Cott Beverages Limited

Annual report and financial statements

for the year ended 31 December 2005

Registered number: 2836071

Cott Beverages Limited

Annual report and financial statements for the year ended 31 December 2005

Cott Beverages Limited

Directors and advisers
for the year ended 31 December 2005

Current Directors

David R Main
Nicholas E Whitley (Chairman)
B Clyde Preslar

Secretary

David R Main (appointed 8 August 2005)

Registered office

Citrus Grove
Side Ley
Kegworth
Derby DE74 2FJ

Registered Auditors

PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
East Midlands DE74 2UZ

Solicitors

Hammonds
2 Park Lane
Leeds LS3 1ES

Bankers

HSBC Bank Plc
London Poultry and Princes Street
PO Box 648
27-32 Poultry
London EC2P2BX

Directors' report
for the year ended 31 December 2005

The Directors present their report and the audited group financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of the Company during the year was the manufacture and sale of soft drinks.

Review of business and future developments

Margin has been slightly eroded during the year due to a number of factors, including continued selling price deflation and increased input costs (notably raw materials and utilities). Volume growth has gone someway to mitigating these impacts.

The Company acquired the entire share capital of Cott Nelson (Holdings) Limited (formerly Macaw (Holdings) Limited) on 10 August 2005 for £63.735 million. The funding for the acquisition was raised by additional lending through a syndicated loan led by Wachovia.

The acquisition is of key significance for Cott, as it enables Cott to expand its product offering to its customers, to enhance its scale to improve its cost base and to secure its position in the UK. Cott will be able to grow and invest in the UK market as much of the expected operational synergies and purchasing efficiencies will combat the increases in input and other cost increases that have led to the progressive erosion of Cott's operating margins.

In December 2005 the Office of Fair Trading referred the transaction to the Competition Commission. The Directors are pleased that the conclusion has been positive and look forward to integrating the two businesses during the latter part of 2006 and beyond.

Both companies have been significant innovators in the soft drinks market and with consumer trends shifting away from traditional soft drinks, both companies have been investing in innovation and new capital to ensure they are in a prominent position to fulfil consumer demands.

The two companies combined will be even more effective in achieving these aims. Operational synergies and purchasing efficiencies will combat cost increases which have been eroding margins in recent years.

A significant capital project, to increase bottling capacity and product diversification, was completed in April 2005. The Directors are committed to investing in projects that will give the Company the ability to maintain its position in a challenging trading environment.

Results and Dividends

The consolidated profit and loss account for the year is set out on page 6.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2005 (year ended 01.01.2005: £nil).

Donations

The group made charitable donations totalling £1,510 (2004 : £960) during the year. The £1,510 comprised of three donations, two to Wish Upon a Star and one to Cancer Research.

Cott Beverages Limited

Directors' report
for the year ended 31 December 2005 (continued)

Directors

The directors of the company who held office throughout the year, unless otherwise stated, were:

Raymond P Silcock	(resigned 29 April 2005)
Andrew Murfin	(resigned 1 August 2006)
David R Main	
Nicholas E Whitley	(Chairman)
Colin Walker	(appointed 29 April 2005, resigned 1 August 2006)
B Clyde Preslar	(appointed 10 July 2006)

Directors' interests in shares of the company

No Directors had any beneficial interest in the shares of the company at any time during the year. Under statutory instrument 802 1985, the interests of the directors in the capital of the ultimate parent company or any of its subsidiaries incorporated overseas are not required to be disclosed.

Payment to suppliers

It is the group's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions. All suppliers are aware of this procedure and the group abides by the agreed payment terms subject to the terms and conditions being met by the suppliers. The creditor days outstanding at the year end was 41days (01.01.2005: 38 days).

Employees

The group's policy is to consult and discuss with employees, through unions, staff consultation committees and at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through quarterly briefs and through the use of staff notice boards.

The group's policy is to recruit disabled employees for those vacancies that they are able to fill. All necessary assistance with initial training courses is given, and, in common with all employees, a career plan is prepared so as to maximise individual development opportunities. Arrangements are made where possible for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

The group encourages the involvement of employees in the group's performance through a SIP (Share Incentive Plan). This enables employees to purchase shares in Cott Corporation.

Cott Beverages Limited

Directors' report
for the year ended 31 December 2005 (continued)

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that the auditors have been provided with appropriate information and that

- So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as *"information needed by the company's auditors in connection with preparing their report"*.

- Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board

David R Main
Company Secretary
12 October 2006

Independent auditor's report to the members of Cott Beverages Limited

We have audited the group and parent company financial statements (the ''financial statements'') of Cott Beverages Ltd for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands
12 October 2006

Cott Beverages Limited

Consolidated profit and loss account for the year ended 31 December 2005

	Notes	Existing operations	Acquisition	**Year to 31.12.2005 Total**	Year to 01.01.2005 As restated
		£'000	£'000	**£'000**	£'000
Turnover	2	118,065	21,361	**139,426**	105,986
Cost of sales		(93,870)	(17,288)	**(111,158)**	(83,439)
Gross profit		24,195	4,073	**28,268**	22,547
Net operating expenses	4	(18,015)	(2,890)	**(20,905)**	(15,677)
Operating profit		6,180	1,183	**7,363**	6,870
Other income	3	113	-	**113**	201
Profit before interest and taxation		6,293	1,183	**7,476**	7,071
Interest receivable	7			**36**	81
Interest payable	8			**(1,869)**	(9)
Other finance charges	23			**(99)**	(135)
Profit on ordinary activities before taxation	9			**5,544**	7,008
Tax on profit on ordinary activities	10			**(2,370)**	(2,401)
Profit for the financial year	25			**3,174**	4,607

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

Cott Beverages Limited

Consolidated Statement of Total Recognised Gains and Losses (STRGL) for the year ended 31 December 2005

	Note	Year to 31.12.2005	Year to 01.01.2005
		£'000	£'000
Profit for the financial year		**3,174**	4,607
Actuarial losses	23	**(1,362)**	(946)
Movement on deferred tax relating to pension deficit		**348**	284
Movement on current tax relating to pension deficit		**61**	-
Total recognised gains and losses relating to the year	25	**2,221**	3,945
Prior year adjustment FRS17	25	**(3,149)**	
Total gains and losses recognised since last annual report		**(928)**	

Cott Beverages Limited

Balance sheets
as at 31 December 2005

	Notes	Group 31.12.2005	Company 31.12.2005	Group 01.01.2005 As restated	Company 01.01.2005 As restated
		£'000	**£'000**	£'000	£'000
Fixed assets					
Intangible fixed assets	12,13	**49,211**	**1,875**	2,615	2,615
Tangible assets	14,15	**62,620**	**35,878**	35,570	35,570
Investments	16	**-**	**63,835**	-	100
		111,831	**101,588**	38,185	38,285
Current assets					
Stocks	17	**21,307**	**17,661**	9,191	9,191
Debtors	18	**34,259**	**24,298**	17,995	17,995
Cash at bank and in hand		**3,618**	**1,830**	-	-
		59,184	**43,789**	27,186	27,186
Creditors: amounts falling due within one year	19	**(31,181)**	**(20,415)**	(29,133)	(29,233)
Net current assets / (liabilities)		**28,003**	**23,374**	(1,947)	(2,047)
Total assets less current liabilities		**139,834**	**124,962**	36,238	36,238
Creditors: amounts falling due after more than one year	20	**(108,732)**	**(95,032)**	(10,002)	(10,002)
Provisions for liabilities and charges	21	**(6,149)**	**(4,489)**	(4,317)	(4,317)
Net assets excluding pension liability		**24,953**	**25,441**	21,919	21,919
Net pension liability	23	**(3,962)**	**(3,962)**	(3,149)	(3,149)
Net assets including pension liability		**20,991**	**21,479**	18,770	18,770
Capital and reserves					
Called-up share capital	24	**49,623**	**49,623**	49,623	49,623
Share premium account	25	**11,765**	**11,765**	11,765	11,765
Retained earnings	25	**(40,397)**	**(39,909)**	(42,618)	(42,618)
Equity Shareholders' funds	26	**20,991**	**21,479**	18,770	18,770

The financial statements on pages 6 to 33 were approved by the board of directors on 12 October 2006 and were signed on its behalf by:

David R Main
Company Secretary

Notes to the financial statements for the year ended 31 December 2005

1 Principal accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. The directors consider that the group's accounting policies and estimation techniques are the "most appropriate" in accordance with Financial Reporting Standard 18 ("FRS 18").

Basis of consolidation

The company is a wholly owned subsidiary of Cott Retail Brands Limited, a company incorporated in Great Britain. Following the acquisition of Cott Nelson (Holdings) Ltd, formerly Macaw (Holdings) Ltd), the Directors have elected to prepare consolidated accounts for Cott Beverages Limited Group. As a result, certain prior year information has been restated.

The group financial statements include the financial statements for the Company and all its subsidiary undertakings made up to 31 December 2005. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account. The amounts taken for subsidiary companies are taken from the latest audited financial statements which all have the same accounting reference date.

The cash flows of the group are included in the consolidated cash flow statement of Cott Corporation. Consequently, the group is exempt under the provisions of Financial Reporting Standard 1 from publishing a cash flow statement.

Changes in accounting policies

The group has adopted FRS17 'Retirement benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change was to decrease staff costs by £300,000 (2004: £118,000) and increase other finance charges by £99,000 (2004: £135,000).This has increased profit on ordinary activities before taxation by £201,000 (2004 decrease by £17,000). In addition, net gains recognised in the statement of total recognised gains and losses have increased by £953,000 (2004: £662,000).

