COTT CORP /CN/
Form 10-Q
August 04, 2009

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United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended: June 27, 2009

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

Commission File Number: 000-31410

COTT CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

Class	**Outstanding at July 31, 2009**
Common Stock, no par value per share	71,871,330 shares

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements
Cott Corporation

Consolidated Statements of Operations

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

Unaudited

		For the Three Months Ended		For the Six Months Ended	
		June 27, 2009	**June 28, 2008**	**June 27, 2009**	**June 28, 2008**
Revenue, net		**$ 438.8**	$ 466.5	**$ 805.8**	$ 856.2
Cost of sales		**365.5**	409.5	**674.3**	758.4
Gross profit		**73.3**	57.0	**131.5**	97.8
Selling, general and administrative expenses		**35.1**	44.5	**69.8**	97.3
Loss on disposal of property, plant & equipment		**0.1**	0.1		0.3
Restructuring and asset impairments	Note 2				
Restructuring		**0.4**	6.7	**1.6**	6.7
Asset impairments		**3.4**	0.4	**3.5**	0.4
Operating income (loss)		**34.3**	5.3	**56.6**	(6.9)
Other income, net		**(2.8)**	(4.8)	**(2.7)**	(6.2)
Interest expense, net		**7.5**	8.0	**15.1**	15.7
Income (loss) before income taxes		**29.6**	2.1	**44.2**	(16.4)
Income tax (benefit) expense	Note 4	**(5.4)**	3.3	**(11.6)**	5.7
Net income (loss)		**$ 35.0**	$ (1.2)	**$ 55.8**	$ (22.1)
Less: Net income attributable to non-controlling interests		**1.3**	0.6	**2.2**	1.0
Net income (loss) attributed to Cott Corporation		**$ 33.7**	$ (1.8)	**$ 53.6**	$ (23.1)
Net income (loss) per common share attributed to Cott Corporation	Note 5				
Basic		**$ 0.48**	$ (0.03)	**$ 0.76**	$ (0.32)
Diluted		**$ 0.48**	$ (0.03)	**$ 0.76**	$ (0.32)
Weighted average outstanding shares (thousands) attributed to Cott Corporation					
Basic		**70,472**	71,136	**70,472**	71,502
Diluted		**70,529**	71,136	**70,491**	71,502

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)

Unaudited

		June 27, 2009	December 27, 2008
ASSETS			
Current assets			
Cash & cash equivalents		**$ 13.2**	$ 14.7
Accounts receivable, net of allowance of $6.8 ($5.5 as of December 27, 2008)		**207.4**	164.4
Income taxes recoverable		**7.7**	7.7
Inventories	Note 7	**119.7**	111.1
Prepaid and other expenses		**12.6**	9.3
Deferred income taxes		**3.0**	3.0
Other current assets		**2.2**	
		365.8	310.2
Property, plant and equipment		**346.4**	346.8
Goodwill	Note 8	**28.3**	27.0
Intangibles and other assets	Note 8	**156.9**	169.6
Deferred income taxes		**20.5**	10.3
Other tax receivable		**9.7**	9.2
		$ 927.6	$ 873.1
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	Note 9	**$ 66.6**	$ 107.5
Current maturities of long-term debt		**8.0**	7.6
Income taxes payable		**0.9**	0.1
Accounts payable and accrued liabilities		**195.7**	166.7
		271.2	281.9
Long-term debt	Note 9	**290.7**	294.4
Other long-term liabilities	Note 2	**15.0**	16.0
Other tax liabilities		**11.2**	18.3
Deferred income taxes		**21.4**	16.0
		609.5	626.6
Contingencies and Commitments	Note 10		
Equity			
Capital stock, no par - 71,871,330 (December 27, 2008 - 71,871,330) shares issued		**275.0**	275.0
Treasury stock	Note 11	**(5.3)**	(6.4)
Additional paid-in-capital		**37.7**	38.1
Accumulated earnings (deficit)		**23.9**	(29.7)

Accumulated other comprehensive loss		**(30.4)**		(47.8)
Total Cott Corporation s equity		**300.9**		229.2
Non-controlling interests		**17.2**		17.3
Total equity		**318.1**		246.5
	$	**927.6**	$	873.1

