

Cott Beverages Limited
(formerly Cott UK Limited)

**Report and financial statements
for the year ended 31 January 1998**

Registered No: 2836071



Cott Beverages Limited
(formerly Cott UK Limited)

**Report and financial statements
for the year ended 31 January 1998**

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Cott Beverages Limited
(formerly Cott UK Limited)

Directors and advisers

Directors

Simon E G Lester (Chairman)
Brian R Mackie
Jonathan H Skofic

Secretary

Hackwood Secretaries Limited
One Silk Street
London
EC2Y 8HQ

Registered office

3rd Floor
5 Princes Gate
London
SW7 1QJ

Registered Auditors

Coopers & Lybrand
1 Embankment Place
London
WC2N 6NN

Solicitors

Linklaters & Paines
One Silk Street
London
EC2Y 8HQ

Hammond Suddards
2 Park Lane
Leeds
LS3 1ES

Bankers

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

Cott Beverages Limited
(formerly Cott UK Limited)

Directors' report
for the year ended 31 January 1998

The directors present their report and the audited financial statements for the year ended 31 January 1998.

Principal activities

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

Review of business and future developments

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

Both the level of business and the year end position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

On 30 October 1997 the company transferred its export business to a fellow subsidiary company in the UK. Details of net assets disposed, and consideration paid are set out in note 24 to the financial statements.

On 20 November 1997 the company acquired the fixed assets and trade of Crystal Drinks Limited, a fellow subsidiary company.

On 20 November 1997 the company acquired 100% of the share capital of Hero Drinks Group (UK) Limited. On the same date all the assets, working capital and the entire trade of Hero Drinks Group (UK) Limited were transferred into the company.

Details of net assets acquired and consideration paid are set out in note 23 to the financial statements. These transactions have been accounted for as acquisitions in accordance with Financial Reporting Standard No. 6.

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

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 January 1998 (1997: nil).

Directors

The directors of the company at 31 January 1998, who held office throughout the year except where indicated, were:

S E G Lester (Chairman)

B R Mackie

J H Skofic

N Hrstic (resigned on 09/10/97)

Cott Beverages Limited

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Directors' interests in shares of the company

S E G Lester and B R Mackie are directors of the parent company, Cott Retail Brands Limited, and their interests in shares in group companies are shown in the financial statements of that company.

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.

Employees

The company'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.

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 31 January 1998. 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.

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Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board


for **Hackwood Secretaries Limited**
Company Secretary

22 May 1998

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**Report of the auditors to the members of
Cott Beverages Limited**

We have audited the financial statements on pages 6 to 24.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 31 January 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

22 May 1998

Cott Beverages Limited
(formerly Cott UK Limited)

**Profit and loss account
for the year ended 31 January 1998**

	Notes	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Turnover - continuing operations	2		66,836		71,820
- acquisitions			15,684		-
			<hr/>		<hr/>
			82,520		71,820
- discontinued operations			6,722		8,036
			<hr/>		<hr/>
Total turnover			89,242		79,856
Cost of sales	3		(70,390)		(65,130)
			<hr/>		<hr/>
Gross profit			18,852		14,726
Net operating expenses	3		(17,880)		(10,486)
			<hr/>		<hr/>
Operating profit - continuing operations		182		3,458	
- acquisitions		668		-	
		<hr/>		<hr/>	
		850		3,458	
- discontinued operations		122		782	
		<hr/>		<hr/>	
Total operating profit			972		4,240
Interest receivable and similar income	6		612		66
Interest payable and similar charges	7		(3,221)		(470)
			<hr/>		<hr/>
(Loss)/profit on ordinary activities before taxation	8		(1,637)		3,836
Tax on (loss)/profit on ordinary activities	9		-		-
			<hr/>		<hr/>
Retained (loss)/profit for the year	21		(1,637)		3,836
			<hr/>		<hr/>

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

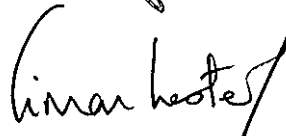
There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.


