

Cott UK Limited

**Report and Financial Statements
for the year ended 25 January 1997**

Registered No: 2836071



Cott UK Limited

Report and Financial Statements for the year ended 25 January 1997

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Cott UK Limited

Directors and advisers

Directors

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

Secretary and registered office

Michael A Smith
3rd Floor
5 Princes Gate
LONDON
SW7 1QJ

Registered Auditors

Coopers & Lybrand
1 Embankment Place
LONDON
WC2N 6NN

Solicitors

Linklaters & Paines
Barrington House
59-67 Gresham Street
LONDON
EC2V 7JA

Hammond Suddards
Trinity Court
16 John Dalton Street
MANCHESTER
M60 8HS

Bankers

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

Cott UK Limited

Directors' report for the year ended 25 January 1997

The directors present their report and the audited financial statements for the year ended 25 January 1997.

Principal activity

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.

The company has made a significant breakthrough in terms of profitability in this its third year of operation. 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.

Dividends

The directors do not recommend the payment of a dividend (1996: nil). The profit for the period of £3,836,000 (1996: 1,960,000 loss) will be transferred to reserves.

Cott UK Limited

Directors

The directors of the company at 25 January 1997, all of whom have been directors for the whole of the year ended on that date, are listed below:

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

Directors' interests in shares of the company

None of the directors held any interests in the shares of the company during the year.

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.

Cott UK Limited

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 25 January 1997. 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

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

By order of the board



Michael A Smith
Company Secretary

11 July. 1997

Cott UK Limited

Report of the auditors to the members of Cott UK Limited

We have audited the financial statements on pages 6 to 19.

Respective responsibilities of directors and auditors

As described on page 4 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.

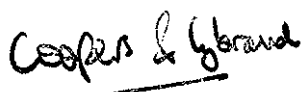
Basis of opinion

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 25 January 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

11 July 1997

Cott UK Limited

Profit and loss account for the year ended 25 January 1997

	Notes	Year ended 25 January 1997 £'000	13 month period ended 27 January 1996 £'000
Turnover	1,2	79,856	70,896
Cost of sales		(65,130)	(62,535)
Gross profit		14,726	8,361
Distribution costs		(6,694)	(5,612)
Administration and selling expenses		(3,792)	(4,423)
Operating profit/(loss)		4,240	(1,674)
Interest payable and similar charges	5	(404)	(289)
Profit/(loss) on ordinary activities before taxation	6	3,836	(1,963)
Tax on profit/(loss) on ordinary activities	7	-	3
Retained profit/(loss) for the year	18	3,836	(1,960)

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

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 profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the year stated above, and their historical cost equivalents.

Cott UK Limited

Balance sheet at 25 January 1997

	Notes	25 January 1997	27 January 1996
		£'000	£'000
Fixed assets			
Tangible assets	8	16,446	14,047
Intangible fixed assets	9	169	308
		<u>16,615</u>	<u>14,355</u>
Current assets			
Stocks	10	6,268	7,015
Debtors	11	15,334	10,114
Cash at bank and in hand		4,279	3,359
		<u>25,881</u>	<u>20,488</u>
Creditors: amounts falling due within one year	12	(19,487)	(25,591)
Net current assets/(liabilities)		<u>6,394</u>	<u>(5,103)</u>
Total assets less current liabilities		<u>23,009</u>	<u>9,252</u>
Creditors: amounts falling due after more than one year	13	(10,572)	(776)
Provisions for liabilities and charges	14	-	(60)
Accruals and deferred income	15	(185)	-
		<u>(10,757)</u>	<u>(836)</u>
Net assets		<u>12,252</u>	<u>8,416</u>
Capital and reserves			
Called up share capital	17	12,002	12,002
Share premium account	18	11,765	11,765
Profit and loss account	18	(1,810)	(5,646)
Goodwill	18	(9,705)	(9,705)
Equity shareholders' funds	19	12,250	8,414
Non-equity shareholders' funds		2	2
Total shareholders' funds		<u>12,252</u>	<u>8,416</u>

The financial statements on pages 6 to 19 were approved by the board of directors on 11 July 1997 and were signed on its behalf by:

Simon E G Lester
Director

Brian R Mackie
Director

Cott UK Limited

Notes to the financial statements for the year ended 25 January 1997

1 Principal accounting policies

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

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.

Cash flow statement

The company is a wholly owned subsidiary of Cott Retail Brands Limited and the cash flows of the company are included in the consolidated group cash flow statement of Cott Retail Brands Limited. Consequently, the company is exempt under the terms of Financial Reporting Standard No.1 from publishing a cash flow statement.

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%
Other vehicles	14.3%
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.

Government grant

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, representing the difference between the fair value of the consideration paid and the fair value of the separable net assets acquired, is written off to reserves in the year of acquisition.

