Cott Beverages Limited

Report and financial statements for the 11 months ended 2 January 1999

Registered No: 2836071

Cott Beverages Limited

Report and financial statements for the 11 months ended 2 January 1999

Cott Beverages Limited

Directors and advisers

Directors

Neil A Thompson (Chairman)
Simon E G Lester
Brian R Mackie
Jonathan H Skofic
Raymond P Silcock

Secretary

Hackwood Secretaries Limited
One Silk Street
London
EC2Y 8HQ

Registered office

Citrus Grove
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Derby
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Registered Auditors

PricewaterhouseCoopers
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Solicitors

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Linklaters & Paines
One Silk Street
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Bankers

Lloyds Bank Plc
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Directors' report
for the 11 months ended 2 January 1999

The directors present their report and the audited group financial statements for the 11 months ended 2 January 1999.

Principal activities

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

Review of business and future developments

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

During the period the company made good progress towards the complete integration of the Hero Drinks business which had been acquired in November 1997. The newly enlarged business performed satisfactorily, but was held back by depressed sales during the Summer as a result of very poor weather. Sales were also adversely affected by the market disruption caused by the benzene contamination scare which hit the whole soft drinks industry.

The market remained intensely competitive, and the need to be ever more cost efficient led to a decision to close the Featherstone factory, and to centralise all administration functions at Kegworth. The costs of closure and other related centralisation initiatives have been provided in the period to 2 January 1999, and the closure is expected to be completed by no later than October 1999.

The directors remain confident that the company will continue to be a significant and growing player in the UK soft drinks industry.

On 22 April 1998 the company allotted and issued 2,000,000 ordinary shares at par to provide further capital for the business.

The company has presented group financial statements for the period ended 2 January 1999.

Dividends

The directors do not recommend the payment of a dividend in respect of the 11 months ended 2 January 1999 (1998: nil).

Directors

The directors at 2 January 1999, who held office throughout the period, unless otherwise stated, were:
S E G Lester
B R Mackie
J H Skofic
N A Thompson was appointed as a director and chairman on 10 March 1999
RP Silcock was appointed as a director on 10 March 1999.

Cott Beverages Limited

Directors' interests in shares of the company

The Directors' have no interest in the shares of any group companies.

Payment to suppliers

It is the groups' 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.

Employees

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins 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.

Millennium Programme

The Year 2000 problem is concerned with dates being correctly handled by computer systems before, during and after the Millennium period. Cott has classified the issues as relating to software applications, manufacturing embedded chips, supply chains, telecommunications and personal computers.

Cott Corporation, the ultimate parent Company, has established a Year 2000 Steering Committee. This programme is led by a project sponsor, supported by a group of technical staff, including staff from the UK business. The Steering Committee is overseeing the project to make all business critical products, operations and internal processes millennium compliant, and ensure that the required upgrades to software, and other changes necessary, are made.

During 1998, the group prepared a global corporate inventory and a Year 2000 Impact Assessment was conducted. An action plan was put in place to ensure the various Year 2000 critical issues are addressed in the necessary timescale.

Year 2000 problems are complex and it is not possible to guarantee all problems will be resolved. However, the directors believe appropriate procedures are in place and that issues will be dealt with promptly as they arise.

The total estimated cost of Year 2000 compliance is £398,000, of which £214,000 is capital expenditure and £184,000 is revenue expenditure. £41,000 has been expensed in the profit and loss account in the period.

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 period ended 2 January 1999. 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

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998 and the Directors' appointed the new firm PricewaterhouseCoopers as auditors.

