

Cott Beverages Limited

**Report and financial statements
for the year ended 28 December 2002**

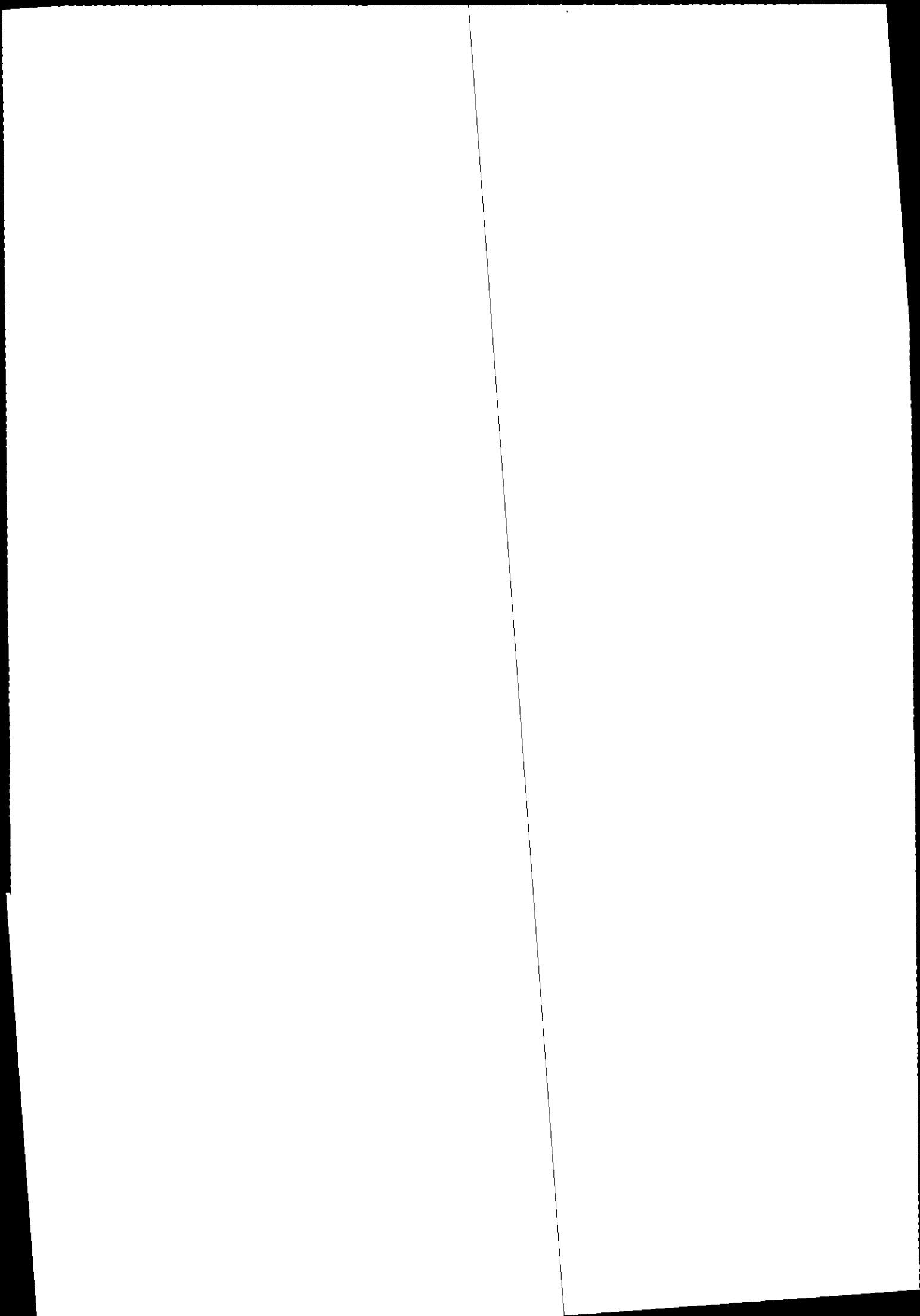
Registered No: 2836071



Cott Beverages Limited

Report and financial statements for the year ended 28 December 2002

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Cott Beverages Limited

Directors and advisers

Directors

Raymond P Silcock (Chairman)
Paul R Richardson
Christopher T F Birrell
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 28 December 2002

The directors present their report and the audited financial statements for the year ended 28 December 2002.

Principal activities

The company's principal activity is the manufacture and sale of soft drinks.

Review of business and future developments

The business performed adequately during the year in a market which continued to experience intense price competition. The directors are committed to developing the company by focusing on excellent customer service whilst maintaining a tight control of costs, as well as improving manufacturing efficiency. Efficiency improvements have led to 51 redundancies during 2002. The directors remain confident that the company will continue to be a major player in the UK soft drinks industry.

The deferred consideration of £12,784,000 (see Note 17) was due to be paid in May 2003 to the vendor of Hero Drinks Group (UK) Limited. A reduction of £440,000 was obtained for early settlement and £12,344,000 was paid on 6 December 2002.

On 28 December 2002 the trade and assets of a fellow group undertaking, Cott Europe Trading Limited, were acquired.

Results and Dividends

The 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 28 December 2002 (29.12.2001: £Nil).

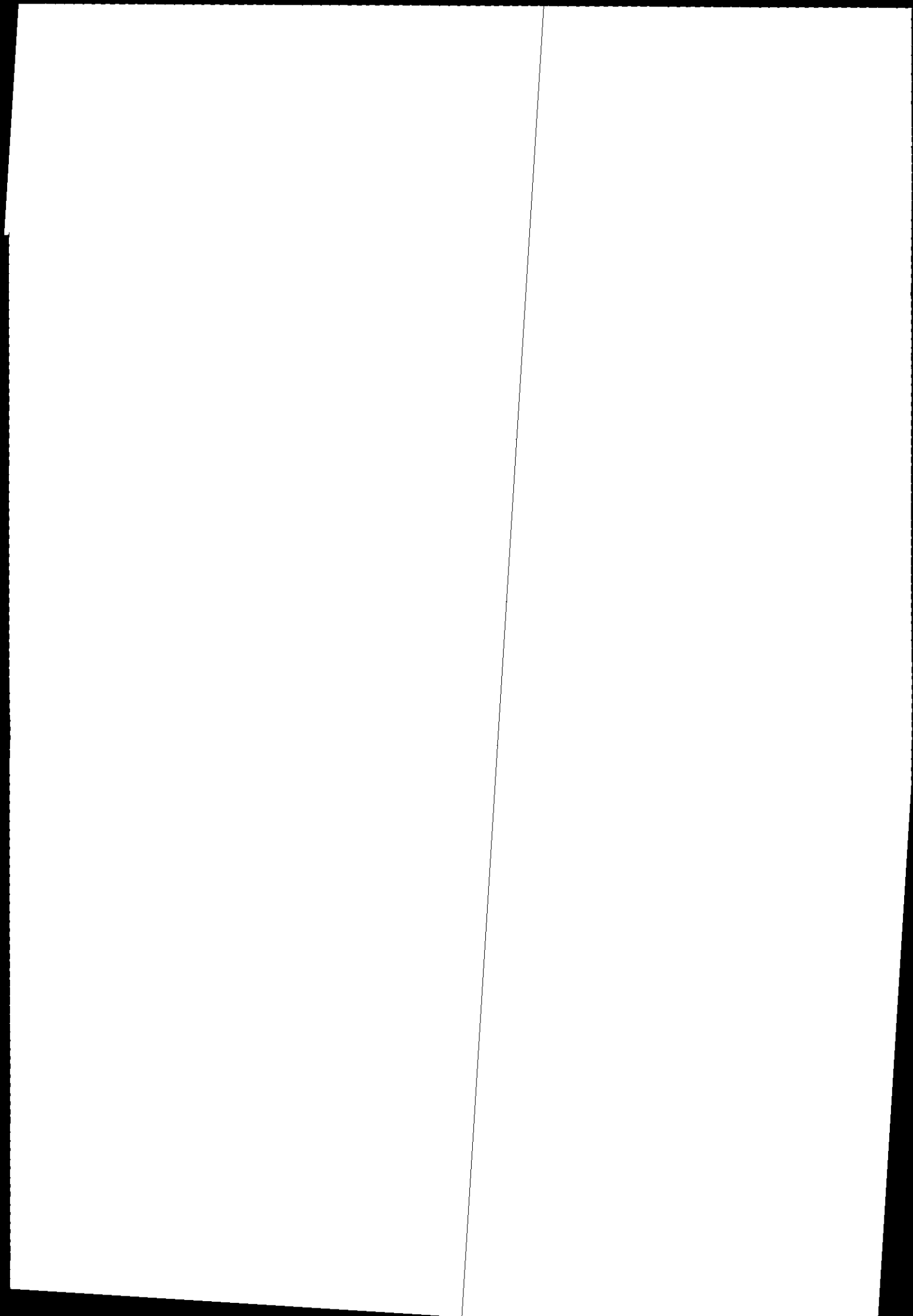
Directors

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

Raymond P Silcock (Chairman)
Paul R Richardson (appointed 1 November 2002)
Neil A Thompson (resigned 19 February 2002)
Christopher T F Birrell
David R Main
Nicholas E Whitley
Jonathan H Skofic (resigned 27 August 2002)

Directors' interests in shares of the company

No directors had any beneficial interest in the shares of the company at any time during the period. 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.



Cott Beverages Limited

Directors' report for the year ended 28 December 2002 (continued)

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 47 days (29.12.2001 : 37 days).

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.

