

COTT CORP /CN/  
Form 10-Q  
May 11, 2011  
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**United States**  
**Securities and Exchange Commission**  
Washington, D.C. 20549

**FORM 10-Q**

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended: April 2, 2011

.. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-31410

**COTT CORPORATION**

(Exact name of registrant as specified in its charter)

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|   |  |
|---|--|
| <p><b>CANADA</b><br/>                 (State or Other Jurisdiction of<br/>                 Incorporation or Organization)</p> <p><b>6525 VISCOUNT ROAD</b></p> <p><b>MISSISSAUGA, ONTARIO</b></p> <p><b>5519 WEST IDLEWILD AVE</b></p> <p><b>TAMPA, FLORIDA</b><br/>                 (Address of principal executive offices)</p> <p><b>Registrant's telephone number, including area code: (905) 672-1900 and (813) 313-1800</b></p> | <p><b>98-0154711</b><br/>                 (IRS Employer<br/>                 Identification No.)</p> <p><b>L4V 1H6</b></p> <p><b>33634</b><br/>                 (Zip Code)</p> |
|---|--|

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

|  |   |
|--|---|
| Large accelerated filer <input type="checkbox"/>   | Accelerated filer <input checked="" type="checkbox"/> |
| Non-accelerated filer <input type="checkbox"/> (do not check if a smaller reporting company) | Smaller reporting company <input type="checkbox"/>    |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                                | Outstanding at May 11, 2011 |
|--------------------------------------|-----------------------------|
| Common Stock, no par value per share | 94,750,120 shares           |

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements  
Cott Corporation****Consolidated Statements of Operations***(in millions of U.S. dollars, except per share amounts)**Unaudited*

|   | <b>For the Three Months Ended</b> |                      |
|---|-----------------------------------|----------------------|
|   | <b>April 2, 2011</b>              | <b>April 3, 2010</b> |
| <b>Revenue, net</b>   | <b>\$ 534.1</b>                   | <b>\$ 362.9</b>      |
| Cost of sales   | <b>464.5</b>                      | 305.7                |
| <b>Gross profit</b>   | <b>69.6</b>                       | 57.2                 |
| Selling, general and administrative expenses  | <b>45.1</b>                       | 32.4                 |
| Loss on disposal of property, plant & equipment                                       |                                   | 0.2                  |
| Restructuring   |                                   | (0.5)                |
| <b>Operating income</b>   | <b>24.5</b>                       | 25.1                 |
| Other expense, net  | <b>0.8</b>                        | 1.8                  |
| Interest expense, net   | <b>14.4</b>                       | 6.2                  |
| <b>Income before income taxes</b>   | <b>9.3</b>                        | 17.1                 |
| Income tax expense  | <b>1.6</b>                        | 4.4                  |
| <b>Net income</b>   | <b>\$ 7.7</b>                     | <b>\$ 12.7</b>       |
| Less: Net income attributable to non-controlling interests                            | <b>0.9</b>                        | 1.2                  |
| <b>Net income attributed to Cott Corporation</b>                                      | <b>\$ 6.8</b>                     | <b>\$ 11.5</b>       |
| <b>Net income per common share attributed to Cott Corporation</b>                     |                                   |                      |
| Basic   | <b>\$ 0.07</b>                    | \$ 0.14              |
| Diluted   | <b>\$ 0.07</b>                    | \$ 0.14              |
| <b>Weighted average outstanding shares (thousands) attributed to Cott Corporation</b> |                                   |                      |
| Basic   | <b>94,076</b>                     | 80,374               |
| Diluted   | <b>95,328</b>                     | 80,840               |

*The accompanying notes are an integral part of these consolidated financial statements.*