The group has adopted FRS25 "Financial instruments: presentation and disclosure" in the period. This has resulted in 2,000 redeemable preference shares of £1 each being reclassified from called-up share capital to creditors: amounts falling due after more than one year. This has had no impact on the reported result for the period. The investors have elected to amend the comparatives, as permitted by FRS 25.

The group has also adopted FRS21 "Events after the balance sheet" and FRS 28 "Corresponding amounts" in the period with no impact on the reported result.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Notes to the financial statements for the year ended 31 December 2005 (continued)

1 Principal accounting policies (continued)

Goodwill and Intangible assets

Goodwill which represents the difference between the cost of acquisitions and the fair value of the net tangible assets acquired, is capitalised within Intangible Fixed Assets and amortised over its estimated useful economic life, which is currently considered by the Directors to be 20 years. The amortisation charge is included within Administration Expenses.

The licence fee represents consideration paid for the right to use certain concentrates and recipes. It has been capitalised and is being written off over 5 years.

The brand represents consideration paid for the right to use a particular brand name. It has been capitalised and is being written off over 10 years.

Impairment of fixed assets and goodwill

In accordance with FRS11, the Group performs impairment reviews where there is an indication that the carrying amount of fixed assets or goodwill may not be recoverable. The impairment review involves using measurement techniques to estimate the asset's recoverable amount, based upon the higher of post tax net realisable value and value in use, and comparing that with the carrying value of the asset.

Where it is established that an asset has been impaired, then an amount equal to the impairment is charged to the profit and loss account in the year of the impairment.

The recoverable amount of a cash generating unit ("CGU") is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a two-year period. Cash flows beyond the two-year period assume no growth in operating profit. This growth rate will therefore not exceed the long-term average growth rate for the territory in which the CGU operates. Cash flow projections have been included in the discounted cash flow calculations for a period of twenty years.

Where an impairment review has been carried out and the recoverable amount has been based on value in use, the Group monitors the results of the review for the next five years. If, during this monitoring period, the results of the original impairment review are no longer considered to be appropriate, then a reversing credit or increased charge is made to the profit and loss account.

Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned.

The principal annual rates used for this purpose are:

Freehold buildings	2.5 - 10%
Plant and machinery	8.33% - 25%
Computer equipment	33%
Fixtures and fittings	10%
Motor vehicles	25%

Freehold land is not depreciated, and interest is not capitalised

1 Principal accounting policies (continued)

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value, cost being determined on the first-in, first-out basis. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced amounts derived from the manufacture and sale of soft drinks. Turnover is recognised when confirmation of acceptance of the goods is received.

Share Incentive Plan (SIP)

The company has a SIP scheme (Share Incentive Plan). Lloyds TSB Registrars administer the scheme. Shares in Cott Corporation are purchased mid month using the previous month's employee contributions. Any balance of funds is carried over to the next month. There are no free or matching shares. The fees charged by Lloyds TSB Registrars for setting up and administering the plan are charged to the profit and loss account as incurred. The SIP trust held no shares at 31 December 2005.

Foreign currencies

Foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Taxation

The charge for taxation is based on the profits for the year as adjusted for disallowable items.

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. Deferred tax balances are not discounted and are recognised to the extent that it is regarded more than likely that there will be suitable taxable profits against which these assets can be recovered in future periods.

Notes to the financial statements for the year ended 31 December 2005 (continued)

1 Principal accounting policies (continued)

Pension costs

The Group's defined benefit pension scheme is assessed annually in accordance with FRS17.

The accounting valuation, which was based on assumptions determined with independent actuarial advice, resulted in a deficit of £5,659,000, before deferred taxation being recognised on the balance sheet at 31 December 2005. The size of the deficit is sensitive to the market value of the assets held by the scheme, and to actuarial assumptions which include price inflation, pension and salary increases, the discount rate used in assessing actuarial viabilities, mortality and other demographic assumptions and the level of contributions. Further details are included in note 23.

Payments to the Group's defined contribution schemes are charged as an expense as they fall due.

Research and Development

Costs incurred in respect of research and development are expensed to the profit and loss account in the year in which they are incurred.

2 Turnover

The directors consider there to be one class of business. The analysis by geographical area of destination of the group's turnover is set out below:

	Year to 31.12.2005	Year to 01.01.2005
	£'000	£'000
United Kingdom	**132,590**	99,571
Rest of Europe	**6,773**	6,343
Rest of World	**63**	72
	139,426	105,986

3 Other income

Other income during the year of £113,000 (2004: £201,000) relates to a further payment made by the Administrator of Crystal Drinks Ltd. Prior to administration the Company had outstanding consideration of £375,000 in respect of the sale of Crystal Drinks Ltd by Cott. The debt was fully provided for on the appointment of the administrator.

