COTT CORP /CN/
Form 10-Q
November 01, 2012
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United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended: September 29, 2012

¨ **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: 001-31410

COTT CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

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

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

Class	**Outstanding at October 29, 2012**
Common Stock, no par value per share	95,161,968 shares

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements
Cott Corporation

Consolidated Statements of Operations

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

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Revenue, net	**$ 583.8**	$ 611.3	**$ 1,733.4**	$ 1,785.4
Cost of sales	**510.6**	543.7	**1,504.5**	1,560.2
Gross profit	**73.2**	67.6	**228.9**	225.2
Selling, general and administrative expenses	**43.8**	38.1	**134.4**	128.3
Loss on disposal of property, plant & equipment	**0.8**	0.5	**1.7**	0.5
Operating income	**28.6**	29.0	**92.8**	96.4
Other (income) expense, net	**(1.5)**	1.3	**(2.2)**	2.1
Interest expense, net	**13.1**	14.4	**40.6**	43.4
Income before income taxes	**17.0**	13.3	**54.4**	50.9
Income tax expense (benefit)	**1.2**	(4.0)	**5.5**	(1.7)
Net income	**$ 15.8**	$ 17.3	**$ 48.9**	$ 52.6
Less: Net income attributable to non-controlling interests	**1.3**	1.1	**3.4**	3.1
Net income attributed to Cott Corporation	**$ 14.5**	$ 16.2	**$ 45.5**	$ 49.5
Net income per common share attributed to Cott Corporation				
Basic	**$ 0.15**	$ 0.17	**$ 0.48**	$ 0.53
Diluted	**$ 0.15**	$ 0.17	**$ 0.48**	$ 0.52
Weighted average outstanding shares (thousands) attributed to Cott Corporation				
Basic	**94,488**	94,325	**94,461**	94,179
Diluted	**95,598**	95,146	**95,591**	94,899

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

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Cott Corporation

Condensed Consolidated Statements of Comprehensive Income

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Net income	**$ 15.8**	$ 17.3	**$ 48.9**	$ 52.6
Other comprehensive income (loss):				
Currency translation adjustment	**12.5**	(15.8)	**13.5**	(5.2)
Pension benefit plan, net of tax[1]	**0.1**	0.1	**(0.1)**	0.5
Unrealized gain (loss) on derivative instruments, net of tax[2]		0.6	**(0.3)**	0.6
Total other comprehensive income (loss)	**12.6**	(15.1)	**13.1**	(4.1)
Comprehensive income	**$ 28.4**	$ 2.2	**$ 62.0**	$ 48.5
Less: Comprehensive income attributable to non-controlling interests	**1.2**	1.1	**3.2**	3.1
Comprehensive income attributed to Cott Corporation	**$ 27.2**	$ 1.1	**$ 58.8**	$ 45.4

1 Net of the effect of a $0.1 million and $0.2 million tax expense for the three and nine months ended September 29, 2012, respectively, and net of the effect of a nil and $0.1 million tax expense for the three and nine months ended October 1, 2011, respectively.

2 Net of the effect of a nil and $0.1 million tax benefit for the three and nine months ended September 29, 2012, respectively, and net of the effect of a $0.1 million tax expense for both the three and nine months ended October 1, 2011, respectively.

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

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Cott Corporation

Consolidated Balance Sheets

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

Unaudited

	September 29, 2012	December 31, 2011
ASSETS		
Current assets		
Cash & cash equivalents	**$ 88.1**	$ 100.9
Accounts receivable, net of allowance of $7.0 ($5.7 as of December 31, 2011)	**252.1**	210.8
Income taxes recoverable	**2.9**	9.9
Inventories	**219.1**	210.0
Prepaid expenses and other assets	**25.0**	19.3
Total current assets	**587.2**	550.9
Property, plant & equipment	**488.1**	482.2
Goodwill	**130.8**	129.6
Intangibles and other assets	**324.1**	341.1
Deferred income taxes	**2.8**	4.1
Other tax receivable	**1.0**	1.0
Total assets	**$ 1,534.0**	$ 1,508.9
LIABILITIES AND EQUITY		
Current liabilities		
Current maturities of long-term debt	**$ 1.8**	$ 3.4
Accounts payable and accrued liabilities	**247.1**	281.1
Total current liabilities	**248.9**	284.5
Long-term debt	**602.1**	602.1
Deferred income taxes	**37.5**	34.1
Other long-term liabilities	**15.4**	20.0
Total liabilities	**903.9**	940.7
Equity		
Capital stock, no par - 95,161,968 (December 31, 2011 - 95,101,230) shares issued	**395.7**	395.9
Treasury stock	**(2.1)**	(2.1)
Additional paid-in-capital	**46.1**	42.6
Retained earnings	**189.5**	144.1
Accumulated other comprehensive loss	**(11.4)**	(24.7)
Total Cott Corporation equity	**617.8**	555.8
Non-controlling interests	**12.3**	12.4
Total equity	**630.1**	568.2