By order of the board

Hackwood Secretaries Limited
Company Secretary

30 March 1999

Report of the auditors to the members of Cott Beverages Limited

We have audited the financial statements on pages 6 to 22, which have been prepared under the historical cost convention, and the accounting policies, on pages 8 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 4 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

Basis of 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 group'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 affairs of the company and the group at 2 January 1999 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

30 March 1999

Cott Beverages Limited

Consolidated Profit and loss account for the 11 months ended 2 January 1999

	Note	11 months to 2.1.1999 before exceptional items £'000	11 months to 2.1.1999 exceptional items £'000	11 months to 2.1.1999 after exceptional items £'000	Year to 31.1.1998 £'000
Turnover - continuing operations		127,032	-	127,032	82,520
- discontinued operations		-	-	-	6,722
Total turnover	2	127,032	-	127,032	89,242
Cost of sales	3	(103,633)	(5,145)	(108,778)	(70,390)
Gross profit		23,399	(5,145)	18,254	18,852
Net operating expenses	3	(18,586)	(3,547)	(22,133)	(17,880)
Operating profit					
- continuing operations		4,813	(8,692)	(3,879)	850
- discontinued operations		-	-	-	122
(Loss)/profit before interest and taxation		4,813	(8,692)	(3,879)	972
Interest receivable	6			88	28
Interest payable	7			(6,202)	(1,962)
Loss on ordinary activities before taxation	8			(9,993)	(962)
Tax on loss on ordinary activities	9			-	-
Loss for the period				(9,993)	(962)

The company and the group have no recognised gains and losses other than those included 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 period stated above, and their historical cost equivalents.

Cott Beverages Limited

Consolidated Balance sheet at 2 January 1999

	Notes	Group 2.1.1999 £'000	Company 2.1.1999 £'000	Group 31.1.1998 £'000	Company 31.1.1998 £'000
Fixed assets					
Tangible assets	11	52,607	52,607	57,322	57,322
Intangible fixed assets	12	25,906	25,906	27,431	32,474
Investments	13	-	142	-	34,357
		78,513	78,655	84,753	124,153
Current assets					
Stocks	14	11,642	11,642	13,957	13,957
Debtors	15	25,225	25,225	26,900	56,500
Cash at bank and in hand		81	81	315	315
		36,948	36,948	41,172	70,772
Creditors: amounts falling due within one year	16	(35,816)	(35,958)	(36,551)	(37,226)
Net current assets		1,132	990	4,621	33,546
Total assets less current liabilities		79,645	79,645	89,374	157,699
Creditors: amounts falling due after more than one year	17	(53,009)	(53,009)	(58,015)	(127,015)
Provisions for liabilities and charges	18	(2,960)	(2,960)	(1,502)	(1,502)
Accruals and deferred income	19	(153)	(153)	(169)	(169)
		(56,122)	(56,122)	(59,686)	(128,686)
Net assets		23,523	23,523	29,688	29,013
Capital and reserves					
Called up share capital	21	34,228	34,228	32,228	32,228
Share premium account	22	11,765	11,765	11,765	11,765
Profit and loss account (1)	22	(22,470)	(22,470)	(14,305)	(14,980)
Equity shareholders' funds	23	23,521	23,521	29,686	29,011
Non-equity shareholders' funds		2	2	2	2
Total shareholders' funds		23,523	23,523	29,688	29,013

(1) Restated - see note 1 on accounting policies.

The financial statements on pages 6 to 22 were approved by the board of directors on 30 March 1999 and were signed on its behalf by:

Neil A Thompson
Director

Brian R Mackie
Director

Notes to the financial statements for the period ended 2 January 1999

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

The cash flows of the group are included in the consolidated cashflow statement of Cott Corporation, the ultimate parent company. 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 in accordance with the historical cost convention.

Basis of consolidation

The group financial statements include the financial statements for the company and all its subsidiary undertakings made up to 2 January 1999. 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.

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%
Plant and machinery	8.3%
Fixtures and fittings	10%
Motor vehicles	25%
Computer hardware and software	20%

Leasehold improvements are written off over the period 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 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.

Finance costs of raising debt

The finance costs of raising debt are deferred and offset against the relevant debt. The costs are charged to the profit and loss account over the term of the debt.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the asset's useful life.

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. Cost includes transport and handling costs as appropriate. 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

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. Previously, with the exception of the Hero acquisition, goodwill was written off to reserves in the year of acquisition. Financial Reporting Standard 10 'Goodwill and intangible assets' has been adopted and, consequently, the balance on the goodwill reserve for 31 January 1998 has been eliminated against the profit and loss account reserve under the transitional arrangements of FRS 10.

