003, the Ontario Ministry of the Environment approved the Blue Box Program, which included provisions regarding industry responsibility for 50% of the net cost of the Program. Generally, the company that owns the intellectual property rights to the brand of a product, or is the licensee of those rights, and that manufactures, packages or distributes a product for sale in Ontario or causes such manufacturing, packaging or distributing of a product in Ontario, will be liable for the costs under the Program. We generally do not own the intellectual property rights to the brands of our products. Rather, we generally manufacture, package and distribute products for and on behalf of Ontario-based third party customers who are the brand owners and we do not

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

believe that any costs for which we might be ultimately responsible would have a material adverse effect on our results of operations; however we cannot guarantee this outcome.

EMPLOYEES

As of December 31, 2005, we had approximately 3,484 employees, of whom an estimated 2,507 were located in North America, 723 were located in U.K. and 254 were located in Mexico. We have entered into numerous collective bargaining agreements that we believe contain terms that are typical in the beverage industry. As these agreements expire, we believe they can be renegotiated on

20

terms satisfactory to us. We consider our relations with employees to be good.

AVAILABILITY OF INFORMATION AND OTHER MATTERS

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge from our website at www.cott.com, when such reports are available on the Securities and Exchange Commissions' website, www.sec.gov. The information found on our website is not part of this or any other report that we file with, or furnish to, the Securities and Exchange Commission or to Canadian securities regulators.

Our chief executive officer is required by the rules of the New York Stock Exchange (the "NYSE") to certify annually to the NYSE that he is not aware of any violation by us of our corporate governance listing standards. Our chief executive officer made such certification to the NYSE as of May 12, 2005.

We are responsible for establishing and maintaining adequate internal control over financial reporting as required by the U.S. Securities and Exchange Commission. See Management's Report on Internal Control over Financial Reporting on page 62.

ITEM 1A.

RISK FACTORS

We face a number of risks and uncertainties, including the following:

WE MAY BE UNABLE TO COMPETE SUCCESSFULLY IN THE HIGHLY COMPETITIVE BEVERAGE CATEGORY.

The markets for our products are extremely competitive. In comparison to the major national brand beverage manufacturers, we are a relatively small participant in the industry. We face competition from the national brand beverage manufacturers in all of our markets and from other retailer brand beverage manufacturers in the U.S. and the U.K. If our competitors reduce their selling prices or increase the frequency of their promotional activities in our core markets or if our customers do not allocate adequate shelf space for the beverages we supply, we could experience a decline in our volumes or be forced to reduce pricing or increase capital and other expenditures, any of which could adversely affect our profitability.

BECAUSE A SMALL NUMBER OF CUSTOMERS ACCOUNT FOR A SIGNIFICANT PERCENTAGE OF OUR SALES, THE LOSS OF ANY SIGNIFICANT CUSTOMER COULD HAVE A MATERIAL ADVERSE EFFECT

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

ON OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

A significant portion of our sales is concentrated in a small number of customers. Our customers include many large national and regional grocery, mass-merchandise, drugstore, wholesale and convenience store chains in our core markets of North America and the U.K. and Europe. Sales to our top customer in 2005 and 2004 accounted for 40% of our total sales, and sales to the top ten customers in 2005 and 2004 were 65% and 68%, respectively. We expect that sales of our products to a limited number of customers will continue to account for a high percentage of our sales in the foreseeable future. The loss of any significant customer, or customers which in the aggregate represent a significant portion of our sales, could have a material adverse effect on our operating results and cash flows. At December 31, 2005, we have \$126.6 million of customer relationships recorded as an intangible asset. The permanent loss of any customer included in the intangible asset will result in impairment in the value of the intangible asset.

IF WE ARE UNABLE TO MAINTAIN RELATIONSHIPS WITH OUR RAW MATERIAL SUPPLIERS, WE MAY INCUR HIGHER SUPPLY COSTS OR BE UNABLE TO DELIVER PRODUCTS TO OUR CUSTOMERS.

The principal raw materials required to produce our products are PET bottles, caps and PET preforms, cans and ends, labels, cartons and trays, concentrates, sweeteners and carbon dioxide.

We typically enter into annual supply arrangements rather than long-term contracts with our suppliers, which means that our suppliers are obligated to continue to supply us with materials for one-year periods, at the end of which we must either renegotiate the contracts with our incumbent suppliers or we would be required to find an alternative source for supply. With respect to some of our key packaging supplies, such as aluminum cans and ends, and some of our key ingredients, such as artificial sweeteners, we have entered into long-term supply agreements, the terms of which range from 1 to 6 years, and therefore we are assured of a supply of those key packaging supplies and ingredients for a longer period of time. During 2004, we extended our supply contract with CCS from its original expiration date of December 31, 2006 to December 31, 2011. The contract provides that CCS will supply all of our aluminum can and end requirements worldwide, subject to certain exceptions. The contract contains a pricing mechanism for certain materials, standard representations, warranties, indemnities and termination events, including termination events related to bankruptcy or insolvency of either party. As with our annual supply contracts, we must either renegotiate these long-term supply agreements with the incumbent suppliers when they expire or find alternative sources for supply.

21

We rely upon our ongoing relationships with our key suppliers to support our operations. We believe that we will be able to either renegotiate contracts with these suppliers when they expire or, alternatively, if we are unable to renegotiate contracts with our key suppliers, we believe that we could replace them. We could, however, incur higher ingredient and packaging supply costs in renegotiating contracts with existing suppliers or replacing those suppliers or we could experience temporary dislocations in our ability to deliver products to our customers, either of which could have a material adverse effect on our results of operations.

OUR INGREDIENTS AND PACKAGING SUPPLIES ARE SUBJECT TO PRICE INCREASES AND WE MAY BE UNABLE TO EFFECTIVELY PASS RISING COSTS ON TO OUR CUSTOMERS.

We bear the risk of increasing prices on the ingredients and packaging in our

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

products. The majority of our ingredient and packaging supply contracts allow our suppliers to alter the costs they charge us based on changes in the costs of the underlying commodities that are used to produce them. Aluminum for cans, resin for PET bottles and high fructose corn syrup for sweeteners are examples of these underlying commodities. In addition, the contracts for certain of our ingredients and packaging materials permit our suppliers to increase the costs they charge us based on increases in their cost of converting those underlying commodities into the materials that we purchase. In certain cases those increases are subject to negotiated limits and, in other cases, they are not. These changes in the prices that we pay for ingredients and packaging materials occur at times that vary by product and supplier, but are principally on semi-annual and annual bases. Accordingly, we bear the risk of increases in the costs of these ingredients and packaging materials, including the underlying costs of the commodities that comprise them and, to some extent, the costs of converting those commodities into finished products. We do not use derivatives to manage this risk. If the cost of these ingredients or packaging materials increases, we may be unable to pass these costs along to our customers through adjustments to the prices we charge. If we cannot pass on these increases to our customers on a timely basis, they could have a material adverse effect on our results of operations.

IF WE FAIL TO MANAGE OUR EXPANDING OPERATIONS SUCCESSFULLY, OUR BUSINESS AND FINANCIAL RESULTS MAY BE MATERIALLY AND ADVERSELY AFFECTED.

Our success depends, in part, on our ability to manage new acquisitions. In recent years, we have grown our business and beverage offerings primarily through acquisition of other companies, new product lines and growth with key customers. A part of our strategy is to continue to expand our business through acquisitions and alliances. To succeed with this strategy, we must identify appropriate acquisition or strategic alliance candidates. The success of this strategy also depends on our ability to manage and integrate acquisitions and alliances at a pace consistent with the growth of our business. We cannot provide assurance that acquisition opportunities will be available, that we will continue to acquire businesses and product lines or that any of the businesses or product lines that we acquire or align with will be integrated successfully into our business or prove profitable.

IF THE COMPETITION COMMISSION IN THE U.K. DOES NOT APPROVE THE MACAW ACQUISITION, WE MIGHT BE REQUIRED TO SELL ALL OR PART OF THIS BUSINESS AND MAY NOT RECOVER OUR FULL COST.

When we completed the Macaw Acquisition, our valuation of this business was based on market conditions at the time of the acquisition and included synergies we expect to be able to achieve once it is integrated into our existing U.K. business. Our total cost of the Macaw Acquisition was \$135.1 million, including goodwill of \$69.4 million. The Competition Commission in the U.K. is currently investigating the Macaw Acquisition. Should the Competition Commission rule against us, we could be required to divest ourselves of all or a part of this business. Were a divestiture required, we would probably need the consent of our lenders under the terms of our credit agreement. Moreover, market conditions may deteriorate or the purchaser may not be able to achieve the synergies that we would expect to achieve. As a result, we may not be able to recover our full cost.

OUR SUCCESS DEPENDS, IN PART, ON OUR INTELLECTUAL PROPERTY, WHICH WE MAY BE UNABLE TO PROTECT.

We possess certain intellectual property that is important to our business. This intellectual property includes trade secrets, in the form of the concentrate formulas for most of the beverages that we produce, and trademarks for the names of the beverages that we sell, which are trademarks that we either own or license from our retailer brand customers and others. Our success depends, in

part, on our ability to protect our intellectual property.

To protect this intellectual property, we rely principally on registration of trademarks, contractual responsibilities and restrictions in agreements (such as indemnification, nondisclosure and confidentiality agreements) with employees, consultants and customers, and on common law and statutory protections afforded to trademarks, trade secrets and proprietary "know-how". In addition, we vigorously pursue any person who infringes on our intellectual property using any and all legal remedies available. Notwithstanding our efforts, we may not be successful in protecting our intellectual property for a number of reasons, including:

- our competitors may independently develop intellectual property that is similar to or better than ours;

22

- employees, consultants or customers may not abide by their contractual agreements and the cost of enforcing those agreements may be prohibitive, or those agreements may prove to be unenforceable or more limited than anticipated;
- foreign intellectual property laws may not adequately protect our intellectual property rights; and
- our intellectual property rights may be successfully challenged, invalidated or circumvented.

If we are unable to protect our intellectual property, it would weaken our competitive position and we could face significant expense to protect or enforce our intellectual property rights. At December 31, 2005, we had \$80.4 million of rights recorded as an intangible asset.

OUR GEOGRAPHIC DIVERSITY SUBJECTS US TO THE RISK OF CURRENCY FLUCTUATIONS.

We are exposed to changes in foreign currency exchange rates, including those between the U.S. dollar, on the one hand, and the Canadian dollar and the pound sterling, on the other hand. Our operations outside of the U.S. accounted for approximately 29% of our 2005 sales. Accordingly, currency fluctuations in respect of our outstanding non-U.S. dollar denominated net asset balances may affect our reported results and competitive position.

A PORTION OF OUR INDEBTEDNESS IS VARIABLE RATE DEBT, AND CHANGES IN INTEREST RATES COULD ADVERSELY AFFECT US BY CAUSING US TO INCUR HIGHER INTEREST COSTS WITH RESPECT TO SUCH VARIABLE RATE DEBT.

Our credit and securitization facilities subject us to interest rate risk. We have a secured revolving credit facility, under which we borrow from time to time for various purposes, including to fund our day-to-day operations and to finance acquisitions. The maximum amount that we may borrow under these facilities was increased from \$100.0 million to \$225.0 million on August 10, 2005. We obtain funding under the securitization facility for our day-to-day operations. The maximum amount that we may borrow under this facility is \$75.0 million, based on eligible receivables and various reserves required in the facility. As of December 31, 2005, total borrowings under these facilities were \$151.3 million.

The interest rate applicable to our revolving credit facility is variable, meaning that the rate at which we pay interest on amounts borrowed under the

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

facility fluctuates with changes in interest rates and our leverage. The interest rate applicable to our securitization facility is also variable, based on the cost of borrowing of Park Avenue Receivables Company, LLC and certain other financial institutions, as required (the "Purchasers").

Accordingly, with respect to any amounts from time to time outstanding under this facility, we are exposed to changes in interest rates. We do not currently use derivative instruments to hedge interest rate exposure. However, we do regularly review the structure of our indebtedness and consider changes to the proportion of variable versus fixed rate debt through refinancing, interest rate swaps or other measures in response to the changing economic environment. We cannot assure that we will be able to continue to refinance our indebtedness on terms that are favorable to us. If we are unable to refinance our indebtedness or otherwise adequately manage our debt structure in response to changes in the market, our interest expense could increase, which would negatively impact our financial condition and results of operations.

IF WE BREACH THE COVENANTS AND CONDITIONS SET OUT IN OUR SENIOR SECURED CREDIT FACILITIES OR SECURITIZATION FACILITY, THE LENDERS COULD TERMINATE THE FACILITIES 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. Both facilities contain cross default provisions. If we are in default under one facility, default is triggered under the other facility. As of December 31, 2005, total borrowings under these facilities were \$151.3 million. If we breach the covenants, or an event occurs that would have a material adverse effect on us, 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.

The senior unsecured notes include covenants that limit new borrowings with certain exceptions, including borrowings based on receivables and inventory, unless certain conditions are met.

WE ARE NOT IN COMPLIANCE WITH THE REQUIREMENTS OF THE ONTARIO ENVIRONMENTAL PROTECTION ACT ("EPA") AND, IF THE ONTARIO GOVERNMENT SEEKS TO ENFORCE THOSE REQUIREMENTS OR IMPLEMENTS MODIFICATIONS TO THEM, WE COULD BE ADVERSELY AFFECTED.

Certain regulations under the EPA provide that a minimum percentage of a bottler's soft drink sales within specified areas in Ontario must be made in refillable containers. The penalty for non-compliance is a fine, which for companies ranges from \$50,000 per day on which the offense occurs or

continues for the first conviction to \$100,000 per day for each subsequent conviction, although such fines may be increased to equal the amount of monetary benefit acquired by the offender as a result of the commission of the offense. We, and we believe other industry participants, are currently not in compliance with the requirements of the EPA. Ontario is not enforcing the EPA at this time, but if it chose to enforce the EPA in the future, we could incur fines for

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

non-compliance and the possible prohibition of sales of soft drinks in non-refillable containers in Ontario.

We estimate that approximately 4% of our sales would be affected by the possible limitation on sales of soft drinks in non-refillable containers in Ontario if the Ontario Ministry of the Environment initiated an action to enforce the provisions of the EPA against us.

In April 2003, the Ontario Ministry of the Environment proposed to revoke these regulations in favor of new mechanisms under the Ontario Waste Diversion Act to enhance diversion from disposal of carbonated soft drink containers. On December 22, 2003, the Ontario provincial government approved the implementation of the Blue Box Program plan under the Ministry of Environment Waste Diversion Act. The Program requires those parties who are brand owners or licensees of rights to brands which are manufactured, packaged or distributed for sale in Ontario to contribute to the net cost of the Blue Box Program. We generally manufacture, package and distribute products for and on behalf of third party customers. Therefore, we do not believe that we will be responsible for direct costs of the Program. However, our customers may attempt to pass these costs, or a portion of them, onto us. We do not believe that the costs for which we may ultimately be responsible under this Program will have a material adverse effect on our results of operations; however, we cannot guarantee this outcome. The Blue Box Program does not revoke any of the regulations mentioned above under the EPA regarding refillable containers, although the industry anticipates that they will be reversed in the future.

ITEM 1B.

UNRESOLVED STAFF COMMENTS

None.

ITEM 2.

PROPERTIES

As of the end of 2005, we operated 19 beverage production facilities in North America, 12 of which we owned and seven of which we leased. We also operate our global concentrate manufacturing facility in Columbus, Georgia, which we own. In connection with our North American realignment plan, we closed our Lachine, Quebec juice plant in February 2006 and we plan to cease operations at our Columbus, Ohio manufacturing plant in March 2006, reducing the number of leased properties to five. In the U.K., we own and operate four beverage production facilities. We lease and operate one beverage production facility in Mexico.

Total square footage of our production facilities is approximately 2,589,776 in the U.S., excluding the Columbus, Ohio facility and including the concentrate facility; 931,050 in Canada excluding the Lachine, Quebec facility; 1,010,848 in the U.K.; and 111,278 in Mexico. Lease terms for non-owned beverage production facilities, excluding the Columbus, Ohio and Lachine, Quebec leases that we expect to terminate, expire between 2007 and 2017.

ITEM 3.

LEGAL PROCEEDINGS

In August 1999, we were named as a defendant in an action styled North American Container, Inc. ("NAC") v. Plastipak Packaging Inc., et al., filed in the United States District Court for the Northern District of Texas, Dallas Division. The plaintiff, NAC, sued over 40 defendants, alleging, among other things, infringement on their U.S. patent relating to plastic containers. The defendants, including us, were successful in the Motions for Summary Judgment of

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

Invalidity and Non-Infringement, which were predominantly affirmed on appeal, with remand back on one issue. Subsequently, the Plaintiffs have stipulated to completely dismiss the case. The order dismissing the claim was entered on November 30, 2005, and accordingly, the action is no longer pending.

In January 2005, we were named as one of many defendants in an action styled The Consumers' Association of Canada and Bruce Cran v. Coca-Cola Bottling Ltd. et al., filed in the Supreme Court of British Columbia (Canada). This claim has been brought under the British Columbia Class Proceedings Act as a class action, but it has not to date been certified as a class action.

The plaintiffs are suing over 30 defendants, consisting of beverage manufacturers, retailers and Encorp Pacific (Canada), the government-approved steward of British Columbia's container deposit program, alleging the improper use and collection by the defendants of deposits and container recycling fees pursuant to the British Columbia container recycling program.

The relief sought by the plaintiffs includes a declaration that C\$70 million in container deposits were unlawfully converted by the defendants and are held on constructive trust for consumers and the repayment of C\$60 million collected as container recycling fees.

24

The defendants, including us, brought and argued a summary trial application in January 2006. Judgment in the summary trial application has not yet been rendered, and it is too early to assess the chances of success of that application.

In February 2005, similar class action claims, styled Kruger et al. v. Pepsi-Cola Beverage Ltd. et al., were filed in the Superior Courts of a number of other Canadian provinces, naming essentially the same defendants, including us, plus the other regional stewardship agencies.

Subsequent to the completion of the Macaw Acquisition, the OFT decided to review the transaction. Under applicable U.K. law, we were not required to seek pre-clearance of the Macaw Acquisition by the OFT in the U.K. The OFT has referred the transaction to the Competition Commission for further investigation. The Competition Commission ruling is expected in May 2006. We expect that the transaction will be approved, but we cannot guarantee this outcome. If the Competition Commission rules against us, we may be required to divest ourselves of all or a part of this business.

We are investigating these matters; however, legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Since the litigation is at a very preliminary stage, sufficient information regarding the merits of these claims is not yet available to us.

We are engaged in various litigation matters in the ordinary course of our business. While we cannot predict with certainty the outcome of these matters, we believe that the resolution of these matters will not have a material adverse effect on our financial condition and results of operations.

ITEM 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of shareowners during the fourth quarter of 2005.

SUPPLEMENTAL ITEM PART I.

EXECUTIVE OFFICERS OF COTT CORPORATION

The following is a list of names and ages of all of our executive officers as of February 28, 2006, and the positions and offices that each of them holds.