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

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Cott Corporation

Consolidated Statements of Equity

(in millions of U.S. dollars)

Unaudited

			Cott Corporation s Equity							
	Number of Common Shares *(In thousands)*	Number of Treasury Shares *(In thousands)*	Common Shares	Treasury Shares	Restricted Shares	Additional Paid-in-Capital	Accumulated (Deficit) Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests	Total Equity
Balance at December 29, 2007	**71,871**		**$ 275.0**		**$ (0.4)**	**$ 32.2**	**$ 93.1**	**$ 32.3**	**$ 19.6**	**$ 451.8**
Treasury Shares Note 11		1,954		(5.4)						(5.4)
Treasury shares purchased Employee Stock Plan Note 11		353		(1.0)		1.0				
Reclassified share-based compensation from liabilities						0.2				0.2
Restricted shares Note 3					0.4					0.4
Share-based compensation Note 3						3.2				3.2
Modification of equity award Note 3						(0.3)				(0.3)
Distributions to non-controlling interests									(1.6)	(1.6)
Comprehensive loss										
Currency translation adjustment								(2.5)	0.1	(2.4)
Pension liabilities, net of tax								0.1		0.1
Net (loss) income							(23.1)		1.0	(22.1)
Comprehensive loss										(24.4)
Balance at June 28, 2008	**71,871**	**2,307**	**$ 275.0**	**(6.4)**		**$ 36.3**	**$ 70.0**	**$ 29.9**	**$ 19.1**	**$ 423.9**
Balance at December 27, 2008	**71,871**	**2,307**	**$ 275.0**	**(6.4)**		**$ 38.1**	**$ (29.7)**	**$ (47.8)**	**$ 17.3**	**$ 246.5**
Treasury shares issued Note 11				1.1		(1.1)				
Share-based compensation Note 3						0.8				0.8
Reclassified share-based compensation to liabilities						(0.1)				(0.1)
Distributions to non-controlling interests									(2.3)	(2.3)
Comprehensive income										
								17.0		17.0

Currency translation adjustment									
Pension liabilities, net of tax							0.4		0.4
Net income						53.6		2.2	55.8
Comprehensive income									73.2
Balance at June 27, 2009	**71,871**	**2,307**	**$ 275.0**	**$ (5.3)**	**$ 37.7**	**$ 23.9**	**$ (30.4)**	**$ 17.2**	**$ 318.1**

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

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Cott Corporation

Consolidated Statements of Cash Flows

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended		For the Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Operating Activities				
Net income (loss)	**$ 35.0**	$ (1.2)	**$ 55.8**	$ (22.1)
Depreciation and amortization	**16.3**	19.9	**33.3**	40.8
Amortization of financing fees	**0.3**	0.4	**0.6**	0.6
Share-based compensation expense	**0.7**	1.5	**0.8**	5.1
Increase in deferred income taxes	**0.7**	2.5	**2.9**	1.5
Decrease in other income tax liabilities	**(8.7)**	(2.1)	**(16.5)**	(1.0)
Loss on disposal of property, plant & equipment	**0.1**	0.1		0.3
Asset impairments	**3.4**	0.4	**3.5**	0.4
Lease contract termination loss		0.3		0.3
Lease contract termination payments	**(1.0)**	(0.4)	**(1.9)**	(0.4)
Other non-cash items	**(1.7)**	0.8	**(1.1)**	0.6
Change in accounts receivable	**(28.7)**	(25.1)	**(35.3)**	(25.4)
Change in inventories	**(2.5)**	1.8	**(5.5)**	(4.6)
Change in prepaid expenses and other current assets	**(5.7)**	(6.0)	**(3.0)**	(6.6)
Change in other assets	**(0.3)**	(0.4)	**(0.2)**	(0.4)
Change in accounts payable and accrued liabilities	**28.2**	29.3	**24.2**	26.8
Change in income taxes recoverable	**1.3**	2.9	**0.8**	7.7
Net cash provided by operating activities	**37.4**	24.7	**58.4**	23.6
Investing Activities				
Additions to property, plant and equipment	**(7.7)**	(7.1)	**(13.6)**	(24.2)
Additions to intangibles		(1.3)		(3.3)
Proceeds from disposal of property, plant & equipment and held-for-sale assets	**0.1**	2.6	**1.3**	2.6
Net cash used in investing activities	**(7.6)**	(5.8)	**(12.3)**	(24.9)
Financing Activities				
Payments of long-term debt	**(1.9)**	(0.4)	**(3.7)**	(1.5)
Issuance of long-term debt		8.1		16.6
Borrowings on credit facility, net		(140.9)		(127.5)
Short-term borrowings, net		(3.8)		(8.4)
Short-term borrowings, ABL	**286.1**	595.4	**630.5**	595.4
Short-term repayments, ABL	**(311.3)**	(464.2)	**(672.6)**	(464.2)
Distributions to non-controlling interests	**(0.9)**	(0.5)	**(2.3)**	(1.6)
Purchase of treasury shares		(6.4)		(6.4)
Deferred financing fees		(4.3)		(4.3)
Other financing activities	**(0.1)**	0.5	**(0.2)**	0.1
Net cash used in financing activities	**(28.1)**	(16.5)	**(48.3)**	(1.8)