**Table of Contents****Cott Corporation****Consolidated Balance Sheets***(in millions of U.S. dollars, except share amounts)**Unaudited*

|  | April 2, 2011     | January 1, 2011 |
|--|-------------------|-----------------|
| <b>ASSETS</b>  |                   |                 |
| <i>Current assets</i>  |                   |                 |
| Cash & cash equivalents  | \$ 35.8           | \$ 48.2         |
| Accounts receivable, net of allowance of \$7.3 (\$8.3 as of January 1, 2011) | 245.8             | 213.6           |
| Income taxes recoverable   | 4.8               | 0.3             |
| Inventories  | 223.1             | 215.5           |
| Prepaid expenses and other assets  | 31.0              | 32.7            |
| <b>Total current assets</b>  | <b>540.5</b>      | 510.3           |
| Property, plant & equipment  | 506.6             | 503.8           |
| Goodwill   | 131.1             | 130.2           |
| Intangibles and other assets   | 362.3             | 371.1           |
| Deferred income taxes  | 2.2               | 2.5             |
| Other tax receivable   | 10.1              | 11.3            |
| <b>Total assets</b>  | <b>\$ 1,552.8</b> | \$ 1,529.2      |
| <b>LIABILITIES AND EQUITY</b>  |                   |                 |
| <i>Current liabilities</i>   |                   |                 |
| Short-term borrowings  | \$ 35.2           | \$ 7.9          |
| Current maturities of long-term debt   | 5.9               | 6.0             |
| Contingent consideration earn-out  | 32.9              | 32.2            |
| Accounts payable and accrued liabilities                                     | 257.8             | 276.6           |
| <b>Total current liabilities</b>   | <b>331.8</b>      | 322.7           |
| Long-term debt   | 604.4             | 605.5           |
| Deferred income taxes  | 43.0              | 43.6            |
| Other long-term liabilities  | 21.3              | 22.2            |
| <b>Total liabilities</b>   | <b>1,000.5</b>    | 994.0           |
| Commitments and Contingencies - Note 10                                      |                   |                 |
| <i>Equity</i>  |                   |                 |
| Capital stock, no par - 94,750,120 shares issued                             | 395.6             | 395.6           |
| Treasury stock   | (2.1)             | (3.2)           |
| Additional paid-in-capital   | 40.8              | 40.8            |
| Retained earnings  | 113.3             | 106.5           |
| Accumulated other comprehensive loss   | (7.6)             | (17.5)          |
| <b>Total Cott Corporation equity</b>   | <b>540.0</b>      | 522.2           |

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|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Non-controlling interests           | 12.3              | 13.0              |
| <b>Total equity</b>                 | <b>552.3</b>      | <b>535.2</b>      |
| <b>Total liabilities and equity</b> | <b>\$ 1,552.8</b> | <b>\$ 1,529.2</b> |

*The accompanying notes are an integral part of these consolidated financial statements.*

**Table of Contents****Cott Corporation****Consolidated Statements of Cash Flows***(in millions of U.S. dollars)**Unaudited*

|   | <b>For the Three Months Ended</b> |                          |
|---|-----------------------------------|--------------------------|
|   | <b>April 2,<br/>2011</b>          | <b>April 3,<br/>2010</b> |
| <b>Operating Activities</b>                         |                                   |                          |
| Net income  | \$ 7.7                            | \$ 12.7                  |
| Depreciation & amortization                         | 23.6                              | 15.9                     |
| Amortization of financing fees                      | 0.9                               | 0.5                      |
| Share-based compensation expense                    | 1.1                               | 0.5                      |
| Increase (decrease) in deferred income taxes        | 0.9                               | (0.1)                    |
| Loss on disposal of property, plant & equipment     |                                   | 0.2                      |
| Loss on buyback of Notes                            |                                   | 0.1                      |
| Contract termination gain                           |                                   | (0.4)                    |
| Contract termination payments                       |                                   | (3.9)                    |
| Other non-cash items                                | 0.2                               | 3.0                      |
| Change in operating assets and liabilities:         |                                   |                          |
| Accounts receivable                                 | (29.4)                            | (21.9)                   |
| Inventories   | (6.1)                             | (12.7)                   |
| Prepaid expenses and other current assets           | 0.3                               | 0.8                      |
| Other assets  | (0.1)                             | (0.5)                    |
| Accounts payable and accrued liabilities            | (21.9)                            | (3.4)                    |
| Income taxes recoverable                            | (2.8)                             | 17.4                     |
| Net cash (used in) provided by operating activities | (25.6)                            | 8.2                      |
| <b>Investing Activities</b>                         |                                   |                          |
| Additions to property, plant & equipment            | (12.5)                            | (7.6)                    |
| Additions to intangibles                            |                                   | (1.1)                    |
| Proceeds from sale of property, plant & equipment   | 0.1                               | 0.1                      |
| Net cash used in investing activities               | (12.4)                            | (8.6)                    |
| <b>Financing Activities</b>                         |                                   |                          |
| Payments of long-term debt                          | (1.3)                             | (13.2)                   |
| Borrowings under ABL                                | 99.8                              | 58.6                     |
| Payments under ABL                                  | (72.5)                            | (50.8)                   |
| Distributions to non-controlling interests          | (1.6)                             | (1.9)                    |
| Financing fees                                      |                                   | (0.2)                    |
| Net cash provided by (used in) financing activities | 24.4                              | (7.5)                    |
| Effect of exchange rate changes on cash             | 1.2                               | 0.2                      |
| <b>Net decrease in cash &amp; cash equivalents</b>  | <b>(12.4)</b>                     | <b>(7.7)</b>             |