NAME AND MUNICIPALITY OF RESIDENCE -----	OFFICE -----	AGE ---	PERIOD SERVED AS OFFICER -----
JOHN K. SHEPPARD Tampa, Florida	President & Chief Executive Officer	48	2002 to present
MARK BENADIBA Toronto, Ontario	Executive Vice President, North American Operations	52	1990 to present
B. CLYDE PRESLAR Tampa, Florida	Executive Vice President & Chief Financial Officer	51	2005 to present
MARK R. HALPERIN Toronto, Ontario	Senior Vice President, General Counsel & Secretary	48	1995 to present
ANDREW J. MURFIN West Yorkshire, England	Senior Vice President & Managing Director U.K./Europe	45	2005 to present
COLIN D. WALKER London, Ontario	Senior Vice President, Corporate Resources	48	1998 to present
CATHERINE M. BRENNAN Toronto, Ontario	Vice President, Treasurer	48	1999 to present
TINA DELL'AQUILA Toronto, Ontario	Vice President, Controller & Assistant Secretary	43	1998 to present
JOHN DENNEHY Weston, Massachusetts	Vice President, North American Sales & Marketing	44	2005 to present
JASON NICHOL Bentonville, Arkansas	Vice President, Business Development Wal-Mart	34	2005 to present
P. EDMUND O'KEEFFE Toronto, Ontario	Vice President, Investor Relations & Corporate Development	41	1999 to present
CSABA REIDER Markham, Ontario	Vice President, Global Sourcing	49	2005 to present
PREM VIRMANI Columbus, Georgia	Vice President, Technical Services	60	1991 to present
LEN WATSON Toronto, Ontario	Vice President, Chief Information Officer	57	2004 to present

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

During the last five years, the above persons have been engaged in their principal occupations or in other executive capacities with us except as follows:

- prior to January 2002, John K. Sheppard was President and Chief Executive Officer of ServiceCentral Technologies, Inc., a software development company that specializes in field service management;
- prior to August 2005, B. Clyde Preslar was Chief Financial Officer of Lance, Inc., a manufacturer of branded and retail branded snack foods;
- prior to April 2003, Andrew J. Murfin was CEO of Parallel Brands Limited (an acquisition vehicle) and before that he was managing director of Princes Soft Drinks Limited (a soft drinks manufacturer);
- prior to October 2003, Jason Nichol was Director of Sales & Marketing of Cott Beverages Inc.; and
- prior to September 2004, Len Watson was Senior Vice President, Consulting Services responsible for the Greater Toronto Area business unit of CGI Group Inc.

26

PART II

ITEM 5.

MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREOWNER MATTERS

Our common shares are listed on the Toronto Stock Exchange (the "TSX") under the ticker symbol "BCB," and on the New York Stock Exchange (the "NYSE") under the ticker symbol "COT."

The tables below show the high and low reported per share sales prices of common shares on the TSX (in Canadian dollars) and the NYSE (in U.S. dollars) for the indicated periods of the years ended December 31, 2005 and January 1, 2005.

TORONTO STOCK EXCHANGE (C\$)

	2005		2004	
	High	Low	High	Low
January 1-March 31	31.41	28.79	40.05	35.21
April 1-June 30	30.09	26.50	45.59	38.55
July 1-September 30	31.45	20.31	43.41	33.18
October 1-December 31	20.51	16.10	37.06	29.04

NEW YORK STOCK EXCHANGE (U.S.\$)

	2005	2004
--	------	------

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

	----- High -----	Low -----	----- High -----	Low -----
January 1-March 31	25.26	23.55	30.35	27.37
April 1-June 30	24.26	21.12	33.36	28.91
July 1-September 30	25.93	17.40	32.89	25.75
October 1-December 31	17.51	13.58	29.19	23.77

As of February 28, 2006, we had 712 shareowners of record. This number was determined from records maintained by our transfer agent and it does not include beneficial owners of securities whose securities are held in the names of various dealers or clearing agencies. The closing sale price of our common shares on February 28, 2006 was C\$13.90 on the TSX and \$12.32 on the NYSE.

We have not paid cash dividends since June 1998. There are certain restrictions on the payment of dividends under our senior secured credit facility and the indenture governing the 8% senior subordinated notes maturing in 2011. The most restrictive is the quarterly limitation on dividends based on the prior quarter's earnings.

If we were to pay dividends to shareowners that are U.S. residents, those dividends would generally be subject to Canadian withholding tax. Under current Canadian tax law, dividends paid by a Canadian corporation to a nonresident shareowner are generally subject to Canadian withholding tax at a 25% rate. Under the current tax treaty between Canada and the U.S., U.S. residents are eligible for a reduction in this withholding tax rate to 15% (and to 5% for a company shareowner who is the beneficial owner of at least 10% of our voting stock). Accordingly, under current tax law, our U.S. resident shareowners would generally be subject to a Canadian withholding tax at a 15% rate on dividends paid by us, provided that they had complied with applicable procedural requirements to claim the benefit of the reduced rate under the tax treaty.

CALCULATION OF AGGREGATE MARKET VALUE OF NON-AFFILIATE SHARES

For purposes of calculating the aggregate market value of common shares held by non-affiliates as shown on the cover page of this report, it was assumed that all of the outstanding shares were held by non-affiliates except for outstanding shares held or controlled by our directors and executive officers. This should not be deemed to constitute an admission that any of these parties are, in fact, affiliates of us, or that there are not other persons who may be deemed to be affiliates. For further information concerning shareholdings of officers, directors and principal stockholders see Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Shareowner Matters.

27

ITEM 6.

SELECTED FINANCIAL DATA

The following selected financial data reflects the results of operations. This information should be read in conjunction with, and is qualified by reference to "Management's discussion and analysis of financial condition and results of operations" and the consolidated financial statements and notes thereto included elsewhere in this report. The financial information presented may not be indicative of future performance.

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

	DECEMBER 31, 2005 (1) (52 WEEKS)	January 1, 2005 (2) (52 weeks)	January 3, 2004 (3) (53 weeks)
(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)			
SALES	\$1,755.3	\$1,646.3	\$1,417.8
Cost of sales	1,505.8	1,362.6	1,141.0
Selling, general and administrative	138.6	138.1	126.1
Unusual items			
Restructuring	3.2	--	--
Asset impairments	33.5	0.9	1.8
Other	0.8	--	--
OPERATING INCOME	73.4	144.7	148.9
Income from continuing operations	24.6	78.3	77.4
Cumulative effect of change in accounting principle	--	--	--
NET INCOME	\$ 24.6	\$ 78.3	\$ 77.4
INCOME PER SHARE - BASIC			
Income from continuing operations	\$ 0.34	\$ 1.10	\$ 1.12
Cumulative effect of change in accounting principle	\$ --	\$ --	\$ --
Net income	\$ 0.34	\$ 1.10	\$ 1.12
INCOME PER SHARE - DILUTED			
Income from continuing operations	\$ 0.34	\$ 1.09	\$ 1.09
Cumulative effect of change in accounting principle	\$ --	\$ --	\$ --
Net income	\$ 0.34	\$ 1.09	\$ 1.09
Total assets	\$1,171.4	\$1,022.0	\$ 908.8
Current maturities of long-term debt	0.8	0.8	3.3
Long-term debt	272.3	272.5	275.7
Shareowners' equity	481.9	457.3	345.1

Under the 1986 Common Share Option Plan, as amended, we have reserved 14 million shares for future issuance.

- (1) During the year we acquired 100% of the shares of Macaw (Holdings) Limited, the parent company of Macaw (Soft Drinks) Limited. We also recorded asset impairment charges of \$33.5 million as described in Note 2 to the Consolidated Financial Statements on page 49.
- (2) During the year we acquired certain of the assets of The Cardinal Companies of Elizabethtown, LLC and certain of the assets of Metro Beverage Co.
- (3) During the year we acquired the retailer brand business of Quality Beverage Brands, L.L.C.
- (4) During the year, we acquired Premium Beverage Packers, Inc. and formed a new business in Mexico, Cott Embotelladores de Mexico, S.A. de C.V. During the year we adopted SFAS 142, Goodwill and Other Intangible Assets. This change in method of valuing goodwill resulted in a \$44.8 million non-cash write down of the U.K. business.
- (5) During the year, we acquired certain assets of the Royal Crown Company, Inc., and formed a new business with Polar Corp. Current maturities of long-term debt include the 2005 and 2007 Notes repaid on January 22, 2002

from cash held in trust.

28

ITEM 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are one of the world's largest suppliers of retailer brand beverages.

2005 was a challenging year for us and our industry as we faced unprecedented commodity cost increases and a consumer shift toward non-carbonated beverages. Accordingly we undertook actions to increase financial performance by improving our operating performance, enhancing our sales focus and realigning our organization.

In September 2005 we announced a plan to realign the management of our Canadian and U.S. businesses to a North American basis. The realignment is designed to leverage management strengths, improve supply chain efficiencies and position the North American business to become more profitable and responsive to customer needs. Additional key elements of our plan include rationalizing product offerings, eliminating under-performing assets and increasing focus on high potential accounts.

In 2005, we recorded \$37.5 million in pre-tax unusual items (\$0.35 per diluted share after tax), including restructuring charges of \$3.2 million, customer relationships impairment of \$20.0 million and other asset impairment of \$13.5 million. As part of the North American realignment we closed our juice plant in Lachine, Quebec effective February 2006 and we plan to close our manufacturing plant in Columbus, Ohio effective March 2006. Severance and lease cancellation costs relating to the closure of these plants are expected to be approximately \$2.7 million.

We completed the Macaw Acquisition in August 2005 for a purchase price of \$135.1 million (75.4 million pounds sterling). At the time of the Macaw Acquisition, Macaw was the largest privately owned manufacturer of retailer brand carbonated soft drinks in the U.K. with six production lines in two production facilities including aseptic capabilities.

In June 2005 we began shipping from our new manufacturing facility in Fort Worth, Texas. As the largest plant in our global operations, Fort Worth is currently expected to produce about 32.0 million physical cases for 2006. The total cost of this new plant is \$50.6 million, including \$30.7 million spent in 2005.

Our net income in 2005 was \$24.6 million or \$0.34 per diluted share, compared with \$78.3 million or \$1.09 per diluted share in 2004. The decrease resulted from:

- asset impairment, restructuring and other unusual charges;
- higher packaging and raw materials costs that were only partially offset by increased prices;
- higher fixed costs from recently-added production capacity, including the start-up of our new Fort Worth, Texas plant;

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

- changes in product mix toward lower margin bottled water in North America;
- the highly competitive environment in the North American carbonated soft drinks ("CSD") industry; and
- a higher effective tax rate.

2005 VERSUS 2004 RESULTS OF OPERATIONS

	2005		2004	
	MILLIONS OF DOLLARS	PERCENT OF SALES	MILLIONS OF DOLLARS	PERCENT OF SALES
Sales	\$1,755.3	100.0%	\$1,646.3	100.0%
Cost of sales	1,505.8	85.8%	1,362.6	82.8%
Gross margin	249.5	14.2%	283.7	17.2%
SG&A	138.6	7.9%	138.1	8.4%
Unusual items	37.5	2.1%	0.9	--
Operating income	73.4	4.2%	144.7	8.8%
Other expense	0.8	--	(0.1)	--
Interest expense	28.8	1.7%	26.0	1.6%
Minority interest	4.5	0.3%	4.0	0.2%
Income taxes	14.7	0.8%	35.8	2.2%
Equity loss	--	--	0.7	--
Net income	\$ 24.6	1.4%	\$ 78.3	4.8%
Depreciation & amortization	70.2	4.0%	60.0	3.6%

SALES

Sales in 2005 were \$1,755.3 million, an increase of 7% from \$1,646.3 million in 2004. The August 2005 Macaw Acquisition, the March 2004 acquisition of certain assets of The Cardinal Companies of Elizabethtown, LLC ("Cardinal") and the October 2004 acquisition of certain of the assets of Metro Beverage Co. ("Metro") added \$55.5 million or 3%, in the aggregate, to sales in 2005 as compared with 2004. As shown in the following table, sales increased 2% when the impact of these acquisitions and foreign exchange are excluded. Total case volume in 8-ounce equivalents for 2005 was 1,201 million, up 5% from 1,148 million in 2004. Excluding the impact of acquisitions, sales volume was up 1%.

COTT	NORTH AMERICA	UK & EUROPE	INTER- NATIONAL
------	------------------	----------------	--------------------

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

Change in sales	\$109.0	\$39.5	\$57.6	\$10.4
Impact of acquisitions	55.5	17.7	37.8	--
Impact of foreign exchange	14.0	13.8	(1.5)	1.7
	-----	-----	-----	-----
Change excluding acquisitions & exchange	\$ 39.5	\$ 8.0	\$21.3	\$ 8.7
	=====	=====	=====	=====
Percentage change excluding acquisitions & exchange	2%	1%	11%	14%

In North America, our sales were \$1,428.0 million in 2005, an increase of 3% from 2004. Excluding acquisitions and the impact of foreign exchange, sales increased by almost 1% from 2004. Case volume in 8-ounce equivalents decreased by almost 2% in 2005, down 3% excluding the impact of acquisitions. The volume decrease was driven by weakness in the North American CSD market and was offset by selling price increases implemented in response to higher raw material costs.

In the U.K. and Europe, our sales were \$251.9 million in 2005, an increase of 30% from \$194.3 million in 2004. Excluding the impact of the Macaw Acquisition and the weakened pound sterling, sales increased 11% in 2005 reflecting higher volume. Case volume in 8-ounce equivalents was up 40% from 2004, an increase of 10% excluding the Macaw Acquisition. Volume increased as customers expanded their retailer brand product offerings and we grew our contract packing business.

The international segment includes Mexico, Royal Crown International and Asia. Sales by this segment were \$71.6 million in 2005, an increase of 17% when compared with sales of \$61.2 million in 2004. Excluding foreign exchange, sales increased 14%. Sales in Mexico continue to expand, reaching \$50.9 million for an increase of 25% over 2004.

COST OF SALES

Cost of sales was \$1,505.8 million or 85.8% of sales, a 3 percentage point increase from \$1,362.6 million or 82.8% of sales in 2004. Variable costs represented 89% of total cost of sales in 2005, down from 90% in 2004 as a result of recent capacity additions. Major elements of these variable costs included ingredient and packaging costs, fees paid to third party manufacturers and distribution costs.

The increase in total cost of sales as a percent of sales reflects an increase in raw material costs as well as higher fixed costs. Raw material costs have increased primarily for packaging materials, including PET bottles and cans. Higher fixed costs result from recently added production capacity. Variable cost savings from the increase in the proportion of our North American production manufactured in our own facilities partially offset these increases.

GROSS PROFIT

Gross profit was 14.2% of sales for 2005, down from 17.2% in 2004 as realized selling price increases were more than offset by higher packaging and raw material prices. The change in product mix toward lower margined bottled water and the fixed cost of additional plant capacities also contributed to lower margins.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A")

SG&A was \$138.6 million in 2005, up slightly from \$138.1 million in 2004. As a percentage of sales, SG&A declined to 7.9% for 2005, down from 8.4% in 2004. Excluding the impact of acquisitions and foreign exchange, SG&A was down \$5.0 million from 2004 primarily due to lower incentive compensation and lower bad

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

debt expense. A \$3.1 million provision was recorded against a North American export receivable in 2004.

UNUSUAL ITEMS

In 2005, we recorded charges for unusual items of \$37.5 million on a pre-tax basis or \$0.35 per diluted share after tax. Unusual items were \$0.9 million before tax in 2004 and were primarily related to the writedown of an investment in an equity investee.

NORTH AMERICA - In 2005, we recorded asset impairment and restructuring charges of \$36.0 million relating to our North American operations.

In September 2005 we announced a plan to realign the management of our Canadian and U.S. businesses to a North American basis. We recorded restructuring charges of \$3.0 million, including \$2.6 million for severance payments and \$0.4 million for contract termination payments as part of this plan. We anticipate additional charges of \$2.7 million including \$0.7 million for severance and \$2.0 million for contract terminations, relating to the closures of the Columbus, Ohio plant and the Lachine, Quebec juice plant will be recognized during 2006.

Asset impairment charges relating to the realignment included \$9.3 million for the closure of the Columbus, Ohio plant announced in December 2005, including property, plant and equipment of \$3.4 million and goodwill of \$5.9 million; and \$3.7 million reflecting the write down of certain equipment and our remaining investment in an equity investee.

We also recorded an impairment loss of \$20.0 million with respect to customer relationships. As a result of declining sales and margins relating to certain customers we reviewed related long-lived assets for impairment. This review indicated that the customer relationship assets were impaired and as a result the carrying value was written down to its estimated fair value.

30

OTHER - Other unusual items of \$1.5 million in 2005 relate primarily to the \$0.8 million in legal fees for the OFT and Competition Commission reviews of the Macaw Acquisition in the U.K. and \$0.7 million in other asset impairments in the Corporate and Other segment.

OPERATING INCOME

Operating income was \$73.4 million in 2005 including unusual items of \$37.5 million, as compared with \$144.7 million in 2004 which included unusual items of \$0.9 million.

INTEREST EXPENSE

Net interest expense was \$28.8 million in 2005, up 11% from \$26.0 million in 2004. The increase was primarily due to higher borrowings on our credit facilities during the year to finance the Macaw Acquisition.

INCOME TAXES

We recorded an income tax provision of \$14.7 million in 2005 reflecting an effective tax rate of 37.4% as compared with \$35.8 million, or an effective rate of 31.2%, in 2004. The effective tax rate increase is largely due to our inability to recognize the tax benefit of our losses in Canada. A reduction in reserves of \$19.3 million partially offset the \$21.0 million valuation allowance

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

recorded for Canadian tax losses.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

Cash provided by operating activities in 2005 was \$53.3 million, after capital expenditures of \$75.8 million, as compared to 2004 in which cash provided by operating activities was \$52.4 million after capital expenditures of \$50.3 million. We use cash flow from operating activities after capital expenditures to measure cash we are able to generate after considering the investments required to maintain or expand our capital base. It is defined as follows:

	2005	2004
	-----	-----
Cash provided by operating activities	\$129.1	\$102.7
Additions to property, plant & equipment	(75.8)	(50.3)
	-----	-----
Cash flow from operations after capital expenditures	\$ 53.3	\$ 52.4
	=====	=====

Cash flow from operations after capital expenditures increased slightly in 2005 despite a \$25.5 million increase in capital spending as net working capital increased by \$1.0 million in 2005 compared with the \$52.4 million increase in 2004. At the end of 2004, accounts receivable were high as a result of supplier rebates not collected until January 2005 and inventories were adversely impacted by plant inefficiencies, poor forecasting and inventory build up for January 2005 promotions. In 2005, increases in accounts receivable and inventory are more reflective of the changes in sales and costs. Accounts payable levels are higher in 2005 primarily as a result of the capacity additions in North America.

INVESTING ACTIVITIES

CAPITAL EXPENDITURES - Our capital expenditures were \$75.8 million in 2005 as compared with \$50.3 million in 2004. Major capital expenditures include \$62.5 million on leasehold improvements and manufacturing equipment, primarily in the North America, as we added capacity to support future growth. We completed construction on a new beverage manufacturing facility in Fort Worth, Texas and began shipping from this location in June 2005. The total cost of the Fort Worth plant was \$50.6 million, including \$30.7 million spent in 2005.

ACQUISITIONS - We completed the Macaw Acquisition in August 2005. The purchase price of the acquisition was \$135.1 million (75.4 million pounds sterling) including acquisition costs of \$2.4 million (1.3 million pounds sterling). The acquisition was financed under our global credit facilities, which were increased from \$100.0 million to \$225.0 million in connection with this transaction.

In March 2004, we acquired certain of the assets of Cardinal. The acquisition added carbonated soft drink sales and manufacturing capacity in North America. The total purchase price was \$17.8 million and was funded from cash flow from operations and short-term borrowings.

In October 2004, we purchased certain of the assets of Metro. The total purchase price was \$16.8 million and was funded from cash flow from operations and short-term borrowings.

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

The total cost of these acquisitions in 2004 was \$34.6 million including acquisition costs of \$0.8 million.

CAPACITY ADDITIONS - In October 2004, we purchased the plant and equipment of Elan Waters in Blairsville, Georgia for \$3.8 million to add to our production capacity in North America. The purchase was funded from short-term borrowings.

