

Cott Beverages Limited

Annual report and financial statements  
for the year ended 1 January 2005

Registered number: 2836071



# **Cott Beverages Limited**

## **Annual report and financial statements for the year ended 1 January 2005**

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# **Cott Beverages Limited**

## **Directors and advisers**

### **Directors**

Raymond P Silcock (Chairman)  
Andrew Murfin  
David R Main  
Nicholas E Whitley

### **Secretary**

Hackwood Secretaries Limited  
One Silk Street  
London EC2Y 8HQ

### **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**

Lloyds TSB Bank Plc  
City Office  
P O Box 72  
Bailey Drive  
Gillingham Business Park  
Kent ME8 OLS

# **Cott Beverages Limited**

## **Directors' report for the year ended 1 January 2005**

The directors present their report and the audited financial statements for the year ended 1 January 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**

The business exceeded expectations again, during a year in which the market experienced decline and continued price competition, as well as a poor summer. The performance is due in part to above market volume growth in core customers, increased customer base and significantly improved raw material purchasing. The Directors' continue with their commitment on excellent customer service, stringent cost control and improving manufacturing efficiency.

### **Results and Dividends**

*The profit and loss account for the year is set out on page 5.*

The directors do not recommend the payment of a dividend in respect of the year ended 1 January 2005 (year ended 03.01.2004: £nil).

### **Directors**

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

Raymond P Silcock                      (Chairman)  
Andrew Murfin  
David R Main  
Nicholas E Whitley

### **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 company'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 company 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 38 days (03.01.2004: 43 days).

# **Cott Beverages Limited**

## **Directors' report for the year ended 1 January 2005 (continued)**

### **Employees**

The company'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 monthly briefs and through the use of staff notice boards.

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

### **Directors' responsibilities**

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.

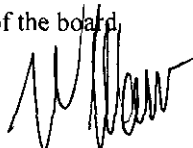
The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 1 January 2005. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **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



**Hackwood Secretaries Limited**  
Company Secretary  
18 March 2005

## **Independent auditors' report to the members of Cott Beverages Limited**

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 of the company's affairs at 1 January 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
East Midlands  
18 March 2005

# Cott Beverages Limited

## Profit and loss account for the year ended 1 January 2005

	Notes	Year to 01.01.2005 £'000	Year to 03.01.2004 £'000
<b>Turnover</b>	2	<b>105,986</b>	101,785
<b>Cost of sales</b>		<b>(83,439)</b>	(81,314)
<b>Gross profit</b>		<b>22,547</b>	20,471
Net operating expenses	4,9	(15,795)	(16,140)
<b>Operating profit</b>		<b>6,752</b>	4,331
Other income	3	201	-
<b>Profit before interest and taxation</b>		<b>6,953</b>	4,331
Interest receivable	7	81	195
Interest payable	8	(9)	(152)
<b>Profit on ordinary activities before taxation</b>	9	<b>7,025</b>	4,374
Tax on profit on ordinary activities	10	(2,405)	(1,590)
<b>Profit for the financial year</b>	21	<b>4,620</b>	2,784

All items dealt with in arriving at the profit on ordinary activities before taxation relate to continuing activities.

The company has no recognised gains and losses other than the gains and losses above and therefore no separate statement of total recognised gains and losses has been presented.

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

## Balance sheet as at 1 January 2005

	Notes	01.01.2005 £'000	03.01.2004 £'000
<b>Fixed assets</b>			
Intangible fixed assets	11	2,615	1,460
Tangible assets	12	35,570	37,516
Investments	13	100	100
		<b>38,285</b>	<b>39,076</b>
<b>Current assets</b>			
Stocks	14	9,191	8,526
Debtors	15	17,995	16,202
Cash at bank and in hand		-	1,866
		<b>27,186</b>	<b>26,594</b>
<b>Creditors: amounts falling due within one year</b>	16	<b>(29,233)</b>	<b>(25,944)</b>
<b>Net current (liabilities)/assets</b>		<b>(2,047)</b>	<b>650</b>
<b>Total assets less current liabilities</b>		<b>36,238</b>	<b>39,726</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(10,000)</b>	<b>(20,000)</b>
<b>Provisions for liabilities and charges</b>	18	<b>(4,317)</b>	<b>(2,425)</b>
<b>Net assets</b>		<b>21,921</b>	<b>17,301</b>
<b>Capital and reserves</b>			
Called-up share capital	20	49,625	49,625
Share premium account		11,765	11,765
Profit and loss account	21	(39,469)	(44,089)
Equity shareholders' funds	22	21,919	17,299
Non-equity shareholders' funds		2	2
<b>Total Shareholders' funds</b>		<b>21,921</b>	<b>17,301</b>