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.

Foreign currencies

Foreign exchange differences are taken to the profit and loss account in the year in which they arise. The company seeks to reduce its foreign exchange exposure arising from transactions in certain currencies through a policy of matching, as far as possible, receipts and payment in each individual currency.

Cott UK Limited

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 scheme arrangements

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

2 Analysis of turnover by geographical area

The analysis of the company's turnover by geographical area of destination is set out below:

	Year ended 25 January 1997	13 month period ended 27 January 1996
	£'000	£'000
United Kingdom	71,056	66,642
Rest of Europe	8,800	4,254
	<u>79,856</u>	<u>70,896</u>

3 Directors' emoluments

	Year ended 25 January 1997	13 month period ended 27 January 1996
	£'000	£'000
Fees	335	383
Other emoluments (including pension contributions and benefits in kind)	57	63
	<u>392</u>	<u>446</u>
Compensation for loss of office	-	129
	<u>392</u>	<u>575</u>

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 recharged or apportioned to the subsidiary companies. The amounts disclosed in this note represent the total emoluments paid by Cott Retail Brands Limited.

Cott UK Limited

3 Directors' emoluments (cont)

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	Year ended 25 January 1997	13 month period ended 27 January 1996
	£'000	£'000
The chairman	149	35
The highest-paid director	149	163

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	Year ended 25 January 1997	13 month period ended 27 January 1996
	Number	Number
£0 to £5,000	1	2
£30,001 to £35,000	-	1
£35,001 to £40,000	-	2
£55,001 to £60,000	-	1
£85,001 to £90,000	-	1
£90,001 to £95,000	1	-
£115,001 to £120,000	1	-
£145,001 to £150,000	1	-
£160,001 to £165,000	-	1

Cott UK Limited

4 Employee information

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

	Year ended 25 January 1997 Number	13 month period ended 27 January 1996 Number
By activity		
Production	150	135
Selling	8	6
Administration	39	42
	<u>197</u>	<u>183</u>

	Year ended 25 January 1997 £'000	13 month period ended 27 January 1996 £'000
Staff costs (for the above persons)		
Wages and salaries	4,594	3,174
Social security costs	236	311
Other pension costs	185	77
	<u>5,015</u>	<u>3,562</u>

5 Interest payable/(receivable) and similar charges

	Year ended 25 January 1997 £'000	13 month period ended 27 January 1996 £'000
On bank deposits, loans, overdrafts and other loans		
(Receivable)/repayable within 5 years, not by instalments	(66)	162
On finance leases	15	32
Due to group companies	455	95
	<u>404</u>	<u>289</u>

Cott UK Limited

6 Profit/(loss) on ordinary activities before taxation

	Year ended 25 January 1997	13 month period ended 27 January 1996
	£'000	£'000
Profit/(loss) on ordinary activities before taxation is stated after (crediting)/charging:		
Depreciation charge for the year:		
Intangible assets	243	117
Tangible owned assets	1,078	631
Tangible fixed assets held under finance leases	170	129
Amortisation of government grant	(15)	-
Loss on writedown of fixed assets	30	-
Auditors remuneration for:		
Audit	50	50
Other services	69	5
Hire of plant and machinery - operating leases	250	194
Hire of other assets - operating leases	6	5
	<u> </u>	<u> </u>

7 Tax on profit/(loss) on ordinary activities

	Year ended 25 January 1997	13 month period ended 27 January 1996
	£'000	£'000
United Kingdom corporation tax at 33% (1996: 33%)	-	-
Group relief receivable	-	3
	<u> </u>	<u> </u>
	-	3
	<u> </u>	<u> </u>

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8 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 27 January 1996	3,611	12,314	28	66	16,019
Additions	596	2,957	-	94	3,647
Disposals	-	(12)	(8)	-	(20)
At 25 January 1997	4,207	15,259	20	160	19,646
Depreciation					
At 27 January 1996	141	1,811	11	9	1,972
Charge for the year	83	1,149	5	11	1,248
Disposals	-	(12)	(8)	-	(20)
At 25 January 1997	224	2,948	8	20	3,200
Net book value					
At 25 January 1997	3,983	12,311	12	140	16,446
At 27 January 1996	3,470	10,503	17	57	14,047

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 £704,000 (1996: £791,000) in respect of assets held under finance leases.