OTHER INVESTING ACTIVITIES - Other investing activities relate primarily to additions to information technology assets included in intangibles and other assets. We made progress in implementing our standardized information system during 2005 and expect to complete the roll out in 2006.

31

CAPITAL RESOURCES AND DEBT

Our sources of capital include operating cash flows, short-term borrowings under current credit facilities, issuance of public debt and issuance of equity securities. Management believes 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 current available credit.

SENIOR SECURED CREDIT FACILITY - On March 31, 2005 we entered into a committed senior secured credit facility for financing in North America, the U.K. and Mexico. The facilities replaced our former committed senior secured credit facility in North America and our demand bank credit facility in the U.K. The facilities terminate, and the debt under the senior secured credit agreement is due, on March 31, 2010. These multicurrency facilities were amended on August 10, 2005 to increase the facilities to \$225.0 million from \$100.0 million to add Macaw (Soft Drinks) Limited as a co-borrower, to consent to the Macaw Acquisition and to increase the Maximum Facility Amount to \$350.0 million.

The amended facilities allow for revolving credit borrowings in a principal amount of up to \$225.0 million, provided we are in compliance with the covenants and conditions of the agreements, and are comprised of two separate facilities:

- (1) a \$220.0 million multicurrency facility made by certain lenders to us and our indirect wholly-owned subsidiaries, Cott Beverages Inc., Macaw (Soft Drinks) Limited and Cott Beverages Limited as co-borrowers, and
- (2) a \$5.0 million Mexican facility made by the lender to our indirect 90% owned subsidiary Cott Embotelladores de Mexico, S.A. de C.V. ("CEMSA").

Each facility includes subfacilities for swingline loans and letters of credit. The \$225.0 million facility can be increased up to an additional \$125.0 million at our option if the lenders agree to increase their commitments or new lenders join the facility and we satisfy certain conditions. Within the \$125.0 million of extra availability, and subject to certain limitations, we can establish additional revolving credit facilities in an aggregate amount not to exceed \$30.0 million to be provided in various currencies as agreed upon for additional subsidiaries designated by us. Wachovia Bank, National Associations acts as administrative agent and security trustee under the facilities.

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

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

In general, borrowings under these 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 of December 31, 2005 credit of \$78.8 million was available after borrowings of \$141.3 million, comprised of \$6.0 million and 78.1 million pounds sterling, and standby letters of credit of \$4.9 million. The weighted average interest rate was 5.83% on these facilities as of December 31, 2005.

SECURITIZATIONS - In April 2005 our principal U.S. operating subsidiaries entered into a receivables securitization facility under which they agreed to sell substantially all of their receivables generated from their ordinary course operations, as well as certain related assets, to a new special purpose indirect subsidiary, Cott USA Receivables Corporation, which in turn sells and assigns undivided interests in the receivables and related assets to an unaffiliated entity, Park Avenue Receivables Company, LLC and certain other financial institutions in exchange for cash in amounts determined by the parties, subject to specified conditions. The transfers to the Purchasers are treated as a financing for purposes of our consolidated financial statements; however, the presentation of consolidated financial statements does not itself imply that the assets of any consolidated entity, including any special-purpose entity formed for a particular project, are available to pay the liabilities of any other consolidated entity, or that the liabilities of any consolidated entity, including any special-purpose entity formed for a particular project, are obligations of any other consolidated entity. The transfers of the receivables and related assets to the Purchasers are governed by a Receivables Purchase Agreement, dated April 1, 2005, by and among Cott USA Receivables Corporation, Cott Beverages Inc., the Purchasers and JPMorgan Chase Bank, N.A., acting for itself and the Purchasers. The agreement contains representations, warranties, covenants, and indemnities customary for facilities of this type. The facility does not contain any covenants that we view as materially constraining our activities or, except for Cott USA Receivables Corporation, the activities of our subsidiaries.

The amount of funds available under the receivables facility is based upon the amount of eligible receivables and various reserves required by the facility. Accordingly, availability may fluctuate over time given 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 the Purchasers. A fee of between 0.20% and 0.40% per annum is payable on the unused portion of the facility. The level of the facility fee is dependent on financial covenants. As of December 31, 2005, \$39.6 million of eligible receivables, net of reserves, were available for purchase and \$10.0 million was outstanding

32

under this facility at a weighted average interest rate of 5.08%.

SENIOR SUBORDINATED NOTES - We also have outstanding 8% senior subordinated notes, which are due in 2011. As of December 31, 2005, the principal amount of those notes was \$275.0 million. The issuer of the notes is Cott Beverages Inc., but we and most of our U.S., Canadian and U.K. subsidiaries guarantee the notes.

LONG-TERM DEBT - Long-term debt as of December 31, 2005 was \$273.1 million, compared with \$273.3 million at the end of 2004. Long-term debt in 2005 and 2004 consisted of 8% senior subordinated notes with a stated face value of \$275.0 million and capital leases of \$2.6 million.

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

DEBT COVENANTS - Our senior secured credit facility and the indenture respecting the 2011 notes contain a number of business and financial covenants and events of default that apply to the borrowers and the restricted subsidiaries. The restricted subsidiaries are, in general, the guarantor subsidiaries organized in Canada, the U.S., the U.K. and Mexico. Among other events of default or triggers for prepayment in our credit facilities and indenture are: a change of control of us in certain circumstances; cross default or cross acceleration to other indebtedness in excess of \$15.0 million; unsatisfied judgments in excess of \$15.0 million; our insolvency or that of the restricted subsidiaries; and covenant default under the indenture or credit facilities. Some of the more material business and financial covenants are discussed below.

Our senior secured credit facility restricts additional indebtedness for subsidiaries to the existing debt and credit facilities, certain intercompany debt, \$50.0 million of purchase money indebtedness and capital lease obligations, \$25.0 million of guarantee obligations and a \$25.0 million basket of other additional indebtedness. The senior secured credit facility contains restrictions on investments, including investments in subsidiaries outside of the U.S., Canada or the U.K., and acquisitions. In general, individual acquisitions are permitted up to \$100.0 million with the aggregate expenditure for all acquisitions limited to \$150.0 million in any fiscal year.

There is also a restriction on disposition of assets having a fair market value exceeding \$40.0 million in a fiscal year with certain specified exemptions. Dividends are currently limited to 25% of consolidated net income for the immediately preceding fiscal quarter but that amount increases to 50% of consolidated net income for the immediately preceding fiscal quarter if the leverage ratio is below 2.0 to 1.0. Capital stock purchases are limited to \$50.0 million during the term of this credit facility.

There are further restrictions in several of the covenants, such as a complete prohibition on paying any dividends, if we are in default under the senior secured credit agreement. In addition, many of the covenants effectively limit transactions with our unrestricted subsidiaries or non-guarantor entities.

In addition to business covenants, there are financial covenants in our senior secured credit facility. Since March 31, 2005, our Total Leverage Ratio was required to be no more than 3.25 to 1.0 and that requirement is tightened to 3.00 to 1.0 from July 1, 2006. At the end of 2005, our leverage ratio was 2.3 to 1.0. The senior secured credit facility also has a Minimum Fixed Charge Coverage Ratio. From March 31, 2005, our fixed charge coverage ratio was required to be at least 1.05 to 1.0 and July 1, 2006 it must be at least 1.10 to 1.0 and after July 1, 2007 it must be at least 1.15 to 1.0. As of December 31, 2005 it was 2.3 to 1.0.

The indenture for the 2011 notes also has numerous covenants that are applicable to Cott Beverages Inc., the restricted subsidiaries and us. We can only make restricted payments, such as paying dividends, buying back stock or making certain investments, if our fixed charge coverage ratio is at least 2.0 to 1.0. Even then, we can only make those restricted payments in an amount that is no greater than 50% of our consolidated net income subject to certain adjustments. Certain other investments, like those not exceeding \$60.0 million in the aggregate, may be made without satisfying the restricted payments test.

We can only incur additional debt or issue preferred stock, other than certain specified debt, if our fixed charge coverage ratio is greater than 2.0 to 1.0. For purposes of the indenture, our fixed charge coverage ratio was 6.2 to 1.0 as of December 31, 2005. Subject to some exceptions, asset sales may only be made where the sale price is equal to the fair market value of the asset sold and we receive at least 75% of the proceeds in cash. There are also limitations on what we may do with the sale proceeds such that we may be required to pay

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

down debt or reinvest the proceeds in enumerated business uses within a specified period of time.

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

Several of the terms, such as restricted payments, are defined differently in the indenture and the senior secured credit facility and certain calculations are made differently in the two agreements.

We believe that we have sufficient financial flexibility under the terms of our indebtedness to operate our business as currently planned.

CAPITAL STRUCTURE

In 2005, shareowner's equity increased by \$24.6 million from 2004. Shareowners' equity increased as a result of net

33

income of \$24.6 million, additional share capital of \$4.4 million from the exercise of employee stock options, including the related tax benefit, and the \$0.6 million reduction in the unrealized losses on cash flow hedges. These increases were partially offset by a \$5.0 million foreign currency translation loss on the net assets of self-sustaining foreign operations. The foreign currency translation adjustment resulted from the net changes in the pound sterling and the Canadian dollar relative to the U.S. dollar.

DIVIDEND PAYMENTS

No dividends were paid in 2005 and we are not expecting to change this policy in 2006 as we intend to use cash for future growth or debt repayment.

There are certain restrictions on the payment of dividends under our credit facility and 2011 notes indenture. The most restrictive provision is the quarterly limitation of dividends based on the prior quarter's earnings.

CONTRACTUAL OBLIGATIONS

The following chart shows the schedule of future payments under certain contracts, including long-term debt agreements and guarantees as of December 31, 2005:

	Payments due by period				
	Total	Less than 1 Year	Years 2-3	Years 4-5	After 5 years
(IN MILLIONS)					
2011 notes	\$275.0	\$ --	\$ --	\$ --	\$275.0
Operating leases	95.6	17.8	24.4	17.5	35.9
Capital lease	2.6	0.8	1.5	0.3	--
Purchase obligations (1)	239.4	55.0	72.6	37.6	74.2

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

-----	-----	-----	-----	-----
\$612.6	\$73.6	\$98.5	\$55.4	\$385.1
=====	=====	=====	=====	=====

- (1) Purchase obligations consist of an information technology outsourcing contract, contracts with certain co-packers and commitments for the purchase of inventory and capital expenditures. These obligations represent expected expenditures under the normal course of business, not our minimum contractual obligations.

CRITICAL ACCOUNTING POLICIES

Note 1 to the consolidated financial statements includes a summary of the significant accounting policies and estimates used in the preparation of our consolidated financial statements.

Our critical accounting policies require management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the accompanying notes. These estimates are based on historical experience, the advice of external experts or on other assumptions management believes to be reasonable. Where actuals differ from estimates, revisions are included in the results of the period in which actuals become known. Historically, differences between estimates and actuals have not had a significant impact on our consolidated financial statements.

Critical accounting policies and estimates used to prepare the financial statements are discussed with our Audit Committee as they are implemented and on an annual basis and include the following:

REVENUE RECOGNITION

We report sales when ownership passes to customers for products manufactured in our own plants and/or by third parties on our behalf. We regularly evaluate the facts and circumstances in relation to the criteria in the EITF 99-19 and use our best judgment to determine whether to report sales on a gross or net basis for products manufactured by third parties. Currently, the facts and circumstances surrounding all of our business support the reporting of all sales on a gross basis.

We offer sales incentives to certain customers. We account for these incentives as a reduction in sales. We follow the guidance under EITF 01-9 in accounting for sales incentives. Where the incentive has been paid in advance, we amortize the amount based on expected future sales related to the incentive. Where the incentive is to be paid in arrears, we accrue the amount based on expected future sales related to the incentive.

IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH AN INDEFINITE LIFE

With the implementation of Statement of Financial Accounting Standard ("SFAS") 142 in 2002, goodwill and intangible assets with an indefinite life are no longer amortized, but instead are tested at least annually for impairment. Any impairment loss is recognized in income. We have goodwill of \$150.3 million and rights of \$80.4 million on our balance sheet at December 31, 2005.

In accordance with SFAS 142, we evaluate goodwill for impairment on a reporting unit basis. Reporting units are operating segments or components of operating segments for which discrete financial information is available. The evaluation of goodwill for each reporting unit is based upon the following approach. We compare the fair value of a reporting unit to its carrying value. Where the carrying value is greater than the fair value, the implied fair value of the reporting unit goodwill is determined by allocating the fair value of the

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

reporting unit to all the assets and liabilities of the reporting unit with any of the remainder being allocated to goodwill. The implied fair value of the reporting unit goodwill is then compared to the carrying value of that goodwill to determine the impairment loss.

34

We measure the fair value of reporting units using discounted future cash flow. Because the business is assumed to continue in perpetuity, the discounted future cash flow includes a terminal value. The long-term growth assumptions incorporated into the discounted cash flow calculation reflect our long-term view of the market and the discount rate is based on our weighted average cost of capital. Each year we re-evaluate the assumptions used to reflect changes in the business environment. Based on the evaluation performed this year, we determined that the fair values of our reporting units, except for our Columbus, Ohio plant, exceeded their carrying value and that as a result the second step of the impairment test was not required. We performed an impairment test on the value of the goodwill relating to our Columbus, Ohio plant as a result of its announced closure. The impairment charge of \$5.9 million relating to this goodwill has been included in unusual items.

Our only intangible asset with an indefinite life relates to our 2001 acquisition of intellectual property from Royal Crown Company, Inc. including the right to manufacture our concentrates, with all related inventions, processes, technologies, technical and manufacturing information and know-how. There is an indefinite life to our ownership of these rights, and there are no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful life. In accordance with SFAS 142, based on the above factors, the life of the rights is considered to be indefinite and they are not amortized, but are tested annually for impairment. Impairment of an intangible asset with an indefinite life, if any, is determined using the same discounted future cash flow assumptions and model discussed above for goodwill. We compare the carrying value of the rights to their fair value and recognize in income any impairment in value.

OTHER INTANGIBLE ASSETS

Other intangible assets consist principally of customer relationships that arise from acquisitions, which amounted to \$126.6 million at December 31, 2005. Customer relationships are amortized on a straight-line basis for the period over which we expect to receive economic benefits.

IMPAIRMENT OF LONG-LIVED ASSETS

We periodically compare the carrying value of long-lived assets, including customer relationships by customer, to the estimated undiscounted future cash flows at the lowest level of independent cash flows for the group of long-lived assets and recognize any impairment in our income statement. The expected life and value of these long-lived assets is based on an evaluation of the competitive environment, history and future prospects as appropriate. In 2005, we recorded impairment losses of \$20.0 million relating to customer relationships and \$5.3 million relating to long-lived assets of our Columbus, Ohio and Lachine, Quebec facilities in unusual items.

INCOME TAXES

We regularly review the recognized and unrecognized deferred income tax assets to determine whether or not a valuation allowance is required. Management believes that it is more likely than not that the deferred tax asset in respect

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

of Canada will not be realized and has recorded a valuation allowance in the amount of \$21.0 million in 2005. A reduction in reserves of \$19.3 million partially offset the increase in the valuation allowance. All other deferred tax assets will be realized as a result of anticipated future taxable income from these operations. The remaining deferred tax assets of \$5.0 million relate primarily to the United States. A significant change in the volumes or profitability of these operations could affect the realization of the deferred tax assets. We periodically review exposures and make our best estimate of the reserve amount.

In the ordinary course of business, we enter into transactions where the ultimate tax determination may be uncertain. These uncertainties require us to make estimates of the ultimate tax liabilities and, accordingly, the provision for income taxes. While we believe our estimates are reasonable and appropriate, additional income tax provisions may result if tax matters are resolved or settled at amounts different from those estimates.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2004 the Financial Accounting Standard's Board ("FASB") issued SFAS 123R, Share-Based Payments, requiring companies to recognize compensation expense for all types of stock options. We will adopt this standard using the modified prospective approach for 2006. As a result of this new standard, compensation expense for 2005 would have increased by \$9.8 million and income taxes would decrease by \$2.5 million. Comparative figures for the year ended December 31, 2005 would show income before income taxes and equity loss of \$29.5 million, income tax expense of \$12.2 million and net income of \$17.3 million or \$0.24 per basic share and fully diluted share.

In November 2004 FASB issued SFAS 151, Inventory Costs, requiring the allocation of fixed production overheads to be based on normal capacity of the production facilities. Unallocated overheads resulting from abnormally low production and certain other costs are to be recognized as an expense in the period in which they are incurred. We will adopt this standard for our interim period ending April 1, 2006. We do not expect this change to have a material impact on us.

35

CANADIAN GAAP

Results determined under Canadian GAAP may differ from results determined under U.S. GAAP from time to time. Under Canadian GAAP in 2005, our net income would be \$17.2 million and total assets would be \$1,171.9 million compared to net income and total assets under U.S. GAAP of \$24.6 million and \$1,171.4 million, respectively. Under Canadian GAAP in 2004, our net income would be \$70.6 million and total assets would be \$1,023.9 million compared to net income and total assets under U.S. GAAP of \$78.3 million and \$1,022.0 million, respectively.

There is one material U.S./Canadian GAAP difference in 2005 and 2004. Under Canadian GAAP, effective January 1, 2004, stock options issued to employees subsequent to January 1, 2002 are recognized in net income over the vesting period based on their fair value. As a result, compensation expense of \$9.7 million, \$7.2 million after tax, was recorded in 2005. Compensation expense of \$10.0 million, \$7.5 million after tax, was recorded for 2004. This policy was adopted on a retroactive basis with no restatement of comparative figures and as a result \$5.6 million was charged to opening retained earnings as at January 3, 2004. Under U.S. GAAP, we have elected not to record compensation expense for options issued to employees with an exercise price equal to the market value of the common shares. In 2006, we will adopt SFAS 123R which requires recognition

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

of compensation expense relating to stock options.

2004 VERSUS 2003

Our fiscal year ends on the Saturday closest to December 31 each year. As a result, a 53rd week is included in our fiscal year every five or six years. The fiscal year that ended January 3, 2004 consisted of 53 weeks.

RESULTS OF OPERATIONS

	2004		2003	
	MILLIONS OF DOLLARS	PERCENT OF SALES	MILLIONS OF DOLLARS	PERCENT OF SALES
Sales	\$1,646.3	100.0%	\$1,417.8	100.0%
Cost of sales	1,362.6	82.8%	1,141.0	80.5%
Gross margin	283.7	17.2%	276.8	19.5%
SG&A	138.1	8.4%	126.1	8.9%
Unusual items	0.9	--	1.8	0.1%
Operating income	144.7	8.8%	148.9	10.5%
Other expense	(0.1)	--	0.5	--
Interest expense	26.0	1.6%	27.5	2.0%
Minority interest	4.0	0.2%	3.2	0.2%
Income taxes	35.8	2.2%	40.1	2.8%
Equity loss	0.7	--	0.2	--
Net income	\$ 78.3	4.8%	\$ 77.4	5.5%
Depreciation & amortization	60.0	3.6%	51.0	3.6%

SALES

Sales in 2004 were \$1,646.3 million, an increase of 16% from \$1,417.8 million in 2003. The following table shows the change in sales by significant segment from 2003 to 2004 excluding the impact of acquisitions, foreign exchange and the extra week in 2003:

	COTT	NORTH AMERICA	UK & EUROPE	INTER- NATIONAL
Change in sales	\$228.5	\$180.8	\$27.7	\$19.1
Impact of acquisitions	62.3	62.3	--	--
Impact of extra week in 2003	(20.5)	(17.8)	(1.9)	(0.8)
Impact of foreign exchange	32.6	13.3	20.2	(1.1)
Change excluding				

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

acquisitions, exchange & extra week	\$154.1 -----	\$123.0 -----	\$ 9.4 -----	\$21.0 -----
Percentage change excluding acquisitions, exchange & extra week	11% -----	10% -----	5% -----	52% -----

36

Excluding the impact of the extra week in 2003, sales increased 18% in 2004. In December 2003, we acquired the retailer brand beverage business of Quality Beverage Brands, L.L.C. located in North Carolina and in 2004, we acquired certain of the assets of Cardinal and Metro. These acquisitions added \$62.3 million or 3.8%, in the aggregate, to sales in 2004. When the impact of these acquisitions and foreign exchange are also excluded, sales increased 13% and 11%, respectively. Total case volume in 8-ounce equivalents for 2004 was 1,148 million, up from 1,013 million in 2003.