Deferred Development

The accounting policy for deferred development has changed during the period. Costs incurred in the development of new packaging will now be expensed to the profit and loss account as incurred. Previously, they were amortised over their expected useful life of three years. The effect on this period's profit and loss account is not material.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced amounts derived from the manufacture and sale of soft drinks.

Foreign currencies

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

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

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.

2 Turnover

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

	11 months to 2.1.1999 £'000	Year to 31.1.1998 £'000
United Kingdom	**123,770**	82,396
Rest of Europe	**3,262**	6,774
Rest of World	**-**	72
	127,032	89,242

3 Cost of sales/net operating expenses

Cost of sales

	11 months to 2.1.1999 before exceptional items £'000	11 months to 2.1.1999 exceptional items £'000	11 months to 2.1.1999 after exceptional items £'000	Year to 31.1.1998 £'000
Continuing operations	103,633	5,145	108,778	64,246
Discontinued operations	-	-	-	6,144
Total cost of sales	103,633	5,145	108,778	70,390

Net operating expenses

	11 months to 2.1.1999 before exceptional items £'000	11 months to 2.1.1999 exceptional items £'000	11 months to 2.1.1999 after exceptional items £'000	Year to 31.1.1998 £'000
Continuing operations:				
Distribution costs	7,494	-	7,494	9,978
Administrative expenses	11,092	3,547	14,639	7,446
	18,586	3,547	22,133	17,424
Discontinued operations:				
Distribution costs			-	-
Administrative expenses			-	456
			-	456
Total:				
Distribution costs			7,494	9,978
Administrative expenses			14,639	7,902
Total net operating expenses			22,133	17,880

The exceptional costs of £8,692,000 relate to the write-down of fixed assets at Featherstone (£1,805,000), the write-down of other fixed assets (£455,000), costs of closure of Featherstone, (principally severance and equipment relocation) (£1,895,000), the write-down of goodwill (£1,828,000) , and other costs relating to centralisation and miscellaneous one-off items (£2,709,000).

4 Directors' emoluments

	11 months to 2.1.1999 £'000	Year to 31.1.1998 £'000
Aggregate emoluments	288	108
Company pension contributions to money purchase schemes	29	13

There are no directors' to whom retirement benefits are accruing under a defined benefit pension scheme.

Highest paid director

	11 months to 2.1.1999 £'000	Year to 31.1.1998 £'000
Aggregate emoluments	**171**	-
Company pension contributions to money purchase schemes	**14**	-

Last year Messrs Lester and Mackie, who are also directors of Cott Retail Brands Limited were paid by that company. No apportionment of their costs was made and accordingly their emoluments were disclosed in that company's financial statements.

This year Mr Skofic's emoluments were paid by Cott Europe Trading Limited for his services to that company. No amounts have been specifically recharged or apportioned to the company, and accordingly his emoluments are disclosed in the financial statements of Cott Europe Trading Limited.

5 Employee information

Group and Company

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

	11 months to 2.1.1999 Number	Year to 31.1.1998 Number
Production	**570**	225
Sales	**25**	17
Administration	**100**	101
	695	343

	11 months to 2.1.1999 £'000	Year to 31.1.1998 £'000
Staff costs (for the above persons):		
Wages and salaries	**14,206**	7,214
Social security costs	**1,366**	719
Other pension costs	**771**	410
	16,343	8,343

6 Interest receivable and similar income

	11 months to 2.1. 1999 £'000	Year to 31.1.1998 £'000
On bank deposits or similar	**88**	28

7 Interest payable and similar charges

	11 months to 2.1.1999 £'000	Year to 31.1.1998 £'000
On bank loans and overdrafts	**4,646**	1,089
Amorisation of funding costs	**294**	53
Imputed interest on deferred consideration	**1,195**	208
On finance leases	**67**	34
Due to group undertakings	**-**	578
	6,202	1,962

8 Loss on ordinary activities before taxation

	11 months to 2.1.1999 £'000	Year to 31.1.1998 £'000
Loss on ordinary activities before taxation is stated after (crediting)/charging:		
Amortisation of intangible assets	**1,428**	345
Depreciation charge for the year:		
Tangible owned assets	**4,287**	2,456
Tangible fixed assets held under finance leases	**435**	57
Exceptional fixed asset write-down	**2,260**	-
Write-off of goodwill	**1,828**	-
Amortisation of government grant	**(16)**	(16)
Auditors remuneration for:		
Audit (Group and company)	**165**	50
Other services	**153**	1,041
Hire of plant and machinery - operating leases	**650**	94
Hire of other assets - operating leases	**-**	50

9 Tax on loss on ordinary activities

The company has incurred taxable losses during the period and therefore has no UK Corporation tax liability.