Cott Beverages Limited
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Balance sheet at 31 January 1998

	Notes	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	10	57,322	16,446
Intangible fixed assets	11	32,474	169
Investments	12	34,357	-
		<u>124,153</u>	<u>16,615</u>
Current assets			
Stocks	13	13,957	6,268
Debtors	14	56,500	15,334
Cash at bank and in hand		315	4,279
		<u>70,772</u>	<u>25,881</u>
Creditors: amounts falling due within one year	15	<u>(37,226)</u>	<u>(19,487)</u>
Net current assets		<u>33,546</u>	<u>6,394</u>
Total assets less current liabilities		<u>157,699</u>	<u>23,009</u>
Creditors: amounts falling due after more than one year	16	<u>(127,015)</u>	<u>(10,572)</u>
Provisions for liabilities and charges	17	<u>(1,502)</u>	<u>-</u>
Accruals and deferred income	18	<u>(169)</u>	<u>(185)</u>
		<u>(128,686)</u>	<u>(10,757)</u>
Net assets		<u>29,013</u>	<u>12,252</u>
Capital and reserves			
Called up share capital	20	32,228	12,002
Share premium account	21	11,765	11,765
Profit and loss account	21	(3,447)	(1,810)
Goodwill	21	(11,533)	(9,705)
Equity shareholders' funds		<u>29,011</u>	<u>12,250</u>
Non-equity shareholders' funds		<u>2</u>	<u>2</u>
Total shareholders' funds		<u>29,013</u>	<u>12,252</u>

The financial statements on pages 6 to 24 were approved by the board of directors on
22 May 1998 and were signed on its behalf by:


Simon E G Lester
Director


Brian R Mackie
Director

Cott Beverages Limited
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**Notes to the financial statements
for the year ended 31 January 1998**

1 Principal accounting policies

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

The company is a wholly owned subsidiary of Cott Retail Brands Limited, a company incorporated in Great Britain. As permitted by section 228(1) of the Companies Act 1985, group accounts are not presented.

The cash flows of the company are included in the consolidated cashflow statement of Cott Retail Brands Limited, of which the company is a wholly owned subsidiary. 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	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.

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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. With the exception of the Hero acquisition, goodwill is written off to reserves in the year of acquisition. For the Hero acquisition, goodwill is capitalised and written off over its estimated useful life.

Deferred development

Costs incurred in the development of new packaging are deferred and written off against income on a straight-line basis over their useful economic lives which is estimated to be three years.

Turnover

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

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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.

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2 Turnover

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

	1998 £'000	1997 £'000
United Kingdom	82,396	71,056
Rest of Europe	6,774	8,800
Rest of World	72	-
	<u>89,242</u>	<u>79,856</u>

3 Cost of sales/net operating expenses

Cost of sales

	1998 £'000	1997 £'000
Continuing operations	53,548	58,468
Acquisitions	10,698	-
Discontinued operations	6,144	6,662
	<u>70,390</u>	<u>65,130</u>

Net operating expenses

	1998 £'000	1997 £'000
Continuing operations:		
Distribution costs	7,821	6,694
Administrative expenses	5,285	3,201
	<u>13,106</u>	<u>9,895</u>
Acquisitions:		
Distribution costs	2,157	-
Administrative expenses	2,161	-
	<u>4,318</u>	<u>-</u>
Discontinued operations:		
Distribution costs	-	-
Administrative expenses	456	591
	<u>456</u>	<u>591</u>
Total:		
Distribution costs	9,978	6,694
Administrative expenses	7,902	3,792
	<u>17,880</u>	<u>10,486</u>

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4 Directors' emoluments

	1998 £'000	1997 £'000
Aggregate emoluments	108	93
Company pension contributions to money purchase schemes	13	12

All directors emoluments were paid by the company's UK parent company, Cott Retail Brands Limited, for their services to that company and its subsidiaries and they have not been specifically recharged or apportioned to the subsidiary companies. Messrs Lester and Mackie are also directors of Cott Retail Brands Limited and, accordingly, their emoluments are disclosed in that company's accounts.