The financial statements on pages 5 to 26 were approved by the board of directors on 18 March 2005 and were signed on its behalf by:

  
David R Main  
Director



# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 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 company's accounting policies and estimation techniques are the "most appropriate" in accordance with Financial Reporting Standard 18 ("FRS 18"). The company is exempt under Section 228(2) of the Companies Act 1985 from the obligation to prepare and deliver group accounts, as it is included in the consolidated accounts of Cott Retail Brands Limited.

The company is a wholly owned subsidiary of Cott Retail Brands Limited, a company incorporated in Great Britain.

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.

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

#### Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention.

#### 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 - 8.33%
Plant and machinery	8.33%
Fixtures and fittings	10%
Computer hardware and software	33%

Leasehold improvements are written off over the life of the lease. Freehold land is not depreciated.

#### 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.

# **Cott Beverages Limited**

## **Notes to the financial statements for the year ended 1 January 2005 (continued)**

### **1 Principal accounting policies (continued)**

#### **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.

#### **Intangible assets**

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**

The company undertakes a review for impairment of a fixed asset or intangible asset if events or changes in circumstances indicate that the carrying amount of the fixed asset or intangible asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is the higher of net realisable value and value in use, the fixed asset or intangible asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

#### **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 1 January 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.

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 1 Principal accounting policies (continued)

#### Pension costs

Pension commitments arising in respect of the defined contribution schemes are charged to the profit and loss account in line with contributions payable for the year.

In respect of the defined benefit pension scheme, the fund is valued every three years by a qualified actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the year during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the schemes.

#### 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 analysis of turnover by geographical area of destination is set out below:

	Year to 01.0	Year to 03.01.2004
	£'000	£'000
United Kingdom	99,571	95,218
Rest of Europe	6,343	6,496
Rest of World	72	71
	105,986	101,785

### 3 Other Income

Other income during the year of £201,000 relates to payments made by the Administrator of Crystal Drinks Ltd. Prior to administration Crystal Drinks Ltd had outstanding consideration of £375,000 in respect of the sale of Crystal Drinks Ltd by Cott. The debt was fully provided in 1999 on appointment of the administrator.

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 4 Net operating expenses

	Year to 01.01.2005	Year to 03.01.2004
	£'000	£'000
Distribution costs	7,039	6,513
Administrative expenses	8,756	9,627
<b>Total net operating expenses</b>	<b>15,795</b>	<b>16,140</b>

### 5 Directors' emoluments

	Year to 01.01.2005	Year to 03.01.2004
	£'000	£'000
Aggregate emoluments paid by the company	600	755
Company pension contributions to money purchase pension schemes	20	27
Compensation to past directors for loss of office	-	127
	<b>620</b>	<b>909</b>

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

Retirement benefits are accruing to one (year ended 03.01.2004 - two) directors under money purchase pension schemes. Retirement benefits are accruing to two (year ended 03.01.2004 - two) directors under defined benefit pension schemes. Four directors including the highest paid director exercised share options in Cott Corporation during the year.

	Year to 01.01.2005	Year to 03.01.2004
	£'000	£'000
<b>Highest paid director</b>		
Aggregate emoluments	267	322
Company pension contributions to money purchase schemes	20	-
	<b>287</b>	<b>322</b>

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 6 Employee information

The average monthly number of persons employed during the year was:

	Year to 01.01.2005 Number	Year to 03.01.2004 Number
<b>By activity</b>		
Production	292	262
Sales	30	27
Administration	52	45
	<b>374</b>	<b>334</b>

	Year to 01.01.2005 £'000	Year to 03.01.2004 £'000
<b>Staff costs</b>		
Wages and salaries	10,695	10,085
Social security costs	1,057	950
Other pension costs	795	494
	<b>12,547</b>	<b>11,529</b>

### 7 Interest receivable and similar income

	Year to 01.01.2005 £'000	Year to 03.01.2004 £'000
On bank deposits or similar	80	17
Interest on deferred consideration	-	143
Imputed interest on deferred consideration	1	35
	<b>81</b>	<b>195</b>