Notes to the financial statements for the year ended 31 December 2005 (continued)

4 Net operating expenses

	Existing operations	Acquisition	**Year to 31.12.2005**	Year to 01.01.2005
	£'000	£'000	**£'000**	£'000
Distribution costs	8,037	1,211	**9,248**	7,039
Administrative expenses	9,978	1,679	**11,657**	8,638
Total net operating expenses	18,015	2,890	**20,905**	15,677

5 Directors' emoluments

	Year to 31.12.2005	Year to 01.01.2005
	£'000	£'000
Aggregate emoluments paid by the group	**512**	600
Company pension contributions to money purchase pension schemes	**21**	20
	533	620

Emoluments for the services of RP Silcock and C Walker were paid by other subsidiaries of the Cott Corporation group of companies and accordingly their emoluments are disclosed in the financial statements of Cott Corporation.

Retirement benefits are accruing to one (year ended 01.01.2005: one) director under a money purchase pension scheme. Retirement benefits are accruing to two (year ended 01.01.2005: two) directors under defined benefit pension schemes. Two directors exercised share options in Cott Corporation during the year. Five directors including the highest paid director received shares under long term incentive schemes.

	Year to 31.12.2005	Year to 01.01.2005
Highest paid director	**£'000**	£'000
Aggregate emoluments	**224**	267
Company pension contributions to money purchase schemes	**21**	20
	245	287

Notes to the financial statements for the year ended 31 December 2005 (continued)

6 Employee information

The average monthly number of persons (including executive directors) employed by the group during the year was:

	Year to 31.12.2005 Number	Year to 01.01.2005 Number
By activity		
Production	**426**	292
Sales	**35**	30
Administration	**70**	52
	531	374

	Year to 31.12.2005 £'000	Year to 01.01.2005 £'000
Staff costs		
Wages and salaries	**14,415**	10,695
Social security costs	**1,566**	1,057
Other pension costs	**981**	795
	16,962	12,547

7 Interest receivable and similar income

	Year to 31.12.2005 £'000	Year to 01.01.2005 £'000
On bank deposits or similar	**36**	80
Imputed interest on deferred consideration	**-**	1
	36	81

Notes to the financial statements for the year ended 31 December 2005 (continued)

8 Interest payable and similar charges

	Year to 31.12.2005	Year to 01.01.2005
	£'000	£'000
On bank loans and overdrafts	**1,751**	9
Amortisation of financing costs	**118**	-
	1,869	9

9 Profit on ordinary activities before taxation

	Year to 31.12.2005	Year to 01.01.2005
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Amortisation of intangible assets	**1,752**	595
Depreciation charge for the year: Tangible owned assets	**5,792**	4,214
Auditors' remuneration for: Audit	**142**	80
: Other services	**28**	26
Hire of plant and machinery – operating leases	**305**	384
Hire of other assets – operating leases	**220**	28

Notes to the financial statements for the year ended 31 December 2005 (continued)

10 Tax on profit on ordinary activities

	Year to 31.12.2005	Year to 01.01.2005
	£'000	£'000
Current tax:		
UK Corporation Tax on profits for the year	2,235	505
Adjustment in respect of previous periods	(99)	8
Total current tax	2,136	513
Deferred tax		
Origination and reversal of timing differences	234	1,888
Tax on profit on ordinary activities	2,370	2,401

Factors affecting tax charge for year

Profit on ordinary activities before tax	5,544	7,008
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 30% (2004: 30%)	1,663	2,102
Effect of:		
Expenses not deductible for tax purposes	356	169
Adjustment in tax charge in respect of previous years	(99)	8
Accelerated capital allowances and utilisation of tax losses	216	(1,766)
Current tax charge for year	2,136	513

Factors that may affect future tax charges

Future tax charges may be affected by reversal of accelerated capital allowances.

Cott Beverages Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

11 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's profit for the year before taxation, was £5,692,000 (year to 01.01.2005 profit £7,025,000).

12 Group Intangible assets

	Goodwill	Licence	Brand	Total
	£'000	£'000	£'000	£'000
Cost				
At 2 January 2005	-	2,824	1,750	4,574
Additions (note 22)	48,348	-	-	48,348
At 31 December 2005	**48,348**	**2,824**	**1,750**	**52,922**
Amortisation				
At 2 January 2005	-	1,929	30	1,959
Charge for the year	1,012	565	175	1,752
At 31 December 2005	**1,012**	**2,494**	**205**	**3,711**
Net book value				
At 31 December 2005	**47,336**	**330**	**1,545**	**49,211**
At 1 January 2005	-	895	1,720	2,615

Notes to the financial statements for the year ended 31 December 2005 (continued)