5 Employee information

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

	1998 Number	1997 Number
Production	225	150
Sales	17	8
Administration	101	39
	<u>343</u>	<u>197</u>

	1998 £'000	1997 £'000
Staff costs (for the above persons):		
Wages and salaries	7,214	4,594
Social security costs	719	236
Other pension costs	410	185
	<u>8,343</u>	<u>5,015</u>

6 Interest receivable and similar income

	1998 £'000	1997 £'000
Due from group undertakings	584	-
Other	28	66
	<u>612</u>	<u>66</u>

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7 Interest payable and similar charges

	1998 £'000	1997 £'000
On bank loans and overdrafts	1,089	-
Amorisation of funding costs	53	-
Interest on deferred consideration	208	-
On finance leases	34	15
Due to group undertakings	1,837	455
	<u>3,221</u>	<u>470</u>

8 Loss/profit on ordinary activities before taxation

	1998 £'000	1997 £'000
(Loss)/profit on ordinary activities before taxation is stated after (crediting)/charging:		
Depreciation charge for the year:		
Intangible assets	345	243
Tangible owned assets	2,456	1,078
Tangible fixed assets held under finance leases	57	170
Amortisation of government grant	(16)	(15)
Loss on write down of fixed assets	-	30
Auditors remuneration for:		
Audit	50	50
Other services	1,041	69
Hire of plant and machinery - operating leases	94	250
Hire of other assets - operating leases	50	6
	<u> </u>	<u> </u>

9 Tax on (loss)/profit on ordinary activities

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

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10 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 25 January 1997	4,207	15,259	20	160	19,646
Transferred on acquisition	19,306	19,455	60	1,868	40,689
Additions	942	2,095	-	367	3,404
Disposals	-	(1,069)	-	-	(1,069)
At 31 January 1998	24,455	35,740	80	2,395	62,670
Depreciation					
At 25 January 1997	224	2,948	8	20	3,200
Charge for the year	262	2,057	5	189	2,513
Disposals	-	(365)	-	-	(365)
At 31 January 1998	486	4,640	13	209	5,348
Net book value					
At 31 January 1998	23,969	31,100	67	2,186	57,322
At 25 January 1997	3,983	12,311	12	140	16,446

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 £2,938,000 (1997: £704,000) in respect of assets held under finance leases.

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11 Intangible fixed assets

	Deferred development £'000	Goodwill £'000	Total £'000
Cost			
At 25 January 1997	554	-	554
Transferred on acquisition	115	-	115
Additions	103	32,432	32,535
At 31 January 1998	772	32,432	33,204
Amortisation			
At 25 January 1997	385	-	385
Charge for the year	117	228	345
At 31 January 1998	502	228	730
Net book value			
At 31 January 1998	270	32,204	32,474
At 25 January 1997	169	-	169

12 Investments

Interests in group undertakings

	£'000
At 25 January 1997	-
Acquired during the year	34,357
At 31 January 1998	34,357

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.

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13 Stocks

	1998 £'000	1997 £'000
Raw materials	7,751	3,068
Finished goods	6,206	3,200
	<u>13,957</u>	<u>6,268</u>

14 Debtors

	1998 £'000	1997 £'000
Amounts falling due within one year		
Trade debtors	17,387	10,084
Amounts owed by group undertakings	5,378	3,636
Corporation tax recoverable	196	-
Other debtors	3,383	1,463
Prepayments and accrued income	556	151
	<u>26,900</u>	<u>15,334</u>
Amounts falling due after one year		
Amounts owed by group undertakings	29,600	-
	<u>56,500</u>	<u>15,334</u>

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

15 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Bank loans and overdrafts, net of finance costs (see note 16)	6,778	-
Trade creditors	12,833	7,714
Obligations under finance leases	619	256
Amounts owed to group undertakings	4,484	7,619
Other taxation and social security	477	486
Other creditors and accruals	12,035	3,412
	<u>37,226</u>	<u>19,487</u>