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|   |                |                  |
|---|----------------|------------------|
| Cash & cash equivalents, beginning of period              | 48.2           | 30.9             |
| <b>Cash &amp; cash equivalents, end of period</b>         | <b>\$ 35.8</b> | <b>\$ 23.2</b>   |
| <b>Supplemental Disclosures of Cash Flow information:</b> |                |                  |
| Cash paid for interest                                    | <b>\$ 17.7</b> | <b>\$ 1.3</b>    |
| Cash paid (received) for income taxes, net                | <b>\$ 3.4</b>  | <b>\$ (13.8)</b> |

*The accompanying notes are an integral part of these consolidated financial statements.*



**Table of Contents****Cott Corporation****Consolidated Statements of Equity***(in millions of U.S. dollars, except share amounts)**Unaudited*

|  | Number<br>of<br>Common<br>Shares<br><i>(In thousands)</i> | Number<br>of<br>Treasury<br>Shares<br><i>(In thousands)</i> | Cott Corporation Equity |                    |                                   |                      | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Non-<br>Controlling<br>Interests | Total<br>Equity |
|--|---|---|-------------------------|--------------------|-----------------------------------|----------------------|---|----------------------------------|-----------------|
|  |   |   | Common<br>Shares        | Treasury<br>Shares | Additional<br>Paid-in-<br>Capital | Retained<br>Earnings |   |                                  |                 |
| <b>Balance at January 2, 2010</b>                            | <b>81,331</b>   | <b>1,504</b>  | <b>\$ 322.5</b>         | <b>\$ (4.4)</b>    | <b>\$ 37.4</b>                    | <b>\$ 51.8</b>       | <b>\$ (21.3)</b>  | <b>\$ 15.3</b>                   | <b>\$ 401.3</b> |
| Treasury shares issued - PSU Plan                            |   | (437)   |                         | 1.1                | (1.1)                             |                      |   |                                  |                 |
| Tax impact of PSU distributions                              |   |   |                         |                    | 0.7                               |                      |   |                                  | 0.7             |
| Treasury shares issued - EISPP                               |   | (1)   |                         |                    |                                   |                      |   |                                  |                 |
| Share-based compensation                                     |   |   |                         |                    | 0.5                               |                      |   |                                  | 0.5             |
| Distributions to non-controlling interests                   |   |   |                         |                    |                                   |                      |   | (1.9)                            | (1.9)           |
| Comprehensive income   |   |   |                         |                    |                                   |                      |   |                                  |                 |
| Currency translation adjustment                              |   |   |                         |                    |                                   |                      | 0.3   |                                  | 0.3             |
| Pension liabilities  |   |   |                         |                    |                                   |                      | 0.2   |                                  | 0.2             |
| Unrealized loss on derivative instruments, net of income tax |   |   |                         |                    |                                   |                      | (0.1)   |                                  | (0.1)           |
| Net income   |   |   |                         |                    |                                   | 11.5                 |   | 1.2                              | 12.7            |
| <b>Balance at April 3, 2010</b>                              | <b>81,331</b>   | <b>1,066</b>  | <b>\$ 322.5</b>         | <b>\$ (3.3)</b>    | <b>\$ 37.5</b>                    | <b>\$ 63.3</b>       | <b>\$ (20.9)</b>  | <b>\$ 14.6</b>                   | <b>\$ 413.7</b> |
| <b>Balance at January 1, 2011</b>                            | <b>94,750</b>   | <b>1,051</b>  | <b>\$ 395.6</b>         | <b>\$ (3.2)</b>    | <b>\$ 40.8</b>                    | <b>\$ 106.5</b>      | <b>\$ (17.5)</b>  | <b>\$ 13.0</b>                   | <b>\$ 535.2</b> |
| Treasury shares issued - PSU Plan                            |   | (181)   |                         | 0.5                | (0.5)                             |                      |   |                                  |                 |
| Treasury shares issued - EISPP                               |   | (196)   |                         | 0.6                | (0.6)                             |                      |   |                                  |                 |
| Share-based compensation                                     |   |   |                         |                    | 1.1                               |                      |   |                                  | 1.1             |
| Distributions to non-controlling interests                   |   |   |                         |                    |                                   |                      |   | (1.6)                            | (1.6)           |
| Comprehensive income   |   |   |                         |                    |                                   |                      |   |                                  |                 |
| Currency translation adjustment                              |   |   |                         |                    |                                   |                      | 9.5   |                                  | 9.5             |
| Pension liabilities  |   |   |                         |                    |                                   |                      | 0.2   |                                  | 0.2             |
| Unrealized gain on derivative instruments, net of income tax |   |   |                         |                    |                                   |                      | 0.2   |                                  | 0.2             |
| Net income   |   |   |                         |                    |                                   | 6.8                  |   | 0.9                              | 7.7             |
| <b>Balance at April 2, 2011</b>                              | <b>94,750</b>   | <b>674</b>  | <b>\$ 395.6</b>         | <b>\$ (2.1)</b>    | <b>\$ 40.8</b>                    | <b>\$ 113.3</b>      | <b>\$ (7.6)</b>   | <b>\$ 12.3</b>                   | <b>\$ 552.3</b> |