**Notes to the financial statements  
for the year ended 1 January 2005 (continued)**

	Year to 01.01.2005	Year to 03.01.2004
	£'000	£'000
On bank loans and overdrafts	9	147
On finance leases	-	5
	9	152

	Year to 01.01.2005	Year to 03.01.2004
	£'000	£'000
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Amortisation of intangible assets	<b>595</b>	565
Depreciation charge for the year: Tangible owned assets	<b>4,214</b>	4,335
: Tangible fixed assets held under finance leases	-	91
Auditors' remuneration for: Audit	<b>80</b>	78
: Other services	<b>26</b>	64
Hire of plant and machinery – operating leases	<b>384</b>	218
Hire of other assets – operating leases	<b>28</b>	49

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 10 Tax on profit on ordinary activities

	Year to 01.01.2005	Year to 03.01.2004
	£'000	£'000
<b>Current tax:</b>		
UK Corporation Tax on profits for the year	505	43
Under provision from prior year	8	-
Total current tax	513	43
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,892	1,547
Total deferred tax	1,892	1,547
Tax on profit on ordinary activities	2,405	1,590
<b>Factors affecting tax charge for year</b>		
Profit on ordinary activities before tax	7,025	4,374
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 30% (2003: 30%)	2,108	1,312
Effect of:		
Expenses not deductible for tax purposes	163	347
Adjustment to tax charge from prior year	8	-
Accelerated capital allowances and utilisation of tax losses	(1,766)	(1,616)
Current tax charge for year	513	43

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 11 Intangible assets

	<b>Licence</b>	<b>Brand</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 3 January 2004	2,824	-	2,824
Additions	-	1,750	1,750
<b>At 1 January 2005</b>	<b>2,824</b>	<b>1,750</b>	<b>4,574</b>
<b>Amortisation</b>			
At 3 January 2004	1,364	-	1,364
Charge for the year	565	30	595
<b>At 1 January 2005</b>	<b>1,929</b>	<b>30</b>	<b>1,959</b>
<b>Net book value</b>			
<b>At 1 January 2005</b>	<b>895</b>	<b>1,720</b>	<b>2,615</b>
At 3 January 2004	1,460	-	1,460



# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 12 Tangible fixed assets

	Land and Buildings	Plant and Machinery	Fixtures and Fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 3 January 2004	22,468	31,074	5,175	-	58,717
Additions	-	1,493	41	740	2,274
Disposals	-	(59)	(385)	-	(444)
<b>At 1 January 2005</b>	<b>22,468</b>	<b>32,508</b>	<b>4,831</b>	<b>740</b>	<b>60,547</b>
<b>Depreciation</b>					
At 3 January 2004	2,787	14,209	4,205	-	21,201
Charge for the year	483	3,270	461	-	4,214
On disposals	-	(53)	(385)	-	(438)
<b>At 1 January 2005</b>	<b>3,270</b>	<b>17,426</b>	<b>4,281</b>	<b>-</b>	<b>24,977</b>
<b>Net book value</b>					
<b>At 1 January 2005</b>	<b>19,198</b>	<b>15,082</b>	<b>550</b>	<b>740</b>	<b>35,570</b>
At 3 January 2004	19,681	16,865	970	-	37,516

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

The net book value of tangible fixed assets includes an amount of £nil (03.01.2004: £nil) in respect of assets held under finance leases.

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 13 Investments

Interests in group undertakings	£'000
At 3 January 2004 and 1 January 2005	100

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 Private Label Limited is a non-trading company. The company is exempt from the requirement to prepare group accounts under Section 228 of the United Kingdom Companies Act 1985, as it is a wholly owned subsidiary undertaking and its immediate parent undertaking is established under the law of a member state of the European Union.

### 14 Stocks

	01.01.2005	03.01.2004
	£'000	£'000
Raw materials	5,915	5,557
Finished goods	3,276	2,969
	9,191	8,526

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 15 Debtors

	01.01.2005	03.01.2004
	£'000	£'000
Trade debtors	16,250	15,016
Amounts owed by group undertakings	283	73
Other debtors	369	442
Prepayments and accrued income	1,093	494
Deferred consideration	-	177
	17,995	16,202

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.