13 Company Intangible assets

	Licence	Brand	Total
	£'000	£'000	£'000
Cost			
At 2 January 2005	2,824	1,750	4,574
At 31 December 2005	**2,824**	**1,750**	**4,574**
Amortisation			
At 2 January 2005	1,929	30	1,959
Charge for the year	565	175	740
At 31 December 2005	**2,494**	**205**	**2,699**
Net book value			
At 31 December 2005	***330***	***1,545***	***1,875***
At 1 January 2005	895	1,720	2,615

Notes to the financial statements for the year ended 31 December 2005 (continued)

14 Group Tangible fixed assets

	Land and Buildings	Plant and Machinery	Fixtures and Fittings	Motor Vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 2 January 2005	22,468	32,508	4,831	-	740	60,547
Additions	109	4,717	28	-	91	4,945
Acquisitions (note 22)	9,550	17,790	-	146	364	27,850
Transfers	-	1,070	-	-	(1,070)	-
Disposals	-	(772)	(44)	-	-	(816)
At 31 December 2005	**32,127**	**55,409**	**4,815**	**146**	**125**	**92,526**
Depreciation						
At 2 January 2005	3,270	17,426	4,281	-	-	24,977
Charge for the year	681	4,706	288	21	-	5,696
On disposals	-	(723)	(44)	-	-	(767)
At 31 December 2005	**3,951**	**21,505**	**4,525**	**21**	**-**	**29,906**
Net book value						
At 31 December 2005	**28,176**	**33,904**	**290**	**125**	**125**	**62,620**
At 1 January 2005	19,198	15,082	550	-	740	35,570

The assets are subject to a fixed and floating charge in favour of the company's bankers.

All land and buildings relate to freehold land and buildings.

Notes to the financial statements for the year ended 31 December 2005 (continued)

15 Company Tangible fixed assets

	Land and Buildings	Plant and Machinery	Fixtures and Fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 2 January 2005	22,468	32,508	4,831	740	60,547
Additions	91	4,278	28	91	4,488
Transfers	-	740	-	(740)	-
Disposals	-	(772)	(44)	-	(816)
At 31 December 2005	**22,559**	**36,754**	**4,815**	**91**	**64,219**
Depreciation					
At 2 January 2005	3,270	17,426	4,281	-	24,977
Charge for the year	483	3,360	288	-	4,131
On disposals	-	(723)	(44)	-	(767)
At 31 December 2005	**3,753**	**20,063**	**4,525**	**-**	**28,341**
Net book value					
At 31 December 2005	**18,806**	**16,691**	**290**	**91**	**35,878**
At 1 January 2005	19,198	15,082	550	740	35,570

The assets are subject to a fixed and floating charge in favour of the company's bankers.

All land and buildings relate to freehold land and buildings.

16 Investments

Company interests in group undertakings	**£'000**
At 1 January 2005	100
Additions (note 22)	63,735
At 31 December 2005	**63,835**

Name of undertaking	Country of Incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held by group	Proportion of nominal value of issued shares held by company
Cott Private Label Limited	UK	Ordinary shares of 10p each	100%	100%
Cott Nelson (Holdings) Limited (formerly Macaw (Holdings) Limited)	UK	Ordinary shares of £1 each	100%	100%

Cott Private Label Limited is a non-trading company.

On 10 August 2005 Cott Beverages Limited acquired 100% of the share capital of Cott Nelson (Holdings) Limited (formerly Macaw (Holdings) Limited). Cott (Nelson) Limited, (formerly Macaw (Soft Drinks) Limited) is a 100% owned subsidiary of Cott (Nelson) Limited , (formerly Macaw (Holdings) Limited).

17 Stocks

	Group	**Company**	Group	Company
	31.12.2005	**31.12.2005**	01.01.2005	01.01.2005
	£'000	**£'000**	£'000	£'000
Raw materials	**15,647**	**13,913**	5,915	5,915
Finished goods	**5,660**	**3,748**	3,276	3,276
	21,307	**17,661**	9,191	9,191

Notes to the financial statements for the year ended 31 December 2005 (continued)

18 Debtors

	Group	**Company**	Group	Company
	31.12.2005	**31.12.2005**	01.01.2005	01.01.2005
	£'000	**£'000**	£'000	£'000
Trade debtors	**30,453**	**20,985**	16,250	16,250
Amounts owed by group undertakings	**262**	**262**	283	283
Other debtors	**777**	**571**	369	369
Prepayments and accrued income	**2,767**	**2,480**	1,093	1,093
	34,259	**24,298**	17,995	17,995

The amounts owed by group undertakings shown as falling due within one year are payable on demand and non interest bearing. All amounts fall due within one year.