In North America, our sales were \$1,388.5 million in 2004, an increase of 15% from 2003 or 17% excluding the extra week in 2003. When also excluding acquisitions and foreign exchange, sales increased 10% from 2003. The growth was driven by increased volume with existing customers in the U.S., introduction of new products and sales to new customers partially offset by overall weak demand for carbonated soft drinks in Canadian grocery stores.

In the U.K. and Europe, our sales were \$194.3 million in 2004, an increase of 17% from \$166.6 million in 2003. Excluding the impact of the strengthened pound sterling and the extra week in 2003, sales increased 5% in 2004. The increase was due to continued focus on core products, manufacturing for non-retailer third parties, partnering with key suppliers, optimizing manufacturing processes and warehouse logistics and introducing new products.

The international segment includes the Mexican operations, the Royal Crown International division and our business in Asia. Sales by this segment were \$61.2 million in 2004, an increase of 45% when compared with sales of \$42.1 million in 2003. Excluding foreign exchange and the extra week in 2003, sales increased 52%. The increase in sales is primarily due to sales in Mexico where sales were \$40.7 million, an increase of 67% from \$24.4 million in 2003.

COST OF SALES

Cost of sales was \$1,362.6 million or 82.8% of sales in 2004 as compared with \$1,141.0 million or 80.5% of sales in 2003. The increase in cost of sales resulted primarily from reduced plant efficiencies and higher logistics costs as we struggled to meet increased demand during the first half of 2004. Higher commodity costs including resin for PET bottles and aluminum for cans.

Variable costs represented 90% of total cost of sales in 2004. Major elements of these variable costs included ingredient and packaging costs, fees paid to third party manufacturers and distribution costs.

GROSS PROFIT

Gross profit was 17.2% of sales for 2004 compared with 19.5% in 2003. Lower margins resulted primarily from reduced plant efficiencies and higher logistics costs. Higher commodity costs were largely offset by price increases charged to

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

our customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A")

SG&A was \$138.1 million in 2004, an increase of \$12.0 million or 10% from \$126.1 million in 2003. Increases in SG&A include costs associated with Sarbanes-Oxley Section 404 compliance, provisions taken during the year to write-off certain export receivables in North America, adding new employees principally to serve our growing North American business, and a negative impact from the weakened U.S. dollar. These increases were partially offset by a decrease in incentive compensation.

UNUSUAL ITEMS

Unusual items of \$0.9 million in 2004 and \$1.8 million in 2003 are primarily related to write downs to our investment in an equity investee.

OPERATING INCOME

Operating income was \$144.7 million in 2004 as compared with \$148.9 million for 2003.

INTEREST EXPENSE

Net interest expense was \$26.0 million in 2004, down 5% from \$27.5 million in 2003. This decrease was primarily due to lower average borrowings on our credit facilities during the year.

INCOME TAXES

We recorded an income tax provision of \$35.8 million in 2004 reflecting an effective tax rate of 31.2%. This decreased from \$40.1 million, or an effective rate of 34.1%, in 2003 primarily due to a change in management's best estimate of the reserve.

CANADIAN GAAP

Results reported under Canadian GAAP may differ from results reported under U.S. GAAP from time to time. Under Canadian GAAP in 2003, we reported net income of \$77.2 million and total assets of \$910.1 million compared to net income and total assets reported under U.S. GAAP of \$77.4 million and \$908.8 million, respectively. There are no material U.S./Canadian GAAP differences for 2003.

37

OUTLOOK

We expect 2006 to be another challenging year. The carbonated soft drinks industry is expected to be flat in 2006 compared with 2005 as the decline in sales of regular CSDs is offset by higher sales of diet CSDs. Strong growth is expected for bottled water and non-carbonated beverages.

To be successful, we will need to take a more disciplined, strategic approach to pricing, work to strategically reduce costs, aggressively improve the efficiency of our overall supply chain including bottled water profitability and increase our penetration into the non-carbonated beverages category.

We intend to raise prices to recover all 2006 raw material cost increases and, over the next 18 months, implement incremental pricing to recover the 2005

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

gap between cost and pricing increases.

We continue to move forward on the North American realignment plan we announced in September 2005. We are leveraging management strengths across a broader territory and maximizing opportunities and processes to improve supply chain efficiencies and financial performance. We have improved asset efficiencies and made tough decisions to close certain operations and better align resources with customer needs. To date, we have recorded charges of \$16.9 million relating to this plan and \$20.0 million for customer relationship impairment and could incur additional pre-tax charges, including asset impairments, severance and other costs, of \$23.0 to \$43.0 million. We have not completed the detailed plans and the requisite analyses to estimate the remaining charges to specific categories. As a result, the ultimate amount and timing of the charges is uncertain.

We continue to strategically realign our asset base to improve our efficiencies and reduce fixed costs. We are also looking into opportunities such as expanded in-house PET blow-moulding capabilities and dedicated high-speed water lines to improve the profitability of bottled water.

Our longer term priority is to position ourselves for growth in the non-carbonated beverages category. We will evaluate opportunities to increase our penetration in fast growing segments such as isotonics, enhanced or fortified drinks, energy and juice-based beverages.

Our business strategy also involves continuing to expand outside of North America. We continue to view Mexico as a strong long-term growth opportunity and are working closely with our customers to grow the retailer brand beverage segment in this market. The U.K. business intends to continue to enhance its performance through product innovation and a customer-centric focus to identify opportunities. The Macaw Acquisition has added additional production capacity and aseptic beverage capabilities to our U.K. business unit. Subsequent to the completion of the Macaw Acquisition, the OFT in the U.K. decided to review the transaction. Under applicable U.K. law, we were not required to seek pre-clearance of the Macaw Acquisition by the OFT. However, the OFT has referred the transaction to the Competition Commission for further investigation. The Competition Commission ruling is expected in May 2006. We expect that the transaction will be approved, but we cannot guarantee this outcome. However, until a ruling is made, the OFT and Competition Commission have required us to refrain from further integrating the Macaw business into the Cott business in the U.K.

We expect 2006 net income to be substantially below the 2005 level as, along with charges for unusual items and compensation expense for stock options resulting from the implementation of SFAS 123R, we will have higher depreciation expense from capacity additions and the Macaw Acquisition, increased interest expense from the Macaw Acquisition and a higher effective tax rates mainly due to our inability to record tax benefits on losses in Canada.

The actions we have outlined will take time to implement. We are moving forward in an urgent yet disciplined way and are working to position Cott for long term success.

ITEM 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN EXCHANGE

We are exposed to changes in foreign currency exchange rates. Operations outside of the U.S. accounted for approximately 29% of 2005 sales and 26% of 2004 sales, and are concentrated principally in the U.K. and Canada. Our debt instruments,

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

excluding debt of \$135.3 million (78.1 million pounds sterling) related to the Macaw Acquisition and the U.K. operations, are denominated in U.S. dollars. We translate the revenues and expenses of our foreign operations using average exchange rates prevailing during the period. The effect of a 10% change in foreign currency exchange rates among the U.S. dollar versus the Canadian dollar and pound sterling at current levels of foreign debt and operations could be material to our financial condition and profitability.

In 2005, we entered into cash flow hedges to mitigate exposure to declines in the value of the Canadian dollar and pound sterling attributable to certain forecasted U.S. dollar raw material purchases of the Canadian and U.K. and European business segments. The hedges consist of monthly foreign exchange options to buy U.S. dollars at fixed rates per Canadian dollar and mature at various dates through December 28, 2006. The fair market value of the

38

foreign exchange options is included in prepaid expenses and other assets.

The instruments are cash flow hedges under SFAS 133; accordingly, changes in the fair value of the cash flow hedge instruments are recognized in accumulated other comprehensive income. Amounts recognized in accumulated other comprehensive income and prepaid expenses and other assets are recorded in earnings in the same periods in which the forecasted purchases or payments affect earnings. At December 31, 2005, the fair value of the options was \$0.4 million and we had a \$0.4 million unrealized loss in comprehensive income.

DEBT OBLIGATIONS AND INTEREST RATES

We have exposure to interest rate risk from our short-term and long-term debt. Our long-term debt is fixed and our short-term debt is variable. Our short-term credit facilities are most vulnerable to fluctuations in the U.K. short-term base rate and the LIBOR rate. At current debt levels, a hypothetical increase of 10% in either interest rate measure would not be material to our cash flows or our results of operations. The weighted average interest rate of our debt outstanding at December 31, 2005 was 5.78%.

We regularly review the structure of our indebtedness and consider changes to the proportion of floating versus fixed rate debt through refinancing, interest rate swaps or other measures in response to the changing economic environment. Historically, we have not used derivative instruments to manage interest rate risk. If we use and fail to manage these derivative instruments successfully, or if we are unable to refinance our indebtedness or otherwise increase our debt capacity in response to changes in the marketplace, the expense associated with debt service could increase. This would negatively impact our financial condition and profitability.

The information below summarizes our market risks associated with long-term debt obligations as of December 31, 2005. The table presents principal cash flows and related interest rates by year of maturity. Interest rates disclosed represent the actual weighted average rates as of December 31, 2005.

DEBT OBLIGATIONS	

	WEIGHTED AVERAGE
	INTEREST RATE FOR
FIXED RATE	DEBT MATURING

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

(IN MILLIONS OF US DOLLARS)

DEBT MATURING IN:		
2006	\$ 0.8	5.2%
2007	0.8	5.2%
2008	0.7	5.2%
2009	0.3	5.2%
2010	--	--
Thereafter	275.0	8.0%
	-----	---
Total	\$277.6	8.0%
	-----	---
Fair Value	\$285.9	

39

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF MANAGEMENT

The accompanying consolidated financial statements have been prepared by management in conformity with generally accepted accounting principles in the U.S. to reflect our financial position and our operating results. Financial information appearing throughout this Annual Report is consistent with that in the consolidated financial statements. Management is responsible for the information and representations in such consolidated financial statements, including the estimates and judgments required for their preparation.

In order to meet our responsibility, management maintains a system of internal controls including policies and procedures designed to provide reasonable assurance that assets are safeguarded and reliable financial records are maintained. We have contracted with Deloitte and Touche LLP to provide internal audit services including monitoring and reporting on the adequacy of and compliance with internal controls. The internal audit function reports regularly to the Audit Committee of the Board of Directors and we take such actions as are appropriate to address control deficiencies and other opportunities for improvement as they are identified.

The report of PricewaterhouseCoopers LLP, our independent registered public accounting firm, covering their audit of the consolidated financial statements and internal control over financial reporting as of December 31, 2005 and January 1, 2005 and the audit of the January 3, 2004 financial statements, is included in this Annual Report. We used PricewaterhouseCoopers LLP for audit and tax compliance services in 2005 and plan to engage them only to provide these services in the future.

The Board of Directors annually appoints an Audit Committee, consisting of at least three independent directors. The Audit Committee meets with management, internal auditors and the independent auditors to review any significant accounting and auditing matters and to discuss the results of audit examinations. The Audit Committee also reviews the consolidated financial statements, the Report of Independent Registered Public Accounting Firm and other information in the Annual Report and recommends their approval to the Board of Directors.

/s/ John K. Sheppard

John K. Sheppard
President & Chief Executive Officer
February 22, 2006

/s/ B. Clyde Preslar

B. Clyde Preslar
Executive Vice President & Chief
Financial Officer
February 22, 2006

40

REPORT OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREOWNERS OF COTT CORPORATION:

We have completed an integrated audit of Cott Corporation's December 31, 2005 and January 1, 2005 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005 and an audit of its January 3, 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions on Cott Corporation's December 31, 2005, January 1, 2005 and January 3, 2004 financial statements and on its' internal control over financial reporting as at December 31, 2005 based on our audits are presented below.

CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

In our opinion, the consolidated financial statements appearing under Item 8 of Form 10-K present fairly, in all material respects, the financial position of Cott Corporation and its subsidiaries at December 31, 2005 and January 1, 2005 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules appearing under Item 15 of Form 10-K present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Also, in our opinion, management's assessment, included in Management's Report

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

on Internal Control over Financial Reporting appearing in Item 9A of Form 10-K, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control -- Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal-control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the

41

company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Toronto, Ontario
February 22, 2006

42

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

COTT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	For the years ended		
	DECEMBER 31, 2005	January 1, 2005	January 3, 2004
(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)			
SALES	\$1,755.3	\$1,646.3	\$1,417.8
Cost of sales	1,505.8	1,362.6	1,141.0
GROSS PROFIT	249.5	283.7	276.8
Selling, general and administrative expenses	138.6	138.1	126.1
Unusual items - note 2			
Restructuring	3.2	--	--
Asset impairments	33.5	0.9	1.8
Other	0.8	--	--
OPERATING INCOME	73.4	144.7	148.9
Other expense (income), net - note 3	0.8	(0.1)	0.5
Interest expense, net - note 4	28.8	26.0	27.5
Minority interest	4.5	4.0	3.2
INCOME BEFORE INCOME TAXES AND EQUITY LOSS	39.3	114.8	117.7
Income taxes - note 5	(14.7)	(35.8)	(40.1)
Equity loss	--	(0.7)	(0.2)
NET INCOME - note 6	\$ 24.6	78.3	\$ 77.4
PER SHARE DATA - note 7			
NET INCOME PER COMMON SHARE			
Basic	\$ 0.34	\$ 1.10	\$ 1.12
Diluted	\$ 0.34	\$ 1.09	\$ 1.09

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

43

COTT CORPORATION
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2005	January 1, 2005
(IN MILLIONS OF U.S. DOLLARS)		
ASSETS		
CURRENT ASSETS		

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

Cash	\$ 21.7	\$ 26.6
Accounts receivable - note 8	191.1	184.3
Inventories - note 9	144.2	122.8
Prepaid expenses and other assets	9.5	9.7
	-----	-----
	366.5	343.4
PROPERTY, PLANT AND EQUIPMENT - note 11	394.2	313.7
GOODWILL - note 12	150.3	88.8
INTANGIBLES AND OTHER ASSETS - note 13	260.4	276.1
	-----	-----
	\$1,171.4	\$1,022.0
	=====	=====
LIABILITIES		
CURRENT LIABILITIES		
Short-term borrowings - note 14	\$ 157.9	\$ 71.4
Current maturities of long-term debt - note 15	0.8	0.8
Accounts payable and accrued liabilities - note 16	182.5	145.2
	-----	-----
	341.2	217.4
LONG-TERM DEBT - note 15	272.3	272.5
DEFERRED INCOME TAXES - note 5	53.5	51.0
	-----	-----
	667.0	540.9
	-----	-----
MINORITY INTEREST	22.5	23.8
SHAREOWNERS' EQUITY		
CAPITAL STOCK - note 17		
Common shares - 71,711,630 (2004 - 71,440,020) shares issued	291.4	287.0
RETAINED EARNINGS	186.2	161.6
ACCUMULATED OTHER COMPREHENSIVE INCOME	4.3	8.7
	-----	-----
	481.9	457.3
	-----	-----
	\$1,171.4	\$1,022.0
	=====	=====

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

Approved by the Board of Directors

/s/ Serge Gouin

/s/ Philip B. Livingston

Director

Director

44

COTT CORPORATION
CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

Number of Common Shares	Common Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total Equit
-----	-----	-----	-----	-----

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

(IN MILLIONS OF U.S. DOLLARS)	(IN THOUSANDS)				
Balance at December 28, 2002	68,559	\$248.1	\$ 5.9	\$(35.8)	\$218.
Options exercised, including tax benefit of \$7.5 million - note 18	1,700	19.8	--	--	19.
Comprehensive income - note 6					
Currency translation adjustment	--	--	--	29.7	29.
Net income	--	--	77.4	--	77.
	-----	-----	-----	-----	-----
Balance at January 3, 2004	70,259	267.9	83.3	(6.1)	345.
Options exercised, including tax benefit of \$4.8 million - note 18	1,181	19.1	--	--	19.
Comprehensive income - note 6					
Currency translation adjustment	--	--	--	15.8	15.
Unrealized losses on cash flow hedges - note 10	--	--	--	(1.0)	(1.)
Net income	--	--	78.3	--	78.
	-----	-----	-----	-----	-----
Balance at January 1, 2005	71,440	287.0	161.6	8.7	457.
Options exercised, including tax benefit of \$0.8 million - note 18	272	4.4	--	--	4.
Comprehensive income - note 6					
Currency translation adjustment	--	--	--	(5.0)	(5.)
Change in unrealized loss on cash flow hedges - note 10	--	--	--	0.6	0.
Net income	--	--	24.6	--	24.
	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2005	71,712	\$291.4	\$186.2	\$ 4.3	\$481.
	=====	=====	=====	=====	=====

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

45

COTT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS OF U.S. DOLLARS)	For the years ended		
	DECEMBER 31, 2005	January 1, 2005	January 3, 2004
	-----	-----	-----
OPERATING ACTIVITIES			
Net income	\$ 24.6	\$ 78.3	\$ 77.4
Depreciation and amortization	70.2	60.0	51.0
Amortization of financing fees	0.8	0.7	1.7
Deferred income taxes - note 5	(6.5)	9.1	9.6
Minority interest	4.5	4.0	3.2
Equity loss	--	0.7	0.2
Asset impairments	33.5	1.5	1.8
Other non-cash items	3.0	0.8	1.6
Net change in non-cash working capital - note 19	(1.0)	(52.4)	(3.8)
	-----	-----	-----

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

Cash provided by operating activities	129.1	102.7	142.7
	-----	-----	-----
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(75.8)	(50.3)	(39.6)
Acquisitions - note 20	(135.1)	(34.6)	(49.8)
Acquisition of production capacity	--	(3.8)	--
Notes receivable	--	--	(2.5)
Other investing activities	(6.8)	(4.7)	(9.9)
	-----	-----	-----
Cash used in investing activities	(217.7)	(93.4)	(101.8)
	-----	-----	-----
FINANCING ACTIVITIES			
Payments of long-term debt	(0.9)	(3.5)	(90.2)
Short-term borrowings	91.8	(7.0)	55.8
Distributions to subsidiary minority shareowner	(5.8)	(5.9)	(4.1)
Issue of common shares	3.6	14.3	12.3
Financing costs	(3.8)	--	--
Other financing activities	(0.4)	(0.4)	(0.4)
	-----	-----	-----
Cash used in financing activities	84.5	(2.5)	(26.6)
	-----	-----	-----
Effect of exchange rate changes on cash	(0.8)	1.4	0.8
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH	(4.9)	8.2	15.1
CASH, BEGINNING OF YEAR	26.6	18.4	3.3
	-----	-----	-----
CASH, END OF YEAR	\$ 21.7	\$ 26.6	\$ 18.4
	=====	=====	=====

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

COTT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED 2005, 2004 AND 2003

NOTE 1
Summary of Significant Accounting Policies

BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") using the U.S. dollar as the reporting currency, as the majority of our business and the majority of our shareowners are in the U.S.

Comparative amounts in prior years have been reclassified to conform to the financial statement presentation adopted in the current year.

BASIS OF CONSOLIDATION

The financial statements consolidate our accounts and our wholly owned and majority-owned subsidiaries where we are exposed to the majority of the expected losses or returns.