Total liabilities and equity	**$**	**1,534.0**	$	1,508.9

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

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Cott Corporation

Consolidated Statements of Cash Flows

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	September 29, 2012	**October 1, 2011**	**September 29, 2012**	**October 1, 2011**
Operating Activities				
Net income	**$ 15.8**	$ 17.3	**$ 48.9**	$ 52.6
Depreciation & amortization	**24.7**	24.0	**72.2**	71.4
Amortization of financing fees	**0.8**	1.1	**2.9**	2.9
Share-based compensation expense	**1.3**	(1.6)	**3.5**	2.2
Increase (decrease) in deferred income taxes	**0.6**	(4.2)	**4.6**	(2.3)
Gain on bargain purchase			**(0.9)**	
Loss on disposal of property, plant & equipment	**0.8**	0.5	**1.7**	0.5
Contract termination payments		(3.1)		(3.1)
Other non-cash items	**(1.4)**	(0.1)	**(0.8)**	1.7
Change in operating assets and liabilities, net of acquisition:				
Accounts receivable	**15.0**	29.5	**(36.8)**	(41.5)
Inventories	**17.1**	23.1	**(5.9)**	0.4
Prepaid expenses and other assets	**0.4**	2.1	**(5.5)**	0.9
Other assets	**(0.2)**	0.9	**0.7**	0.2
Accounts payable and accrued liabilities	**(22.1)**	(25.8)	**(38.4)**	(22.9)
Income taxes recoverable	**5.2**	0.2	**6.8**	(3.4)
Net cash provided by operating activities	**58.0**	63.9	**53.0**	59.6
Investing Activities				
Acquisition	**(4.7)**	(25.7)	**(9.7)**	(25.7)
Additions to property, plant & equipment	**(13.2)**	(8.1)	**(50.6)**	(31.4)
Additions to intangibles and other assets	**(1.0)**	(1.4)	**(4.7)**	(3.9)
Proceeds from sale of property, plant & equipment	**1.3**	0.1	**2.3**	0.1
Proceeds from insurance recoveries	**1.7**		**1.7**	
Other investing activities		(0.1)		(1.8)
Net cash used in investing activities	**(15.9)**	(35.2)	**(61.0)**	(62.7)
Financing Activities				
Payments of long-term debt	**(0.2)**	(1.8)	**(2.8)**	(5.2)
Borrowings under ABL		80.7	**24.5**	224.1
Payments under ABL		(100.7)	**(24.5)**	(231.9)
Distributions to non-controlling interests	**(1.9)**	(1.7)	**(3.3)**	(4.2)
Exercise of options		0.2		0.3
Common share repurchase			**(0.3)**	
Financing fees	**(1.2)**		**(1.2)**	(0.1)
Net cash used in financing activities	**(3.3)**	(23.3)	**(7.6)**	(17.0)

Effect of exchange rate changes on cash	**2.2**	(1.2)	**2.8**	0.1
Net increase (decrease) in cash & cash equivalents	**41.0**	4.2	**(12.8)**	(20.0)
Cash & cash equivalents, beginning of period	**47.1**	24.0	**100.9**	48.2
Cash & cash equivalents, end of period	**$ 88.1**	$ 28.2	**$ 88.1**	$ 28.2
Supplemental Disclosures of Cash Flow information:				
Cash paid for interest	**$ 15.8**	$ 16.2	**$ 41.3**	$ 44.1
Cash paid for income taxes (excludes refunds)	**$ 0.5**	$ 0.2	**$ 0.9**	$ 4.4

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

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Cott Corporation

Consolidated Statements of Equity

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

Unaudited

			Cott Corporation Equity						
	Number of Common Shares *(In thousands)*	**Number of Treasury Shares *(In thousands)***	**Capital Stock**	**Treasury Stock**	**Additional Paid-in-Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Non-Controlling Interests**	**Total Equity**
Balance at January 1, 2011	**94,750**	**1,051**	**$ 395.6**	**$ (3.2)**	**$ 40.8**	**$ 106.5**	**$ (17.5)**	**$ 13.0**	**$ 535.2**
Options exercised	275		0.3						0.3
Treasury shares issued - PSU Plan		(181)		0.5	(0.5)				
Treasury shares issued - EISPP		(196)		0.6	(0.6)				
Common shares issued - Directors share awards	76				0.7				0.7
Share-based compensation					1.5				1.5
Contributions from non-controlling interests								1.8	1.8
Distributions to non-controlling interests								(4.2)	(4.2)
Comprehensive income									
Currency translation adjustment							(5.2)		(5.2)
Pension benefit plan, net of tax							0.5		0.5
Unrealized gain on derivative instruments, net of tax							0.6		0.6
Net income						49.5		3.1	52.6
Balance at October 1, 2011	**95,101**	**674**	**$ 395.9**	**$ (2.1)**	**$ 41.9**	**$ 156.0**	**$ (21.6)**	**$ 13.7**	**$ 583.8**
Balance at December 31, 2011	**95,101**	**674**	**$ 395.9**	**$ (2.1)**	**$ 42.6**	**$ 144.1**	**$ (24.7)**	**$ 12.4**	**$ 568.2**
Common shares issued - Directors share awards	96.0				0.7				0.7
Common shares repurchased	(35.3)		(0.2)			(0.1)			(0.3)
Share-based compensation					2.8				2.8
Distributions to non-controlling interests								(3.3)	(3.3)
Comprehensive income									
Currency translation adjustment							13.7	(0.2)	13.5
Pension benefit plan, net of tax							(0.1)		(0.1)
Unrealized loss on derivative instruments, net of tax							(0.3)		(0.3)
Net income						45.5		3.4	48.9
Balance at September 29, 2012	**95,162**	**674**	**$ 395.7**	**$ (2.1)**	**$ 46.1**	**$ 189.5**	**$ (11.4)**	**$ 12.3**	**$ 630.1**

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

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Cott Corporation

Notes to the Consolidated Financial Statements

Unaudited

Note 1 Business and Recent Accounting Pronouncements

Description of Business

Cott Corporation, together with its consolidated subsidiaries (Cott, the Company, our Company, Cott Corporation, we, us, or our), is o world s largest producers of beverages on behalf of retailers, brand owners and distributors. Cott produces multiple types of beverages in a variety of packaging formats and sizes, including carbonated soft drinks (CSDs), 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy products, new age beverages, and ready-to-drink teas, as well as alcoholic beverages for brand owners.

Basis of Presentation

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements in conformity with U.S. GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of our results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included. This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited consolidated financial statements and accompanying notes in our Annual Report on Form 10-K for the year ended December 31, 2011. The accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements.

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

Recent Accounting Pronouncements

ASU 2012-02 Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the Financial Accounting Standards Board (FASB) amended its guidance in regards to testing indefinite-lived intangible assets for impairment in order to reduce the cost and complexity of performing an impairment test for indefinite-lived intangible assets by simplifying how an entity tests those assets for impairment and to improve consistency in impairment testing guidance among long-lived asset categories. The amendment permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Accounting Standards Codification (ASC) Subtopic 350-30, Intangibles Goodwill and Other *General Intangibles Other than Goodwill*. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent.

The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity s financial statements for the most recent annual or interim period have not yet been issued. We have adopted this guidance and incorporated it into our assessment procedures. The adoption of this guidance did not have a material impact on our consolidated financial statements.