Cott UK Limited

9 Intangible fixed assets

	Deferred Development costs £'000
Deferred development	
Cost	
As at 27 January 1996	450
Additions	104
	<hr/>
At 25 January 1997	554
	<hr/>
Amortisation	
As at 27 January 1996	142
Charge for the year	243
	<hr/>
At 25 January 1997	385
	<hr/>
Net book value	
At 25 January 1997	169
	<hr/>
At 27 January 1996	308
	<hr/>

10 Stocks

	25 January 1997	27 January 1996
	£'000	£'000
Raw materials	3,068	3,966
Finished goods	3,200	3,049
	<hr/>	<hr/>
	6,268	7,015
	<hr/>	<hr/>

11 Debtors

	25 January 1997	27 January 1996
	£'000	£'000
Amounts falling due within one year		
Trade debtors	10,084	7,610
Amounts owed by parent company and fellow subsidiary undertakings	3,636	79
Other debtors	1,463	2,284
Prepayments and accrued income	151	141
	<hr/>	<hr/>
	15,334	10,114
	<hr/>	<hr/>

Cott UK Limited

12 Creditors: amounts falling due within one year

	25 January 1997 £'000	27 January 1996 £'000
Obligations under finance leases	256	301
Trade creditors	7,714	9,555
Amounts owed to parent company and fellow subsidiary undertakings	7,619	12,616
Other taxation and social security	486	705
Other creditors	557	1,187
Accruals	2,855	1,227
	<u>19,487</u>	<u>25,591</u>

13 Creditors: amounts falling due after more than one year

	25 January 1997 £'000	27 January 1996 £'000
Loans from fellow subsidiary undertakings	10,000	-
Obligations under finance leases	572	776
	<u>10,572</u>	<u>776</u>

The loan of £10,000,000 from a fellow subsidiary is drawn down under a five year revolving term facility. The whole of the £10,000,000 is due for repayment in between two and five years. Interest is payable quarterly at a rate of interest of Libor plus 0.625%.

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

	25 January 1997 £'000	27 January 1996 £'000
In one year or less	256	301
Between one and two years	160	219
Between two and five years	245	316
Over five years	167	241
	<u>828</u>	<u>1,077</u>

Cott UK Limited

14 Provisions for liabilities and charges

	Deferred taxation (see below)	Other Provisions	Total
	£'000	£'000	£'000
At 27 January 1996	-	60	60
Profit and loss account	-	(60)	(60)
	<u>-</u>	<u>-</u>	<u>-</u>
At 25 January 1997	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

Deferred taxation

	Amount provided		Amount unprovided	
	1997	1996	1997	1996
Tax effect of timing differences because:				
Excess of capital allowances over depreciation	-	-	(1,459)	(627)
Unrelieved tax losses	-	-	1,634	1,773
Other	-	-	40	40
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Asset not recognised	-	-	215	1,186
	<u>-</u>	<u>-</u>	<u>215</u>	<u>1,186</u>

15 Accruals and deferred income

	Government Grants
	£'000
At 27 January 1996	-
Received in the year	200
Amortised in the year	(15)
	<u>185</u>
At 25 January 1997	<u>185</u>

16 Pension and similar obligations

The company operates a Group Personal Pension Scheme for certain employees. This is a defined contribution scheme. The assets of the scheme 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 £185,000 (1996: £77,000) for the year.

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17 Called up share capital

	25 January 1997	27 January 1996
	£	£
Authorised		
2,000 redeemable preference shares of £1 each	2,000	2,000
49,998,000 ordinary shares of £1 each	49,998,000	49,998,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
2,000 redeemable preference shares of £1 each	2,000	2,000
12,000,000 ordinary shares of £1 each	12,000,000	12,000,000
	<u> </u>	<u> </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.

18 Reserves

	Share Premium Account £'000	Profit and loss account £'000	Goodwill £'000
At 28 January 1996	11,765	(5,646)	9,705
Retained profit for the year	-	3,836	-
	<u> </u>	<u> </u>	<u> </u>
At 25 January 1997	11,765	(1,810)	9,705
	<u> </u>	<u> </u>	<u> </u>

19 Reconciliation of movements in equity shareholders' funds

	25 January 1997	27 January 1996
	£'000	£'000
Opening equity shareholders' funds	8,414	(1,554)
Share capital introduced	-	12,000
Profit/(loss) for the financial year	3,836	(1,960)
Goodwill written off	-	(72)
	<u> </u>	<u> </u>
Closing equity shareholders' funds	12,250	8,414
	<u> </u>	<u> </u>

Cott UK Limited

20 Capital commitments

	25 January 1997	27 January 1996
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>477</u>	<u>826</u>

21 Financial commitments

The company had annual commitments under non-cancellable operating leases as follows:

	27 January 1996	25 January 1997
	Other assets £'000	Other assets £000
Expiring within one year	14	42
Expiring between one and two years inclusive	30	80
Expiring after more than five years	<u>171</u>	<u>-</u>
	<u>215</u>	<u>122</u>

22 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.

23 Contingent liabilities

As disclosed in our 1996 financial statements the company received a claim from a supplier for an amount of £487,000, in respect of alleged non-performance of a contract. This claim has been settled out of court, with no payment being made to the supplier.

24 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.