10 Loss for the Financial Period

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company loss for the financial period was £9,318,000 (1998: £1,637,000).

11 Tangible fixed assets

Group and Company	Land and buildings £'000	Plant and machinery £'000	Motor Vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 31 January 1998	24,455	35,740	80	2,395	62,670
Additions	148	1,881	-	667	2,696
Disposals	(16)	(3,171)	(20)	(20)	(3,227)
At 2 January 1999	**24,587**	**34,450**	**60**	**3,042**	**62,139**
Depreciation					
At 31 January 1998	486	4,640	13	209	5,348
Charge for the period	555	3,742	7	418	4,722
Asset write down	-	2,260	-	-	2,260
Disposals	(5)	(2,757)	(16)	(20)	(2,798)
At 2 January 1999	**1,036**	**7,885**	**4**	**607**	**9,532**
Net book value					
At 2 January 1999	**23,551**	**26,565**	**56**	**2,435**	**52,607**
At 31 January 1998	23,969	31,100	67	2,186	57,322

The assets are subject to a fixed and floating charge in favour of Lloyds Bank plc.

The net book value of tangible fixed assets includes an amount of £2,399,000 (1998 : £2,938,000) in respect of assets held under finance leases.

12 Intangible fixed assets

	Group			Company		
	Deferred development £'000	Goodwill £'000	Total £'000	Deferred Development £'000	Goodwill £'000	Total £'000
Cost						
At 31 January 1998	772	27,389	28,161	772	32,432	33,204
Write down of assets	(104)	-	(104)	(104)	(5,043)	(5,147)
Additions	133	-	133	133	-	133
Disposal	(801)	-	(801)	(801)	-	(801)
At 2 January 1999	**-**	**27,389**	**27,389**	**-**	**27,389**	**27,389**
Amortisation						
At 31 January 1998	502	228	730	502	228	730
Charge for the year	173	1,255	1,428	173	1,255	1,428
Disposals	(675)	-	(675)	(675)	-	(675)
At 2 January 1999	**-**	**1,483**	**1,483**	**-**	**1,483**	**1,483**
Net book value						
At 2 January 1999	**-**	**25,906**	**25,906**	**-**	**25,906**	**25,906**
At 31 January 1998	270	27,161	27,431	270	32,204	32,474

Following a review of accounting policies the intangible element of deferred development was written off in the period.

13 Investments

Company Interests in group undertakings

	Company £'000
At 31 January 1998	34,357
Written down in the period as a result of dividend paid out of pre-acquisition profits	(34,215)
At 2 January 1999	**142**

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 (formerly Hero Drinks Group (UK) Ltd)	UK	Ordinary shares of 10p each	100%	100%
Cott UK Limited	UK	Ordinary shares of £1 each	100%	100%
Carters Drinks Group Limited	UK	Ordinary shares of £1 each	100%	-
Carters Packaging Limited	UK	Ordinary shares of £1 each	100%	-
Carters Gold Medal Soft Drinks Limited	UK	Ordinary shares of 10p each	100%	-

All the above companies are non-trading.