Effect of exchange rate changes on cash	**0.9**	0.1	**0.7**	(0.4)
Net increase (decrease) in cash & cash equivalents	**2.6**	2.5	**(1.5)**	(3.5)
Cash & cash equivalents, beginning of period	**10.6**	21.4	**14.7**	27.4
Cash & cash equivalents, end of period	**$ 13.2**	$ 23.9	**$ 13.2**	$ 23.9
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	**$ 12.5**	$ 12.6	**$ 14.6**	$ 14.9
Cash (refunded) paid for income taxes, net	**(0.4)**	1.3	**(0.2)**	(1.3)

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

Cott Corporation

Notes to the Consolidated Financial Statements

Unaudited

Note 1 Business and Summary of Significant Accounting Policies

Business

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

Basis of Presentation

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

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

Reclassifications

Certain comparative figures have been revised to correctly reflect the reclassification within the Statement of Cash Flows from a financing activity to an operating activity as of June 28, 2008.

Recent Accounting Pronouncements

SFAS No. 141(R) as amended

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141 (revised 2007), Business Combinations. This statement significantly changes the financial accounting and reporting of business combination transactions. The provisions of this statement are to be applied prospectively to business combination transactions in the first annual reporting period beginning on or after December 15, 2008. This will have an impact on our accounting for any future business combinations; however, at this time, there is no impact.

SFAS No. 160

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS 160). SFAS 160 establishes accounting and reporting standards for noncontrolling interests in subsidiaries. This statement requires the reporting of all noncontrolling interests as a separate component of stockholders equity, the reporting of consolidated net income (loss) as the amount attributable to both the parent and the

noncontrolling interests and the separate disclosure of net income (loss) attributable to the parent and to the noncontrolling interests. In addition, this statement provides accounting and reporting guidance related to changes in noncontrolling ownership interests. Other than the reporting requirements described above, which require retrospective application, the provisions of SFAS 160 are to be applied prospectively in the first annual reporting period beginning on or after December 15, 2008. The presentation and disclosure requirements of SFAS 160 have resulted in reclassifications to our prior period consolidated financial information and the remeasurement of our 2008 effective tax rate. We reported non-controlling interests as a component of equity in our Consolidated Balance Sheets and below income tax expense in our Consolidated Statements of Operations. As non-controlling interests will be recorded below income tax expense, it will have an impact on our total effective tax rate, but our total taxes will not change.

SFAS No. 161

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 increases the disclosure requirements for derivative instruments and hedging activities to improve the transparency of financial reporting. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. The provisions of this statement are to be applied prospectively in the first annual reporting period beginning on or after November 15, 2008 with comparative disclosures for earlier periods at initial adoption being optional. We have no material contracts for which SFAS 161 applies.

FSP 142-3

In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, Determination of the Useful Life of Intangible Assets (FSP 142-3). FSP 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142, Goodwill and Other Intangible Assets. Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. This FSP was effective for us as of March 28, 2009. We have evaluated the potential impact of FSP 142-3 on our consolidated financial statements and do not believe FSP 142-3 will have a material impact on our consolidated financial statements.