ASU 2011-12 Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update (ASU) No. 2011-05

In November 2011, the FASB deferred part of the new rules on the presentation of other comprehensive income as required by ASU 2011-05. As written, the guidance in ASU 2011-05 would have required that reclassification adjustments from other comprehensive income to net income be presented by income statement line item. Most respondents pointed out that the information required for separate presentation of reclassification adjustments in the statements may not be available in a timely manner due to the fact that there is currently no process and control in place to collect and summarize the level of detailed information required for such presentation. The amendments in this ASU are effective at the same time as the amendments in ASU 2011-05 so that entities will not be required to comply with the presentation requirements in ASU 2011-05 that this ASU is deferring. The deferral is effective for the fiscal year beginning after December 15, 2011.

ASU 2011-05 Comprehensive Income: Presentation of Comprehensive Income

In June 2011, the FASB amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (i) a continuous statement of comprehensive income or (ii) two separate but consecutive statements. The provisions of this new guidance are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We have adopted this guidance and presented the components of comprehensive income in two separate but consecutive statements. This standard affects the presentation but does not have a financial impact on our consolidated financial statements.

ASU 2011-08 Intangibles-Goodwill and Other: Testing Goodwill for Impairment

In September 2011, the FASB amended its guidance in regards to testing goodwill for impairment to address concern raised about the cost and complexity of performing the first step of the two-step goodwill impairment test required under ASC Topic 350 Intangibles-Goodwill and Other. The objective of this update is to simplify how entities, both public and nonpublic, test goodwill for impairment. The amendments in the update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We have adopted this guidance and incorporated it into our goodwill assessment procedures.

Note 2 Acquisitions

On August 17, 2010, we completed the acquisition of substantially all of the assets and liabilities of Cliffstar Corporation (Cliffstar) and its affiliated companies for approximately $503.0 million in cash, $14.0 million in deferred consideration to be paid over three years, of which $4.7 million was paid in each of the third quarter of 2011 and the third quarter of 2012, and contingent consideration of up to $55.0 million (the Cliffstar Acquisition). The first $15.0 million of the contingent consideration was based upon the achievement of milestones in certain expansion projects in 2010, which were achieved in 2010. The remainder of the contingent consideration was based on the achievement of certain performance measures during the fiscal year ended January 1, 2011.

We were notified on May 9, 2011 by the seller of Cliffstar of certain objections to the performance measures used to calculate the contingent consideration, and the seller asserted a claim for amounts in excess of the amounts accrued as contingent consideration at July 2, 2011. During the third and fourth quarters of 2011, Cott made interim payments to the seller equal to $21.0 million and $8.6 million, respectively. The payment of $21.0 million was net of a $4.7 million refund due to Cott as a result of the final determination of working capital, and the payment of $8.6 million included $0.9 million in settlement of certain of the seller s objections to the calculation of the contingent consideration. The seller s remaining objections to the calculation of the contingent consideration are subject to an ongoing binding arbitration process under the terms of the asset purchase agreement. The seller is seeking up to $12.1 million in additional contingent consideration. The final resolution of these matters may result in amounts payable to the seller that vary from the amount of post-closing payments previously made to the seller of $34.3 million. We are currently unable to predict the ultimate outcome of this action. Any changes in the fair value of contingent consideration will be recorded in our Consolidated Statements of Operations.

During the first quarter of 2012, our United Kingdom (U.K.) reporting segment acquired a beverage and wholesale business based in Scotland for approximately $5.0 million. The business was purchased from a company in administration and provided a number of benefits to our U.K. reporting segment, including increased product offerings and market share, logistical synergies through expansion into Scotland and access to an additional production line. The acquisition has been accounted for using the purchase method of accounting for business combinations, and related operating results are included in the Consolidated Statements of Operations for the periods subsequent to the acquisition. The identified assets, which included inventory, property, plant and equipment, trade names and customer lists, were recorded at their estimated fair values, which exceeded the fair value of the purchase price of the business. Accordingly, the acquisition has been accounted for as a bargain purchase and, as a result, we recognized a gain of approximately $0.9 million associated with the acquisition. The gain is included in the other (income) expense, net section of the Consolidated Statements of Operations.

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Note 3 Share-Based Compensation

The table below summarizes the share-based compensation expense for the three and nine months ended September 29, 2012 and October 1, 2011. This share-based compensation expense was recorded in selling, general and administrative expenses in our Consolidated Statements of Operations. As used below: (i) Performance-based RSUs mean restricted share units with performance-based vesting granted under the Company s 2010 Equity Incentive Plan (the 2010 Equity Incentive Plan), (ii) Time-based RSUs mean restricted share units with time-based vesting granted under the 2010 Equity Incentive Plan, and (iii) Stock options mean non-qualified stock options granted under the 2010 Equity Incentive Plan and the Restated 1986 Common Share Option Plan (the 1986 Option Plan).

(in millions of U.S. dollars)	For the Three Months Ended September 29, 2012	For the Three Months Ended October 1, 2011	For the Nine Months Ended September 29, 2012	For the Nine Months Ended October 1, 2011
Stock options	**$ 0.1**	$	**$ 0.3**	$
Directors share awards			**0.7**	0.7
Performance-based RSUs	**0.2**	(2.7)	**0.4**	(1.2)
Time-based RSUs	**1.0**	1.1	**2.1**	2.7
Total	**$ 1.3**	$ (1.6)	**$ 3.5**	$ 2.2

As of September 29, 2012, the unrecognized share-based compensation expense and years we expect to recognize the future compensation expense were as follows:

(in millions of U.S. dollars, except years)	Unrecognized share-based compensation expense as of September 29, 2012	Weighted average years expected to recognize compensation
Stock options	**$ 1.1**	**2.3**
Performance-based RSUs	**1.6**	**2.3**
Time-based RSUs	**3.3**	**1.7**
Total	**$ 6.0**	

Stock option activity for the nine months ended September 29, 2012 was as follows:

	Shares *(in thousands)*	**Weighted average exercise price** *(Canadian $)*
Balance at December 31, 2011	**284**	**$ 20.47**
Awarded	**385**	**6.47**
Forfeited or expired	**(201)**	**24.40**
Outstanding at September 29, 2012	**468**	**$ 7.28**
Exercisable at September 29, 2012	**125**	**$ 9.49**

During the nine months ended September 29, 2012, Performance-based RSU and Time-based RSU activity was as follows:

(in thousands of shares)	**Number of Performance-based RSUs**	**Number of Time-based RSUs**
Balance at December 31, 2011	**2,319**	**1,548**
Awarded	**331**	**442**
Forfeited	**(267)**	**(221)**
Outstanding at September 29, 2012	**2,383**	**1,769**

Stock options awarded during the nine months ended September 29, 2012 were granted under the 2010 Equity Incentive Plan. Stock options outstanding at December 31, 2011 were granted under the 1986 Option Plan. The Board of Directors terminated the 1986 Option Plan effective as of February 23, 2011. In connection with the termination of the 1986 Option Plan, outstanding options will continue in accordance with the terms of the 1986 Option Plan until exercised, forfeited or terminated, as applicable. No further awards will be granted under the 1986 Option Plan.