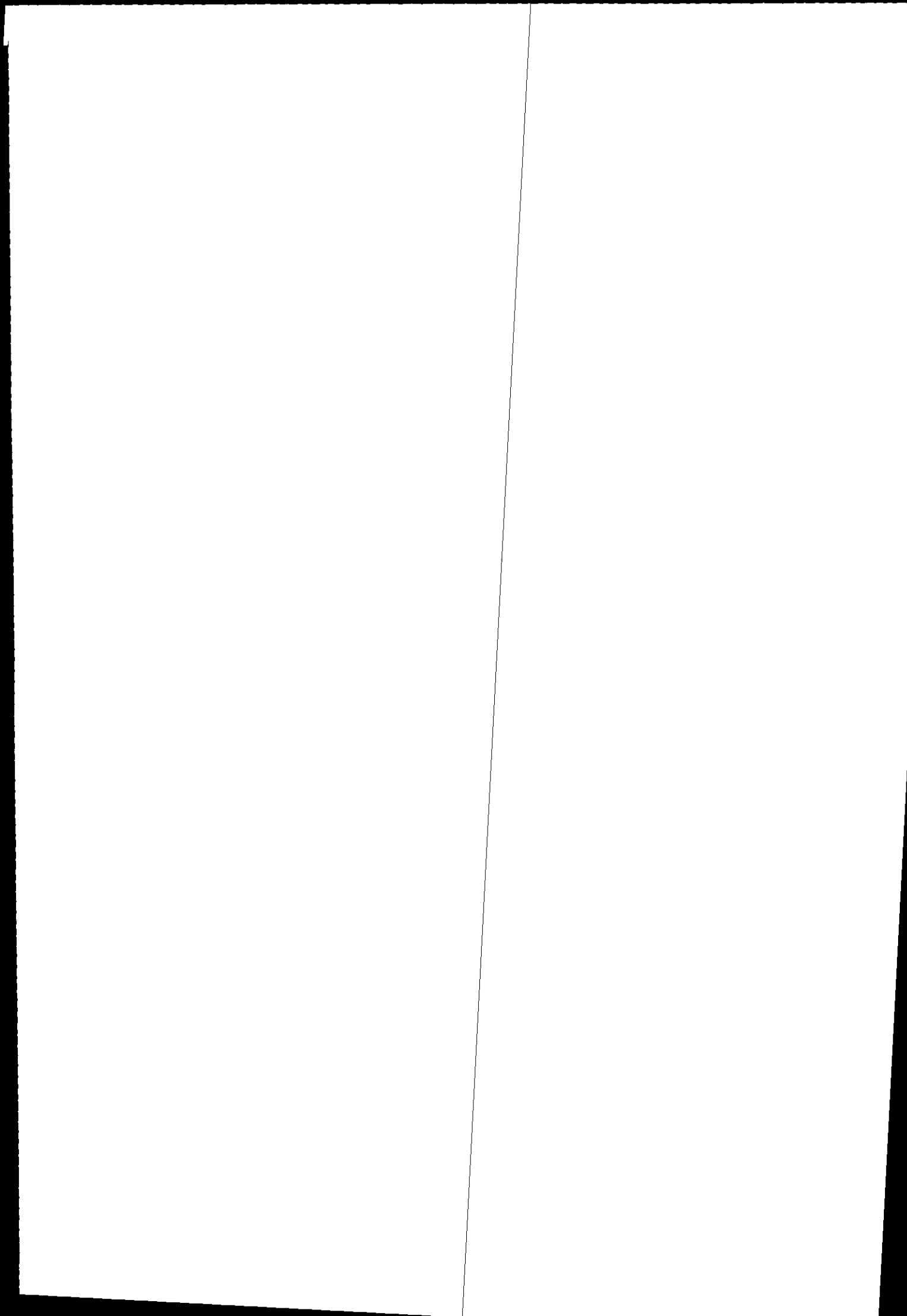
The company encourages the involvement of employees in the company's performance through a SIP (Share Incentive Plan), formerly an AESOP Scheme (All Employee Share Ownership Plan). This enables employees to purchase shares in Cott Corporation.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period 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 28 December 2002. 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.



Cott Beverages Limited

Directors' report for the year ended 28 December 2002 (continued)

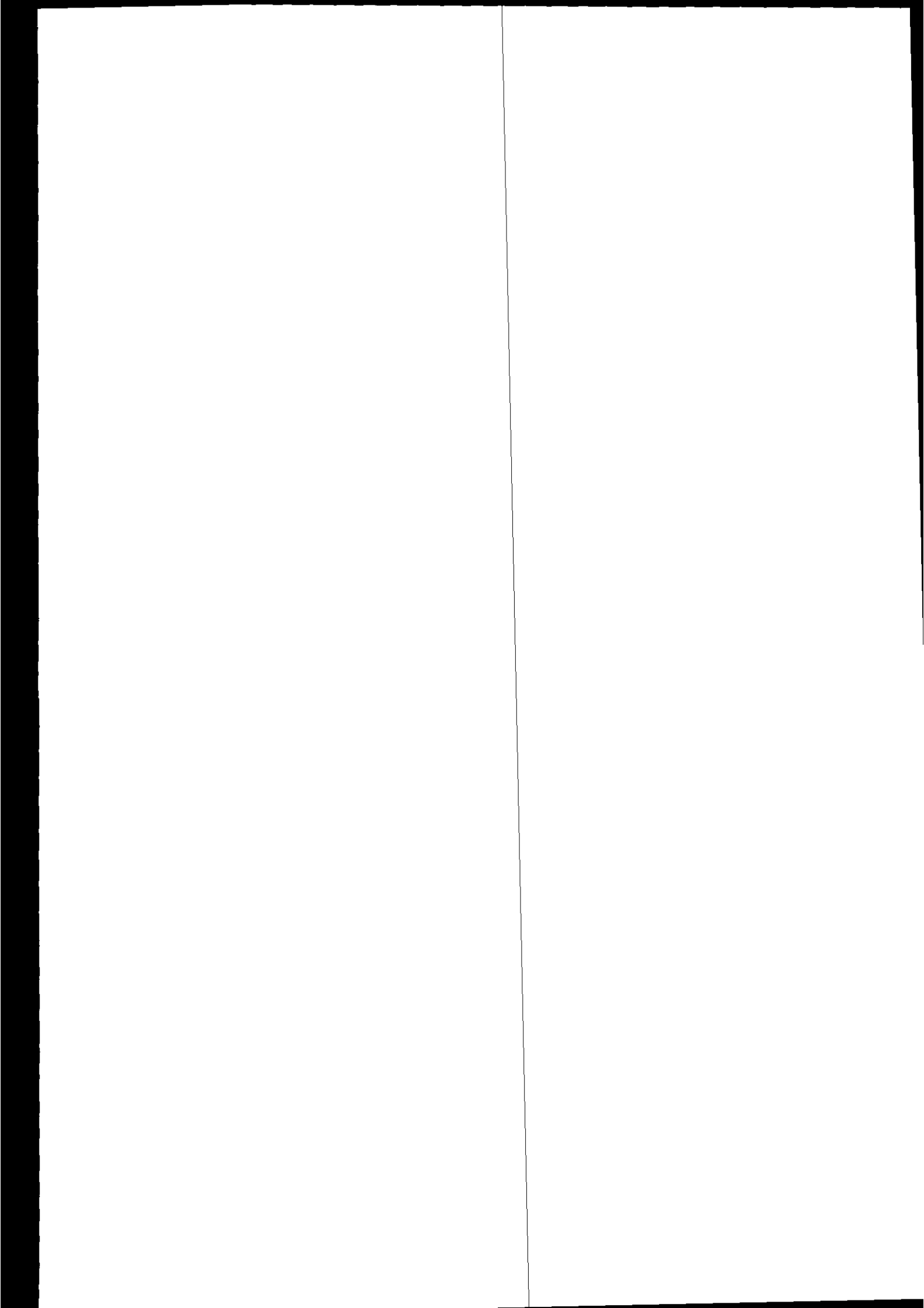
Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. 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
25 March 2003



Cott Beverages Limited

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, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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.

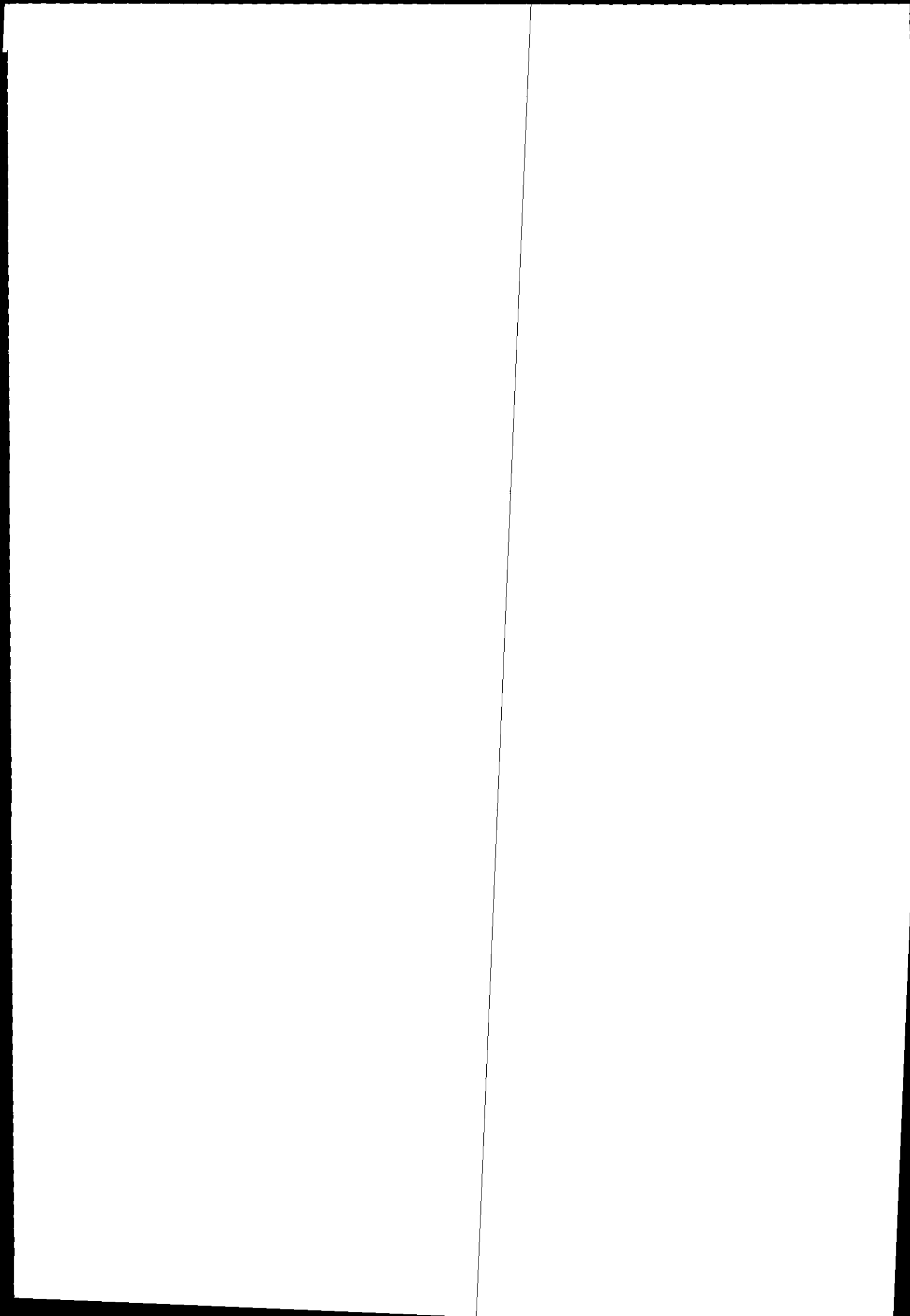
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 state of the company's affairs at 28 December 2002 and of the loss of the company 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
25 March 2003