SFAS No. 157

Effective for our 2009 fiscal year, we adopted SFAS No. 157, Fair Value Measurements (SFAS 157),as it relates to nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value in the financial statements on at least an annual basis. SFAS 157 defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions. The adoption of SFAS 157, as it relates to nonfinancial assets and nonfinancial liabilities had no impact on the Financial Statements. The provisions of SFAS 157 will be applied at such time a fair value measurement of a nonfinancial asset or nonfinancial liability is required, which may result in a fair value that is materially different than would have been calculated prior to the adoption of SFAS 157.

SFAS No. 165

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS 165), which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 became effective in the second quarter of 2009 and did not have a material impact on our consolidated financial statements. We have evaluated certain events and transactions occurring after June 27, 2009 and through August 4, 2009 and one event met the definition of a subsequent event and is so disclosed in Note 12 of the consolidated financial statements for the period ended June 27, 2009.

SFAS No. 168

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 (SFAS 168), which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles. SFAS 168 explicitly recognizes rules and interpretive releases of the Securities and Exchange Commission (SEC) under federal securities laws as authoritative GAAP for SEC registrants. SFAS 168 will become effective in the third quarter of 2009 and will not have a material impact on our consolidated financial statements.

FSP 132(R)-1

In December 2008, the FASB issued FASB FSP No.132 (R)-1, Employers Disclosures about Pensions and Other Postretirement Benefits (FSP 132R-1). FSP 132R-1 requires enhanced disclosures about our plan assets for the defined benefit pension and other postretirement plans. The enhanced disclosures required by this FSP are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. This FSP will become effective for us for our fiscal year ending January 2, 2010. We are currently evaluating the impact of this standard on our consolidated financial statements.

SFAS No. 167

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

FSP 107-1 and APB 28-1

In April 2009, the FASB issued FSP No. 107-1 and Accounting Principles Board (APB) Opinion No. 28-1, Interim Disclosures about Fair Value of Financial Instruments (collectively FSP 107-1/APB 28-1), which requires quarterly disclosure of information about the fair value of financial instruments within the scope of FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments. FSP 107-1/APB 28-1 was adopted in the second quarter of 2009 and is currently disclosed below.

Fair value of financial instruments

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

	June 27, 2009		**December 27, 2008**	
(in millions of US dollars)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
8% senior subordinated notes due in 2011[1]	**$ 269.0**	**$ 249.5**	$ 269.0	$ 164.1
ABL facility	**66.6**	**66.6**	107.5	107.5
Total	**$ 335.6**	**$ 316.1**	$ 376.5	$ 271.6

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

Note 2 Restructuring and Asset Impairments

The following table summarizes restructuring charges for the three and six months ended June 27, 2009:

(in millions of U.S. dollars)	For Three Months Ended June 27, 2009 North America	Total	For Six Months Ended June 27, 2009 North America	Total
Restructuring	**$ 0.4**	**$ 0.4**	**$ 1.6**	**$ 1.6**
Asset impairments	**3.4**	**3.4**	**3.5**	**3.5**
	$ 3.8	**$ 3.8**	**$ 5.1**	**$ 5.1**

During the last three years we have undertaken three restructuring plans. Our first plan involved the realignment of the management of our Canadian and U.S. businesses to a North American basis, rationalization of our product offerings,

elimination of underperforming assets, an increased focus on high potential accounts, and the closure of several plants and warehouses in North America that resulted in lease contract termination losses (the North American Plan). Next, we implemented a plan to refocus on retailer brands and reduce costs in the operation of our business (the Refocus Plan). The Refocus Plan has been completed and resulted in a partial reduction of our workforce. We also undertook a plan to improve efficiencies and reduce costs for fiscal year 2009 (the 2009 Restructuring Plan). The 2009 Restructuring Plan is ongoing and has resulted in a partial reduction of our workforce. We will continue to pay cash related to restructuring accruals for lease termination costs under the North American Plan over the next several years. We may incur additional charges related to the 2009 Restructuring Plan throughout fiscal year 2009, but do not anticipate incurring any additional charges related to the North American Plan or the Refocus Plan.

In 2008, we implemented and completed the Refocus Plan, which resulted in a partial reduction of our workforce.