### 16 Creditors: amounts falling due within one year

	01.01.2005	03.01.2004
	£'000	£'000
Trade creditors	9,182	8,381
Bank overdraft	49	-
Amounts owed to group undertakings	10,524	7,763
Other taxation and social security	1,701	1,788
Corporation tax	455	43
Other creditors and accruals	7,322	7,969
	29,233	25,944

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

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 17 Creditors: amounts falling due after more than one year

	01.01.2005	03.01.2004
	£'000	£'000
Amounts owed to group undertakings	10,000	20,000

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.

### 18 Provisions for liabilities and charges

	Deferred Taxation
	£'000
At 3 January 2004	2,425
Charged to the profit and loss account	1,892
At 1 January 2005	4,317

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

	Amount provided	Amount provided
	01.01.2005	03.01.2004
	£'000	£'000
<b>Tax effect of timing differences because of:</b>		
Excess of capital allowances over depreciation	4,331	4,552
Unrelieved tax losses	-	(2,052)
Other	(14)	(75)
	4,317	2,425

There were no amounts unprovided as at 1 January 2005 (03.01.04 : £nil).

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 19 Pension commitments

The company operates two Group Personal Pension Schemes for certain employees. These are defined contribution schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension charge represents contributions payable by the company, and amounted to £327,000 (year ended 03.01.2004: £330,000) for the year.

The company also operates the Cott Beverages Limited Retirement and Death Benefit Scheme providing benefits based on final pensionable salary. The assets of the scheme, which is a funded scheme, are held separately from those of the company. The total pension cost for the company was £468,000 (year ended 03.01.2004: £164,000).

The contributions for this scheme were determined by a qualified actuary on the basis of regular investigations using the projected unit method. The most recent valuation was carried out on 1 May 2003. The assumptions which have the most significant effects on the results of the valuations are those relating to the rate of return on investments and the rates of increases of salaries and pensions. It was assumed that pre retirement investment returns would be 7.5% per annum, that post retirement investment returns would be 4.5% per annum and that salary increases would average 3.5% per annum. It was also assumed that pension increases would be 2.5% per annum on post 1988 Guaranteed Minimum Pension ("GMP"), 2.5% per annum on non-GMP for executive members pre 5 April 1997 service, 3% per annum on non-GMP Crystal Drinks members pre 5 April 1997 service and 2.5% per annum on non-GMP for all members post 5 April 1997 service. The market value of the scheme assets at 1 May 2003 was £5,697,000 and the actuarial value of those assets represented 67% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The deficit of £2,771,000 will be addressed by the company making an additional annual contribution of £360,000, payable monthly, over the average future service lives of the active members.

#### FRS 17 Disclosures

In November and December 2000, the Accounting Standards Board issued FRS 17 Retirement Benefits. FRS 17 will not be mandatory for the group and company until the year ended 26 December 2005. The FRS has an extended transitional year during which certain disclosures will be required in the notes to the financial statements.

The principal assumptions used by the actuary to determine the liabilities on an FRS17 basis were:

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 19 Pension commitments (continued)

	01.01.2005	03.01.2004	28.12.2002
Rate of increase in salaries	4.0%	3.9%	3.5%
Rate of pension increases:			
Pre 88 GMP	Nil	Nil	Nil
Post 88 GMP	3.0%	2.9%	2.5%
a) Ordinary Members			
Pre 6/4/97 excess over GMP	Nil	Nil	Nil
Post 5/4/97 excess over GMP	3.0%	2.9%	2.5%
b) Executive members (all pension)	3.0%	2.9%	2.5%
c) Ex-Crystal Members			
Pre 6/4/97 (excess over GMP)	3.0%	3.0%	3.5%
Post 5/4/97 (excess over GMP)	3.25%	3.5%	3.5%
Discount rate	5.25%	5.75%	5.75%
Inflation	3.0%	2.9%	2.5%

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 19 Pension commitments (continued)

The assets in the scheme and the expected rates of return were:

	Long term rate of return expected 01.01. 2005	Value at 01.01.2005	Long term rate of return expected 03.01.2004	Value at 03.01.2004	Long term rate of return expected 28.12.2002	Value at 28.12.2002
	%	£'000	%	£'000	%	£'000
Equities	7.5	6,094	7.0	5,602	7.0	4,928
Bonds	4.5	1,222	4.5	828	4.5	666
Total market value of assets		7,316		6,430		5,594
Present value of scheme liabilities		(11,814)		(9,965)		(9,171)
Deficit in scheme		(4,498)		(3,535)		(3,577)
Related deferred tax asset		1,349		1,061		1,073
Net pension liability		(3,149)		(2,474)		(2,504)