Average Canadian to U.S. Dollar Exchange Rate for the Nine Months Ended September 29, 2012

The weighted average exercise prices for options in Note 3 are disclosed in Canadian dollars. The table below represents the average Canadian dollar to U.S. dollar exchange rate for the nine months ended September 29, 2012:

	For the Nine Months Ended September 29, 2012
Average exchange rate	$ **0.999**

Note 4 Income Tax Expense (Benefit)

Income tax expense was $5.5 million on pretax income of $54.4 million for the nine months ended September 29, 2012. The year to date income tax expense was primarily the result of the recording of $4.3 million of allowances against deferred tax assets in the U.S. that are uncertain to be realized, reduced by $1.8 million related to an audit settlement, the lapse of a statute of limitation and an enacted decrease in the U.K. statutory rate. For the nine months ended October 1, 2011, the income tax benefit was $1.7 million on pretax income of $50.9 million, due partially to a favorable competent authority settlement and an enacted decrease in the U.K. statutory rate. During the second quarter of 2011, we completed a reorganization of our legal entity structure and refinanced intercompany debt. As a result of these activities, our annual effective tax rate was lower than the statutory rate for 2011 and is also expected to be lower than the statutory rate for 2012.

Note 5 Net 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 common share is calculated using the weighted-average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, Performance-based RSUs and Time-based RSUs.

A reconciliation of the denominators of the basic and diluted net income per common share computations is as follows:

	For the Three Months Ended		For the Nine Months Ended	
(in thousands of shares)	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Weighted average number of shares outstanding - basic	**94,488**	94,325	**94,461**	94,179
Dilutive effect of Stock options	**32**	34	**32**	34
Dilutive effect of Performance-based RSUs	**51**		**43**	
Dilutive effect of Time-based RSUs	**1,027**	787	**1,055**	686
Adjusted weighted average number of shares outstanding - diluted	**95,598**	95,146	**95,591**	94,899

We excluded 392,479 (October 1, 2011 233,500) stock options from the computation of diluted net income per share because the options exercise price was greater than the average market price of the common shares or they were anti-dilutive. Shares purchased on the open market and held by independent trusts are categorized as treasury shares under applicable accounting rules. We excluded 674,397 (October 1, 2011 674,397) treasury shares held in various trusts in the calculation of basic and diluted earnings per share.

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Note 6 Segment Reporting

We produce multiple types of beverages in a variety of packaging formats and sizes, including CSDs, 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy products, new age beverages, and ready-to-drink teas, as well as alcoholic beverages, on behalf of retailers, brand owners and distributors through five reporting segments North America (which includes our U.S. operating segment and our Canada operating segment), U.K. (which includes our United Kingdom reporting unit and our Continental European reporting unit), Mexico, Royal Crown International (RCI) and All Other.

(in millions of U.S. dollars)	North America	United Kingdom	Mexico	RCI	All Other	Total
For the Three Months Ended September 29, 2012						
External revenue[1]	**$ 439.3**	**$ 125.5**	**$ 9.7**	**$ 9.3**	**$**	**$ 583.8**
Depreciation & amortization	**21.1**	**3.2**	**0.4**			**24.7**
Operating income (loss)	**18.9**	**7.8**	**(1.0)**	**2.9**		**28.6**
Additions to property, plant & equipment	**10.0**	**1.7**	**1.5**			**13.2**
For the Nine Months Ended September 29, 2012						
External revenue[1]	**$ 1,323.1**	**$ 356.2**	**$ 29.0**	**$ 25.1**	**$**	**$ 1,733.4**
Depreciation & amortization	**61.3**	**9.6**	**1.3**			**72.2**
Operating income (loss)	**67.4**	**21.5**	**(3.2)**	**7.1**		**92.8**
Additions to property, plant & equipment	**39.0**	**9.8**	**1.8**			**50.6**
As of September 29, 2012						
Property, plant & equipment	**$ 382.2**	**$ 97.1**	**$ 8.8**	**$**	**$**	**$ 488.1**
Goodwill	**126.3**			**4.5**		**130.8**
Intangibles and other assets	**309.3**	**14.4**	**0.4**			**324.1**
Total assets[2]	**1,227.4**	**262.2**	**28.6**	**15.1**	**0.7**	**1,534.0**

1 Intersegment revenue between North America and the other reporting segments was $4.9 million and $13.0 million for the three and nine months ended September 29, 2012, respectively.

2 Excludes intersegment accounts receivables, investments and notes receivable.

(in millions of U.S. dollars)	North America	United Kingdom	Mexico	RCI	All Other	Total
For the Three Months Ended October 1, 2011						
External revenue[1]	$ 468.1	$ 124.5	$ 12.7	$ 6.0	$	$ 611.3
Depreciation & amortization	20.1	3.5	0.4			24.0
Operating income (loss)	19.8	8.3	(0.9)	1.8		29.0
Additions to property, plant & equipment	6.8	1.2	0.1			8.1
For the Nine Months Ended October 1, 2011						
External revenue[1]	$ 1,388.2	$ 336.8	$ 40.3	$ 20.1	$	$ 1,785.4
Depreciation & amortization	59.7	10.2	1.5			71.4
Operating income (loss)	70.6	22.7	(3.0)	6.1		96.4
Additions to property, plant & equipment	23.2	8.1	0.1			31.4
As of December 31, 2011						
Property, plant & equipment	$ 383.1	$ 89.8	$ 9.3	$	$	$ 482.2
Goodwill	125.1			4.5		129.6
Intangibles and other assets	326.1	14.6	0.4			341.1
Total assets[2]	1,231.3	237.0	28.4	11.3	0.9	1,508.9

[1] Intersegment revenue between North America and the other reporting segments was $3.3 million and $11.5 million for the three and nine months ended October 1, 2011, respectively.