19 Creditors: amounts falling due within one year

	Group	**Company**	Group	Company
	31.12.2005	**31.12.2005**	01.01.2005	01.01.2005
	£'000	**£'000**	£'000	£'000
Bank loans and overdraft	-	-	49	49
Trade creditors	**19,381**	**10,895**	9,182	9,182
Amounts owed to group undertakings	**819**	**1,050**	10,424	10,524
Other taxation and social security	**1,850**	**1,090**	1,701	1,701
Corporation tax	**1,407**	**952**	455	455
Other creditors and accruals	**7,724**	**6,428**	7,322	7,322
	31,181	**20,415**	29,133	29,233

The amounts owed to group undertakings are payable on demand and are non-interest bearing.

Notes to the financial statements for the year ended 31 December 2005 (continued)

20 Creditors: amounts falling due after more than one year

	Group	Company	Group	Company
	31.12.2005	31.12.2005	01.01.2005	01.01.2005
			as restated	as restated
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	**79,343**	**65,643**	-	-
Amounts owed to group undertakings	**29,387**	**29,387**	10,000	10,000
Redeemable preference shares	**2**	**2**	2	2
	108,732	**95,032**	10,002	10,002

On 31 March 2005 Cott Beverages Ltd entered into committed senior secured credit facilities. This agreement expires on 31 March 2010. On 10 August 2005 this multicurrency facility was increased to add Cott (Nelson) Limited (formerly Macaw (Soft Drinks) Limited) as a co-borrower. The amended facilities allow for revolving credit borrowings. The facility includes sub facilities for swingline loans and letters of credit. The facility is secured against the assets of the group and there are no fixed repayment dates.

Borrowings under the credit facility bear interest at either a floating or fixed rate for the applicable currency plus a margin based on a consolidated total leverage ratio.

Amounts owed to group undertakings are non-interest bearing, unsecured and have no fixed repayment date. However, the directors have received written confirmation from the ultimate parent undertaking that the amounts will not have to be repaid within one year.

The redeemable (at par) preference shares are undated and are eligible to a fixed cumulative dividend of ½% payable bi-annually on 25 March and 29 September on the nominal value of the shares. The shares are non-voting and have a preferential right to return of capital on a winding up. Since these shares were acquired by Cott Retail Brands Limited, the rights to these dividends have been waived.

21 Provisions for liabilities and charges

	Group	Company
	Deferred Taxation £'000	Deferred Taxation £'000
At 1 January 2005	4,317	4,317
On acquisition of Macaw (Holdings) Limited	1,598	-
Charged to the profit and loss account	234	172
At 31 December 2005	**6,149**	**4,489**

* excluding deferred tax on pension liability (see note 23)

Notes to the financial statements for the year ended 31 December 2005 (continued)

21 Provisions for liabilities and charges (continued)

Deferred taxation provided in the financial statements, is as follows:

	Group	**Company**	Group	Company
	Amount provided 31.12.2005	**Amount provided 31.12.2005**	Amount provided 01.01.2005	Amount provided 01.01.2005
	£'000	**£'000**	£'000	£'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	**6,149**	**4,489**	4,331	4,331
Other	**-**	**-**	(14)	(14)
Deferred tax creditor excluding that relating to pension liability	**6,149**	**4,489**	4,317	4,317
Deferred tax asset on pension scheme liability (note 22)	**(1,697)**	**(1,697)**	(1,349)	(1,349)
Net deferred tax creditor	**4,452**	**2,792**	2,968	2,968

22 Effect of acquisitions

On 10 August 2005, the Company acquired the entire issued share capital of Cott Nelson (Holdings) Limited (formerly Macaw (Holdings) Ltd) whose consolidated assets and liabilities were:

	Initial book value	Provisional fair value adjustments	Provisional fair value of assets acquired
	£'000	£'000	£'000
Tangible fixed assets	30,175	(2,229)	27,946
Stocks	3,959	-	3,959
Debtors	8,448	-	8,448
Cash at bank	10	-	10
Creditors	(11,421)	(561)	(11,982)
Bank loans and other financing	(11,396)	-	(11,396)
Deferred tax	(2,419)	821	(1,598)
Net separable assets	17,356	(1,969)	15,387
Goodwill			48,348
Consideration (including acquisition expenses of £1,668,000)			63,735

Under the terms of the sale and purchase agreement none of the consideration is deferred.

As at 1st July 2005 an independent third party, Henry Butcher International Ltd carried out a valuation of the company's plant and equipment (excluding motor vehicles) to reflect their value to the ongoing business. It was assumed that the assets will remain in their current working place and there will be security of tenure of the land and buildings for the foreseeable future and that the business is currently, or is capable of making sufficient profit to show a reasonable return on the value of the assets. This valuation resulted in a net impairment of £1,843,530.

GVA Grimley, independent third party property advisors were also instructed in July 2005 to perform a valuation of the land and buildings. The premises were valued at their market value, assuming vacant possession. The valuation resulted in an impairment of £385,464.

The overall outcome of the valuation was a provisional fair value adjustment of £2,228,994 as noted above.

In addition, fair value adjustments of (£561,000) and £821,000 were made to adjust current and deferred tax balances to appropriate levels on the acquisition balance sheet.