If FRS 17 had been recognised in the financial statements, the effects would have been as follows:

#### Movement in the deficit during the year:

	01. 01.2005	03.01.2004
	£'000	£'000
Opening deficit	(3,535)	(3,577)
Movement in the year:		
Current service cost	(221)	(213)
Contributions	339	158
Other finance charge	(135)	(152)
Actuarial (loss)/gain	(946)	249
Closing Deficit	(4,498)	(3,535)

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 19 Pension commitments (continued)

#### Operating profit charge

	Year to 01.01.2005	Year to 03.01.2004
	£'000	£'000
Current service cost	221	213
Total operating charge	221	213
Finance charge		
Expected return on pension scheme	442	376
Interest on pension scheme liabilities	(577)	(528)
Net return	(135)	(152)

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

	Year to 01.01.2005	Year to 03.01.2004
	£'000	£'000
Actual return less expected return on pension scheme assets	174	418
Experience gains and losses arising on scheme liabilities	24	328
Changes in assumptions underlying the present value of the scheme liabilities	(1,144)	(497)
Actuarial (loss)/gain recognised in the STRGL	(946)	249



# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 19 Pension commitments (continued)

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss reserve at 1 January 2005 and 3 January 2004 would be as follows:

	01.01.2005	03.01.2004
	£'000	£'000
Net assets excluding pension liability	21,547	17,301
Net pension liability	(3,149)	(2,474)
Net assets including pension liability	18,398	14,827
Profit and loss reserve excluding pension liability	(39,844)	(44,089)
Net pension reserve	(3,149)	(2,474)
Profit and loss reserve including pension liability	(42,993)	(46,563)

### History of experience gains and losses

	Year to 01.01.2005	Year to 03.01.2004	Year to 28.12.2002
	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets	174	418	(1,871)
Percentage of scheme assets	2.4%	6.5%	33%
Experience gains and losses arising on the scheme liabilities	24	328	20
Percentage of the present value of the scheme liabilities	0.2%	3.3%	0.2%
Total amount recognised in the STRGL	(946)	249	(2,388)
Percentage of the present value of the scheme liabilities	(8.0%)	2.5%	26%

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 20 Called-up share capital

Company

	01.01.2005	03.01.2004
	£'000	£'000
<b>Authorised</b>		
2,000 redeemable preference shares of £1 each	2	2
74,998,000 ordinary shares of £1 each	74,998	74,998
	<b>75,000</b>	<b>75,000</b>
<b>Allotted, called up and fully paid</b>		
2,000 redeemable preference shares of £1 each	2	2
49,623,610 ordinary shares of £1 each	49,623	49,623
	<b>49,625</b>	<b>49,625</b>

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 Profit and loss account

	£'000
At 3 January 2004	(44,089)
Profit for the year	4,620
<b>At 1 January 2005</b>	<b>(39,469)</b>

The profit and loss account reserve includes a goodwill reserve of £9,705,000 (03.01.2004: £9,705,000).

# Cott Beverages Limited

## Notes to the financial statements for the year ended 1 January 2005 (continued)

### 22 Reconciliation of movements in equity shareholders' funds

	01.01.2005	03.01.2004
	£'000	£'000
Opening equity shareholders' funds	17,299	14,515
Surplus for the financial year	4,620	2,784
Closing equity shareholders' funds	21,919	17,299

### 23 Financial commitments

At 1 January 2005, the group had annual commitments under non-cancellable operating leases as follows:

	01.01.2005	03.01.2004
	£'000	£'000
Expiring within one year	139	4
Expiring between one and two years inclusive	23	200
Expiring between two and five years	3	18
	165	222

All operating leases relate to plant and machinery.

### 24 Capital commitments

Capital expenditure contracted but not provided for in the financial statements amounts to £1,443,000 (03.01.2004: £nil).

### 25 Related Party Disclosures

Transactions with other companies within the Cott Group are not disclosed as the company has 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.

# **Cott Beverages Limited**

## **Notes to the financial statements for the year ended 1 January 2005 (continued)**

### **26 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.