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

A significant portion of our revenue is concentrated in a small number of customers. For the nine months ended September 29, 2012, sales to Walmart accounted for 31.3% (October 1, 2011 31.9%) of our total revenues, 36.3% of our North America reporting segment revenues (October 1, 2011 36.1%), 15.4% of our U.K. reporting segment revenues (October 1, 2011 14.7%), and 21.7% of our Mexico reporting segment revenues (October 1, 2011 46.5%).

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

Revenues are attributed to operating segments based on the location of the customer. Revenues by operating segment were as follows:

	For the Three Months Ended		For the Nine Months Ended	
(in millions of U.S. dollars)	**September 29, 2012**	**October 1, 2011**	**September 29, 2012**	**October 1, 2011**
United States	**$ 388.0**	$ 414.3	**$ 1,169.0**	$ 1,236.6
Canada	**63.2**	66.0	**190.3**	189.8
United Kingdom	**125.5**	124.5	**356.2**	336.8
Mexico	**9.7**	12.7	**29.0**	40.3
RCI	**9.3**	6.0	**25.1**	20.1
Elimination[1]	**(11.9)**	(12.2)	**(36.2)**	(38.2)
	$ 583.8	$ 611.3	**$ 1,733.4**	$ 1,785.4

1 Represents intersegment revenue among our operating segments, of which $4.9 million and $13.0 million represents intersegment revenue between the North America reporting segment and our other operating segments for the three and nine months ended September 29, 2012, respectively, compared to $3.3 million and $11.5 million for the three and nine months ended October 1, 2011, respectively.

Revenues by product were as follows:

	For the Three Months Ended September 29, 2012				
(in millions of U.S. dollars)	**North America**	**United Kingdom**	**Mexico**	**RCI**	**Total**
Revenue					
Carbonated soft drinks	**$ 182.3**	**$ 43.1**	**$ 5.1**	**$ 0.3**	**$ 230.8**
Juice	**133.7**	**3.7**	**0.3**	**0.4**	**138.1**
Concentrate	**3.3**	**0.5**		**8.5**	**12.3**
All other products	**120.0**	**78.2**	**4.3**	**0.1**	**202.6**
Total	**$ 439.3**	**$ 125.5**	**$ 9.7**	**$ 9.3**	**$ 583.8**

	For the Nine Months Ended September 29, 2012				
(in millions of U.S. dollars)	**North America**	**United Kingdom**	**Mexico**	**RCI**	**Total**
Revenue					
Carbonated soft drinks	**$ 533.3**	**$ 121.8**	**$ 16.4**	**$ 0.3**	**$ 671.8**
Juice	**406.9**	**10.5**	**0.7**	**1.1**	**419.2**
Concentrate	**9.6**	**1.8**		**23.6**	**35.0**
All other products	**373.3**	**222.1**	**11.9**	**0.1**	**607.4**
Total	**$ 1,323.1**	**$ 356.2**	**$ 29.0**	**$ 25.1**	**$ 1,733.4**

For the Three Months Ended October 1, 2011					
(in millions of U.S. dollars)	**North America**	**United Kingdom**	**Mexico**	**RCI**	**Total**
Revenue					
Carbonated soft drinks	$ 192.8	$ 47.5	$ 9.6	$	$ 249.9
Juice	144.1	3.4	0.7		148.2
Concentrate	2.5	0.7		6.0	9.2
All other products	128.7	72.9	2.4		204.0
Total	**$ 468.1**	**$ 124.5**	**$ 12.7**	**$ 6.0**	**$ 611.3**

For the Nine Months Ended October 1, 2011					
(in millions of U.S. dollars)	**North America**	**United Kingdom**	**Mexico**	**RCI**	**Total**
Revenue					
Carbonated soft drinks	$ 549.8	$ 134.4	$ 31.2	$	$ 715.4
Juice	456.3	9.6	2.4		468.3
Concentrate	6.8	2.4		20.1	29.3
All other products	375.3	190.4	6.7		572.4
Total	**$ 1,388.2**	**$ 336.8**	**$ 40.3**	**$ 20.1**	**$ 1,785.4**

Property, plant and equipment by operating segment as of September 29, 2012 and December 31, 2011 was as follows:

(in millions of U.S. dollars)	**September 29, 2012**	**December 31, 2011**
United States	**$ 333.5**	$ 336.2
Canada	**48.7**	46.9
United Kingdom	**97.1**	89.8
Mexico	**8.8**	9.3
	$ 488.1	**$ 482.2**

Note 7 Inventories

The following table summarizes inventories as of September 29, 2012 and December 31, 2011:

(in millions of U.S. dollars)	**September 29, 2012**	**December 31, 2011**
Raw materials	**$ 77.8**	$ 87.3
Finished goods	**120.3**	102.3
Other	**21.0**	20.4
	$ 219.1	**$ 210.0**

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Note 8 Intangibles and Other Assets

The following table summarizes intangibles and other assets as of September 29, 2012:

	September 29, 2012		
(in millions of U.S. dollars)	**Cost**	**Accumulated Amortization**	**Net**
Intangibles			
Not subject to amortization			
Rights	**$ 45.4**	**$**	**$ 45.4**
Subject to amortization			
Customer relationships	**$ 367.6**	**$ 136.6**	**$ 231.0**
Trademarks	**28.9**	**22.9**	**6.0**
Information technology	**65.2**	**49.7**	**15.5**
Other	**11.5**	**7.8**	**3.7**
	473.2	**217.0**	**256.2**
	518.6	**217.0**	**301.6**
Other Assets			
Financing costs	**$ 24.4**	**$ 10.3**	**$ 14.1**
Deposits	**7.2**		**7.2**
Other	**1.5**	**0.3**	**1.2**
	33.1	**10.6**	**22.5**
Total Intangibles and Other Assets	**$ 551.7**	**$ 227.6**	**$ 324.1**

Amortization expense of intangible and other assets was $8.8 million and $26.6 million for the three and nine months ended September 29, 2012, respectively, compared to $9.4 million and $27.2 million for the comparable prior year periods.