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

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16 Creditors: amounts falling due after more than one year

	1998 £'000	1997 £'000
Bank loans, net of finance costs	40,173	-
Amounts owed to group undertakings	69,000	10,000
Deferred consideration	16,834	-
Obligations under finance leases	1,008	572
	<u>127,015</u>	<u>10,572</u>

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	7,099	(321)	6,778
Between one and two years	2,049	(321)	1,728
Between two and five years	20,500	(964)	19,536
Over five years	19,500	(591)	18,909
	<u>49,148</u>	<u>(2,197)</u>	<u>46,951</u>

Amounts owed to group undertakings

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

The loan of £10,000,000, in 1997, from a fellow subsidiary was drawn down under a five year revolving term facility. The whole of the £10,000,000 was repaid on 18 November 1997.

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	2,000
Between two and five years	18,500
	<u>20,500</u>

The consideration has been discounted to the current value of £16,834,000 using a discount rate of 7.5%.

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Finance Leases

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

	1998 £'000	1997 £'000
In one year or less	619	256
Between one and two years	448	160
Between two and five years	560	245
Over five years	-	167
	<u>1,627</u>	<u>828</u>

17 Provisions for liabilities and charges

	Deferred taxation £'000	Other provisions £'000	Total £'000
At 25 January 1997	-	-	-
Transferred on acquisition	700	-	700
Profit and loss account	-	802	802
	<u>700</u>	<u>802</u>	<u>1,502</u>
At 31 January 1998	<u>700</u>	<u>802</u>	<u>1,502</u>

Deferred taxation

	Amount provided		Amount unprovided	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Tax effect of timing differences because:				
Excess of capital allowances over depreciation	700	-	3,802	1,459
Unrelieved tax losses	-	-	(1,508)	(1,634)
Other	-	-	(635)	(40)
	<u>700</u>	<u>-</u>	<u>1,659</u>	<u>(215)</u>

18 Accruals and deferred income

Government grants

	£'000
At 25 January 1997	185
Received in the year	-
Amortised in the year	(16)
	<u>169</u>
At 31 January 1998	<u>169</u>

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19 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 £339,000 (1997: £185,000) for the year. An amount of £ 11,000 (1997: nil) is included in creditors in respect of contributions payable to the schemes.

The company 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 £26,000 (1997: nil). An amount of £8,000 (1997: nil) is repayable in respect of amounts overpaid to the scheme.

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 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 £38,000 (1997: nil). An amount of £39,000 (1997: nil) 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.

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20 Called up share capital

	1998 £'000	1997 £'000
Authorised		
2,000 redeemable preference shares of £1 each	2	2
49,998,000 ordinary shares of £1 each	49,998	49,998
	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
2,000 redeemable preference shares of £1 each	2	2
32,226,610 (1997: 12,000,000) ordinary shares of £1 each	32,226	12,000
	<u>32,228</u>	<u>12,002</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.

On 18 November 1997 the company allotted and issued 12,000,000 ordinary shares for cash and a further 2,626,610 ordinary shares in settlement of an inter-company loan of £2,626,610 from its parent company. On 30 January 1998 the company allotted and issued 5,600,000 ordinary shares, for cash.

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

21 Reserves

	Share premium account £'000	Profit and loss account £'000	Goodwill £'000
At 25 January 1997	11,765	(1,810)	(9,705)
Goodwill written off	-	-	(1,828)
Retained loss for the year	-	(1,637)	-
At 31 January 1998	<u>11,765</u>	<u>(3,447)</u>	<u>(11,533)</u>

Cott Beverages Limited
(formerly Cott UK Limited)

22 Reconciliation of movements in equity shareholders' funds

	1998 £'000	1997 £'000
Opening equity shareholders' funds	12,250	8,414
Share capital introduced	20,226	-
(Loss)/profit for the financial year	(1,637)	3,836
Goodwill written off	(1,828)	-
Closing equity shareholders' funds	<u>29,011</u>	<u>12,250</u>

23 Acquisitions

Hero Drinks Group (UK) Limited

As explained in the directors' report, on 20 November 1997, the assets and liabilities of Hero Drinks Group (UK) Limited were transferred to the company for a total consideration of £69,000,000.