*The accompanying notes are an integral part of these consolidated financial statements.*

**Table of Contents****Cott Corporation****Consolidated Statements of Comprehensive Income***(in millions of U.S. dollars)**Unaudited*

|  | <b>For the Three Months Ended</b> |                          |
|--|-----------------------------------|--------------------------|
|  | <b>April 2,<br/>2011</b>          | <b>April 3,<br/>2010</b> |
| Net income   | \$ 7.7                            | \$ 12.7                  |
| Other comprehensive income (loss):                           |                                   |                          |
| Currency translation adjustment                              | 9.5                               | 0.3                      |
| Pension liabilities  | 0.2                               | 0.2                      |
| Unrealized gain (loss) on derivative instruments, net of tax | 0.2                               | (0.1)                    |
| <b>Total other comprehensive income</b>                      | <b>9.9</b>                        | <b>0.4</b>               |
| <b>Comprehensive income</b>                                  | <b>\$ 17.6</b>                    | <b>\$ 13.1</b>           |
| Less: Net income attributable to non-controlling interests   | 0.9                               | 1.2                      |
| <b>Comprehensive income attributed to Cott Corporation</b>   | <b>\$ 16.7</b>                    | <b>\$ 11.9</b>           |

*The accompanying notes are an integral part of these consolidated financial statements.*

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**Cott Corporation**

**Notes to the Consolidated Financial Statements**

**Unaudited**

**Note 1 Business and Recent Accounting Pronouncements**

***Description of Business***

Cott Corporation, together with its consolidated subsidiaries ( Cott, the Company, our Company, Cott Corporation, we, us, or our ), is the largest retailer brand beverage company. Our product lines include carbonated soft drinks ( CSDs ), clear, still and sparkling flavored waters, energy-related drinks, juice, juice-based products, bottled water and ready-to drink teas.

***Basis of Presentation***

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with U.S. generally accepted accounting principles ( GAAP ) for interim financial reporting. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements in conformity with U.S. GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of our results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included. This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited consolidated financial statements and accompanying notes in our Annual Report on Form 10-K for the year ended January 1, 2011. The accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements.

The presentation of these interim consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

***Recent Accounting Pronouncements***

***ASU 2010-13 Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades***

In April 2010, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2010-13, Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades, to address the classification of an employee share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. This update provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. We adopted the provisions of this standard during the first quarter of 2011. This standard does not have an impact on our consolidated financial statements.