Cott Beverages Limited

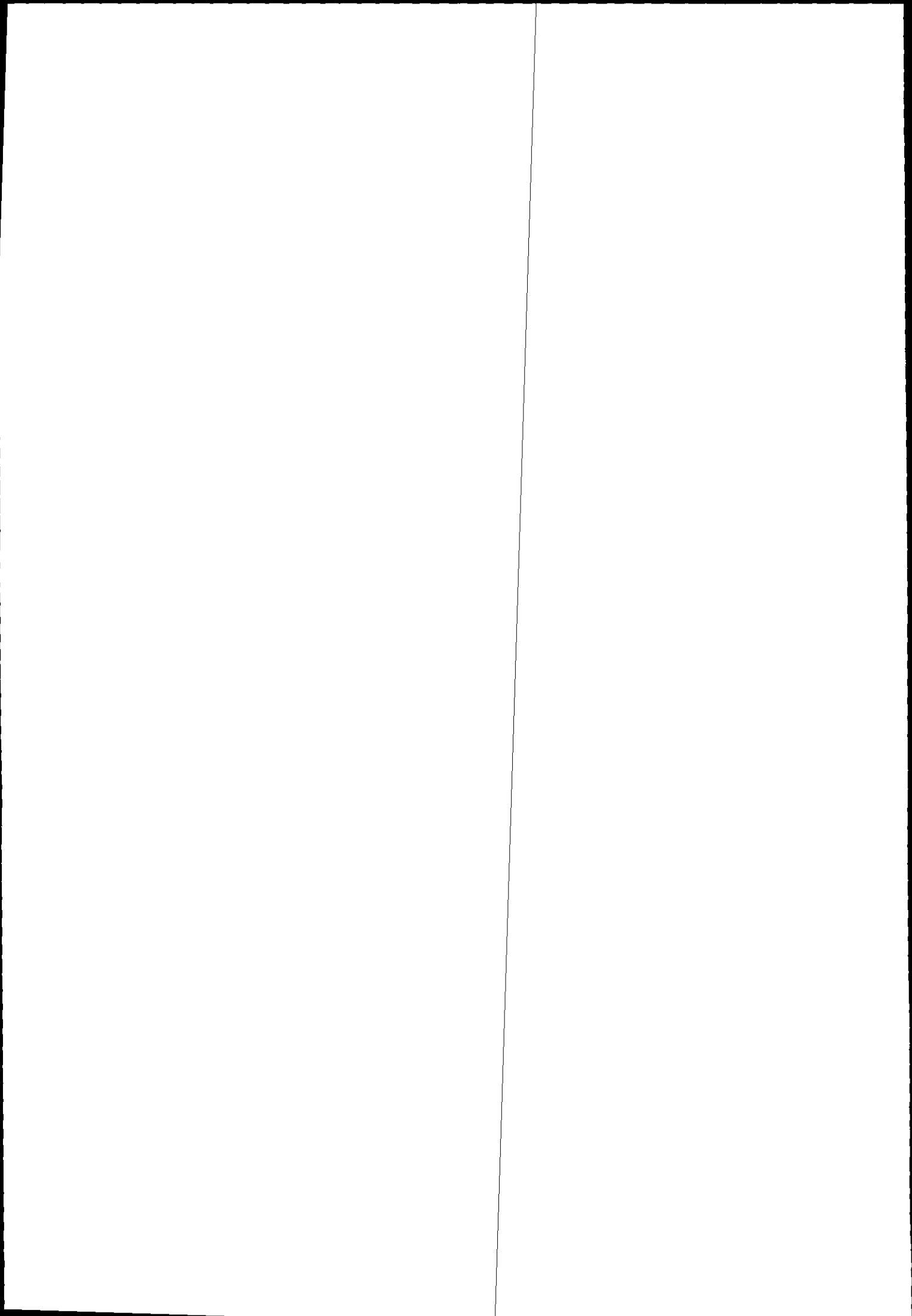
Profit and Loss Account for the year ended 28 December 2002

		Year to 28.12.2002 before exceptional items £'000	Year to 28.12.2002 exceptional items £'000	Year to 28.12.2002 after exceptional items £'000	Year to 29.12.2001 before exceptional items £'000	Year to 29.12.2001 exceptional items £'000	Year to 29.12.2001 after exceptional items £'000
Turnover	2	83,547	-	83,547	91,519	-	91,519
Cost of sales	3	(68,099)	(738)	(68,837)	(78,639)	-	(78,639)
Gross profit/(loss)		<u>15,448</u>	<u>(738)</u>	<u>14,710</u>	<u>12,880</u>	<u>-</u>	<u>12,880</u>
Net operating expenses	4, 9	(13,910)	(585)	(14,495)	(16,607)	(14,013)	(30,620)
Operating profit/(loss)		<u>1,538</u>	<u>(1,323)</u>	<u>215</u>	<u>(3,727)</u>	<u>(14,013)</u>	<u>(17,740)</u>
(Loss)/profit on disposal of fixed assets		(146)	-	(146)	93	-	93
Profit/(loss) before interest and taxation		<u>1,392</u>	<u>(1,323)</u>	<u>69</u>	<u>(3,634)</u>	<u>(14,013)</u>	<u>(17,647)</u>
Interest receivable	7			201			148
Interest payable	8			(786)			(1,073)
Loss on ordinary activities before taxation	9			<u>(516)</u>			<u>(18,572)</u>
Tax on loss on ordinary activities	10			(178)			-
Deficit for the financial year	21			<u>(694)</u>			<u>(18,572)</u>

All items dealt with in arriving at the loss on ordinary activities before taxation for 2002 and 2001 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 loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.



Cott Beverages Limited

Balance Sheet at 28 December 2002

		28.12.2002 £'000	29.12.2001 £'000
Fixed assets			
Intangible fixed assets	11	2,025	2,529
Tangible assets	12	37,866	40,735
Investments	13	100	100
		<u>39,991</u>	<u>43,364</u>
Current assets			
Stocks	14	6,359	6,109
Debtors	15	16,165	16,967
Cash at bank and in hand		-	1,671
		<u>22,524</u>	<u>24,747</u>
Creditors: amounts falling due within one year	16	(27,120)	(16,068)
Net current (liabilities)/assets		<u>(4,596)</u>	<u>8,679</u>
Total assets less current liabilities		<u>35,395</u>	<u>52,043</u>
Creditors: amounts falling due after more than one year	17	(20,000)	(36,132)
Provisions for liabilities and charges	18	(878)	(700)
Net assets		<u>14,517</u>	<u>15,211</u>
Capital and reserves			
Called up share capital	20	49,625	49,625
Share premium account		11,765	11,765
Profit and loss account	21	(46,873)	(46,179)
Equity shareholders' funds	22	14,515	15,209
Non-equity shareholders' funds		2	2
Total shareholders' funds		<u>14,517</u>	<u>15,211</u>

The financial statements on pages 6 to 25 were approved by the board of directors on 25 March 2003 and were signed on its behalf by:


David R Main
Director

Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002

1 Principal accounting policies

The financial statements have been prepared in accordance with 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"). Financial Reporting Standard 19 ("FRS 19") Deferred taxation was adopted during the year.

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

The cash flows of the company are included in the consolidated cash flow statement of Cott Corporation. Consequently, the company 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 in accordance with 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 (additions up to 30.12.00)	2.5%
Freehold buildings (additions from 31.12.00)	8.33%
Plant and machinery	8.33%
Fixtures and fittings	10%
Computer hardware and software	33%

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

Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (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 company 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.

Goodwill and other intangibles

Goodwill represents the difference between the fair value of the consideration paid and the fair value of the separable net assets acquired. Goodwill is capitalised and written off over its estimated useful life of 20 years.

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.

Impairment

The company undertakes a review for impairment of a fixed asset or goodwill if events or changes in circumstances indicate that the carrying amount of the fixed asset or goodwill 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 goodwill 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)

An AESOP scheme (All Employee Share Ownership Plan) now known as a SIP scheme (Share Incentive Plan) was set up in October 2001. 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 re charged to the profit and loss account as incurred. The AESOP trust held no shares at 28.12.2002.

Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

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 period 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. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Pension costs

Pension commitments arising in respect of the company's defined contribution pension schemes are charged to the profit and loss account on the basis of contributions payable for the year.