The summarised profit and loss account for Hero Drinks Group (UK) Limited for the period from 1 January 1997, the beginning of the company's financial year, to the date of the transfer is as follows:

	£'000
Turnover	<u>59,615</u>
Operating profit	7,158
Net interest payable and similar charges	<u>(2,730)</u>
Profit on ordinary activities before taxation	4,428
Tax on profit on ordinary activities	<u>(1,600)</u>
Profit on ordinary activities after taxation	<u>2,828</u>

The loss on ordinary activities after taxation for the year ended 31 December 1996 was £3,778,000. The company has no recognised gains and losses other than the results shown above.

Cott Beverages Limited

(formerly Cott UK Limited)

The assets and liabilities acquired are set out below:

	Book value	Revaluation	Accounting policy alignment	Fair value
	£'000	£'000	£'000	£'000
Tangible fixed assets	34,901	1,000	-	35,901
Current assets				
Stock	7,512	-	(305)	7,207
Debtors	8,779	-	-	8,779
Cash	29	-	-	29
Current liabilities	(14,154)	-	(156)	(14,310)
Long term liabilities	(1,038)	-	-	(1,038)
Net assets	<u>36,029</u>	<u>1,000</u>	<u>(461)</u>	<u>36,568</u>
Goodwill				<u>32,432</u>
Satisfied by 10 year loan note				<u>69,000</u>

The revaluation relates to plant and machinery.

The accounting policy alignment relates to a change in the factory overhead cost allocation methodology.

As explained in note 1, the goodwill is capitalised, given the effect that an immediate write-off would have on the company's reserves. It will be written off over 20 years, since the directors view this acquisition as an extension of the company's core activities, which will remain of value for at least this period of time.

Crystal Drinks Limited

As explained in the directors' report, on 20 November 1997 the company acquired the fixed assets and trade of Crystal Drinks Limited, a fellow subsidiary company, for a total consideration of £5,600,000. The working capital was not acquired, but remained in Crystal Drinks Limited.

Cott Beverages Limited

(formerly Cott UK Limited)

The summarised profit and loss account for Crystal Drinks Limited for the period from 26 January 1997, the beginning of the company's financial year, to the date of acquisition is as follows:

	£'000
Turnover	20,408
Operating profit	612
Net interest payable and similar charges	(123)
Profit on ordinary activities before taxation	489
Tax on profit on ordinary activities	-
Profit on ordinary activities after taxation	489

The profit on ordinary activities after taxation for the year ended 25 January 1997 was £784,000. The company has no recognised gains and losses other than the results shown above.

The assets and liabilities acquired are set out below:

	Book value and fair value £'000
Tangible fixed assets	4,788
Intangible fixed assets	115
Finance lease obligations	(1,131)
Net assets	3,772
Goodwill	1,828
Satisfied by 10 year loan note	5,600

As explained in note 1, the goodwill is written off to reserves. The 10 year loan was subsequently settled in cash on 20 January 1998.

Cott Beverages Limited

(formerly Cott UK Limited)

24 Disposals

As explained in the directors' report, on 30 October 1997 the company transferred its export business to a fellow subsidiary company.

The assets and liabilities disposed of are set out below:

	£'000
Debtors	1,466
Creditors	(1,470)
	<hr/>
Satisfied by cash	(4)
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The export business had no material impact on the company's cash flows in the period 26 January 1997 to 30 October 1997.

25 Financial commitments

At 31 January 1998, the company had annual commitments under non-cancellable operating leases as follows:

	1998 £'000	1997 £000
Expiring within one year	18	-
Expiring between one and two years inclusive	339	42
Expiring after more than five years	-	-
	<hr/>	<hr/>
	357	42
	<hr/>	<hr/>

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, 3rd Floor, 5 Princes Gate, London SW7 1QJ.