14 Stocks

Group and Company	2.1.1999 £'000	31.1.1998 £'000
Raw materials	**6,502**	7,751
Finished goods	**5,140**	6,206
	11,642	13,957

15 Debtors

	Group 2.1.1999 £'000	Company 2.1.1999 £'000	Group 31.1.1998 £'000	Company 31.1.1998 £'000
Amounts falling due within one year				
Trade debtors	**19,220**	**19,220**	17,387	17,387
Amounts owed by group undertakings	**4,000**	**4,000**	5,378	5,378
Corporation tax recoverable	**227**	**227**	196	196
Other debtors	**382**	**382**	3,383	3,383
Prepayments and accrued income	**1,396**	**1,396**	556	556
	25,225	**25,225**	26,900	26,900
Amounts falling due after one year				
Amounts owed by group undertakings	**-**	**-**	-	29,600
	25,225	**25,225**	26,900	56,500

The amounts owed by group undertakings shown as falling due within one year are payable on demand and non interest bearing. The amounts owed by group undertakings shown as falling due after one year was a 10 year loan note repayable on 31 December 2008. Interest was chargeable at 10% per annum. The loan was repaid during the period.

16 Creditors: amounts falling due within one year

	Group 2.1.1999 £'000	Company 2.1.1999 £'000	Group 31.1.1998 £'000	Company 31.1.1998 £'000
Bank loans and overdrafts, net of finance costs (see note 17)	**9,278**	**9,278**	6,778	6,778
Trade creditors	**8,580**	**8,580**	12,833	12,833
Obligations under finance leases	**504**	**504**	619	619
Amounts owed to group undertakings	**3,264**	**3,406**	3,809	4,484
Other taxation and social security	**2,213**	**2,213**	477	477
Other creditors and accruals	**11,977**	**11,977**	12,035	12,035
	35,816	**35,958**	36,551	37,226

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

17 Creditors: amounts falling due after more than one year

	Group 2.1.1999 £'000	Company 2.1.1999 £'000	Group 31.1.1998 £'000	Company 31.1.1998 £'000
Bank loans, net of finance costs	**34,419**	**34,419**	40,173	40,173
Amounts owed to group undertakings	**-**	**-**	-	69,000
Deferred consideration	**18,029**	**18,029**	16,834	16,834
Obligations under finance leases	**561**	**561**	1,008	1,008
	53,009	**53,009**	58,015	127,015

Bank loans and overdrafts

The bank loans and overdrafts are secured by fixed and floating charges over the company's assets. They are repayable as follows:

	Gross debt £'000	Finance costs £'000	Net debt £'000
In one year or less	9,599	(321)	9,278
Between one and two years	1,500	(321)	1,179
Between two and five years	25,000	(964)	24,036
Over five years	9,500	(296)	9,204
	45,599	(1,902)	43,697

Amounts owed to group undertakings

The loan of £69,000,000 from a subsidiary company was a 10 year loan note repayable on 31 December 2008. Interest was chargeable at 2% above bank base rate. This loan was repaid during the period.

Deferred consideration

The deferred consideration is the present value of the likely and maximum amount payable to the vendor of Hero Drinks Group (UK) Limited if the acquired business achieves certain performance targets. The maximum payable is £20,500,000, with repayment dates as follows:

	£'000
Between one and two years	10,000
Between two and five years	10,500
	20,500

The consideration has been discounted to the current value of £18,029,000 using a discount rate of 7.5%.

Finance Leases

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

	2.1.1999 £'000	31.1.1998 £'000
In one year or less	**504**	619
Between one and two years	**300**	448
Between two and five years	**261**	560
	1,065	1,627

18 Provisions for liabilities and charges

Group and Company	Deferred taxation £'000	Other Provisions £'000	Total £'000
At 31 January 1998	700	802	1,502
Profit and loss account	-	2,260	2,260
Utilised in period	-	(802)	(802)
At 2 January 1999	**700**	**2,260**	**2,960**

Other provisions relate to costs associated with the closure of the Featherstone factory and centralisation of the administration functions at Kegworth.

Deferred taxation

	Amount provided 2.1.1999 £'000	Amount provided 31.1.1998 £'000	Amount unprovided 2.1.1999 £'000	Amount unprovided 31.1.1998 £'000
Tax effect of timing differences because:				
Excess of capital allowances over depreciation	**700**	700	**3,902**	3,802
Unrelieved tax losses	**-**	-	**(1,458)**	(1,508)
Other	**-**	-	**(840)**	(635)
	700	700	**1,604**	1,659

19 Accruals and deferred income

Group and Company Government grants

	£'000
At 31 January 1998	169
Amortised in the period	(16)
At 2 January 1999	**153**

20 Pension and similar obligations

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 cost charge represents contributions payable by the company, and amounted to £457,000 (1998: £339,000) for the period. An amount of £18,000 (1998: £11,000) is included in creditors in respect of contributions payable to the schemes.