ESTIMATES

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

The preparation of these consolidated financial statements in conformity with 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 impairment has occurred requires various estimates and assumptions including estimates of cash flows that are directly related to the potentially impaired asset, 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 based on cash flow estimates and the application of an appropriate discount rate.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

On December 16, 2004, the Financial Accounting Standards Board issued SFAS 123R, Share-Based Payments requiring companies to recognize compensation expense for all types of stock options. On April 14, 2005 the Financial Accounting Standards Board approved a new rule that deferred the effective date of SFAS 123R. We will adopt this standard using the modified prospective approach for our interim period ending April 1, 2006. As discussed in note 18, had compensation expense for the plans been determined based on the fair value at the grant date consistent with SFAS 123, compensation expense for 2005 would have increased by \$9.8 million and incomes taxes would decrease by \$2.5 million. Comparative figures for the year ended December 31, 2005 would show income before income taxes and equity loss of \$29.5 million, income tax expense of \$12.2 million and net income of \$17.3 million or \$0.24 per basic and fully diluted share.

In November 2004, the Financial Accounting Standards Board issued SFAS 151, Inventory Costs. The Statement requires that the allocation of fixed production overheads to inventory be based on the normal capacity of the production facilities; unallocated overheads resulting from abnormally low production and certain other costs are to be recognized as an expense in the period in which they are incurred. We will adopt this standard for our interim period ending April 1, 2006. We do not expect this change to have a material impact on us.

REVENUE RECOGNITION

We recognize sales at the time ownership passes to the customer. This may be upon shipment of goods or upon delivery to the customer, depending on contractual terms. Shipping and handling costs paid by the customer to us are included in revenue.

SALES INCENTIVES

We participate in various incentive programs with our customers including programs under which incentives can be earned for attaining agreed upon sales volume targets over time. Sales incentives are deducted in arriving at sales. Sales incentives based on our customers achieving volume targets are accrued as the incentive is earned and is based on management's estimate of the total rebate the customer is expected to earn and claim. We regularly review customer sales forecasts to ensure volume targets will be met and adjust incentive accruals accordingly.

COSTS OF SALES

We record shipping and handling and finished goods inventory costs in cost of sales. Finished goods inventory costs include the cost of direct labor and materials and the applicable share of overhead expense chargeable to production.

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

We record all other expenses not charged to production as general and administrative expenses.

INVENTORIES

Inventories are stated at the lower of cost, determined on the first-in, first-out method, or net realizable value. Returnable bottles and plastic shells are valued at the lower of cost, deposit value or net realizable value. Finished goods and work-in-process include the cost of raw materials, direct labor and manufacturing overhead costs.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 to 40 years
Machinery and equipment	7 to 15 years
Furniture and fixtures	3 to 10 years
Plates and films	up to 3 years

Leasehold improvements are amortized over the remaining life of the lease.

GOODWILL

Goodwill represents the excess purchase price of acquired businesses over the fair value of the net assets acquired. We test the goodwill for impairment at least annually. We evaluate goodwill for impairment on a reporting unit basis. Reporting units are operating segments or components of operating segments for which discrete financial information is available. We compare the fair value of a reporting unit to its carrying value. If the carrying value is greater than the fair value, the implied fair value of the reporting unit goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that unit with any of the remainder being allocated to goodwill. The implied fair value of the reporting unit goodwill is then compared to the carrying value of that goodwill. Any impairment in value is recognized in net income.

INTANGIBLES AND OTHER ASSETS

Issuance costs for credit facilities and long-term debt are deferred and amortized over the term of the credit agreement or related debt, respectively.

Rights to manufacture concentrate formulas, with all the related inventions, processes and technical expertise, are recorded as intangible assets at the cost of acquisition. The rights are not amortized because their useful lives extend indefinitely. We compare the carrying amount of the rights to their fair value, at least annually, and recognize in net income any impairment in value.

Customer relationships are amortized over periods of up to 15 years. Trademarks are recorded at the cost of acquisition and are amortized over 15 years.

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

Information technology includes computer software and licenses, computer programs and information systems, which are amortized over a period of 3 to 5 years.

IMPAIRMENT OF LONG-LIVED ASSETS

If events and changes in circumstances indicate that the carrying values of long-lived assets or, if appropriate, groups of long-lived assets may not be recoverable, we compare the undiscounted future cash flows from the use and eventual disposal of the assets to the carrying amounts. If the carrying amounts exceed these cash flows, we recognize an impairment to the extent that the carrying amounts exceed the fair values of the assets.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of foreign operations, all of which are self-sustaining, are translated at the exchange rates in effect at the balance sheet dates. Revenues and expenses are translated using average exchange rates prevailing during the period. The resulting gains or losses are accumulated in the other comprehensive income account in shareowners' equity.

TAXATION

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized based on the differences between the accounting values of assets and liabilities and their related tax bases using currently enacted income tax rates. A valuation allowance is established to reduce deferred income tax assets if, on the basis of available evidence, it is not more likely than not that all or a portion of any deferred tax assets will be realized.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the consolidated balance sheets for cash, receivables, payables, short-term borrowings and long-term debt approximate their respective fair values, except as otherwise indicated.

DERIVATIVE FINANCIAL INSTRUMENTS

We enter into foreign exchange option and forward contracts to mitigate exposure to declines in the value of the Canadian dollar and pound sterling. We account for foreign exchange options as cash flow hedges. Changes in the fair value of the cash flow hedge instruments are recognized in accumulated other comprehensive income. Amounts recognized in accumulated other comprehensive income and prepaid

48

expenses and other assets are recorded in earnings in the same periods in which the forecasted purchases or payments affect earnings.

TRANSFERS OF FINANCIAL ASSETS

We account for accounts receivables sold through our receivable securitization facility in accordance with SFAS 125 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Debt. The transactions are accounted for as short-term borrowings as we have not surrendered control of the receivables. The accounts receivables and related debt have both been recorded in the

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

consolidated financial statements.

STOCK BASED COMPENSATION

We account for our employee stock option plan under APB opinion No. 25, Accounting for Stock Issued to Employees. Under this method of accounting, compensation expense is measured as the excess, if any, of the market value of our common stock at the award date over the amount the employee must pay for the stock (exercise price). Our policy is to award stock options with an exercise price equal to the closing price of our common stock on the Toronto Stock Exchange on the last trading day immediately before the date of award, and accordingly, no compensation expense has been recognized for stock options issued under these plans.

COMPREHENSIVE INCOME

Comprehensive income is comprised of net income adjusted for changes in the cumulative foreign currency translation adjustment account and unrealized gains and losses on cash flow hedges.

NOTE 2

Unusual Items

	For the years ended				
	DECEMBER 31, 2005			January 1,	January 3,
	NORTH AMERICA	OTHER	TOTAL	2005 Total	2004 Total
(IN MILLIONS OF U.S. DOLLARS)					
Restructuring	\$ 3.0	\$ 0.2	\$ 3.2	\$ --	\$ --
Asset impairments	33.0	0.5	33.5	0.9	1.8
Other	--	0.8	0.8	--	--
	-----	-----	-----	-----	-----
	\$36.0	\$ 1.5	\$37.5	\$0.9	\$1.8
	=====	=====	=====	=====	=====

NORTH AMERICA

In September 2005 we announced our plan to realign the management of our Canadian and U.S. businesses to a North American basis, rationalize product offerings, eliminate under performing assets and increase focus on high potential accounts.

In conjunction with this plan, in December 2005 we announced our intention to close our Columbus, Ohio manufacturing plant in March 2006 to bring production capacity in line with the needs of our customers and in February 2006 we closed our juice plant in Lachine, Quebec.

Restructuring - We recorded restructuring charges of \$3.0 million including \$2.6 million for severance and \$0.4 million for contract termination payments relating to the management realignment. We anticipate additional charges of \$2.7 million will be recognized, including \$0.7 for severance and \$2.0 million for contract terminations, relating to the closures of Columbus, Ohio plant and the Lachine, Quebec juice plant in the year ending December 30, 2006.

We are currently evaluating various actions to reduce costs but have not

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

developed detailed plans to sufficient extent to determine the liabilities.

Asset impairment - As a result of declining sales and margins with certain customers, we conducted an impairment analysis of our customer relationship assets by comparing estimated future cash flows at the lowest level of cash flows that were separately identifiable to the carrying value of the asset. This analysis showed that the estimated future cash flows were not sufficient to recover the carrying value on certain customer relationship assets and accordingly, in 2005 we recorded asset impairment charges of \$20.0 million in order to write down the customer relationship assets to their estimated fair value. Fair value was determined by discounting estimated future cash flows related to the customer relationship assets.

We recorded an impairment loss of \$9.3 million related to the closure of our Columbus, Ohio plant, including a \$3.4 million writedown to property, plant and equipment and a \$5.9 million writedown of all the goodwill relating to this component.

The remaining asset impairment loss of \$3.7 million in North America pertains primarily to write downs of certain equipment and our remaining investment in an equity investee.

We may also rationalize products and additional production capacity but have not yet completed our analysis nor have we completed our detailed plans and 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, the useful lives, 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.

OTHER

Other unusual items includes primarily legal fees relating to the U.K. Office of Fair Trading ("OFT") and Competition

49

Commission review of the acquisition of 100% of the shares of Macaw (Holdings) Limited, the parent company of Macaw (Soft Drinks) Limited (the "Macaw Acquisition") in the U.K. and other asset impairment charges in the Corporate and Other segment.

YEARS ENDED JANUARY 1, 2005 AND JANUARY 3, 2004

During the years ended January 1, 2005 and January 3, 2004 unusual items were \$0.9 million and \$1.8 million, respectively, including charges of \$1.5 million and \$2.1 million, respectively, relating to provisions for a note due to an equity investee.

NOTE 3

Other Expense (Income), Net

For the years ended

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

	DECEMBER 31, 2005	January 1, 2005	January 3, 2004
	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)			
Foreign exchange (gain) loss	\$(0.5)	\$ 0.7	\$ 1.2
Loss (gain) on disposal of property, plant and equipment	1.5	(0.3)	(0.1)
Other	(0.2)	(0.5)	(0.6)
	-----	-----	-----
	\$ 0.8	\$(0.1)	\$ 0.5
	=====	=====	=====

NOTE 4
Interest Expense, Net

	For the years ended		
	DECEMBER 31, 2005	January 1, 2005	January 3, 2004
	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)			
Interest on long-term debt	\$23.1	\$23.3	\$26.4
Other interest expense	6.2	3.2	1.7
Interest income	(0.5)	(0.5)	(0.6)
	-----	-----	-----
	\$28.8	\$26.0	\$27.5
	=====	=====	=====

Interest paid during the year was approximately \$27.2 million (\$25.0 million - January 1, 2005; \$25.9 million - January 3, 2004).

NOTE 5
Income Taxes

Income (loss) before income taxes and equity loss consisted of the following:

	For the years ended		
	DECEMBER 31, 2005	January 1, 2005	January 3, 2004
	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)			
Canada	\$(10.2)	\$ (1.9)	\$ 3.6
Outside Canada	49.5	116.7	114.1
	-----	-----	-----

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

\$ 39.3	\$114.8	\$117.7
=====	=====	=====

Provision for income taxes consisted of the following:

	For the years ended		
	DECEMBER 31,	January 1,	January 3,
	2005	2005	2004
	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)			
CURRENT			
Canada	\$ (0.2)	\$ (0.1)	\$ (0.2)
Outside Canada	(21.0)	(26.6)	(30.3)
	-----	-----	-----
	\$ (21.2)	\$ (26.7)	\$ (30.5)
	-----	-----	-----
DEFERRED			
Canada	\$ (0.8)	\$ 1.5	\$ (1.2)
Outside Canada	7.3	(10.6)	(8.4)
	-----	-----	-----
	\$ 6.5	\$ (9.1)	\$ (9.6)
	-----	-----	-----
PROVISION FOR INCOME TAXES	\$ (14.7)	\$ (35.8)	\$ (40.1)
	=====	=====	=====

Income taxes paid during the year were \$14.3 million (\$27.3 million - January 1, 2005; \$21.8 million - January 3, 2004).

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

	For the years ended		
	DECEMBER 31,	January 1,	January 3,
	2005	2005	2004
	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)			
Income tax provision based on Canadian statutory rates	\$ (13.6)	\$ (39.8)	\$ (42.3)
Foreign tax rate differential	4.6	1.7	2.6
Manufacturing and			

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

processing deduction	--	--	0.1
Decrease (increase) in valuation allowance	(21.0)	0.6	(0.6)
Adjustment for change in enacted rates	--	--	1.0
Reduction to reserve	19.3	2.0	--
Non-deductible and other items	(4.0)	(0.3)	(0.9)
	-----	-----	-----
Provision for income taxes	\$ (14.7)	\$ (35.8)	\$ (40.1)
	=====	=====	=====

50

Deferred income tax assets and liabilities were recognized on temporary differences between the financial and tax bases of existing assets and liabilities as follows:

	DECEMBER 31, 2005	January 1, 2005
	-----	-----
DEFERRED TAX ASSETS		
Loss carryforwards	\$ 12.4	\$ 19.5
Property, plant and equipment	7.7	--
Liabilities and reserves	4.8	5.5
Other	1.1	2.4
	-----	-----
	26.0	27.4
Valuation allowance	(21.0)	--
	-----	-----
	5.0	27.4
	-----	-----
DEFERRED TAX LIABILITIES		
Property, plant and equipment	42.8	41.8
Intangible assets	10.7	12.3
Other	5.0	24.3
	-----	-----
	58.5	78.4
	-----	-----
NET DEFERRED TAX LIABILITY	\$ (53.5)	\$ (51.0)
	=====	=====

As of December 31, 2005, operating loss carryforwards primarily in Canada, of \$35.6 million are available to reduce future taxable income. These losses expire as follows:

(IN MILLIONS OF U.S. DOLLARS)

2006 \$25.2

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

2008	7.3
2009	1.4
2010	1.4
2011	0.3

	\$35.6
	=====

NOTE 6
Other Comprehensive Income

	For the years ended		
	DECEMBER 31,	January 1,	January 3,
	2005	2005	2004
	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)			
Net income	\$24.6	\$78.3	\$ 77.4
Foreign currency translation gain (loss)	(5.0)	15.8	29.7
Change in unrealized loss on cash flow hedges	0.6	(1.0)	--
	-----	-----	-----
	\$20.2	\$93.1	\$107.1
	=====	=====	=====

NOTE 7
Income per Common 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 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 years ended		
	DECEMBER 31,	January 1,	January 3,
	-----	-----	-----

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

	2005	2005	2004
	-----	-----	-----
(IN THOUSANDS)			
Weighted average number of shares			
outstanding -- basic	71,628	71,006	69,389
Dilutive effect of stock options	272	1,065	1,607
	-----	-----	-----
Adjusted weighted average number of			
shares outstanding -- diluted	71,900	72,071	70,996
	=====	=====	=====

At December 31, 2005, options to purchase 4,102,864 (January 1, 2005 -- 1,493,000) shares of common stock at a weighted average exercise price of C\$32.60 (January 1, 2005 -- C\$40.83) per share were outstanding, but were not included in the computation of diluted net income per share because the options' exercise price was greater than the average market price of the common stock.

NOTE 8
Accounts Receivable

	DECEMBER 31, 2005	January 1, 2005
	-----	-----
(IN MILLIONS OF U.S. DOLLARS)		
Trade receivables	\$178.7	\$154.2
Allowance for doubtful accounts	(7.8)	(12.1)
Other	20.2	42.2
	-----	-----
	\$191.1	\$184.3
	=====	=====

We wrote down the remaining balance due from an equity investee in the year ended December 31, 2005. As of January 1, 2005, other receivables included \$7.0 million due from an equity investee and the allowance for doubtful accounts included \$3.9 million due from an equity investee.

NOTE 9
Inventories

	DECEMBER 31, 2005	January 1, 2005
	-----	-----
(IN MILLIONS OF U.S. DOLLARS)		
Raw materials	\$ 63.9	\$ 47.9
Finished goods	62.9	59.9
Other	17.4	15.0
	-----	-----
	\$144.2	\$122.8
	=====	=====

NOTE 10

Derivative Financial Instruments

In 2005, we entered into cash flow hedges to mitigate exposure to declines in the value of the Canadian dollar and pound sterling attributable to certain forecasted U.S. dollar raw material purchases of the Canadian and U.K. and European business segments. The hedges consist of monthly foreign exchange options to buy U.S. dollars at fixed rates per Canadian dollar and pound sterling and mature at various dates through December 28, 2006. The fair market value of the foreign exchange options is included in prepaid expenses and other assets.

In addition, in 2004 we entered into one forward foreign exchange contract to purchase U.S. dollars at a fixed rate per pound sterling. The forward foreign exchange contract matured in January 2005. The fair market value of the forward foreign exchange contract is included in prepaid expenses and other assets as of January 1, 2005.

At December 31, 2005, the hedges consisted of foreign exchange options to buy U.S. dollars at fixed rates per Canadian dollar at a cost of \$0.8 million. The fair value of the options of \$0.4 million has been included in prepaid expenses and other assets and the unrealized loss of \$0.4 million is recorded in comprehensive income, reflecting a \$0.6 million change in the unrealized loss in comprehensive income in 2005. The fair value of options and forward contract was \$0.9 million at January 1, 2005 and we recorded a \$1.0 million unrealized loss in other comprehensive income.

NOTE 11

Property, Plant and Equipment

	DECEMBER 31, 2005			January 1, 2005		
	COST	ACCUMULATED DEPRECIATION	NET	Cost	Accumulated Depreciation	Net
(IN MILLIONS OF U.S. DOLLARS)						
Land	\$ 20.6	\$ --	\$ 20.6	\$ 21.4	\$ --	\$ 21.4
Buildings	119.0	27.7	91.3	101.5	24.0	77.5
Machinery and equipment	484.3	230.0	254.3	402.6	205.4	197.2
Plates and film	23.1	14.0	9.1	23.2	13.7	9.5
Leasehold improvements	21.4	4.7	16.7	9.3	3.9	5.4
Furniture and fixtures	12.4	10.2	2.2	12.3	9.6	2.7
	-----	-----	-----	-----	-----	-----
	\$680.8	\$286.6	\$394.2	\$570.3	\$256.6	\$313.7
	=====	=====	=====	=====	=====	=====

Depreciation expense for fiscal 2005 was \$49.8 million (\$41.7 million -- January 1, 2005; \$38.4 million -- January 3, 2004).

NOTE 12

Goodwill

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

	DECEMBER 31, 2005	January 1, 2005
	-----	-----
(IN MILLIONS OF U.S. DOLLARS)		
Balance at beginning of period	\$ 88.8	\$81.6
Acquisitions -- note 20	69.4	5.7
Impairment losses recognized - note 2	(5.9)	--
Foreign exchange	(2.0)	1.5
	-----	-----
Balance at end of period	\$150.3	\$88.8
	=====	=====

52

NOTE 13

Intangibles and Other Assets

	DECEMBER 31, 2005			January 1, 2005		
	COST	ACCUMULATED AMORTIZATION	NET	Cost	Accumulated Amortization	N
	-----	-----	-----	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)						
INTANGIBLES						
Not subject to amortization						
Rights	\$ 80.4	\$ --	\$ 80.4	\$ 80.4	\$ --	\$ 80.4
	-----	-----	-----	-----	-----	-----
Subject to amortization						
Customer relationships - note 2	166.7	40.1	126.6	164.7	31.5	133.2
Trademarks	29.0	9.3	19.7	30.0	7.3	22.7
Information technology	49.1	24.1	25.0	40.4	18.4	22.0
Other	3.6	1.0	2.6	3.6	0.6	3.0
	-----	-----	-----	-----	-----	-----
	248.4	74.5	173.9	238.7	57.8	180.9
	-----	-----	-----	-----	-----	-----
	328.8	74.5	254.3	319.1	57.8	261.3
	-----	-----	-----	-----	-----	-----
OTHER ASSETS						
Financing costs	4.6	1.2	3.4	5.6	4.6	1.0
Other	5.4	2.7	2.7	15.5	1.7	13.8
	-----	-----	-----	-----	-----	-----
	10.0	3.9	6.1	21.1	6.3	14.8
	-----	-----	-----	-----	-----	-----
	\$338.8	\$78.4	\$260.4	\$340.2	\$64.1	\$276.1
	=====	=====	=====	=====	=====	=====

During the year we recorded a \$20.0 million impairment loss on customer relationships as described in note 2.