22 Effect of acquisitions (continued)

Pre-acquisition performance of Cott Nelson (Holdings) Limited (formerly Macaw (Holdings) Ltd) and its subsidiary undertaking

	£'000
Turnover	47,999
Operating profit	2,787
Net interest	(642)
Profit before taxation	2,145
Taxation	367
10 months ended 10 August 2005 – profit for the period	2,512

The profit after tax for the financial period ended 31 December 2005 was £2,238,000 (2004: £3,711,000)

There were no other recognised gains and losses arising in the period ended 10 August 2005 or the 5 months ending 31 December 2005.

23 Pension commitments

Defined contribution schemes

The group operates a number of defined contribution schemes.

The assets of these schemes are held separately from those of the Group in independently administered funds. The pension charge represents contributions payable by the Group, and amounted to £542,000 (year ended 01.01.2005: £327,000) for the year.

Defined benefit schemes

The Group also operates the Cott Beverages Limited Retirement and Death Benefit Scheme. The assets of the scheme, which is a funded scheme, are held in a separate trustee administered fund and employees are entitled to retirement benefits based on their final pensionable salaries and length of service.

FRS 17 Disclosures

As explained on page 9, the Group (and the Company) has adopted FRS17 in these financial statements.

The valuation of the scheme is based on the most recent actuarial valuation as at 1 May 2003, updated by the scheme actuary to 31 December 2005.

Cott Beverages Limited

Notes to the financial statements
for the year ended 31 December 2005 (continued)

23 Pension commitments (continued)

The principal actuarial assumptions used at the balance sheet date were as follows:

	31.12.2005	**01.01.2005**	03.01.2004
	%	**%**	%
Rate of increase in salaries	**3.9**	**4.0**	3.9
Rate of increase of pensions in payment:			
Pre 88 GMP	**Nil**	**Nil**	Nil
Post 88 GMP	**2.9**	**3.0**	2.9
a) Ordinary Members			
Pre 6/4/97 excess over GMP	**Nil**	**Nil**	Nil
Post 5/4/97 excess over GMP	**2.9**	**3.0**	2.9
b) Executive members (all pension)	**2.9**	**3.0**	2.9
c) Ex-Crystal Members			
Pre 6/4/97 (excess over GMP)	**3.0**	**3.0**	3.0
bost 5/4/97 (excess over GMP)	**3.25**	**3.25**	3.5
Discount rate	**4.66**	**5.25**	5.75
Inflation	**2.9**	**3.0**	2.9

The mortality assumptions used are PA92 C2005 for pensioners, and PA92 C2020 for non-pensioners.

23 Pension commitments (continued)

Amounts recognised in the profit and loss account:

Operating profit charge

	Year to 31.12.2005	Year to 01.01.2005
	£'000	£'000
Current service cost	(238)	(221)
Past service cost	(4)	-
Total operating charge	(242)	(221)
Finance charge		
Expected return on pension scheme	526	442
Interest on pension scheme liabilities	(625)	(577)
Net return	(99)	(135)
Total profit and loss account charge	(341)	(356)

Actuarial (loss)/gain recognised in the Statement of Total Recognised Gains and Losses ("STRGL").

	Year to 31.12.2005	Year to 01.01.2005
	£'000	£'000
Actual return less expected return on pension scheme assets	1,272	174
Experience gains and losses arising on scheme liabilities	171	24
Changes in assumptions underlying the present value of the scheme liabilities	(2,805)	(1,144)
Actuarial (loss) recognised in the STRGL	(1,362)	(946)

Notes to the financial statements for the year ended 31 December 2005 (continued)

23 Pension commitments (continued)

Amounts recognised in the balance sheet:

	31.12.2005	01.01.2005
	£'000	£'000
Total market value of scheme assets	9,578	7,316
Present value of scheme liabilities	(15,237)	(11,814)
Deficit in the scheme	(5,659)	(4,498)
Deferred tax on deficit in the scheme	1,697	1,349
Net pension liability recognised in the balance sheet	(3,962)	(3,149)

Movement in the deficit during the year:

	31.12.2005	01. 01.2005
	£'000	£'000
Opening deficit in scheme	(4,498)	(3,535)
Movement in the year:		
Current service cost	(238)	(221)
Contributions	542	339
Past service costs	(4)	-
Other finance charge	(99)	(135)
Actuarial (loss)	(1,362)	(946)
Closing Deficit in scheme	(5,659)	(4,498)

Cott Beverages Limited

Notes to the financial statements
for the year ended 31 December 2005 (continued)

23 Pension commitments (continued)

The market value of the scheme assets and the expected rates of return were as follows::