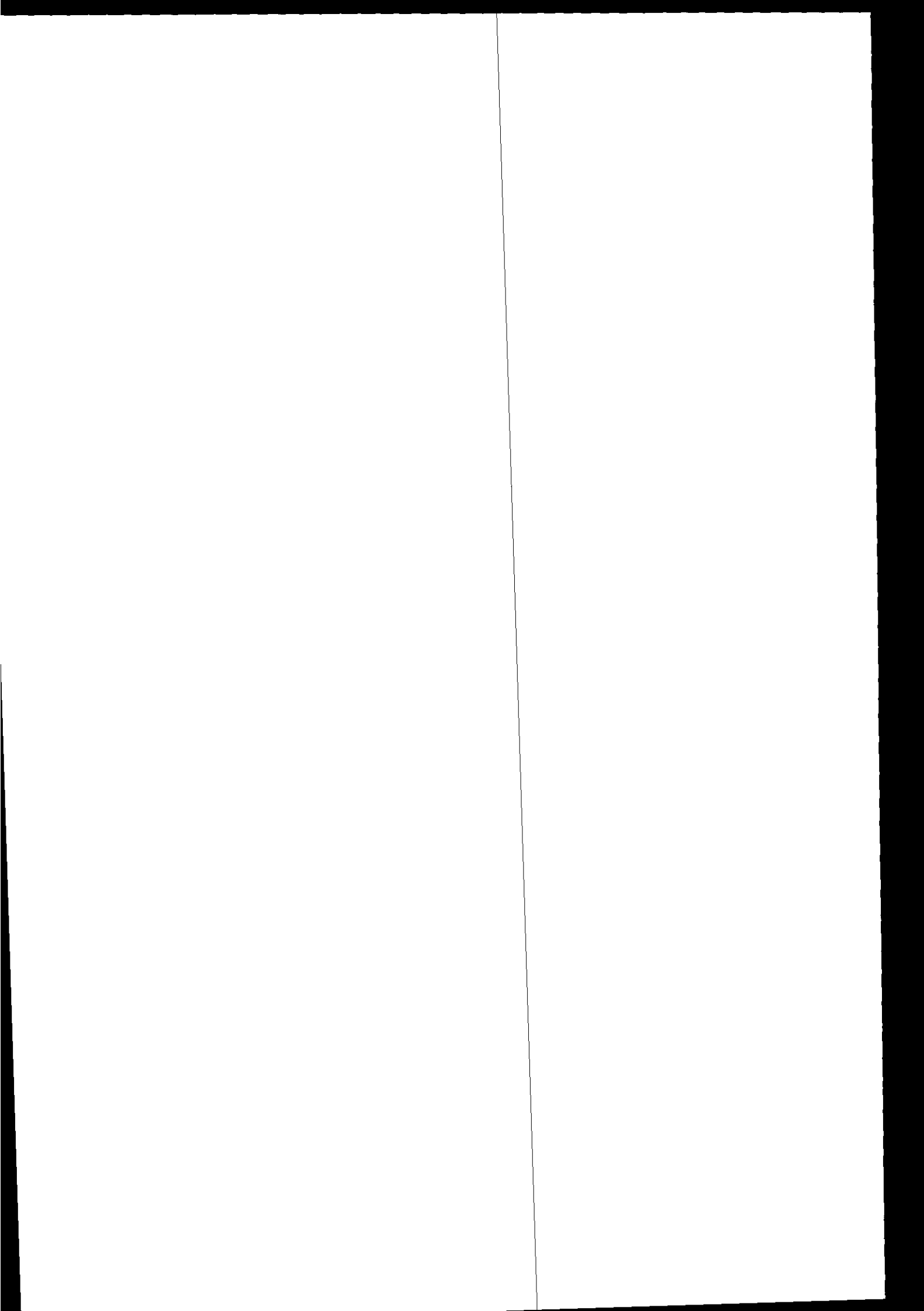
In respect of the company's defined benefit pension schemes, the funds are valued every three years by a qualified actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period 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 period in which they are incurred.

Changes in accounting policies

In December 2000, the Accounting Standards Board issued FRS 19, "Deferred tax". The company has adopted FRS 19 in the financial statements. The adoption of this new accounting standard represents a change in accounting policy but as the impact is not material the comparative figures have not been restated accordingly.



Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

2 Turnover

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

	Year to 28.12.2002 £'000	Year to 29.12.2001 £'000
United Kingdom	81,501	88,996
Rest of Europe	2,046	2,523
	<u>83,547</u>	<u>91,519</u>

The company operates solely in the United Kingdom.

3 Exceptional items

The exceptional costs included in cost of sales (£738,000) related to a reorganisation undertaken to improve the manufacturing efficiency of the business and included redundancy costs of £429,000.

Exceptional items included in net operating expenses are explained in note 4.

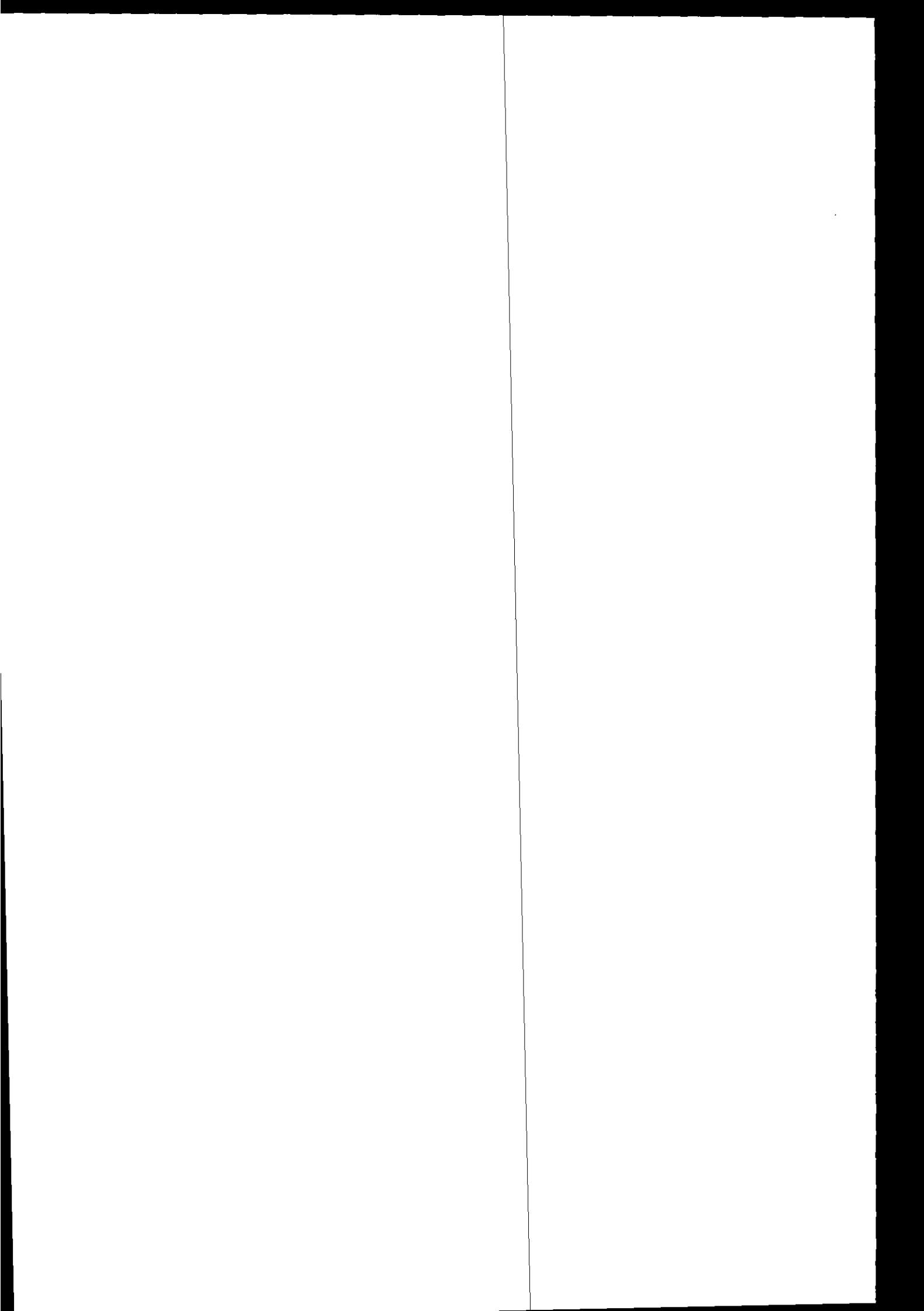
4 Net operating expenses

	Year to 28.12.2002 before exceptional items £'000	Year to 28.12.2002 exceptional items £'000	Year to 28.12.2002 after exceptional items £'000	Year to 29.12.2001 before exceptional items £'000	Year to 29.12.2001 exceptional items £'000	Year to 29.12.2001 after exceptional items £'000
Distribution costs	5,666	-	5,666	6,338	-	6,338
Administrative expenses	8,244	585	8,829	10,269	14,013	24,282
Total net operating expenses	<u>13,910</u>	<u>585</u>	<u>14,495</u>	<u>16,607</u>	<u>14,013</u>	<u>30,620</u>

All the above relate to continuing operations.

The current year exceptional items are £692,000 of severance costs and £748,000 of consultancy costs relating to a restructuring of the business, less a receipt of £855,000 from the settlement of a legal claim.

The prior year exceptional item was the write down of goodwill to ensure that it was restated to its value in use.



Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

5 Directors' emoluments

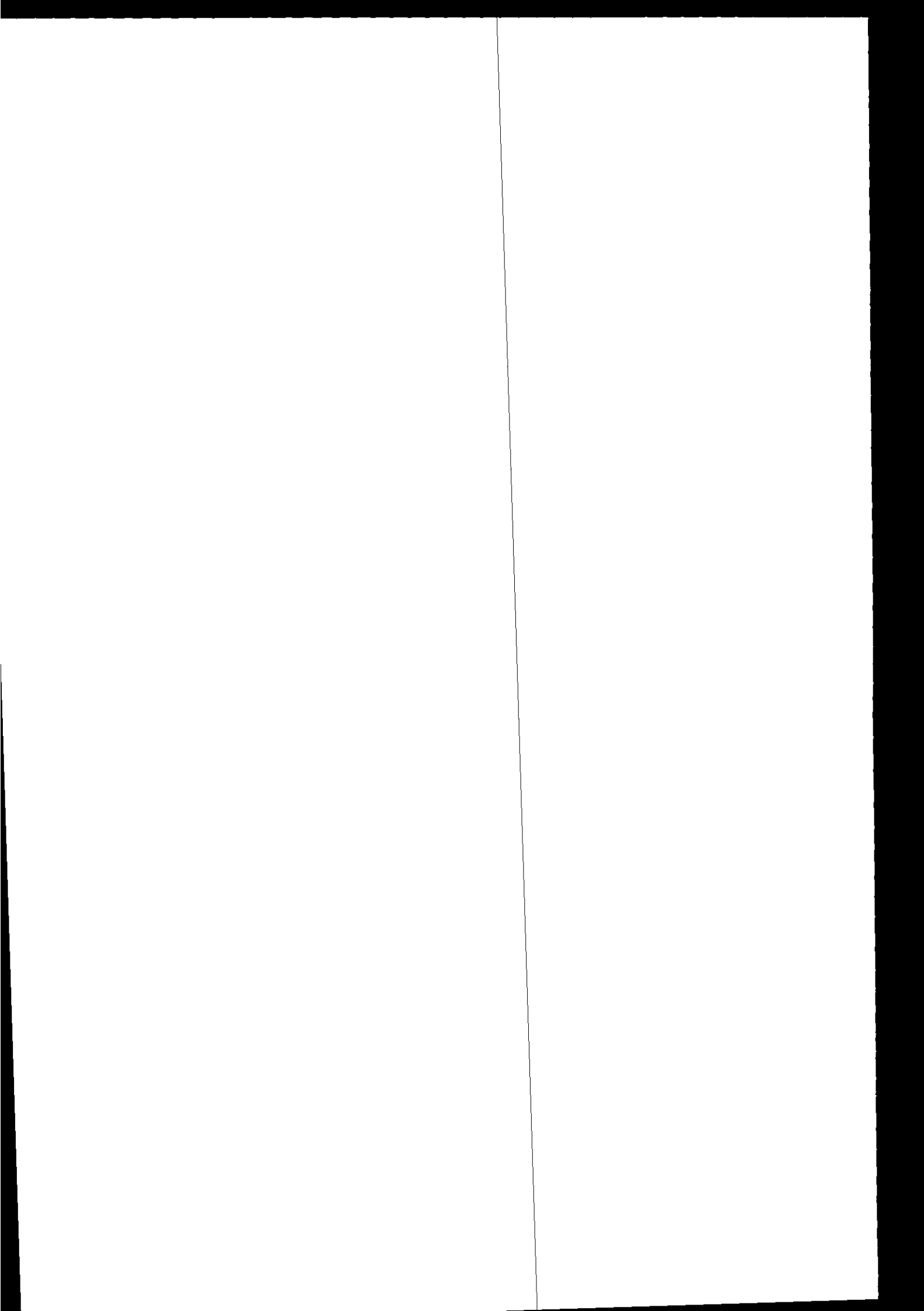
	Year to 28.12.2002 £'000	Year to 29.12.2001 £'000
Aggregate emoluments	594	752
Company contributions to money purchase pension schemes	13	33
Compensation to past directors for loss of office	554	359
	<u>1,161</u>	<u>1,144</u>

Retirement benefits are accruing to two (year end 29.12.2001 - two) directors under money purchase pension schemes. Retirement benefits are accruing to two (year end 29.12.2001 - two) directors under defined benefit pension schemes.

Highest paid director	Year to 28.12.2002 £'000	Year to 29.12.2001 £'000
Aggregate emoluments	201	113
Company pension contributions to money purchase schemes	13	9
Compensation for loss of office	-	277
	<u>214</u>	<u>399</u>

Emoluments for the services of RP Silcock and PR Richardson 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. £88,078 of PR Richardson's remuneration is attributable to services provided to the Cott Retail Brands Ltd group.

Four directors including the highest paid director exercised share options in Cott Corporation during the year.



Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

6 Employee information

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

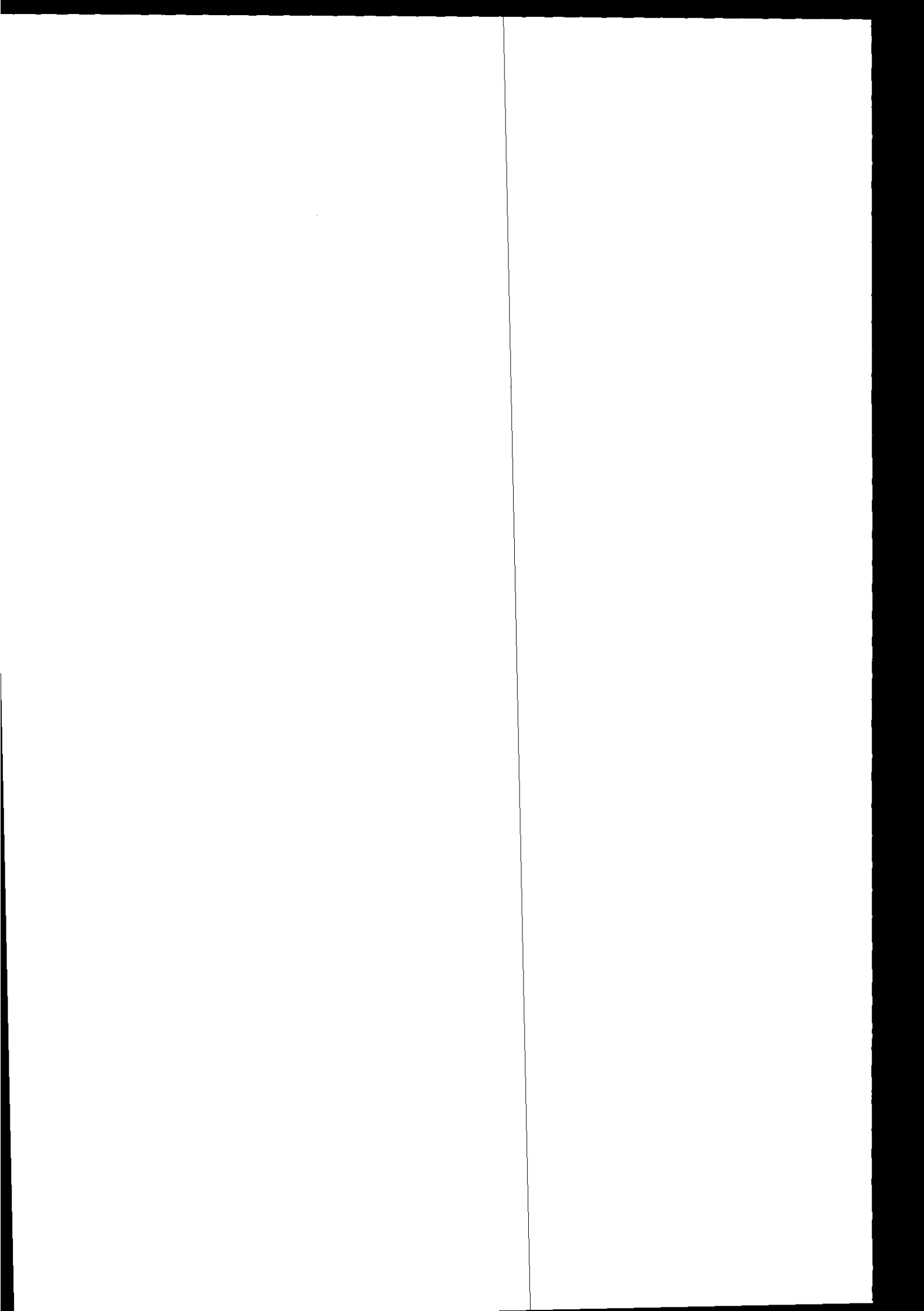
	Year to 28.12.2002 Number	Year to 29.12.2001 Number
Production	266	327
Sales	24	28
Administration	40	52
	<u>330</u>	<u>407</u>
	Year to 28.12.2002 £'000	Year to 29.12.2001 £'000
Staff costs (for the above persons):		
Wages and salaries	7,853	9,828
Social security costs	778	978
Other pension costs	426	573
	<u>9,057</u>	<u>11,379</u>

7 Interest receivable and similar income

	Year to 28.12.2002 £'000	Year to 29.12.2001 £'000
On bank deposits or similar	60	24
Imputed interest on deferred consideration	141	124
	<u>201</u>	<u>148</u>

8 Interest payable and similar charges

	Year to 28.12.2002 £'000	Year to 29.12.2001 £'000
On bank loans and overdrafts	7	213
Imputed interest on deferred consideration	772	834
On finance leases	7	26
	<u>786</u>	<u>1,073</u>



Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

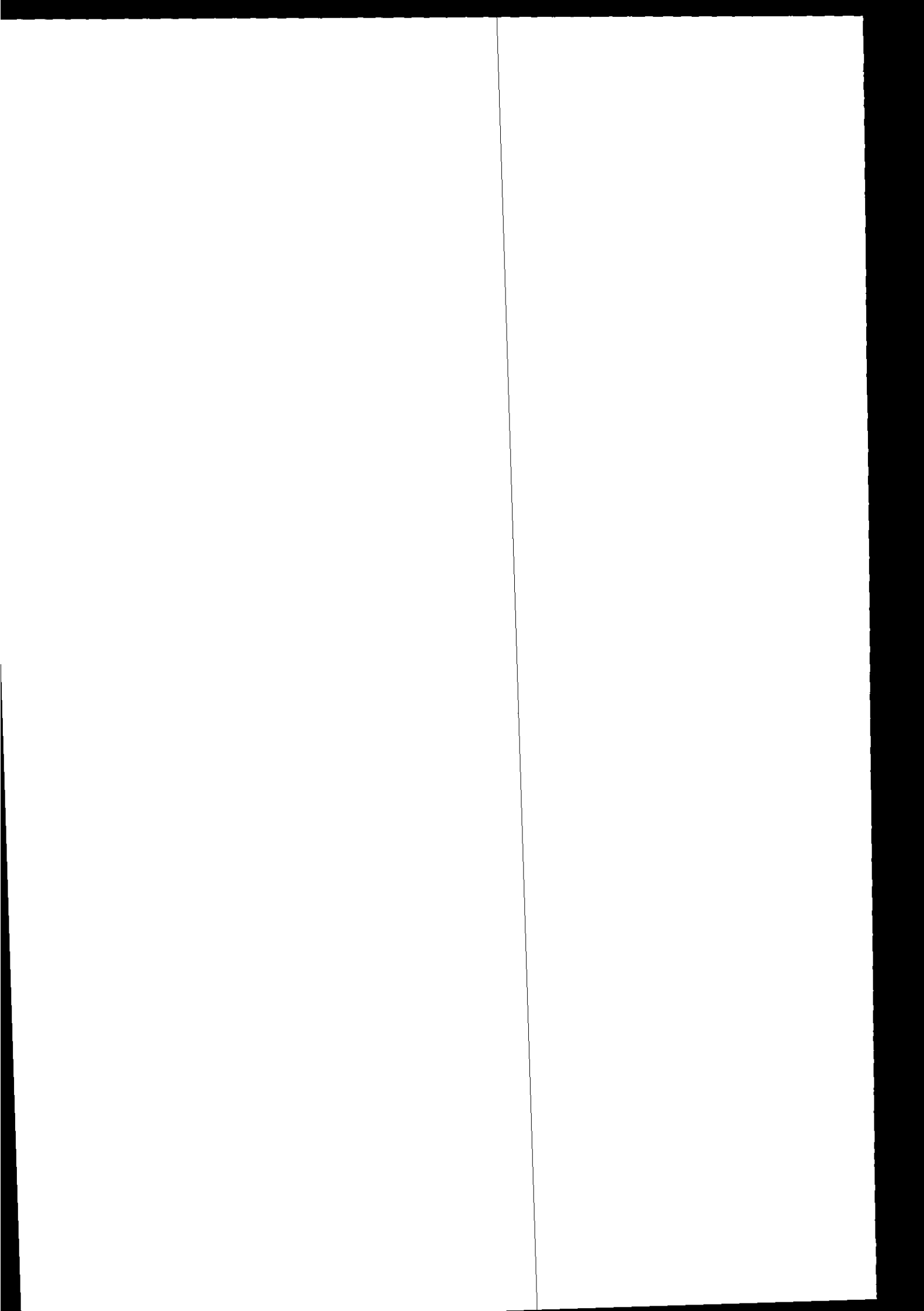
9 Loss on ordinary activities before taxation

	Year to 28.12.2002 £'000	Year to 29.12.2001 £'000
Loss on ordinary activities before taxation is stated after charging:		
Amortisation of intangible assets	565	1,110
Impairment of goodwill	-	14,013
Depreciation charge for the year:		
Tangible owned assets	4,152	4,215
Tangible fixed assets held under finance leases	213	226
Auditors' remuneration for:		
Audit	61	74
Other services	43	41
Hire of plant and machinery - operating leases	95	31
Hire of other assets - operating leases	96	236
	<hr/>	<hr/>

10 Tax on loss on ordinary activities

	Year to 28.12.2002 £'000	Year to 29.12.2001 £'000
Deferred taxation		
Origination and reversal of timing differences	178	-
	<hr/>	<hr/>

The company made a taxable profit in the period which has been offset against taxable losses brought forward and therefore the company has no UK Corporation Tax liability.



Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

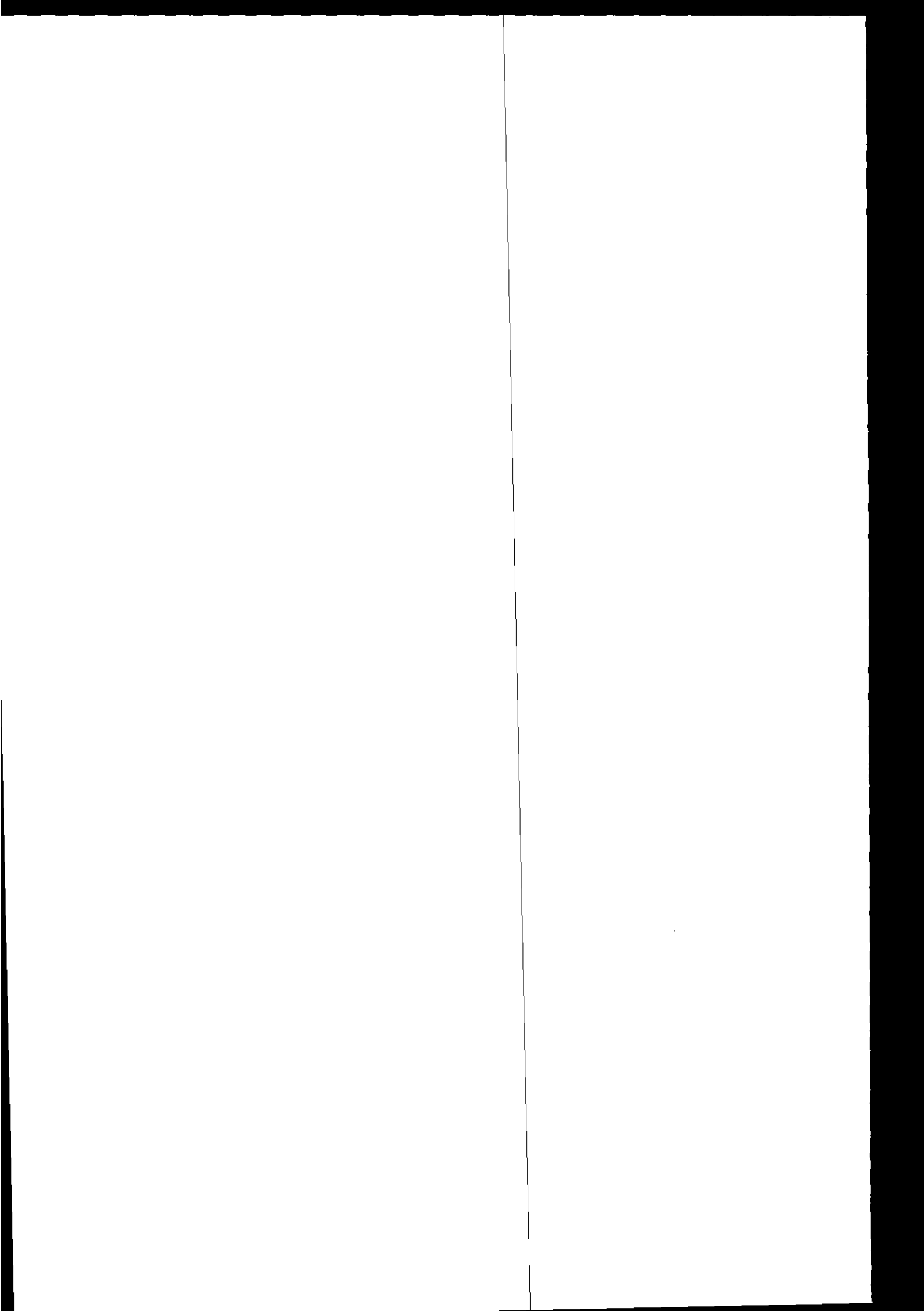
11 Intangible assets

	Licence £'000
Cost	
At 29 December 2001	2,763
Additions	61
At 28 December 2002	2,824
Amortisation	
At 29 December 2001	234
Charge for the year	565
At 28 December 2002	799
Net book value	
At 28 December 2002	2,025
At 29 December 2001	2,529

12 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 29 December 2001	22,468	26,294	4,428	53,190
Additions	-	1,389	296	1,685
Disposals	-	(234)	-	(234)
At 28 December 2002	22,468	27,449	4,724	54,641
Depreciation				
At 29 December 2001	1,801	7,897	2,757	12,455
Charge for the year	480	3,090	795	4,365
Asset impairment	-	110	-	110
Disposals	-	(155)	-	(155)
At 28 December 2002	2,281	10,942	3,552	16,775
Net book value				
At 28 December 2002	20,187	16,507	1,172	37,866
At 29 December 2001	20,667	18,397	1,671	40,735

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 £91,000 (29.12.2001: £304,000) in respect of assets held under finance leases.



Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

13 Investments

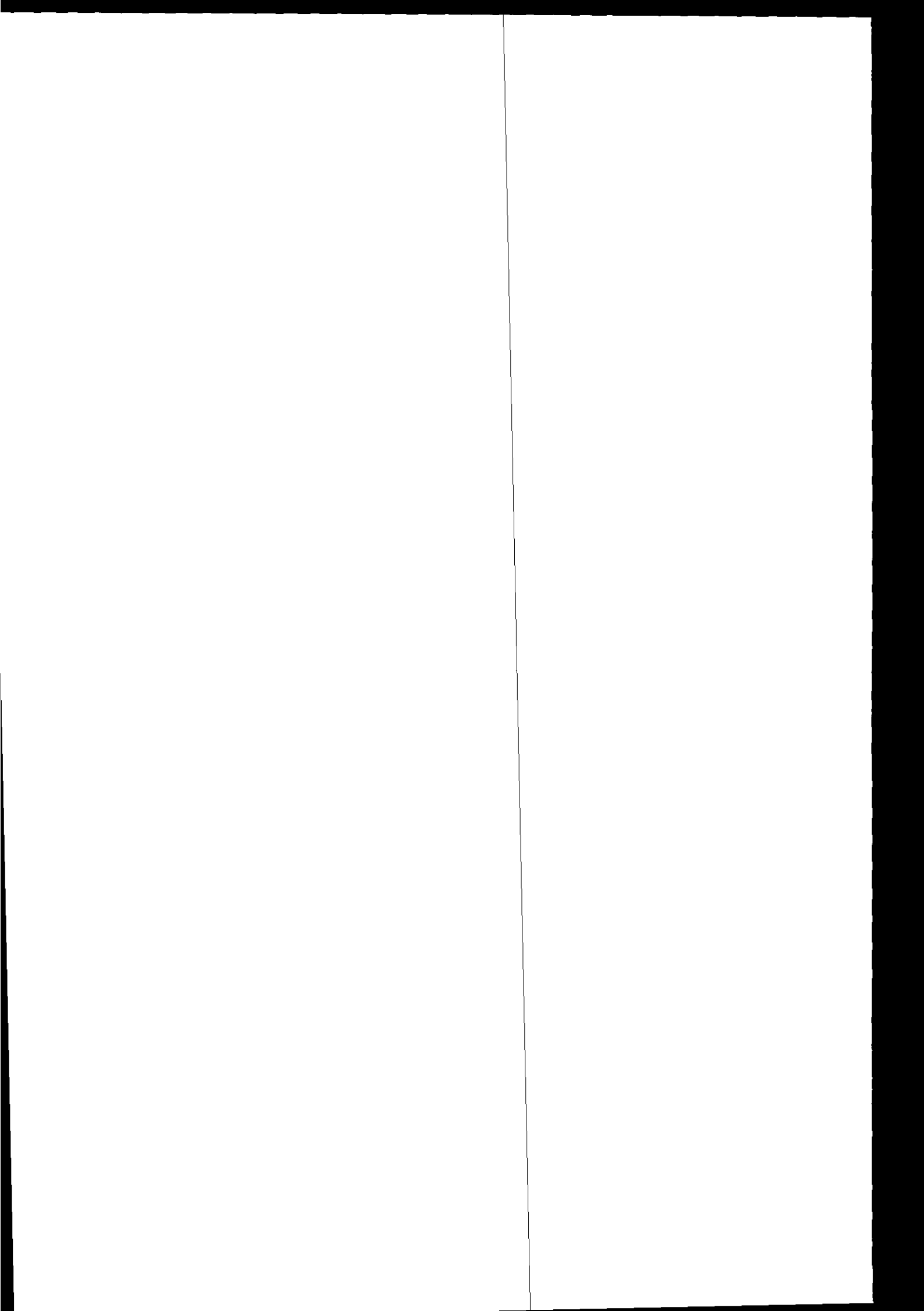
Interests in group undertakings

				£'000
At 29 December 2001 and 28 December 2002				100
<hr/>				
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

	28.12.2002 £'000	29.12.2001 £'000
Raw materials	3,189	3,446
Finished goods	3,170	2,663
	<hr/> 6,359 <hr/>	<hr/> 6,109 <hr/>



Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

15 Debtors

	28.12.2002 £'000	29.12.2001 £'000
Trade debtors	14,034	12,894
Amounts owed by group undertakings	311	198
Other debtors	318	1,142
Prepayments and accrued income	384	434
Deferred consideration	1,118	2,299
	<u>16,165</u>	<u>16,967</u>

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

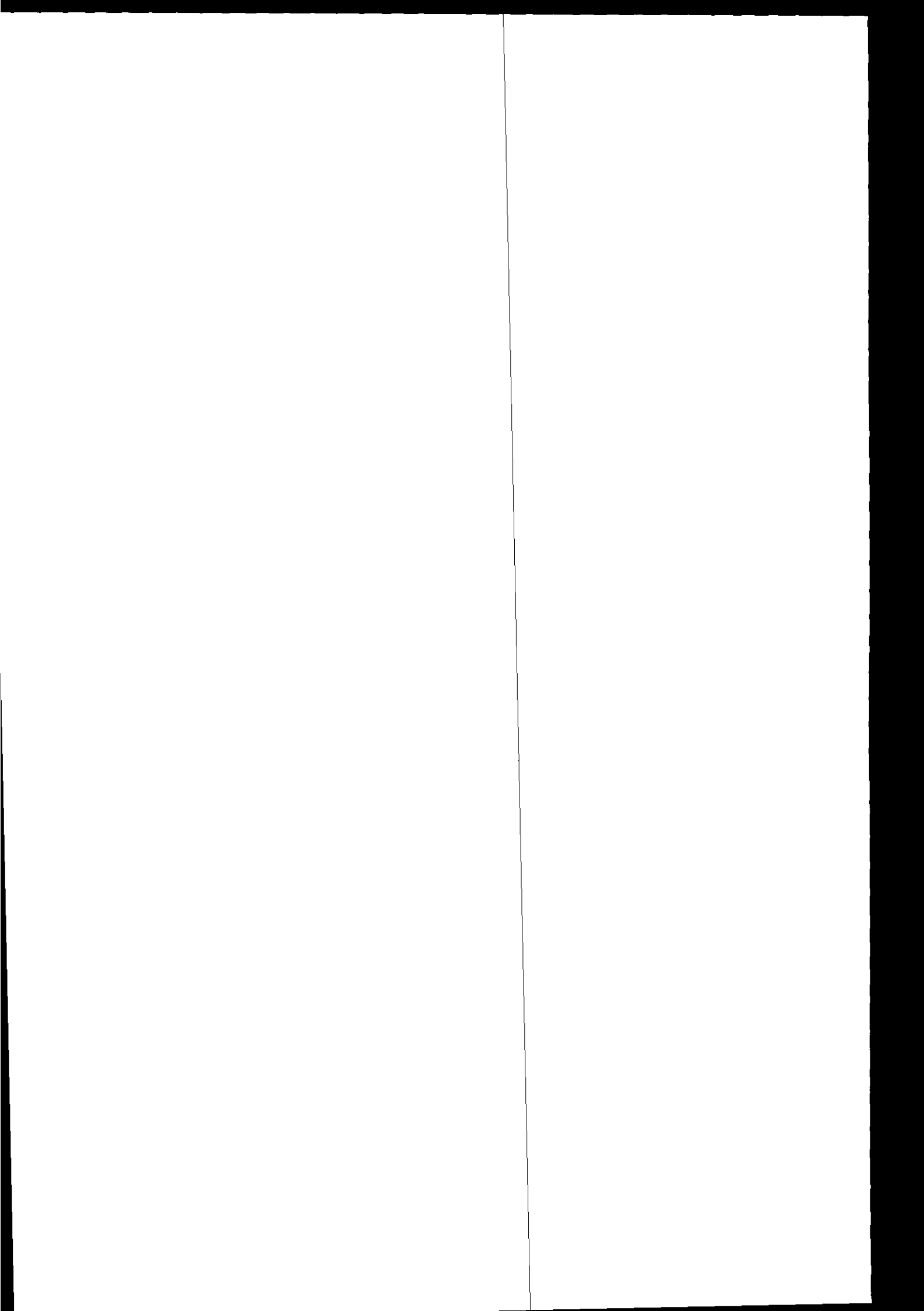
All amounts fall due within one year except for the deferred consideration relating to the sale of the Featherstone site, which is receivable on 22 May 2005.

The deferred consideration relating to the sale of the assets at the Sawley site has been discounted to its current value using a discount rate of 8.5%.

16 Creditors: amounts falling due within one year

	28.12.2002 £'000	29.12.2001 £'000
Trade creditors	9,737	9,673
Bank overdraft	1,333	-
Obligations under finance leases	36	66
Amounts owed to group undertakings	8,867	939
Other taxation and social security	1,418	1,393
Other creditors and accruals	5,729	3,997
	<u>27,120</u>	<u>16,068</u>

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 28 December 2002 (continued)

17 Creditors: amounts falling due after more than one year

	28.12.2002 £'000	29.12.2001 £'000
Deferred consideration	-	11,572
Obligations under finance leases	-	36
Amounts owed to group undertakings	20,000	24,524
	<u>20,000</u>	<u>36,132</u>

Amounts owed to group undertakings are non-interest bearing, unsecured and have no fixed repayment date.