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

(in millions of U.S. dollars)	
Remainder of 2012	**$ 8.1**
2013	**30.6**
2014	**28.7**
2015	**26.7**
2016	**23.4**
Thereafter	**138.7**
	$ 256.2

Our only intangible asset with an indefinite life relates to the 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, know-how and the use of the Royal Crown brand outside of North America and Mexico (the Rights). The Rights are not subject to amortization.

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Note 9 Debt

Our total debt as of September 29, 2012 and December 31, 2011 was as follows:

(in millions of U.S. dollars)	**September 29, 2012**	**December 31, 2011**
8.375% senior notes due in 2017[1]	**$ 215.0**	$ 215.0
8.125% senior notes due in 2018	**375.0**	375.0
GE obligation	**10.1**	12.4
Other capital leases	**4.7**	4.1
Other debt	**1.3**	1.5
Total debt	**606.1**	608.0
Less: Current debt		
GE obligation - current maturities	**0.9**	2.6
Other capital leases - current maturities	**0.7**	0.6
Other debt - current maturities	**0.2**	0.2
Total current debt	**1.8**	3.4
Long-term debt before discount	**604.3**	604.6
Less discount on 8.375% notes[1]	**(2.2)**	(2.5)
Total long-term debt	**$ 602.1**	**$ 602.1**

[1] Our 8.375% senior notes were issued at a discount of 1.425% on November 13, 2009.

Asset Based Lending Credit Facility

On March 31, 2008, we entered into a credit agreement with JPMorgan Chase Bank N.A. as Agent that created an asset-based lending credit facility (the ABL facility) to provide financing for our North America, U.K. and Mexico reporting segments. In connection with the Cliffstar Acquisition, we refinanced the ABL facility on August 17, 2010 to, among other things, provide for the Cliffstar Acquisition, the issuance of $375.0 million of 8.125% senior notes that are due on September 1, 2018 (the 2018 Notes) and the application of net proceeds therefrom, the underwritten public offering of 13,340,000 common shares at a price of $5.67 per share and the application of net proceeds therefrom and to increase the amount available for borrowings to $275.0 million. We drew down a portion of the indebtedness under the ABL facility in order to fund the Cliffstar Acquisition. We incurred $5.4 million of financing fees in connection with the refinancing of the ABL facility.

On July 19, 2012, we amended the ABL facility to, among other things, extend the maturity date to either July 19, 2017 or, if we have not redeemed, repurchased or refinanced our 8.375% senior notes due 2017 (the 2017 Notes) by May 1, 2017, May 15, 2017. We incurred $1.2 million of financing fees in connection with the amendment of the ABL facility.

The financing fees incurred in connection with the refinancing of the ABL facility on August 17, 2010, along with the financing fees incurred in connection with the amendment of the ABL facility on July 19, 2012, are being amortized using the straight line method over the duration of the amended ABL facility.

As of September 29, 2012, we had no outstanding borrowings under the ABL facility. The commitment fee was 0.375% per annum of the unused commitment, which, taking into account $11.0 million of letters of credit, was $264.0 million as of September 29, 2012.

8.125% Senior Notes due in 2018

On August 17, 2010, we issued the 2018 Notes. The issuer of the 2018 Notes is our wholly-owned subsidiary Cott Beverages Inc., but Cott Corporation and most of its U.S., Canadian and U.K. subsidiaries guarantee the 2018 Notes. The interest on the 2018 Notes is payable semi-annually on March 1st and September 1st of each year.

We incurred $8.6 million of financing fees in connection with the issuance of the 2018 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the duration of the 2018 Notes.

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8.375% Senior Notes due in 2017

On November 13, 2009, we issued $215.0 million of 2017 Notes. The 2017 Notes were issued at a $3.1 million discount. The issuer of the 2017 Notes is Cott Beverages Inc., but Cott Corporation and most of its U.S., Canadian and U.K. subsidiaries guarantee the 2017 Notes. The interest on the 2017 Notes is payable semi-annually on May 15th and November 15th of each year.

We incurred $5.1 million of financing fees in connection with the 2017 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the duration of the 2017 Notes.

Note 10 Commitments and Contingencies

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

As of December 31, 2011, our accrued liability for litigation contingencies with a probable likelihood of loss was $2.9 million which was related to a single contingency. During the first quarter of 2012 we settled this legal matter for an amount not materially different from our accrued liability.

On August 17, 2010, we completed the Cliffstar Acquisition. The first $15.0 million of the maximum of $55.0 million of contingent consideration was based upon the achievement of milestones in certain expansion projects in 2010, which were achieved in 2010. The remainder of the contingent consideration was based on the achievement of certain performance measures during the fiscal year ended January 1, 2011.

We were notified on May 9, 2011 by the seller of Cliffstar of certain objections to the performance measures used to calculate the contingent consideration, and the seller asserted a claim for amounts in excess of the amounts accrued as contingent consideration at July 2, 2011. During the third and fourth quarters of 2011, Cott made interim payments to the seller equal to $21.0 million and $8.6 million, respectively. The payment of $21.0 million was net of a $4.7 million refund due to Cott as a result of the final determination of working capital, and the payment of $8.6 million included $0.9 million in settlement of certain of the seller s objections to the calculation of the contingent consideration. The seller s remaining objections to the calculation of the contingent consideration are subject to an ongoing binding arbitration process under the terms of the asset purchase agreement. The seller is seeking up to $12.1 million in additional contingent consideration. The final resolution of these matters may result in amounts payable to the seller that vary from the amount of post-closing payments previously made to the seller of $34.3 million. We are currently unable to predict the ultimate outcome of this action. Any changes in the fair value of contingent consideration will be recorded in our Consolidated Statements of Operations.

We had $11.0 million in standby letters of credit outstanding as of September 29, 2012 (October 1, 2011 $9.8 million).

Note 11 Shares Held in Trust treated as Treasury Shares and Share Repurchase Program

In May 2008, an independent trustee acting under certain of our benefit plans purchased 2.3 million of our common shares to be used to satisfy future liabilities under the Amended and Restated Performance Share Unit Plan (the PSU Plan) and the Restated Executive Incentive Share Purchase Plan (the Restated EISPP). As of September 29, 2012, 0.7 million shares were held in trust, and accounted for as treasury shares under applicable accounting rules. Treasury shares are reported at cost.