In 2009, we implemented the 2009 Restructuring Plan, which resulted in a partial reduction of our workforce.

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

The following table is a summary of our restructuring charges through the six months ended June 27, 2009:

North American Plan:

(in millions of U.S. dollars)	Balance at December 27, 2008	Charge to costs and expenses	Cash payments made during six months ended June 27, 2009	Balance at June 27, 2009
Lease contract termination loss	$ 9.6	$	$ (1.8)	$ 7.8
	$ 9.6	$	$ (1.8)	$ 7.8

2009 Restructuring Plan:

(in millions of U.S. dollars)	Balance at December 27, 2008	Charge to costs and expenses	Cash payments made during six months ended June 27, 2009	Balance at June 27, 2009
Severance and termination benefits	$	$ 1.5	$ (1.4)	$ 0.1
	$	$ 1.5	$ (1.4)	$ 0.1

As of June 27, 2009, $3.9 million (December 27, 2008 $5.8 million) of the lease contract termination loss liability has been recorded as other long-term liabilities and $4.0 million of lease contract termination loss liability and severance and termination benefits (December 27, 2008 $3.8 million) has been classified as accounts payable and accrued liabilities.

Note 3 Share-Based Compensation

As of June 27, 2009, we had six share-based compensation plans, which are described below. The share-based compensation plans have been approved by our shareholders, except for our 1986 Common Share Option Plan, as amended (the Option Plan), which was adopted prior to our initial public offering, and our Chief Executive Officer (CEO) awards, which were inducement grants made in connection with attracting and retaining those executives. Subsequent amendments that required shareowner approval have been so approved.

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The table below summarizes the compensation expenses for the three and six months ended June 27, 2009 and June 28, 2008. This compensation expense was recorded in selling, general and administrative expenses.

(in millions of U.S. dollars)	**For the Three Months Ended**		**For the Six Months Ended**	
	June 27, 2009	**June 28, 2008**	**June 27, 2009**	**June 28, 2008**
Stock options	**$ 0.1**	$ 0.1	**$ 0.1**	$ 0.3
Performance share units	**0.2**	1.1	**0.4**	1.1
Share appreciation rights	**0.1**	0.1	**0.2**	0.3
Restricted stock	**0.1**	(0.1)	**0.1**	(0.1)
Former CEO award [1]				1.9
Interim CEO award		0.3	**(0.1)**	1.5
Share purchase plan				0.1
Total	**$ 0.5**	$ 1.5	**$ 0.7**	$ 5.1

[1] Includes expense for restricted shares of $0.4 million for the six months ended June 28, 2008.

As of June 27, 2009, the unrecognized compensation expense and years we expect to recognize as future compensation expense were as follows:

	Unrecognized compensation expense as of June 27, 2009 *(in millions of U.S. dollars)*	**Weighted average years expected to recognize compensation**
Performance share units	$ 0.7	0.9
Stock options	0.1	0.6
Share appreciation rights	0.2	0.3
Total	$ 1.0	

Option Plan

Under the Option Plan, we have reserved a total of 14.0 million common shares for future issuance. Options are granted at a price not less than the fair value of the shares on the date of grant. As of June 27, 2009, there were 7.4 million shares available for issuance under the Option Plan.

There were no common shares issued pursuant to option exercises during the six months ended June 27, 2009. Options representing 250,000 shares were issued during the first quarter of 2009 at an exercise price of C$1.10 per share. The fair value of this option grant was estimated to be C$0.475 using the Black-Scholes option pricing model. This grant vests in four equal quarterly installments from the date of grant. In the second quarter of 2008, we granted options representing 25,000 shares that vested immediately upon issuance.