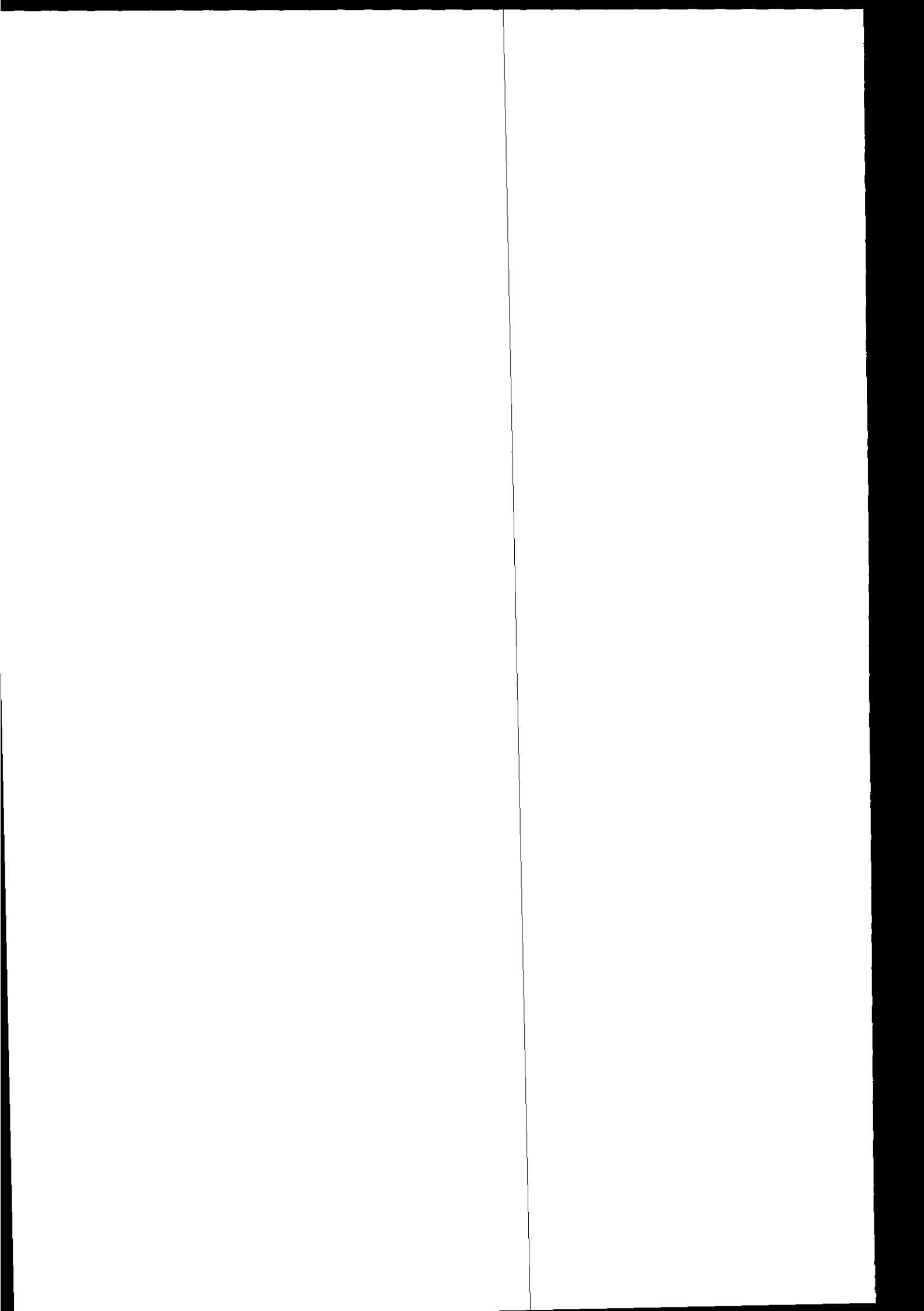
Deferred consideration

The maximum payable deferred consideration of £12,784,000 (discounted above to the current value of £11,572,000 as at 29 December 2001, using discount rate of 7.5%) was due to be paid in May 2003 to the vendor of Hero Drinks Group (UK) Limited. A reduction of £440,000 was obtained for early settlement and £12,344,000 was paid on 6 December 2002.

Finance Leases

The net finance lease obligations to which the company is committed are:

	28.12.2002 £'000	29.12.2001 £'000
In one year or less	36	66
Between one and two years	-	36
	<u>36</u>	<u>102</u>



Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

18 Provisions for liabilities and charges

	28.12.2002 £'000	29.12.2001 £'000
Deferred taxation	878	700

Deferred taxation provided in the financial statements, and the total potential liability including the amounts for which provision has been made, are as follows:

Group	Amount provided 28.12.2002 £'000	Amount provided 29.12.2001 £'000	Amount unprovided 28.12.2002 £'000	Amount unprovided 29.12.2001 £'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	4,920	5,015	-	-
Unrelieved tax losses	(3,837)	(4,140)	-	(115)
Other	(205)	(175)	-	-
	<u>878</u>	<u>700</u>	<u>-</u>	<u>(115)</u>

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 £264,000 (year ended 29.12.2001 : £358,000) for the period.

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 £162,000 (year ended 29.12.2001 : £215,000).

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 2000. The assumptions which have the most significant effect 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 the investment return would be 6% per annum, that salary increases would average 4% per annum, and that pension increases would be 3% per annum on post 1988 Guaranteed Minimum Pension ("GMP"), 3% per annum on non-GMP for executive members and 3% per annum on non-GMP executive members post 5 April 1997 service. The market value of the scheme assets at 1 May 2000 was £9,294,000 and the actuarial value of those assets represented 106% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

19 Pension commitments (continued)

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 company until the year ended 26 December 2005. The FRS has an extended transitional period 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:

	Year to 28.12.2002	Year to 29.12.2001
Rate of Increase in salaries	3.5%	3.5%
Rate of pension increases:		
Pre 88 GMP	Nil	Nil
Post 88 GMP	2.5%	2.5%
a) Ordinary Members		
Pre 6/4/97 excess over GMP	Nil	Nil
Post 5/4/97 excess over GMP	2.5%	2.5%
b) Executive members (excess over GMP)	2.5%	2.5%
Ex-Crystal members (excess over GMP)	3.5%	3.5%
Discount rate	5.75%	6.0%
Inflation	2.5%	2.5%

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

	Long term rate of return expected 28.12. 2002 %	Value at 28.12.2002 £'000	Long term rate of return expected 29.12.2001 %	Value at 29.12.2001 £'000
Equities	7.0	4,928	7.0	6,187
Bonds	4.5	666	4.83	763
<hr/>				
Total market value of assets		5,594		6,950
Present value of scheme liabilities		(9,171)		(8,089)
Deficit in scheme		(3,577)		(1,139)
Related deferred tax asset		1,073		456
Net pension liability		<u>(2,504)</u>		<u>(683)</u>

Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

19 Pension commitments (continued)

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

Movement in the deficit during the year:

	£'000
Deficit 30 December 2001	(1,139)
Movement in the year:	
Current service cost	(205)
Contributions	172
Other finance charge	(17)
Actuarial loss	(2,388)
Deficit 28 December 2002	<u>(3,577)</u>

Operating profit charge

	Year to 28.12.2002
	£'000
Current service cost	<u>205</u>
Total operating charge	<u>205</u>

Finance charge

	Year to 28.12.2002
	£'000
Expected return on pension scheme	470
Interest on pension scheme liabilities	<u>(487)</u>
Net return	<u>(17)</u>

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

	Year to 28.12.2002
	£'000
Actual return loss expected return on pension scheme assets	(1,871)
Experience gains and losses arising on scheme liabilities	20
Changes in assumptions underlying the present value of the scheme liabilities	(537)
Actuarial loss recognised in the STRGL	<u>(2,388)</u>

Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

19 Pension commitments (continued)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 28 December 2002 and 29 December 2001 would be as follows:

	28.12.2002 £'000	29.12.2001 £'000
Net assets excluding pension liability	14,517	15,211
Net pension liability	(2,504)	(683)
	<hr/>	<hr/>
Net assets including pension liability	12,013	14,528
	<hr/>	<hr/>
Profit and loss reserve excluding pension liability	(46,873)	(46,179)
Net pension reserve	(2,504)	(683)
	<hr/>	<hr/>
Profit and loss reserve including pension liability	(49,377)	(46,862)
	<hr/>	<hr/>

History of experience gains and losses

	Year to 28.12.2002
Difference between the expected and actual return on scheme assets	
Amount	(£1,871,000)
Percentage of scheme assets	(33%)
Experience gains and losses arising on the scheme liabilities	
Amount	£20,000
Percentage of the present value of the scheme liabilities	0.2%
Total amount recognised in the STRGL	
Amount	(£2,388,000)
Percentage of the present value of the scheme liabilities	(26%)

Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

20 Called up share capital

	28.12.2002 £'000	29.12.2001 £'000
Authorised		
2,000 redeemable preference shares of £1 each	2	2
74,998,000 ordinary shares of £1 each	74,998	74,998
	<u>75,000</u>	<u>75,000</u>
Allotted, called up and fully paid		
2,000 redeemable preference shares of £1 each	2	2
49,623,610 ordinary shares of £1 each	49,623	49,623
	<u>49,625</u>	<u>49,625</u>

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 29 December 2001	(46,179)
Deficit for the year	(694)
At 28 December 2002	<u>(46,873)</u>

The profit and loss account reserve includes a goodwill reserve of £9,705,000 (29.12.2001 : £9,705,000).

Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

22 Reconciliation of movements in equity shareholders' funds

	28.12.2002 £'000	29.12.2001 £'000
Opening equity shareholders' funds (2001 originally £33,301,000 before adding prior year adjustment of £480,000)	15,209	33,781
Deficit for the financial year	(694)	(18,572)
Closing equity shareholders' funds	<u>14,515</u>	<u>15,209</u>

23 Financial commitments

At 28 December 2002, the company had annual commitments under non-cancellable operating leases as follows:

	28.12.2002 £'000	29.12.2001 £'000
Expiring within one year	250	108
Expiring between one and two years inclusive	199	57
Expiring between two and five years	149	10
	<u>598</u>	<u>175</u>

24 Capital Commitments

Capital expenditure contracted but not provided for in the financial statements amounts to £676,000 (29.12.2001 : £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 is included, are available at the address noted in note 26.

Cott Beverages Limited

Notes to the financial statements for the year ended 28 December 2002 (continued)

26 Ultimate Parent Company

The directors regard Cott Retail Brands Limited, a company registered in England and Wales, as the 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 statements may be obtained from The Secretary, Cott Retail Brands Limited, Citrus Grove, Side Ley, Kegworth, Derbyshire, DE74 2FJ.

27 Acquisitions

On 28 December 2002, Cott Beverages Limited acquired the trade and assets of a fellow group undertaking, Cott Europe Trading Limited.

The assets and liabilities acquired are set out below:

	Cott Europe Trading Limited
	£'000
Current assets	
Stocks	41
Debtors	1,146
Cash at bank and in hand	218
	<hr/>
	1,405
Current liabilities	
Creditors	(1,041)
Net Assets	364
	<hr/>
Satisfied by cash	<u>364</u>

The profit after tax of Cott Europe Trading Limited for its year ended 28 December 2002, was £308,000, and for its year ended 29 December 2001, was £696,000. In the opinion of the directors there was no material difference between the book value of Cott Europe Trading Limited assets and liabilities acquired.