Subsequent to the adoption of the 2010 Equity Incentive Plan on May 4, 2010, the Human Resources and Compensation Committee of the Board of Directors determined that certain of Cott s long-term incentive plans were no longer needed and terminated the PSU Plan and the Restated EISPP effective February 23, 2011. No further awards will be granted under such plans, as future awards will be made under our 2010 Equity Incentive Plan.

On May 1, 2012, our Board of Directors authorized the repurchase of up to $35.0 million of our common shares in the open market or through privately negotiated transactions over a 12-month period through either a 10b5-1 automatic trading plan or at management s discretion in compliance with regulatory requirements, and given market, cost and other considerations. We are unable to predict the number of shares that will be repurchased under the share repurchase program, or the aggregate dollar amount of the shares actually purchased. We may discontinue purchases at any time, subject to compliance with applicable regulatory requirements. We repurchased 35,272 shares of common stock for approximately $0.3 million during the second quarter of 2012. No repurchases were made during the three months ended September 29, 2012.

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Note 12 Hedging Transactions and Derivative Financial Instruments

We are directly and indirectly affected by changes in foreign currency market conditions. These changes in market conditions may adversely impact our financial performance and are referred to as market risks. When deemed appropriate by management, we use derivatives as a risk management tool to mitigate the potential impact of foreign currency market risks.

We purchase forward contract derivative instruments. Forward contracts are agreements to buy or sell a quantity of a currency at a predetermined future date and at a predetermined rate or price. We do not enter into derivative financial instruments for trading purposes.

As of September 29, 2012, all derivatives are carried at fair value in the Consolidated Balance Sheets in the line item accounts payable and accrued liabilities. The carrying values of the derivatives reflect the impact of legally enforceable agreements with the same counterparties. These allow us to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the types of hedging relationships. The changes in fair values of derivatives that have been designated and qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) (AOCI) and are reclassified into the line item in the Consolidated Statements of Operations in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged.

We formally designate and document, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, we formally assess both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. Any ineffective portion of a financial instrument s change in fair value is immediately recognized into earnings.

We estimate the fair values of our derivatives based on quoted market prices or pricing models using current market rates (refer to Note 13). The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or other financial indices. We do not view the fair values of our derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions. All of our derivatives are straightforward over-the-counter instruments with liquid markets.

Credit Risk Associated with Derivatives

We have established strict counterparty credit guidelines and enter into transactions only with financial institutions of investment grade or better. We mitigate pre-settlement risk by being permitted to net settle for transactions with the same counterparty.

Cash Flow Hedging Strategy

We use cash flow hedges to minimize the variability in cash flows of assets or liabilities or forecasted transactions caused by fluctuations in foreign currency exchange rates. The changes in the fair values of derivatives designated as cash flow hedges are recorded in AOCI and are reclassified into the line item in the Consolidated Statements of Operations in which the hedged items are recorded in the same period the hedged items affect earnings. The changes in fair values of hedges that are determined to be ineffective are immediately reclassified from AOCI into earnings. We did not discontinue any cash flow hedging relationships during the nine months ended September 29, 2012. The maximum length of time over which we hedge our exposure to future cash flows is typically one year.

We maintain a foreign currency cash flow hedging program to reduce the risk that our procurement activities will be adversely affected by changes in foreign currency exchange rates. We enter into forward contracts to hedge certain portions of forecasted cash flows denominated in foreign currencies. The total notional value of derivatives that have been designated and qualify for our foreign currency cash flow hedging program as of September 29, 2012 was approximately $20.8 million.

The fair value of the Company s derivative instrument liabilities was $0.3 million as of September 29, 2012.

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The settlement of our derivative instruments resulted in a charge to cost of sales of $0.3 million and $0.4 million for the three and nine months ended September 29, 2012, respectively.

Note 13 Fair Value Measurements

ASC Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

We have certain assets and liabilities that are required to be recorded at fair value on a recurring basis in accordance with U.S. GAAP.

The following table summarizes those assets and liabilities measured at a fair value on a recurring basis as of September 29, 2012:

	September 29, 2012				
(in millions of U.S. dollars)	**Level 1**	**Level 2**	**Level 3**	**Netting Adjustment**	**Fair Value Measurements**
Liabilities					
Derivatives	**$**	**$ 0.3**	**$**	**$**	**$ 0.3**
Total Liabilities	**$**	**$ 0.3**	**$**	**$**	**$ 0.3**

Fair Value of Financial Instruments

The carrying amounts reflected in the Consolidated Balance Sheets for cash, receivables, payables, short-term borrowings and long-term debt approximate their respective fair values, except as otherwise indicated. The carrying values and estimated fair values of our significant outstanding debt as of September 29, 2012 and December 31, 2011 were as follows:

	September 29, 2012		**December 31, 2011**	
(in millions of U.S. dollars)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
8.375% senior notes due in 2017[1]	**$ 215.0**	**235.7**	$ 215.0	231.4
8.125% senior notes due in 2018[1]	**375.0**	**416.7**	375.0	404.5
Total	**$ 590.0**	**$ 652.4**	**$ 590.0**	**$ 635.9**

[1] The fair values are based on the trading levels and bid/offer prices observed by a market participant and are considered Level 1 inputs.

Fair value of contingent consideration

We were notified on May 9, 2011 by the seller of Cliffstar of certain objections to the performance measures used to calculate the contingent consideration, and the seller asserted a claim for amounts in excess of the amounts accrued as contingent consideration at July 2, 2011. During the third and fourth quarters of 2011, Cott made interim payments to the seller equal to $21.0 million and $8.6 million, respectively. The payment of $21.0 million was net of a $4.7 million refund due to Cott as a result of the final determination of working capital, and the payment of $8.6 million included $0.9 million in settlement of certain of the seller s objections to the calculation of the contingent consideration. The seller s remaining objections to the calculation of the contingent consideration are subject to an ongoing binding arbitration process under the terms of the asset purchase agreement. The seller is seeking up to $12.1 million in additional contingent consideration. The final resolution of these matters may result in amounts payable to the seller that vary from the amount of post-closing payments previously made to the seller of $34.3 million. We are currently unable to predict the ultimate outcome of this action. Any changes in the fair value of contingent consideration will be recorded in our Consolidated Statements of Operations.