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

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

	June 27, 2009	June 28, 2008
Risk-free interest rate	2.3%	3.4%
Average expected life (years)	10.0	5.0
Expected volatility	50.0%	75.5%
Expected dividend yield		

Option activity was as follows:

	Shares *(in thousands)*	Weighted average exercise price *(Canadian$)*
Balance at December 27, 2008	892	$ 27.52
Awarded	250	1.10
Forfeited or expired	(222)	30.86
Outstanding at June 27, 2009	920	19.51
Exercisable at June 27, 2009	672	$ 26.48

Long-Term Incentive Plans

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

Amended and Restated PSU Plan

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

Amended and Restated SAR Plan

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

During the six months ended June 27, 2009, PSU and SAR activity was as follows:

	Number of PSUs *(in thousands)*	Number of SARs *(in thousands)*
Balance at December 27, 2008	1,492	491
Awarded	25	
Issued	(396)	

Forfeited	(47)	(28)
Outstanding at June 27, 2009	1,074	463

The number of units that actually vest under our PSU Plan can vary from 0 to 150% depending on the level of performance achieved relative to the performance target. Subject to the terms of the PSU Plan, the vesting date for the PSUs awarded in fiscal 2007 will be January 2, 2010. As of June 27, 2009, no compensation costs were recognized in connection with the PSUs awarded in fiscal 2007 because it is not probable that the performance targets will be met.

During the first quarter of 2008, we awarded 1.5 million PSUs (at a grant date fair value of $4.2 million) to certain executives as a retention incentive. We met certain performance targets as of December 27, 2008 and, as a result, $1.1 million of these awards (0.4 million shares) were paid with shares held in trusts in the first quarter of 2009, with an additional $1.7 million (0.6 million shares) anticipated to be issued in early 2010 if certain performance targets are met as of January 2, 2010. This award is payable in shares and has been accounted for as an equity award. As of June 27, 2009, the trustee under the PSU Plan held 1.2 million of our common shares, which had been previously purchased on the open market to satisfy our anticipated future liability under the PSU Plan. We also awarded $0.4 million of individual sign-on awards throughout 2008 that will vest if certain performance targets are met.

CEO Share-Based Compensation

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

Mr. Gibbons award is recognized as compensation expense over the vesting period. For the six months ended June 27, 2009, ($0.1) million (June 28, 2008 $1.5 million) of this award was recorded as compensation (benefit) to reflect actual vesting. The fair value and compensation costs vary based on share price and this has been accounted for as a liability award in accordance with U.S. GAAP.

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

Restated Executive Incentive Share Purchase Plan

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

The Match Portion of the performance bonus is estimated based on the employee s election and will be amortized over the service period of approximately four years. During 2007, employees elected to defer a total of $1.1 million under the Restated EISPP of which only $0.5 million remains as of June 27, 2009 after employee terminations. The Company recorded an expense of less than $0.1 million and $0.1 million for the six months ended June 27, 2009 and June 28, 2008, respectively, related to the anticipated 2007 Match Portion. At June 27, 2009, the awards for the 2007 plan year have been accounted for as an equity award under SFAS 123R because the number of shares has been fixed under the Restated EISPP. Effective as of December 27, 2008, our Human Resources and Compensation Committee approved an amendment to the Restated EISPP with the effect of freezing participation in the plan.

Note 4 Income Taxes

Income tax benefit was $11.6 million on pretax income of $44.2 million for the six months ended June 27, 2009 as compared to a $5.7 million provision on pretax loss of $16.4 million for the six months ended June 28, 2008. The 2009 recovery is due in part to a $14.1 million income tax benefit due to a reversal of accruals related to uncertain tax positions in the first half of 2009 and a benefit of $2.4 million on the reversal of interest and penalties. The estimated worldwide effective tax rate applied to income from operations differs from the statutory rate due to the partial reversal of previously recorded valuation allowances and the tax benefit of intercompany financing structures. The statutory rate declined from the prior year due to reduced tax rates in Canada. We anticipate that we may reverse specific uncertain tax positions over the next 12 months that could generate $1.0 million to $2.0 million of tax benefits.