Amortization expense of intangibles was \$20.0 million (\$17.8 million - January 1, 2005; \$12.5 million - January 3, 2004). Amortization of intangibles includes

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

\$6.4 million (\$6.2 million - January 1, 2005; \$5.1 million - January 3, 2004) relating to information technology assets.

The estimated amortization expense for intangibles over the next five years is:

(IN MILLIONS OF U.S. DOLLARS)

2006	\$21.9
2007	21.9
2008	21.4
2009	13.4
2010	13.4

	\$92.0
	=====

NOTE 14

Short-Term Borrowings

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

On March 31, 2005, we entered into committed senior secured credit facilities that provide for financing in North America, the U.K. and Mexico expiring on March 31, 2010. The facilities replaced our former committed senior secured credit facility in the U.S. and Canada and our demand bank credit facility in the U.K. These multicurrency facilities were amended on August 10, 2005 to increase the facilities to \$225.0 from \$100.0 million, to add Macaw (Soft Drinks) Limited as a co-borrower, to consent to the Macaw Acquisition, and to increase the maximum facility amount to \$350.0 million.

The amended facilities allow for revolving credit borrowings in a principal amount of up to \$225.0 million provided we are in compliance with the covenants and conditions of the agreement. The amended facilities include two separate facilities:

- (1) a \$220.0 million multicurrency facility made by certain lenders to us and our indirect wholly-owned subsidiaries, Cott Beverages Inc., Macaw (Soft Drinks) Limited and Cott Beverages Limited as co-borrowers, and
- (2) a \$5.0 million Mexican facility made by certain lenders to our indirect 90% owned subsidiary Cott Embotelladores de Mexico, S.A. de C.V. ("CEMSA").

Each facility includes subfacilities for swingline loans and letters of credit. The \$225.0 million facilities can be increased up to an additional \$125.0 million at our option if the lenders agree to increase their commitments or new lenders join the facility and we satisfy certain conditions. Within such \$125.0 million of extra availability, and subject to certain other limitations, we can establish additional revolving loan facilities in an aggregate amount not to exceed \$30.0 million to be provided in various currencies as agreed upon for additional subsidiaries designated by us. Wachovia Bank, National Association acts as administrative agent and security trustee for lenders under these facilities.

The facilities are collateralized by substantially all our personal property with certain exceptions including the

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

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 December 31, 2005, credit of \$78.8 million was available after borrowings of \$141.3 million (\$6.0 million and 78.1 million pounds sterling) and standby letters of credit of \$4.9 million. The weighted average interest rate was 5.83% on these facilities as of December 31, 2005.

The weighted average interest rate on short-term borrowings outstanding as of January 1, 2005 was 4.19%.

On April 1, 2005, our principal U.S. operating subsidiaries entered into a receivables securitization facility under which they agreed to sell substantially all of their receivables generated from their ordinary course operations, as well as certain related assets, to our new special purpose indirect subsidiary, Cott USA Receivables Corporation. This subsidiary in turn sells and assigns undivided interests in the receivables and related assets to an unaffiliated entity, Park Avenue Receivables Company, LLC and certain other financial institutions (the "Purchasers") in exchange for cash in amounts determined by the parties, subject to specified conditions. The transfers to the Purchasers are treated as financing activities for purposes of our consolidated financial statements. The agreement contains representations, warranties, covenants, and indemnities customary for facilities of this type. The facility does not contain any covenants that we view as materially constraining its activities or the activities of its subsidiaries, except for Cott USA Receivables Corporation.

The amount of funds available under the receivables facility is based upon the amount of eligible receivables and various reserves required by the facility. Accordingly, availability may fluctuate over time given 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 the Purchasers. 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 December 31, 2005, \$39.6 million of eligible receivables, net of reserves, were available for purchase and \$10.0 million was outstanding, under this facility, at a weighted average interest rate of 5.08%.

NOTE 15
Long-Term Debt

	DECEMBER 31, 2005	January 1, 2005
	-----	-----
(IN MILLIONS OF U.S. DOLLARS)		
Senior subordinated unsecured notes at 8% due 2011 (a)	\$270.5	\$269.8

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

Capital leases	2.6	3.5
	-----	-----
	273.1	273.3
Less current maturities	(0.8)	(0.8)
	-----	-----
	\$272.3	\$272.5
	=====	=====

- a) Our 8% senior subordinated unsecured notes were issued at a discount of 2.75% on December 21, 2001. The fair value of the notes as of December 31, 2005 is estimated to be \$283.3 million (January 1, 2005 - \$299.1 million). The notes contain a number of financial covenants including limitations on capital stock repurchases, dividend payments and incurrence of indebtedness. Penalties exist if we redeem the notes prior to December 15, 2009.

	DECEMBER 31, 2005	January 1, 2005
	-----	-----
(IN MILLIONS OF U.S. DOLLARS)		
Face value	\$275.0	\$275.0
Discount	(4.5)	(5.2)
	-----	-----
	\$270.5	\$269.8
	=====	=====

- b) Long-term debt payments required in each of the next five years and thereafter are as follows:

(IN MILLIONS OF U.S. DOLLARS)	
2006	\$ 0.8
2007	0.8
2008	0.7
2009	0.3
2010	--
Thereafter	275.0

	\$277.6
	=====

NOTE 16
Accounts Payable and Accrued Liabilities

DECEMBER 31, January 1,

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

	2005	2005
	-----	-----
(IN MILLIONS OF U.S. DOLLARS)		
Trade payables	\$112.6	\$ 79.1
Accrued compensation	14.7	17.5
Accrued promotion and rebates	27.6	24.9
Accrued interest	1.8	1.2
Restructuring	1.5	--
Income, sales and other taxes	8.9	8.8
Other accrued liabilities	15.4	13.7
	-----	-----
	\$182.5	\$145.2
	=====	=====

54

NOTE 17
Capital Stock

Our authorized capital stock consists of an unlimited number of common shares.

NOTE 18
Stock Option Plans

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 date of grant.

Options granted on or after April 12, 1996 but before September 1, 1998 expire after 10 years and vest at 25% per annum commencing on the second anniversary date of the grant. Options granted after September 1, 1998 expire after 7 years and vest at 30% per annum on the anniversary date of the grant for the first two years and the balance on the third anniversary date of the grant. Certain options granted under the plan vest monthly over a period of 24 or 36 months. Options granted after July 17, 2001 to the non-management members of the Board of Directors vest immediately. All options are non-transferable.

Our policy is to award stock options with an exercise price equal to the closing price of our common stock on the Toronto Stock Exchange on the last trading day immediately before the date of award, and accordingly, no compensation expense has been recognized for stock options issued under these plans. Had compensation expense for the plans been determined based on the fair value at the grant date consistent with SFAS 123, our net income and income per common share would have been as follows:

For the years ended		
-----	-----	-----
DECEMBER 31,	January 1,	January 3,
2005	2005	2004
-----	-----	-----

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

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

NET INCOME			
As reported	\$ 24.6	\$ 78.3	\$ 77.4
Compensation expense, net of tax of \$2.5 million (January 1, 2005 - \$2.9 million; January 3, 2004 - \$1.9 million)	(7.3)	(8.6)	(6.3)
	-----	-----	-----
Pro forma	\$ 17.3	\$ 69.7	\$ 71.1
	=====	=====	=====
NET INCOME PER SHARE --			
BASIC			
As reported	\$ 0.34	\$ 1.10	\$ 1.12
Pro forma	\$ 0.24	\$ 0.98	\$ 1.02
NET INCOME PER SHARE --			
DILUTED			
As reported	\$ 0.34	\$ 1.09	\$ 1.09
Pro forma	\$ 0.24	\$ 0.97	\$ 1.00
	-----	-----	-----

The pro forma compensation expense has been tax effected to the extent it relates to stock options granted to employees in jurisdictions where the related benefits are deductible for income tax purposes.

Total compensation cost related to non-vested awards not yet recognized is \$18.8 million. The weighted average period over which this is expected to be recognized is 1.6 years.

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

	For the years ended		
	DECEMBER 31, 2005	January 1, 2005	January 3, 2004
	-----	-----	-----
Risk-free interest rate	3.3%-3.9%	3.3%-3.9%	3.9%-4.3%
Average expected life (years)	4	4	4
Expected volatility	40.0%	40.0%-45.0%	45.0%
Expected dividend yield	--	--	--

Option activity was as follows:

Weighted
average fair

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

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE (C\$)	value of options granted during the year
Balance at December 28, 2002	4,984,340	\$16.90	
Granted	929,250	\$29.95	\$12.24
Exercised	(1,699,796)	\$ 9.51	
Forfeited	(146,640)	\$20.10	
Balance at January 3, 2004	4,067,154	\$22.90	
Granted	1,538,750	\$40.70	\$15.96
Exercised	(1,181,189)	\$16.06	
Forfeited	(218,750)	\$31.22	
Balance at January 1, 2005	4,205,965	\$30.90	
Granted	1,309,250	\$29.07	\$ 9.55
Exercised	(271,610)	\$15.65	
Forfeited	(638,950)	\$33.23	
Balance at December 31, 2005	(4,604,655)	\$30.69	

Outstanding options at December 31, 2005 are as follows:

Range of Exercise Prices (C\$)	Options Outstanding			Options Exercisable	
	Number Outstanding	Remaining Contractual Life (Years)	Weighted Average Exercise Price (C\$)	Number Exercisable	Weighted Average Exercise Price (C\$)
\$5.95 - \$16.10	131,691	2.0	\$ 9.91	131,691	\$ 9.91
\$16.68- \$24.25	679,964	2.8	\$19.84	674,438	\$19.80
\$26.00 - \$33.30	2,499,350	5.2	\$29.77	1,107,190	\$30.30
\$35.21 - \$43.64	1,293,650	5.3	\$41.02	404,475	\$41.02
	4,604,655	4.8	\$30.69	2,317,794	\$28.05

NOTE 19

Net Change in Non-Cash Working Capital

The changes in non-cash working capital components, net of effects of acquisitions and divestitures of businesses and unrealized foreign exchange

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

gains and losses, are as follows:

	For the years ended		
	DECEMBER 31, 2005	January 1, 2005	January 3, 2004
(IN MILLIONS OF U.S. DOLLARS)			
Decrease (increase) in accounts receivable	\$ (5.0)	\$ (21.3)	\$ (2.7)
Decrease (increase) in inventories	(15.4)	(22.8)	(11.0)
Decrease (increase) in prepaid expenses	0.5	(4.8)	(1.0)
Increase (decrease) in accounts payable and accrued liabilities	18.9	(3.5)	10.9
	-----	-----	-----
	\$ (1.0)	\$ (52.4)	\$ (3.8)
	=====	=====	=====

NOTE 20

Acquisitions

All acquisitions have been accounted for using the purchase method, and accordingly, the results of operations are included in our consolidated statements of income from the effective dates of purchase, except as otherwise indicated.

The total purchase prices of the acquisitions and equity investments were allocated as follows based on the fair value of the net assets:

	DECEMBER 31, 2005	January 1, 2005	January 3, 2004
(IN MILLIONS OF U.S. DOLLARS)			
Current assets	\$ 23.2	\$ 6.0	\$ (0.6)
Property, plant and equipment	50.1	19.3	3.6
Rights	--	--	0.3
Customer relationships	24.9	6.8	49.7
Trademarks	--	0.8	--
Goodwill	69.4	5.7	0.7
Other assets	--	--	0.2
Equity investments	--	--	(1.3)
	-----	-----	-----
	167.6	38.6	52.6
	-----	-----	-----
Current liabilities	22.0	4.0	0.4
Other liabilities	--	--	2.4
Deferred taxes	10.5	--	--
	-----	-----	-----

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

PURCHASE PRICE	\$135.1	\$34.6	\$49.8
	=====	=====	=====

Year ended December 31, 2005

Effective August 10, 2005 we acquired 100% of the shares of Macaw (Holdings) Limited, the parent company of Macaw (Soft Drinks) Limited, the largest privately owned manufacturer of retailer brand carbonated soft drinks in the United Kingdom. The Macaw Acquisition represents a significant strategic investment in our U.K. business with additional production capacity and manufacturing capabilities in the fast-growing aseptic beverage segment. The purchase price for the acquisition was \$135.1 million (75.4 million pounds sterling) including acquisition costs of \$2.4 million (1.3 million pounds sterling). The acquisition was financed under our senior secured credit facility, which was increased from \$100.0 million to \$225.0 million in connection with this transaction. The goodwill recognized on the transaction is not deductible for tax purposes. The value of customer relationships acquired is being amortized over 15 years.

The following unaudited pro forma information for the year ended December 31, 2005 and January 1, 2005 presents the consolidated results of operations of the Company as if the acquisition of Macaw had occurred as of January 4, 2004. Pro forma information does not include the synergies that we anticipate should result from the acquisition.

	DECEMBER 31, 2005	January 1, 2005
	-----	-----
(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)		
(UNAUDITED)		
SALES		
As reported	\$1,755.3	\$1,646.3
Pro forma	1,813.7	1,755.1
NET INCOME		
As reported	24.6	78.3
Pro forma	21.7	75.3
NET INCOME PER SHARE - BASIC		
As reported	0.34	1.10
Pro forma	0.30	1.06
NET INCOME PER SHARE - DILUTED		
As reported	0.34	1.09
Pro forma	0.30	1.04
	----	----

Year ended January 1, 2005

Effective March 17, 2004, we acquired certain of the assets of The Cardinal Companies of Elizabethtown, LLC, located in Kentucky. The purchase of \$17.8 million was allocated primarily to machinery and equipment. Effective October 19, 2004, we acquired for \$16.8 million certain of the assets of Metro Beverage Co. The purchase price was allocated to customer relationships, goodwill and machinery and equipment.

The total purchase price for all acquisitions was \$34.6 million, including

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

acquisition costs of \$0.8 million. The acquisitions were funded from cash and borrowings on our revolving credit facility.

56

Year ended January 3, 2004

Effective May 15, 2003, our Mexican subsidiary Cott Embotelladores de Mexico, S.A. de C.V. ("CEMSA"), acquired a soft drink distribution business from Embotelladora de Puebla, S.A. de C.V. ("EPSA"). The purchase price was allocated to license and machinery and equipment.

Effective December 19, 2003, we acquired the retailer brand beverage business of North Carolina's Quality Beverage Brands, L.L.C. ("QBB"). The assets acquired include customer relationships and certain machinery and equipment. The acquisition is expected to enhance our capabilities and expand our customer base in the Mid-Atlantic region of the U.S.

The total purchase price for all acquisitions was \$49.8 million, including estimated acquisition costs of \$0.6 million and the purchase of the remaining interest in Iroquois West Bottling Ltd. in January 2003. The acquisitions were funded from cash and borrowings on our revolving credit facility.

NOTE 21

Benefit Plans

Cott primarily maintains defined contribution retirement plans covering qualifying employees. The total expense with respect to these plans was \$5.6 million for the year ended December 31, 2005 (\$5.6 million - January 1, 2005; \$4.5 million -- January 3, 2004).

NOTE 22

Commitments and Contingencies

- a) We lease buildings, machinery & equipment, computer software and furniture & fixtures. All contractual increases and rent free periods included in the lease contract are taken into account when calculating the minimum lease payment and recognized on a straight line basis over the lease term. Certain leases have renewal periods and contingent rentals which are not included in the table below. The minimum annual payments under operating leases are as follows:

(IN MILLIONS OF U.S. DOLLARS)

2006	\$17.8
2007	13.8
2008	10.6
2009	9.2
2010	8.3
Thereafter	35.9

	\$95.6
	=====

Operating lease expenses were:

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

(IN MILLIONS OF U.S. DOLLARS)

Year ended December 31, 2005	\$17.6
Year ended January 1, 2005	\$11.9
Year ended January 3, 2004	\$13.0

- b) As of December 31, 2005, we had commitments for capital expenditures of approximately \$0.7 million and commitments for inventory of approximately \$16.9 million. In addition, we have certain contracts with suppliers and co-packers which would require us to pay an aggregate of \$5.1 million in order to cancel these contracts.
- c) 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 alleging the unauthorized use by the defendants of container deposits and the imposition of recycling fees on consumers. In February 2005 similar class action claims were filed in a number of other Canadian provinces. The litigation is at a very preliminary stage and the merits of the case have not been determined.

- d) We had \$4.9 million in standby letters of credit outstanding as of December 31, 2005 (\$4.0 million -- January 1, 2005).
- e) The Office of Fair Trading in the U.K. has referred the Macaw Acquisition to the Competition Commission for further investigation. The Competition Commission ruling is expected in May 2006. We expect that the transaction will be approved but we cannot guarantee this outcome. However, if the Competition Commission rules against us, we may be required to divest ourselves of all or part of this business.

57

NOTE 23

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, the U.K. & Europe and International business segments. The International segment includes our Mexican business, our Royal Crown International business and our business in Asia. The concentrate assets, sales and related expenses have been included in the Corporate & Other segment. For comparative purposes, segmented information has been restated to conform to the way we currently manage our beverage business.

BUSINESS SEGMENTS

DECEMBER 31, 2005

NORTH AMERICA	UNITED KINGDOM & EUROPE	INTERNATIONAL	CORPORATE & OTHER
-----	-----	-----	-----

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

(IN MILLIONS OF U.S. DOLLARS)

External sales	\$1,428.0	\$251.9	\$71.6	\$ 3
Depreciation and amortization	54.3	11.5	1.4	3
Unusual items - note 2				
Restructuring and other	3.0	--	--	0
Goodwill impairment	5.9	--	--	
Other asset impairments	27.1	(0.2)	--	0
Other unusual items	--	0.8	--	
Operating income (loss) before unusual items	62.5	13.7	10.8	(13
Property, plant and equipment	266.2	109.4	10.3	8
Goodwill	74.1	66.6	4.5	5
Intangibles and other assets	136.0	26.3	1.1	97
Total assets	709.4	307.7	83.1	71
Additions to property, plant and equipment	62.3	9.7	1.5	2
Goodwill acquired	--	69.4	--	

January 1, 2005

(IN MILLIONS OF U.S. DOLLARS)

	North America	United Kingdom & Europe	International	Corpor & Oth
External sales	\$1,388.5	\$194.3	\$61.2	\$ 2.
Depreciation and amortization	48.5	8.2	1.2	2.
Unusual items	(1.5)	0.4	--	0.
Operating income (loss) before unusual items	130.6	12.7	10.4	(9.
Property, plant and equipment	227.9	68.7	9.6	7.
Goodwill	79.1	--	4.6	5.
Intangibles and other assets	182.7	3.9	1.2	88.
Total assets	720.4	135.6	84.7	81.
Additions to property, plant and equipment	41.2	4.9	1.6	2.
Acquisition of production capacity	3.8	--	--	--

January 3, 2004

(IN MILLIONS OF U.S. DOLLARS)

	North America	United Kingdom & Europe	International	Corpor & Oth
External sales	\$1,207.7	\$166.6	\$42.1	\$ 1.
Depreciation and amortization	41.3	7.3	0.7	1.
Unusual Items	(1.8)	--	--	--
Operating income (loss)	144.3	7.7	5.7	(7.
Property, plant and equipment	210.4	66.7	9.2	7.
Goodwill	71.9	--	4.6	5.
Intangibles and other assets	180.1	1.1	1.4	84.
Total assets	643.3	126.7	77.6	61.
Additions to property, plant and equipment	23.6	7.0	6.1	2.