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Note 14 Guarantor Subsidiaries

The 2017 Notes and 2018 Notes issued by our wholly-owned subsidiary, Cott Beverages, Inc., are unconditionally guaranteed on a senior basis pursuant to guarantees by Cott Corporation and certain other wholly-owned subsidiaries (the Guarantor Subsidiaries). The guarantees of the Guarantor Subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions.

We have not presented separate financial statements and separate disclosures have not been provided concerning subsidiary guarantors because management has determined such information is not material to the holders of the above-mentioned notes.

The following supplemental financial information sets forth on an unconsolidated basis, our Balance Sheets, Statements of Operations and Cash Flows for Cott Corporation, Cott Beverages Inc., Guarantor Subsidiaries and our other subsidiaries (the Non-guarantor Subsidiaries). The supplemental financial information reflects our investments and those of Cott Beverages Inc. in their respective subsidiaries using the equity method of accounting.

In the third quarter of 2012, Cott revised the financial statements of certain Non-guarantor Subsidiaries to properly reflect their capitalization and subsequent investment in certain Guarantor Subsidiaries resulting from a reorganization completed in connection with the Cliffstar Acquisition. These Non-guarantor Subsidiaries, which have no business operations and no operating assets, hold, directly or indirectly, the Company s investments in substantially all of the Guarantor Subsidiaries and therefore may be viewed for purposes of the below disclosure as in substance Guarantor Subsidiaries themselves. Cott has therefore included these Non-guarantor Subsidiaries as Guarantor Subsidiaries in the supplemental financial information below and has revised the Consolidated Balance Sheets as of September 29, 2012 and December 31, 2011. While this revision does not change the assets available to satisfy the guarantees made by the Guarantor Subsidiaries, the inclusion of these Non-guarantor Subsidiaries in the Guarantor Subsidiary column for purposes of the below disclosure results in the December 31, 2011 investment in subsidiaries and equity accounts for Non-guarantor Subsidiaries being reduced by $225.3 million. There was no change to the Consolidated Balance Sheets nor any changes to the Consolidating Statements of Operations and Cash Flows for the periods presented.

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Condensed Consolidating Statements of Operations

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended September 29, 2012					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 52.6	$ 220.2	$ 271.6	$ 46.9	$ (7.5)	$ 583.8
Cost of sales	42.1	187.2	246.7	42.1	(7.5)	510.6
Gross profit	10.5	33.0	24.9	4.8		73.2
Selling, general and administrative expenses	8.1	18.3	15.1	2.3		43.8
Loss on disposal of property, plant & equipment		0.2	0.1	0.5		0.8
Operating income	2.4	14.5	9.7	2.0		28.6
Other (income) expense, net	(0.4)	(1.1)	0.1	(0.1)		(1.5)
Intercompany interest (income) expense, net		(3.5)	3.5			
Interest expense, net		12.8	0.2	0.1		13.1
Income before income tax expense (benefit) and equity income	2.8	6.3	5.9	2.0		17.0
Income tax expense (benefit)	0.9	1.2	(1.0)	0.1		1.2
Equity income	12.6	1.5	6.5		(20.6)	
Net income	$ 14.5	$ 6.6	$ 13.4	$ 1.9	$ (20.6)	$ 15.8
Less: Net income attributable to non-controlling interests				1.3		1.3
Net income attributed to Cott Corporation	$ 14.5	$ 6.6	$ 13.4	$ 0.6	$ (20.6)	$ 14.5
Comprehensive income attributed to Cott Corporation	$ 27.2	$ 26.8	$ 24.0	$ 9.6	$ (60.4)	$ 27.2

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Condensed Consolidating Statements of Operations

(in millions of U.S. dollars)

Unaudited

	For the Nine Months Ended September 29, 2012					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 157.6	$ 669.9	$ 799.1	$ 131.5	$ (24.7)	$ 1,733.4
Cost of sales	126.7	564.4	719.4	118.7	(24.7)	1,504.5
Gross profit	30.9	105.5	79.7	12.8		228.9
Selling, general and administrative expenses	23.4	58.0	45.1	7.9		134.4
Loss on disposal of property, plant & equipment		0.6	0.6	0.5		1.7
Operating income	7.5	46.9	34.0	4.4		92.8
Other expense (income), net	0.1	(1.0)	(0.8)	(0.5)		(2.2)
Intercompany interest (income) expense, net		(8.2)	8.2			
Interest expense, net	0.2	39.8	0.5	0.1		40.6
Income before income tax expense (benefit) and equity income	7.2	16.3	26.1	4.8		54.4
Income tax expense (benefit)	4.1	1.8	(0.4)			5.5
Equity income	42.4	3.8	18.3		(64.5)	
Net income	$ 45.5	$ 18.3	$ 44.8	$ 4.8	$ (64.5)	$ 48.9
Less: Net income attributable to non-controlling interests				3.4		3.4
Net income attributed to Cott Corporation	$ 45.5	$ 18.3	$ 44.8	$ 1.4	$ (64.5)	$ 45.5
Comprehensive income (loss) attributed to Cott Corporation	$ 58.8	$ 44.2	$ (38.0)	$ 55.2	$ (61.4)	$ 58.8

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Condensed Consolidating Statements of Operations

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended October 1, 2011					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 55.7	$ 241.7	$ 277.7	$ 45.5	$ (9.3)	$ 611.3
Cost of sales	43.9	217.0	251.3	40.8	(9.3)	543.7
Gross profit	11.8	24.7	26.4	4.7		67.6
Selling, general and administrative expenses	7.0	15.3	12.7	3.1		38.1
Loss on disposal of property, plant & equipment		0.4	0.1			0.5
Operating income	4.8	9.0	13.6	1.6		29.0
Other expense (income), net	1.2	(1.0)	0.5	0.6		1.3
Intercompany interest (income) expense, net		(2.1)	2.1			
Interest expense, net	0.1	13.7	0.5	0.1		14.4
Income (loss) before income tax expense (benefit) and equity income	3.5	(1.6)	10.5	0.9		13.3
Income tax expense (benefit)	1.0	(2.2)	(2.8)			(4.0)
Equity income	13.7	1.2	1.9		(16.8)	
Net income	$ 16.2	$ 1.8	$ 15.2	$ 0.9	$ (16.8)	$ 17.3
Less: Net income attributable to non-controlling interests				1.1		1.1
Net income (loss) attributed to Cott Corporation	$					