The company also operates the Crystal Drinks Limited Retirement 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 £113,000 (1998: £26,000). An amount of £13,000 is included in creditors in respect of contributions payable to the scheme (1998: £8000 was repayable in respect of amounts overpaid)

The pension cost for the Crystal Drinks Limited Retirement Benefit Scheme is assessed in accordance with the advice of an independent qualified actuary using the aggregate method. The latest actuarial valuation of the scheme was at 28 February 1997. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment return would be 8.5% per annum and that salary increases would average 6% per annum. At the date of the latest actuarial valuation, the market value of the assets of the scheme was £1,200,000 and the actuarial value of the assets was sufficient to cover 116% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees remain at 12% and 5% respectively.

The company also operates the Hero Drinks Group 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 £201,000 (1998: £38,000). An amount of nil (1997: £39,000) is included in creditors in respect of contributions payable to the scheme.
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 1997. 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 the investment return would be 9% per annum, that salary increases would average 7.5% per annum, and that pension increases would be 5% per annum on post 1988 Guaranteed Minimum Pension ("GMP"), 5% per annum on non-GMP for executive members and 5% per annum on non-GMP executive members post 5 April 1997 service. The market value of the scheme assets at 1 May 1997 was £4,818,263 and the actuarial value of those assets represented 126% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

The company is in the process of merging the Crystal Drinks scheme with the Hero Drinks scheme, which will result in the winding up of the Crystal scheme in due course.

21 Group and Company Called up share capital

	2.1.1999	31.1.1998
	£'000	£'000
Authorised		
2,000 redeemable preference shares of £1 each	**2**	2
49,998,000 ordinary shares of £1 each	**49,998**	49,998
	50,000	50,000
Allotted, called up and fully paid		
2,000 redeemable preference shares of £1 each	**2**	2
34,226,610 (1998: 32,226,610) ordinary shares of £1 each	**34,226**	32,226
	34,228	32,228

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.

On 22 April 1998 the company allotted and issued 2,000,000 ordinary shares at par to provide further capital for the business.

22 Reserves

	Group Share Premium Account £'000	Group Profit and Loss Account £'000	Company Share premium account £'000	Company Profit and loss account £'000
At 31 January 1998	11,765	(14,305)	11,765	(14,980)
Loss for the period	-	(9,993)	-	(9,318)
Goodwill written off through the profit and loss account in the period	-	1,828	-	1,828
At 2 January 1999	**11,765**	**(22,470)**	**11,765**	**(22,470)**

Goodwill written off, previously shown separately, has been combined with the profit and loss account reserve.

23 Reconciliation of movements in equity shareholders' funds

	Group 2.1.1999 £'000	**Company 2.1.1999 £'000**	Group 31.1.1998 £'000	Company 31.1.1998 £'000
Opening equity shareholders' funds	**29,686**	**29,011**	12,250	12,250
Share capital introduced	**2,000**	**2,000**	20,226	20,226
Loss for the financial period	**(9,993)**	**(9,318)**	(962)	(1,637)
Goodwill written off	**1,828**	**1,828**	(1,828)	(1,828)
Closing equity shareholders' funds	**23,521**	**23,521**	29,686	29,011

24 Financial commitments

At 2 January 1999, the company had annual commitments under non-cancellable operating leases as follows:

	2.1.1999 £'000	31.1.1998 £000
Expiring within one year	**545**	18
Expiring between one and two years inclusive	**368**	339
Expiring between two and five years	**184**	-
	1,097	357

25 Capital Commitments

Capital Expenditure contracted but not provided for in the financial statements amounts to £228,000.

26 Related party disclosure

There are no transactions or balances with any related party, including entities in the Cott Corporation Group of Companies which require disclosure under the terms of Financial Reporting Standard No. 8.

27 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 may be obtained from The Secretary, Cott Retail Brands Limited, Citrus Grove, Side Ley, Kegworth, Derby, DE74 2FJ.