Total assets under the Corporate & Other caption include the elimination of intersegment receivables and investments.

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

For the year ended December 31, 2005, sales to Wal-Mart accounted for 40% (2004 -- 40%, 2003 -- 42%) of our total sales.

58

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. We are not currently aware of any facts that would create a material credit risk.

Revenues by geographic area are as follows:

	DECEMBER 31, 2005	January 1, 2005	January 3, 2004
	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)			
United States	\$1,251.3	\$1,221.8	\$1,035.8
Canada	201.2	189.5	191.0
United Kingdom	244.4	186.9	160.2
Other countries	58.4	48.1	30.8
	-----	-----	-----
	\$1,755.3	\$1,646.3	\$1,417.8
	=====	=====	=====

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

Property, plant and equipment, goodwill, and intangibles and other assets by geographic area are as follows:

	DECEMBER 31, 2005	January 1, 2005
	-----	-----
(IN MILLIONS OF U.S. DOLLARS)		
United States	\$491.7	\$508.9
Canada	98.2	86.3
United Kingdom	202.3	72.5
Other countries	12.7	10.9
	-----	-----
	\$804.9	\$678.6
	=====	=====

NOTE 24

Differences Between United States and Canadian Accounting Principles and Practices

These consolidated financial statements have been prepared in accordance with U.S. GAAP, which differ in certain respects from those principles and practices that we would have followed had our consolidated financial statements been

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

prepared in accordance with Canadian GAAP.

- (a) Under U.S. GAAP, we have elected not to record compensation expense for options issued to employees with an exercise price equal to the market value of the options. Under Canadian GAAP, effective January 1, 2004, stock options issued to employees subsequent to January 1, 2002 are recognized in net income based on their fair value. As a result, compensation expense of \$7.2 million (\$7.5 million - January 1, 2005), \$9.7 million (\$10.0 million - January 1, 2005) net of tax of \$2.5 million (\$2.5 million - January 1, 2005), was recorded in 2005. This policy was adopted on a retroactive basis with no restatement of comparative figures and as a result \$5.6 million was charged to opening retained earnings as at January 3, 2004. Contributed surplus of \$25.2 (\$15.5 million - January 1, 2005) was recorded to reflect the charge for unexercised options. Share capital of \$1.8 million was recorded to reflect the options exercised for the year ending January 1, 2005. The options exercised during the year ended December 31, 2005 were granted prior to January 1, 2002.
- (b) Under U.S. GAAP, costs of start-up activities and organization costs are expensed as incurred. Under Canadian GAAP these costs, if they meet certain criteria, can be capitalized and amortized over the future benefit period.
- (c) Under U.S. GAAP, the adoption of the U.S. dollar in 1998 as the presentation and reporting currency was implemented retroactively, such that prior period financial statements are translated under the current rate method using the foreign exchange rates in effect on those dates. Under Canadian GAAP, the change in presentation and reporting currency was implemented by translating all prior year financial statement amounts at the foreign exchange rate on January 31, 1998. As a result, there is a difference in the share capital, retained earnings and cumulative translation adjustment amounts under Canadian GAAP as compared to U.S. GAAP.

Under Canadian GAAP, these differences would have been reported in the consolidated statements of income, consolidated balance sheets, consolidated statements of shareowners' equity and consolidated statements of cash flow as follows:

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2005		January 1, 2005	
	U.S. GAAP	CANADIAN GAAP	U.S. GAAP	Canadian GAAP
(IN MILLIONS OF U.S. DOLLARS)				
Property, plant & equipment (b)	\$ 394.2	\$ 394.2	\$ 313.7	\$ 314.1
Goodwill (b)	150.3	150.8	88.8	89.3
Total assets	1,171.4	1,171.9	1,022.0	1,023.9
Deferred income taxes				
(a), (b)	53.5	47.0	51.0	47.2
Total liabilities	667.0	660.5	540.9	537.1
Capital stock (a), (c)	291.4	263.9	287.0	259.5
Contributed Surplus (a)	--	25.2	--	15.5
Retained earnings (a), (b), (c)	186.2	153.1	161.6	135.9
Accumulated other comprehensive				

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

income (c)	4.3	46.7	8.7	52.1
Total shareowners' equity	481.9	488.9	457.3	463.0
	-----	-----	-----	-----

59

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	For the years ended		
	DECEMBER 31, 2005	January 1, 2005	January 3, 2004
	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)			
Net income under U.S. GAAP	\$24.6	\$ 78.3	\$77.4
Cost of sales (b)	(0.4)	(0.4)	(0.4)
Stock compensation expense (a)	(9.7)	(10.0)	--
Recovery of income taxes (a), (b)	2.7	2.7	0.2
	-----	-----	-----
Net income under Canadian GAAP	\$17.2	\$ 70.6	\$77.2
	=====	=====	=====
NET INCOME (LOSS) PER COMMON SHARE, CANADIAN GAAP			
Basic	\$0.24	\$ 0.99	\$1.11
Diluted	\$0.24	\$ 0.98	\$1.09
	=====	=====	=====

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended		
	DECEMBER 31, 2005	January 1, 2005	January 3, 2004
	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)			
Cash provided by operating activities U.S. GAAP	\$129.1	\$102.7	\$142.7
Net income (a), (b)	(7.4)	(7.7)	(0.2)
Depreciation & amortization (b)	0.4	0.4	0.4
Deferred income taxes (a), (b)	(2.7)	(2.7)	(0.2)
Other non-cash items (a)	9.7	10.0	--
	-----	-----	-----
Cash provided by operating activities Canadian GAAP	\$129.1	\$102.7	\$142.7
	=====	=====	=====

60

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

COTT CORPORATION
 QUARTERLY FINANCIAL INFORMATION

(UNAUDITED)

	YEAR ENDED DECEMBER 31, 2005			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)				
Sales	\$395.5	\$492.7	\$469.9	\$397.2
Cost of sales	339.5	412.0	404.5	349.8
Gross profit	56.0	80.7	65.4	47.4
Selling, general and administrative expenses	36.9	35.5	34.2	32.0
Unusual items				
Restructuring	--	--	2.0	1.2
Asset impairments	(0.2)	--	23.7	10.0
Other	--	--	--	0.8
Operating income	19.3	45.2	5.5	3.4
Net income (loss)	\$ 8.3	\$ 25.0	\$ (1.8)	\$ (6.9)
Per share data:				
Net income (loss) per common share				
Basic	\$ 0.12	\$ 0.35	\$ (0.03)	\$ (0.10)
Diluted	\$ 0.12	\$ 0.35	\$ (0.03)	\$ (0.10)

	YEAR ENDED JANUARY 1, 2005			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)				
Sales	\$370.9	\$463.7	\$442.4	\$369.3
Cost of sales	300.5	378.2	371.4	312.5
Gross profit	70.4	85.5	71.0	56.8
Selling, general and administrative expenses	38.7	34.1	33.3	32.0
Unusual items				
Asset impairments	--	(0.5)	(0.2)	1.6
Operating income	31.7	51.9	37.9	23.2
Net income	\$ 15.4	\$ 29.4	\$ 22.1	\$ 11.4
Per share data:				
Net income per common share				
Basic	\$ 0.22	\$ 0.41	\$ 0.31	\$ 0.16
Diluted	\$ 0.21	\$ 0.41	\$ 0.31	\$ 0.16

ITEM 9.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A.

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 effective, based on their evaluation of these controls and procedures as of the end of the period covered by this report. There have been no changes in our internal controls or in other factors during the quarter ended December 31, 2005 that could materially affect, or are likely to materially affect, our controls over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets;
- provide reasonable assurance our transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2005. In making this assessment, we used the

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

criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework.

Based on our assessment, we determined that, as of December 31, 2005, our internal control over financial reporting is effective based on those criteria.

Our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on pages 41 and 42.

62

PART III

ITEM 10.

DIRECTORS AND EXECUTIVE OFFICERS

The information required by this item regarding directors is incorporated by reference to, and will be contained in, the "Election of Directors" section of our definitive proxy statement for the 2006 Annual and Special Meeting of Shareowners, which will be filed within 120 days after December 31, 2005. The information required by this item regarding audit committee financial expert disclosure is incorporated by reference to, and will be contained in, the "Appointment of Auditors" section of our definitive proxy statement for the 2006 Annual and Special Meeting of Shareowners. The information required by this item regarding executive officers appears as the Supplemental Item in Part I.

The Audit Committee of our Board of Directors is an "audit committee" for the purposes of Section 3(a) (58) (A) of the Securities Exchange Act of 1934, as amended. The members of the Audit Committee are Philip B. Livingston (Chairman), W. John Bennett and Andrew Prozes.

We have adopted a Code of Ethics applicable to our Chief Executive Officer, Chief Financial Officer and principal accounting officer and certain other employees. We intend to disclose any amendment to, or waiver from, any provision of the Code by posting such information on our Internet website, www.cott.com.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The information required by this item is incorporated by reference to, and will be contained in, the "Section 16(a) Beneficial Ownership Reporting Compliance" section of our definitive proxy statement for the 2006 Annual and Special Meeting of Shareowners, which will be filed within 120 days after December 31, 2005.

ITEM 11.

EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to, and will be contained in, the "Executive Compensation" section of our definitive proxy statement for the 2006 Annual and Special Meeting of Shareowners, which will be filed within 120 days after December 31, 2005.

ITEM 12.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED

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

SHAREOWNER MATTERS

The information required by this item is incorporated by reference to, and will be contained in, the "Principal Shareowners," the "Security Ownership of Directors and Management" and "Equity Compensation Plan Information" sections of our definitive proxy statement for the 2006 Annual and Special Meeting of Shareowners, which will be filed within 120 days after December 31, 2005.

ITEM 13.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to, and will be contained in, the "Certain Relationships and Related Transactions" section of our definitive proxy statement for the 2006 Annual and Special Meeting of Shareowners, which will be filed within 120 days after December 31, 2005.

ITEM 14.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to, and will be contained in, the "Appointment of Auditors" section of our definitive proxy statement for the 2006 Annual and Special Meeting of Shareowners, which will be filed within 120 days after December 31, 2005.

63

PART IV

ITEM 15.

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. FINANCIAL STATEMENTS:

The consolidated financial statements are included in Item 8 of this Annual Report on Form 10-K.

2. FINANCIAL STATEMENT SCHEDULES:

Schedule II -- Valuation and Qualifying Accounts

Schedule III -- Consolidating Financial Statements

All other schedules called for by the applicable SEC accounting regulations are not required under the related instructions or are inapplicable and, therefore, have been omitted.

64

3. EXHIBITS:

NUMBER

DESCRIPTION

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

-
-
- 2.1 Agreement Relating to the Sale and Purchase of the Whole of the Issued Share Capital of Macaw (Holdings) Limited, dated August 10, 2005, between Andrew Cawthray and Others and Martyn Rose and Cott Beverages Limited (incorporated by reference to Exhibit 2.1 to our Form 8-K dated August 16, 2005).
 - 3.1 Articles of Incorporation of Cott Corporation (incorporated by reference to Exhibit 3.1 to our Form 10-K filed March 31, 2000).
 - 3.2 By-laws of Cott Corporation (incorporated by reference to Exhibit 3.2 to our Form 10-K filed March 8, 2002).
 - 4.1 Subscription Agreement dated as of June 12, 1998 for Cott Corporation's (as issuer) Convertible Participating Voting Second Preferred Shares, Series 1 (incorporated by reference to Exhibit 4.2 to our Form 10-K filed March 31, 2000).
 - 4.2 Letter Agreement dated as of November 3, 1999, regarding standstill provisions between Cott Corporation and the Thomas H. Lee Company (incorporated by reference to Exhibit 4.3 to our Form 10-K filed March 31, 2000).
 - 4.3 Indenture dated as of December 21, 2001, between Cott Beverages Inc. (as issuer) and HSBC Bank USA (as trustee) (incorporated by reference to Exhibit 4.3 to our Form 10-K filed March 8, 2002).
 - 4.4 Registration Rights Agreement dated as of December 21, 2001, among Cott Beverages Inc., the Guarantors named therein and Lehman Brothers Inc., BMO Nesbitt Burns Corp. and CIBC World Markets Corp. (incorporated by reference to Exhibit 4.4 to our Form 10-K filed March 8, 2002).
 - 10.1 (1) Supply Agreement, dated December 21, 1998, between Wal-Mart Stores, Inc. and Cott Beverages USA, Inc. (now "Cott Beverages Inc.") (incorporated by reference to Exhibit 10.3 to our Form 10-K filed March 31, 2000).
 - 10.2 (2) Employment Agreement of Mark Benadiba dated September 28, 2005 (filed herewith).
 - 10.3 (2) Employment Agreement of B. Clyde Preslar dated July 22, 2005 (incorporated by reference to Exhibit 10.2 to our Form 10-Q filed November 10, 2005).
 - 10.4 (2) Employment Agreement of John K. Sheppard dated March 11, 2004 (incorporated by reference to Exhibit 10.4 to our Form S-3/A filed on June 18, 2004).
 - 10.5 (2) Amended 1999 Executive Incentive Share Compensation Plan effective January 3, 1999 (incorporated by reference to Exhibit 10.9 to our Form 10-K filed March 20, 2001).
 - 10.6 (2) 2000 Executive Incentive Share Compensation Plan effective January 2, 2001 (incorporated by reference to Exhibit 10.10 to our Form 10-K filed March 20, 2001).
 - 10.7 (2) 2001 Executive Incentive Share Compensation Plan effective January 2, 2002 (incorporated by reference to Exhibit 10.10 to our Form 10-K filed March 8, 2002).

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

- 10.8 (2) 2002 Executive Incentive Share Compensation Plan effective January 2, 2003 (incorporated by reference to Exhibit 10.11 to our Form 10-K filed March 17, 2003).
- 10.9 (2) Second Canadian Employee Share Purchase Plan effective January 2, 2001 (incorporated by reference to Exhibit 10.11 to our Form 10-K filed March 20, 2001).
- 10.10 (1) Supply Agreement executed November 11, 2003, effective January 1, 2002 between Crown Cork & Seal Company, Inc. and Cott Corporation (incorporated by reference to Exhibit 10.14 to our Form 10-Q/A filed August 5, 2004).
- 10.11 (2) Share Purchase Plan for Non-employee Directors effective November 1, 2003 (incorporated by reference to Exhibit 10.15 to our Form 10-K filed March 18, 2004).
- 10.12 (2) Cott Corporation Executive Investment Share Purchase Plan (incorporated by reference to Exhibit 10.14 to our Form 10-K filed March 16, 2005).
- 10.13 (2) Restated 1986 Common Share Option Plan of Cott Corporation/Corporation Cott as amended through October 20, 2004 (incorporated by reference to Exhibit 10.15 to our Form 10-K filed March 16, 2005).

65

NUMBER -----	DESCRIPTION -----
10.14 (2)	Letter Agreement with Frank E. Weise III, dated April 28, 2004 (incorporated by reference to Exhibit 10.5 to our Form S-3/A filed on June 18, 2004).
10.15 (1)	Amendment to Supply Agreement between Crown Cork & Seal USA, Inc. (successor to Crown Cork & Seal Company, Inc.) and Cott Corporation, dated December 23, 2004 (incorporated by reference to Exhibit 10.17 to our Form 10-K filed March 16, 2005).
10.16 (2)	Employment Agreement of Mark R. Halperin dated July 14, 2000 (incorporated by reference to Exhibit 10.7 to our Form 10-K filed March 8, 2002) (including Confidentiality & Restrictive Covenants (incorporated by reference to Exhibit 10.19 to our Form 10-K filed March 16, 2005)).
10.17 (2)	Employment Agreement of Colin Walker, dated August 20, 1998 (incorporated by reference to Exhibit 10.20 to our Form 10-K filed March 16, 2005).
10.18 (1)	Credit Agreement, dated as of March 31, 2005, by and among Cott Corporation, Cott Beverages Inc., Cott Beverages Limited, and Cott Embotelladores de Mexico, S.A. de C.V., as Borrowers, the Lenders referred to herein, Wachovia Bank, National Association, as Administrative Agent and Security Trustee, Bank of Montreal, as Syndication Agent, and HSBC Bank Canada, Cooperatieve Centrale

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

Raiffeisen-BoerenleenBank B.A., "Rabobank International", New York Branch, each as a Documentation Agent, Wachovia Capital Markets, LLC as a Lead Arranger and the Sole Book Manager, BMO Nesbitt Burns, as a Lead Arranger (incorporated by reference to Exhibit 10.1 to our Form 10-Q filed May 12, 2005).

- 10.19 (1) Receivables Purchase Agreement, dated as of April 1, 2005, among Cott USA Receivables Corporation, Cott Beverages Inc., Park Avenue Receivables Company, LLC, the financial institutions from time to time parties to the agreement, and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to our Form 10-Q filed May 12, 2005).
- 10.20 First Amendment, Consent and Joinder Agreement, dated August 10, 2005, by and among Cott Corporation, Cott Beverages Inc., Cott Beverages Limited, Macaw (Soft Drinks) Limited, Cott Embotelladores de Mexico, S.A. de C.V., certain Cott Corporation subsidiaries, the Lenders specified therein and Wachovia Bank, National Association (incorporated by reference to Exhibit 10.1 to our Form 8-K dated August 16, 2005).
- 10.21 (2) Employment Agreement of Tina Dell'Aquila dated May 25, 2005 and confidentiality undertaking dated October 27, 1998 (filed herewith).
- 13.1 Annual Report to Shareowners for the year ended December 31, 2005 (filed herewith).
- 14.1 Code of Business Conduct and Ethics (filed herewith).
- 14.2 Code of Ethics for Senior Officers (filed herewith).
- 21.1 List of Subsidiaries of Cott Corporation (filed herewith).
- 23.1 Consent of Independent Registered Public Accounting Firm (filed herewith).
- 31.1 Certification of the President and Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the year ended December 31, 2005 (filed herewith).
- 31.2 Certification of the Executive Vice President and Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the year ended December 31, 2005 (filed herewith).
- 32.1 Certification of the President and Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the year ended December 31, 2005.
- 32.2 Certification of the Executive Vice President and Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the year ended December 31, 2005.

(1) Document is subject to request for confidential treatment.