	Long term expected rate of return 31.12.2005 %	Market value at 31.12.2005 £'000	Long term expected rate of return 01.01.2005 %	Market value at 01.01.2005 £'000	Long term expected rate of return 03.01.2004 %	Market value at 03.01.2004 £'000
Equities	7.1	8,256	7.5	6,094	7.0	5,602
Government Bonds	4.1	431	4.5	1,222	4.5	828
Corporate Bonds	4.7	872	-	-	-	-
Cash	4.1	19	-	-	-	-
Total market value of assets		**9,578**		**7,316**		**6,430**

History of experience gains and losses

	Year to 31.12.2005 £'000	Year to 01.01.2005 £'000	Year to 03.01.2004 £'000	Year to 28.12.2002 £'000
Difference between the expected and actual return on scheme assets	**1,272**	174	418	(1,871)
Percentage of scheme assets	**13.3%**	2.4%	6.5%	33.0%
Experience gains and losses arising on the scheme liabilities	**171**	24	328	20
Percentage of the present value of the scheme liabilities	**1.1%**	0.2%	3.3%	0.2%
Total amount recognised in the STRGL	**(1,362)**	(946)	249	2,388
Percentage of the present value of the scheme liabilities	**(8.9%)**	(8.0%)	2.5%	26.0%

Notes to the financial statements for the year ended 31 December 2005 (continued)

24 Called-up share capital

Company

	31.12.2005	01.01.2005
	£'000	£'000
Authorised		
74,998,000 ordinary shares of £1 each	**74,998**	74,998
Allotted, called up and fully paid		
49,623,610 ordinary shares of £1 each	**49,623**	49,623

25 Reserves

	Share premium account Group	Share premium account Company	Reserves Group	Reserves Company
	£'000	£'000	£'000	£'000
At 2 January 2005	11,765	11,765	(39,469)	(39,469)
Prior year adjustment - FRS17	-	-	(3,149)	(3,149)
At 2 January 2005 (restated)	11,765	11,765	(42,618)	(42,618)
Profit for the year	-	-	3,174	3,662
Actuarial loss	-	-	(1,362)	(1,362)
Deferred tax on actuarial loss	-	-	348	348
Current tax on actuarial loss	-	-	61	61
As at 31 December 2005	**11,765**	**11,765**	**(40,397)**	**(39,909)**

Notes to the financial statements for the year ended 31 December 2005 (continued)

26 Reconciliation of movements in equity shareholders' funds

	Group	**Company**	Group	Company
	31.12.2005	**31.12.2005**	01.01.2005	01.01.2005
	£'000	**£'000**	£'000	£'000
Profit for the year	**3,174**	**3,662**	4,607	4,607
Actuarial loss	**(1,362)**	**(1,362)**	(946)	(946)
Movement on deferred tax re actuarial loss	**348**	**348**	289	289
Movement on current tax re actuarial loss	**61**	**61**	(5)	(5)
Total movements	**2,221**	**2,709**	3,945	3,945
Opening shareholders' funds as previously stated	**21,921**	**21,921**	17,301	17,301
Prior year FRS 17 adjustment	**(3,149)**	**(3,149)**	(2,474)	(2,474)
Prior year FRS 25 adjustment	**(2)**	**(2)**	(2)	(2)
Opening shareholders' funds as restated	**18,770**	**18,770**	14,825	14,825
Closing shareholders funds	**20,991**	**21,479**	18,770	18,770

27 Contingent liabilities

The group has no material contingent liabilities.

28 Financial commitments

At 31 December 2005, the group had annual commitments under non-cancellable operating leases as follows:

	Group	**Company**	Group	Company
	31.12.2005	**31.12.2005**	01.01.2005	01.01.2005
	£'000	**£'000**	£'000	£'000
Expiring within one year	**64**	**7**	139	139
Expiring between one and two years inclusive	**3**	**3**	23	23
Expiring between two and five years	**424**	**9**	3	3
	491	**19**	165	165

All operating leases relate to plant and machinery.

Notes to the financial statements for the year ended 31 December 2005 (continued)

29 Capital commitments

Capital expenditure contracted but not provided for in the financial statements amounts to £403,198 (01.01.2005: £1,443,000).

30 Related Party Disclosures

Transactions with other companies within the Cott Group are not disclosed as the company and group have taken advantage of the exemption available under Financial Reporting Standard No. 8 'Related party disclosures' as the consolidated accounts of Cott Corporation, in which the company and group are included, are publicly available.

31 Ultimate parent company

The directors consider Cott Retail Brands Limited, a company registered in England and Wales, as the immediate and ultimate UK parent company. The ultimate parent company is Cott Corporation, a company incorporated in Canada, whom the directors consider to be the ultimate controlling party.

Copies of the ultimate UK parent's consolidated financial statements and the ultimate controlling party's consolidated financial statement may be obtained from The Secretary, Cott Retail Brands Limited, Citrus Grove, Side Ley, Kegworth, Derbyshire, DE74 2FJ.