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

Note 5 Net Income (Loss) Per Common Share

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

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

	Three Months Ended					
	June 27, 2009			June 28, 2008		
	Net income (numerator) *(in millions of U.S. dollars)*	Weighted Average Shares (denominator) *(in thousands)*	Per-share amount	Net (loss) (numerator) *(in millions of U.S. dollars)*	Weighted Average Shares (denominator) *(in thousands)*	Per-share amount
Basic income (loss) available to common shareholders						
Net income (loss)	**$ 33.7**	**70,472**	**$ 0.48**	$ (1.8)	71,136	$ (0.03)
Effect of dilutive securities						
Options		**57**				
Diluted income (loss) available to common shareholders						
Net income (loss)	**$ 33.7**	**70,529**	**$ 0.48**	$ (1.8)	71,136	$ (0.03)

	Six Months Ended					
	June 27, 2009			June 28, 2008		
	Net income (numerator) *(in millions of U.S. dollars)*	Weighted Average Shares (denominator) *(in thousands)*	Per-share amount	Net (loss) (numerator) *(in millions of U.S. dollars)*	Weighted Average Shares (denominator) *(in thousands)*	Per-share amount
Basic income (loss) available to common shareholders						
Net income (loss)	**$ 53.6**	**70,472**	**$ 0.76**	$ (23.1)	71,502	$ (0.32)
Effect of dilutive securities						
Options		**19**				
Diluted income (loss) available to common shareholders						
Net income (loss)	**$ 53.6**	**70,491**	**$ 0.76**	$ (23.1)	71,502	$ (0.32)

At June 27, 2009, options to purchase 919,650 (June 28, 2008 1,721,690) shares of common stock at a weighted average exercise price of C$19.51 (June 28, 2008 C$28.87) per share were outstanding, but were not included in the

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computation of diluted net income (loss) per share because the options exercise price was greater than the average market price of the common stock. Shares purchased on the open market and held by independent trusts are categorized as treasury shares. We excluded 1,398,864 of treasury shares associated with the PSU Plan and held in various trusts under the PSU Plan in the calculation of basic and diluted earnings per share.

Note 6 Operating Segment Reporting

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

	Operating Segments[1]					
(in millions of U.S. dollars)	North America	U.K.	Mexico	RCI	All Other	Total
For the Three Months Ended June 27, 2009						
External revenue[1]	**$ 323.5**	**$ 99.0**	**$ 10.6**	**$ 5.7**	**$**	**$ 438.8**
Depreciation and amortization	**12.6**	**3.1**	**0.4**		**0.2**	**16.3**
Operating income (loss)	**26.6**	**8.3**	**(1.2)**	**0.6**		**34.3**
Restructuring and asset impairments Note 2	**3.8**					**3.8**
Additions to property, plant and equipment	**5.2**	**2.4**	**0.1**			**7.7**
For the Six Months Ended June 27, 2009						
External revenue[1]	**$ 612.5**	**$ 163.0**	**$ 20.4**	**$ 9.9**	**$**	**$ 805.8**
Depreciation and amortization	**26.2**	**6.1**	**0.8**		**0.2**	**33.3**
Operating income (loss)	**52.9**	**5.7**	**(3.5)**	**1.5**		**56.6**
Restructuring and asset impairments Note 2	**5.1**					**5.1**
Additions to property, plant and equipment	**8.2**	**5.3**	**0.1**			**13.6**
As of June 27, 2009						
Property, plant and equipment	**$ 235.5**	**$ 97.6**	**$ 13.3**	**$**	**$**	**$ 346.4**
Goodwill	**23.8**			**4.5**		**28.3**
Intangibles and other assets	**136.8**	**19.3**	**0.8**			**156.9**
Total assets[2]	**665.5**	**218.9**	**31.0**	**11.7**	**0.5**	**927.6**

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

2 Excludes intersegment receivables, investments and notes receivable.

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(in millions of U.S. dollars)	North America	U.K.	Mexico	RCI	All Other	Total
	Operating Segments[1]					
For the Three Months Ended June 28, 2008						
External revenue[1]	$ 328.1	$ 115.1	$ 18.0	$ 5.2	$ 0.1	$ 466.5
Depreciation and amortization	15.2	4.3	0.4			19.9
Operating income (loss)	(1.5)	6.7	(1.2)	1.5	(0.2)	5.3
Restructuring and asset impairments Note 2	7.1					7.1
Additions to property, plant and equipment	4.7	1.7	0.7			7.1
For the Six Months Ended June 28, 2008						
External revenue[1]	$ 602.7	$ 208.0	$ 34.1	$ 11.0	$ 0.4	$ 856.2
Depreciation and amortization	31.5	8.6	0.7			40.8
Operating (loss) income	(15.5)	8.9	(3.6)	3.6	(0.3)	$ (6.9)
Restructuring and asset impairments Note 2	7.1					7.1
Additions to property, plant and equipment	16.5	4.6	3.1			24.2
As of December 27, 2008						
Property, plant and equipment	$ 244.1	$ 88.7	$ 14.0	$	$	$ 346.8
Goodwill	22.5			4.5		27.0
Intangibles and other assets	150.2	18.3	0.9		0.2	169.6
Total assets[2]	642.3	189.3	29.9	11.6		873.1