(2) Indicates a management contract or compensatory plan.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

/s/ John K. Sheppard

John K. Sheppard
President & Chief Executive Officer
Date: March 6, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ John K. Sheppard Date: March 6, 2006

John K. Sheppard
President & Chief Executive Officer

/s/ B. Clyde Preslar Date: March 6, 2006

B. Clyde Preslar
Executive Vice President & Chief
Financial Officer
(Principal Financial Officer)

/s/ Tina Dell'Aquila Date: March 6, 2006

Tina Dell'Aquila
Vice President, Controller &
Assistant Secretary
(Principal Accounting Officer)

/s/ Colin J. Adair Date: March 6, 2006

Colin J. Adair
Director

/s/ W. John Bennett Date: March 6, 2006

W. John Bennett
Director

/s/ Serge Guoin Date: March 6, 2006

Serge Guoin
Director

/s/ Stephen H. Halperin Date: March 6, 2006

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

Stephen H. Halperin
Director

/s/ Betty Jane Hess Date: March 6, 2006

Betty Jane Hess
Director

/s/ Philip B. Livingston Date: March 6, 2006

Philip B. Livingston
Director

/s/ Christine A. Magee Date: March 6, 2006

Christine A. Magee
Director

/s/ Andrew Prozes Date: March 6, 2006

Andrew Prozes
Director

/s/ Donald G. Watt Date: March 6, 2006

Donald G. Watt
Director

/s/ Frank E. Weise Date: March 6, 2006

Frank E. Weise
Chairman, Director

67

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Description	YEAR ENDED DECEMBER 31,		
	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	CHARGED OTHER ACCO
RESERVES DEDUCTED IN THE BALANCE SHEET FROM THE ASSETS TO WHICH THEY APPLY			
Allowances for losses on:			
Accounts receivables	\$ (12.1)	\$ (0.5)	\$ (0.1)
Inventories	(6.8)	(1.0)	(0.5)
Intangibles and other assets	(0.4)	--	--
Deferred income tax assets	--	(21.0)	--
	-----	-----	-----

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

\$ (19.3) \$ (22.5) \$ (0.6)
 ===== ===== =====

	Year ended January 1, 20		
Description	Balance at Beginning of Year	Charged to Costs and Expenses	Charged Other Acco
RESERVES DEDUCTED IN THE BALANCE SHEET FROM THE ASSETS TO WHICH THEY APPLY			
Allowances for losses on:			
Accounts receivables	\$ (6.8)	\$ (6.5)	\$ --
Inventories	(7.2)	0.1	(0.2)
Intangibles and other assets	(0.6)	0.2	--
	\$ (14.6)	\$ (6.2)	\$ (0.2)
	=====	=====	=====

	Year ended January 3, 20		
Description	Balance at Beginning of Year	Charged to Costs and Expenses	Charged Other Acco
RESERVES DEDUCTED IN THE BALANCE SHEET FROM THE ASSETS TO WHICH THEY APPLY			
Allowances for losses on:			
Accounts receivables	\$ (3.4)	\$ (3.6)	\$ (0.7)
Inventories	(6.7)	(0.6)	(1.3)
Intangibles and other assets	(1.1)	--	0.5
	\$ (11.2)	\$ (4.2)	\$ (1.5)
	=====	=====	=====

SCHEDULE III -- CONSOLIDATING FINANCIAL STATEMENTS

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

The following supplemental financial information sets forth on an unconsolidated basis, our balance sheets, statements of income and cash flows for Cott Corporation, Cott Beverages Inc., Guarantor Subsidiaries and our other subsidiaries (the "Non-guarantor Subsidiaries"). The balance sheets, statements of income and cash flows for Cott Beverages Inc. have been adjusted retroactively to include Concord Beverage Company, Concord Holdings GP and Concord Holdings LP that were amalgamated with Cott Beverages Inc. on December 29, 2001. The supplemental financial information reflects our investments and

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

those of Cott Beverages Inc. in their respective subsidiaries using the equity method of accounting.

CONSOLIDATING STATEMENTS OF INCOME

	For the year ended December 31,			
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarant Subsidiari
(IN MILLIONS OF U.S. DOLLARS)				
SALES	\$214.3	\$1,140.4	\$310.4	\$119.6
Cost of sales	183.3	979.8	271.5	100.6
	-----	-----	-----	-----
GROSS PROFIT	31.0	160.6	38.9	19.0
Selling, general and administrative expenses	35.5	73.9	21.1	8.1
Unusual items	4.8	31.9	0.8	--
	-----	-----	-----	-----
OPERATING INCOME (LOSS)	(9.3)	54.8	17.0	10.9
Other expense (income), net	(0.3)	10.7	(1.6)	(8.0)
Interest expense (income), net	(0.1)	32.6	(5.1)	1.4
Minority interest	--	--	--	4.5
	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY INCOME (LOSS)	(8.9)	11.5	23.7	13.0
Income taxes	(0.8)	(8.6)	(4.3)	(1.0)
Equity income (loss)	34.3	8.5	13.8	--
	-----	-----	-----	-----
NET INCOME	\$ 24.6	\$ 11.4	\$ 33.2	\$ 12.0
	=====	=====	=====	=====

69

CONSOLIDATING BALANCE SHEETS

	As of December 31, 200			
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guara Subsidia
(IN MILLIONS OF U.S. DOLLARS)				
ASSETS				
CURRENT ASSETS				
Cash	\$ 8.8	\$ --	\$ 6.3	\$ 6.6
Accounts receivable	35.6	26.5	70.2	103.2
Inventories	18.8	76.6	43.6	5.2
Prepaid expenses and other assets	1.3	2.2	4.7	1.3
	-----	-----	-----	-----
Property, plant and equipment	64.5	105.3	124.8	116.3
Goodwill	53.0	195.6	135.1	10.5
	23.5	46.0	80.8	--

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

Intangibles and other assets	17.0	164.1	38.4	40.9
Due from affiliates	60.8	60.0	168.8	41.9
Investments in subsidiaries	395.2	75.4	62.6	137.8
	-----	-----	-----	-----
	\$614.0	\$ 646.4	\$ 610.5	\$347.4
	=====	=====	=====	=====
LIABILITIES				
CURRENT LIABILITIES				
Short-term borrowings	\$ --	\$ 10.4	\$ 137.5	\$ 10.0
Current maturities of long-term debt	--	0.8	--	--
Accounts payable and accrued liabilities	36.7	109.6	63.6	17.0
	-----	-----	-----	-----
	36.7	120.8	201.1	27.0
Long-term debt	--	272.3	--	--
Due to affiliates	95.4	115.8	58.1	62.2
Deferred income taxes		31.0	17.4	5.1
	-----	-----	-----	-----
	132.1	539.9	276.6	94.3
	-----	-----	-----	-----
Minority interest	--	--	--	22.5
SHAREOWNERS' EQUITY				
Capital stock				
Common shares	291.4	275.8	599.5	175.0
Retained earnings (deficit)	186.2	(169.3)	(181.4)	(3.4)
Accumulated other comprehensive income (loss)	4.3	--	(84.2)	59.0
	-----	-----	-----	-----
	481.9	106.5	333.9	230.6
	-----	-----	-----	-----
	\$614.0	\$ 646.4	\$ 610.5	\$347.4
	=====	=====	=====	=====

70

CONSOLIDATING STATEMENTS OF CASH FLOWS

	For the year ended December 31			
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries
	-----	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)				
OPERATING ACTIVITIES				
Net income	\$ 24.6	\$ 11.4	\$ 33.2	\$ 12.0
Depreciation and amortization	11.6	35.9	17.6	5.1
Amortization of financing fees	--	0.3	0.2	0.3
Deferred income taxes	0.5	(7.3)	0.4	(0.1)
Minority interest	--	--	--	4.5
Equity loss, net of distributions	(34.3)	(2.2)	(0.6)	--
Asset impairments	4.4	29.3	(0.2)	--
Other non-cash items	0.4	3.4	(0.9)	0.1
Net change in non-cash working capital	48.1	42.7	(54.5)	(37.3)
	-----	-----	-----	-----
Cash provided by (used in) operating				

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

activities	55.3	113.5	(4.8)	(15.4)
	-----	-----	-----	-----
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(11.8)	(47.0)	(15.4)	(1.6)
Acquisitions	--	--	(135.1)	--
Advances to affiliates	(14.9)	0.1	9.9	--
Investment in subsidiaries	(15.0)	--	(15.0)	--
Other investing activities	(9.8)	4.3	(0.3)	(1.0)
	-----	-----	-----	-----
Cash used in investing activities	(51.5)	(42.6)	(155.9)	(2.6)
	-----	-----	-----	-----
FINANCING ACTIVITIES				
Payments of long-term debt	--	(0.9)	--	--
Short-term borrowings	(0.1)	(56.1)	138.0	10.0
Advances from affiliates	(13.2)	3.2	15.0	(0.1)
Distributions to subsidiary minority shareowner	--	--	--	(5.8)
Issue of common shares	3.6	--	15.0	15.0
Financing costs	--	(3.8)	--	--
Dividends paid	--	(13.2)	--	(6.3)
Other financing activities	0.1	(0.1)	(0.4)	--
	-----	-----	-----	-----
Cash provided by (used in) financing activities	(9.6)	(70.9)	167.6	12.8
	-----	-----	-----	-----
Effect of exchange rate changes on cash	(0.1)	--	(0.6)	(0.1)
	-----	-----	-----	-----
NET INCREASE (DECREASE) IN CASH	(5.9)	--	6.3	(5.3)
CASH, BEGINNING OF YEAR	14.7	--	--	11.9
	-----	-----	-----	-----
CASH, END OF YEAR	\$ 8.8	\$ --	\$ 6.3	\$ 6.6
	=====	=====	=====	=====

71

CONSOLIDATING STATEMENTS OF INCOME

	For the year ended January 1			
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries
(IN MILLIONS OF U.S. DOLLARS)				
SALES	\$208.3	\$1,113.5	\$250.7	\$107.2
Cost of sales	172.9	919.0	214.9	89.2
	-----	-----	-----	-----
GROSS PROFIT	35.4	194.5	35.8	18.0
Selling, general and administrative expenses	35.8	75.4	19.1	7.8
Unusual items	1.3	--	(0.4)	--
	-----	-----	-----	-----
OPERATING INCOME (LOSS)	(1.7)	119.1	17.1	10.2
Other expense (income), net	0.5	1.1	(1.9)	0.2
Interest expense (income), net	(0.2)	32.9	(6.6)	(0.1)

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

Minority interest	--	--	--	4.0
	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY INCOME (LOSS)	(2.0)	85.1	25.6	6.1
Income taxes	2.7	(34.1)	(3.8)	(0.6)
Equity income (loss)	77.6	9.3	55.1	--
	-----	-----	-----	-----
NET INCOME	\$ 78.3	\$ 60.3	\$ 76.9	\$ 5.5
	=====	=====	=====	=====

72

CONSOLIDATING BALANCE SHEETS

	As of January 1, 2005			
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guara Subsidiaries
	-----	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)				
ASSETS				
CURRENT ASSETS				
Cash	\$ 14.7	\$ --	\$ --	\$ 11.9
Accounts receivable	52.2	109.3	49.4	12.9
Inventories	20.9	72.4	24.6	4.9
Prepaid expenses and other assets	3.0	3.3	3.0	0.4
	-----	-----	-----	-----
Property, plant and equipment	90.8	185.0	77.0	30.1
Goodwill	48.3	162.0	93.6	9.8
Intangibles and other assets	22.8	51.8	14.2	--
Due from affiliates	11.6	203.7	16.8	44.0
Investments in subsidiaries	47.0	4.7	151.1	41.9
	354.0	74.2	47.1	133.3
	-----	-----	-----	-----
	\$574.5	\$ 681.4	\$ 399.8	\$259.1
	=====	=====	=====	=====
LIABILITIES				
CURRENT LIABILITIES				
Short-term borrowings	\$ --	\$ 66.5	\$ 4.9	\$ --
Current maturities of long-term debt	--	0.8	--	--
Accounts payable and accrued liabilities	31.7	82.5	52.4	18.1
	-----	-----	-----	-----
Long-term debt	31.7	149.8	57.3	18.1
Due to affiliates	--	272.5	--	--
Deferred income taxes	80.4	112.6	44.7	7.0
	5.1	38.1	7.6	0.2
	-----	-----	-----	-----
	117.2	573.0	109.6	25.3
	-----	-----	-----	-----
Minority interest	--	--	--	23.8
SHAREOWNERS' EQUITY				
Capital stock				
Common shares	287.0	275.8	587.2	147.6

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

Retained earnings (deficit)	161.6	(167.4)	(214.6)	(4.2)
Accumulated other comprehensive income (loss)	8.7	--	(82.4)	66.6
	-----	-----	-----	-----
	457.3	108.4	290.2	210.0
	-----	-----	-----	-----
	\$574.5	\$ 681.4	\$ 399.8	\$259.1
	=====	=====	=====	=====

73

CONSOLIDATING STATEMENTS OF CASH FLOWS

	For the year ended January 1			
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guara Subsidiaries
	-----	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)				
OPERATING ACTIVITIES				
Net income	\$ 78.3	\$ 60.3	\$ 76.9	\$ 5.5
Depreciation and amortization	9.5	31.2	14.3	5.0
Amortization of financing fees	--	0.7	--	--
Deferred income taxes	(0.8)	8.9	2.8	(1.8)
Minority interest	--	--	--	4.0
Equity income, net of distributions	(68.7)	(3.3)	(50.6)	--
Non-cash unusual items	1.5	--	--	--
Other non-cash items	1.2	(1.2)	0.7	0.1
Net change in non-cash working capital	(36.8)	(27.2)	0.5	11.1
	-----	-----	-----	-----
Cash provided by (used in) operating activities	(15.8)	69.4	44.6	23.9
	-----	-----	-----	-----
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(4.8)	(34.4)	(9.0)	(2.1)
Acquisitions	--	(34.6)	--	--
Acquisition of production capacity	--	(3.8)	--	--
Advances to affiliates	13.9	0.1	(21.1)	--
Investment in subsidiaries	(15.0)	--	--	--
Other investing activities	(4.8)	2.6	(2.9)	0.4
	-----	-----	-----	-----
Cash used in investing activities	(10.7)	(70.1)	(33.0)	(1.7)
	-----	-----	-----	-----
FINANCING ACTIVITIES				
Payments of long-term debt	--	(1.3)	(1.9)	(0.3)
Short-term borrowings	--	(5.6)	(1.4)	--
Advances from affiliates	12.8	21.5	(27.1)	(0.1)
Distributions to subsidiary minority shareowner	--	--	--	(5.9)
Issue of common shares	14.3	--	15.0	--
Dividends paid	--	(13.3)	--	(6.1)
Other financing activities	--	--	(0.4)	--
	-----	-----	-----	-----
Cash provided by (used in) financing				

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

activities	27.1	1.3	(15.8)	(12.4)
Effect of exchange rate changes on cash	0.7	--	0.7	--
NET INCREASE (DECREASE) IN CASH	1.3	0.6	(3.5)	9.8
CASH, BEGINNING OF YEAR	13.4	(0.6)	3.5	2.1
CASH, END OF YEAR	\$ 14.7	\$ --	\$ --	\$ 11.9

74

CONSOLIDATING STATEMENTS OF INCOME

	For the year ended January 3			
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries
(IN MILLIONS OF U.S. DOLLARS)				
SALES	\$231.6	\$937.6	\$216.0	\$84.6
Cost of sales	189.2	744.8	188.4	70.6
GROSS PROFIT	42.4	192.8	27.6	14.0
Selling, general and administrative expenses	35.2	63.5	20.5	6.9
Unusual items	2.0	(0.2)	--	--
OPERATING INCOME (LOSS)	5.2	129.5	7.1	7.1
Other expense (income), net	0.7	4.5	(5.3)	0.6
Interest expense (income), net	(0.2)	32.7	(5.0)	--
Minority interest	--	--	--	3.2
INCOME BEFORE INCOME TAXES AND EQUITY INCOME (LOSS)	4.7	92.3	17.4	3.3
Income taxes	(1.4)	(36.0)	(2.7)	--
Equity income (loss)	74.1	8.7	59.5	--
NET INCOME	\$ 77.4	\$ 65.0	\$ 74.2	\$ 3.3

75

CONSOLIDATING BALANCE SHEETS

	As of January 3, 2004			
	Cott	Cott Beverages	Guarantor	Non-guarantor

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

	Corporation	Inc.	Subsidiaries	Subsidiaries
	-----	-----	-----	-----
(IN MILLIONS OF U.S. DOLLARS)				
ASSETS				
CURRENT ASSETS				
Cash	\$ 13.4	\$ (0.6)	\$ 3.5	\$ 2.1
Accounts receivable	46.6	89.2	40.1	13.5
Inventories	16.3	54.1	20.1	3.9
Prepaid expenses	1.9	1.2	1.8	0.6
	-----	-----	-----	-----
	78.2	143.9	65.5	20.1
Property, plant and equipment	50.7	140.4	92.8	9.4
Goodwill	21.2	46.1	14.3	--
Intangibles and other assets	7.6	195.7	15.7	47.8
Due from affiliates	57.5	4.8	115.0	41.9
Investments in subsidiaries	252.2	76.0	5.0	124.5
	-----	-----	-----	-----
	\$467.4	\$606.9	\$308.3	\$243.7
	=====	=====	=====	=====
LIABILITIES				
CURRENT LIABILITIES				
Short-term borrowings	\$ --	\$ 72.2	\$ 5.9	\$ --
Current maturities of long-term debt	--	1.1	1.9	0.3
Accounts payable and accrued liabilities	47.0	80.9	44.3	8.9
	-----	-----	-----	-----
	47.0	154.2	52.1	9.2
Long-term debt	--	275.7	--	--
Due to affiliates	65.9	91.1	55.0	7.2
Deferred income taxes	9.4	24.4	6.7	--
	-----	-----	-----	-----
	122.3	545.4	113.8	16.4
	-----	-----	-----	-----
Minority interest	--	--	--	25.6
SHAREOWNERS' EQUITY				
Capital stock				
Common shares	267.9	275.8	543.3	167.7
Retained earnings (deficit)	83.3	(214.3)	(291.6)	(3.6)
Accumulated other comprehensive income	(6.1)	--	(57.2)	37.6
	-----	-----	-----	-----
	345.1	61.5	194.5	201.7
	-----	-----	-----	-----
	\$467.4	\$606.9	\$308.3	\$243.7
	=====	=====	=====	=====

76

CONSOLIDATING STATEMENTS OF CASH FLOWS

	For the year ended January 3,			
	-----	-----	-----	-----
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries

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

(IN MILLIONS OF U.S. DOLLARS)

OPERATING ACTIVITIES

Net income	\$ 77.4	\$ 65.0	\$ 74.2	\$ 3.3
Depreciation and amortization	8.4	24.7	13.5	4.4
Amortization of financing fees	--	1.7	--	--
Deferred income taxes	1.2	5.8	2.6	--
Minority interest	--	--	--	3.2
Equity income, net of distributions	(74.1)	(4.1)	(46.5)	--
Other non-cash items	2.8	(1.3)	0.5	1.4
Net change in non-cash working capital	4.2	8.2	(18.6)	2.4
	-----	-----	-----	-----
Cash provided by operating activities	19.9	100.0	25.7	14.7
	-----	-----	-----	-----

INVESTING ACTIVITIES

Additions to property, plant and equipment	(8.7)	(17.4)	(8.4)	(5.1)
Acquisitions and equity investments	--	(50.0)	0.4	(0.2)
Notes receivable	(2.5)	--	--	--
Advances to affiliates	(5.2)	(0.1)	(25.5)	--
Investment in subsidiaries	(18.0)	--	--	--
Other investing activities	4.2	(10.6)	(2.2)	(1.3)
	-----	-----	-----	-----
Cash used in investing activities	(30.2)	(78.1)	(35.7)	(6.6)
	-----	-----	-----	-----

FINANCING ACTIVITIES

Payments of long-term debt	--	(89.5)	(0.5)	(0.2)
Short-term borrowings	(2.6)	55.6	2.8	--
Advances from affiliates	13.7	24.5	(7.4)	--
Distributions to subsidiary minority shareowner	--	--	--	(4.1)
Issue of common shares	12.3	--	18.0	--
Dividends paid	--	(13.1)	--	(4.5)
Other financing activities	--	--	(0.4)	--
	-----	-----	-----	-----
Cash provided by (used in) financing activities	23.4	(22.5)	12.5	(8.8)
	-----	-----	-----	-----
Effect of exchange rate changes on cash	0.3	--	0.5	--
	-----	-----	-----	-----
NET INCREASE (DECREASE) IN CASH	13.4	(0.6)	3.0	(0.7)
CASH, BEGINNING OF YEAR	--	--	0.5	2.8
	-----	-----	-----	-----
CASH, END OF YEAR	\$ 13.4	\$ (0.6)	\$ 3.5	\$ 2.1
	=====	=====	=====	=====