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

2 Excludes intersegment receivables, investments and notes receivable.

For the six months ended June 27, 2009, sales to Wal-Mart accounted for 34.9% (June 28, 2008 35.6%) of our total revenues, 40.6% of our North America operating segment revenues (June 28, 2008 43.0%), 17.4% of our U.K. operating segment revenues (June 28, 2008 16.7%), and 20.9% of our Mexico operating segment revenues (June 28, 2008 19.9%).

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

Revenues by geographic area are as follows:

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	June 27, 2009	June 28, 2008	**June 27, 2009**	June 28, 2008
United States	**$ 280.6**	$ 270.8	**$ 542.6**	$ 507.9
Canada	**60.6**	73.9	**101.1**	125.8
United Kingdom	**99.7**	115.1	**163.7**	208.0
Mexico	**10.6**	18.0	**20.4**	34.1
RCI[1]	**5.7**	5.2	**9.9**	11.0
All Other		0.2		0.4
Elimination[2]	**(18.4)**	(16.7)	**(31.9)**	(31.0)
	$ 438.8	$ 466.5	**$ 805.8**	$ 856.2

1 RCI sells products to a number of different countries.

2 Represents intersegment revenue among all countries of which $4.0 million and $6.9 million and $3.0 million and $6.3 million represent intersegment revenue between North America and our international segments for the three and six months ended June 27, 2009 and

June 28, 2008, respectively.

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

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

(in millions of U.S. dollars)	June 27, 2009	December 27, 2008
United States	**$ 192.0**	$ 201.2
Canada	**43.5**	42.9
United Kingdom	**97.6**	88.7
Mexico	**13.3**	14.0
	$ 346.4	$ 346.8

Note 7 Inventories

(in millions of U.S. dollars)	June 27, 2009	December 27, 2008
Raw materials	**$ 46.6**	$ 40.0
Finished goods	**57.4**	54.5
Other	**15.7**	16.6
	$ 119.7	$ 111.1

Note 8 Intangibles and Other Assets including Goodwill

	June 27, 2009			December 27, 2008		
(in millions of U.S. dollars)	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Intangibles						
Not subject to amortization						
Rights	**$ 45.0**	**$**	**$ 45.0**	$ 45.0	$	$ 45.0
Subject to amortization						
Customer relationships	**154.5**	**74.0**	**80.5**	157.5	69.9	87.6
Trademarks	**24.6**	**14.2**	**10.4**	24.8	13.2	11.6
Information technology	**52.2**	**46.0**	**6.2**	51.0	42.4	8.6
Other	**3.6**	**1.9**	**1.7**	3.6	1.7	1.9
	234.9	**136.1**	**98.8**	236.9	127.2	109.7
	279.9	**136.1**	**143.8**	281.9	127.2	154.7
Other Assets						
Financing costs	**6.8**	**2.4**	**4.4**	6.7	1.7	5.0
Deposits	**7.9**		**7.9**	7.6		7.6
Other	**5.8**	**5.0**	**0.8**	7.8	5.5	2.3
	20.5	**7.4**	**13.1**	22.1	7.2	14.9
Total Intangibles & Other Assets	**$ 300.4**	**$ 143.5**	**$ 156.9**	$ 304.0	$ 134.4	$ 169.6

Goodwill	**$**	**28.3**	**$**		**$**	**28.3**	$	27.0	$		$	27.0

Amortization expense of intangible assets was $4.4 million and $9.3 million for the three and six months ended June 27, 2009 ($7.2 million and $15.0 million for the three and six months ended June 28, 2008).

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

(in millions of U.S. dollars)	
Remainder of 2009	**$ 8.2**
2010	**14.3**
2011	**13.5**
2012	&