**Table of Contents****Note 2 Acquisition**

On August 17, 2010, we completed the acquisition (the Cliffstar Acquisition) of substantially all of the assets and liabilities of Cliffstar Corporation (Cliffstar) and its affiliated companies for approximately \$500.0 million payable in cash, \$14.0 million in deferred consideration to be paid over three years and contingent consideration of up to \$55.0 million. The first \$15.0 million of the contingent consideration is based upon the achievement of milestones in certain expansion projects in 2010, which were achieved in 2010. The remainder of the contingent consideration is based on the achievement of certain performance measures during the fiscal year ending January 1, 2011. The contingent consideration was \$32.9 million as of April 2, 2011, and is payable no later than July 29, 2011.

We were notified on May 9, 2011 by the seller of Cliffstar Corporation of certain objections to the performance measures used to calculate the contingent consideration, and the seller asserted a claim for amounts in excess of the amounts accrued as contingent consideration at April 2, 2011. We believe the contingent consideration has been properly calculated in accordance with the asset purchase agreement and we have not adjusted our estimated fair value of the contingent consideration for the objections raised by the seller. We believe that our estimated fair value and assumptions are reasonable, but there is significant judgment involved. We will resolve these matters in accordance with the asset purchase agreement and final amounts paid may materially vary from our current estimated fair value. Changes in the fair value of contingent consideration will be recorded in our Statement of Operations

**Supplemental Pro Forma Data (unaudited)**

The following unaudited pro forma financial information for the three months ended April 3, 2010 represent the combined results of our operations as if the Cliffstar Acquisition had occurred on January 3, 2010. The unaudited pro forma results reflect certain adjustments related to the Cliffstar Acquisition such as increased amortization expense on acquired intangible assets resulting from the preliminary fair valuation of assets acquired. The unaudited pro forma financial information does not necessarily reflect the results of operations that would have occurred had we operated as a single entity during such period.

| <i>(in millions of U.S. dollars, except share amounts)</i> | <b>For the Three Months Ended</b> |       |
|--|-----------------------------------|-------|
|  | <b>April 3, 2010</b>              |       |
| Revenue  | \$                                | 528.8 |
| Net income   |                                   | 16.3  |
| Net income per common share, diluted                       | \$                                | 0.17  |

**Note 3 Share-Based Compensation**

The table below summarizes the share-based compensation expense for the three months ended April 2, 2011 and April 3, 2010. This share-based compensation expense was recorded in selling, general, and administrative expenses in our Consolidated Statements of Operations. As used below, PSUs mean performance share units granted under our Amended and Restated Performance Share Unit Plan. As used below: (i) Performance-based RSUs mean restricted share units with performance-based vesting granted under the Company's 2010 Equity Incentive Plan (the 2010 Equity Incentive Plan); and (ii) Time-based RSUs mean restricted share units with time-based vesting granted under the 2010 Equity Incentive Plan.

| <i>(in millions of U.S. dollars)</i> | <b>For the Three Months Ended</b> |                      |
|--------------------------------------|-----------------------------------|----------------------|
|                                      | <b>April 2, 2011</b>              | <b>April 3, 2010</b> |
| Stock options                        | \$                                | \$ 0.3               |
| PSUs                                 |                                   | 0.1                  |
| Performance-based RSUs               | <b>0.5</b>                        |                      |
| Time-based RSUs                      | <b>0.6</b>                        |                      |
| Share appreciation rights            |                                   | 0.1                  |
| Total                                | \$ <b>1.1</b>                     | \$ <b>0.5</b>        |



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As of April 2, 2011, the unrecognized share-based compensation expense and years we expect to recognize as future compensation expense were as follows:

| <i>(in millions of U.S. dollars)</i> | <b>Unrecognized share-based<br/>compensation<br/>expense as<br/>of April 2, 2011</b> | <b>Weighted average years<br/>expected to<br/>recognize<br/>compensation</b> |
|--------------------------------------|--|--|
| Performance-based RSUs               | \$ 4.7   | 1.8  |
| Time-based RSUs                      | 5.1  | 1.8  |
| <b>Total</b>                         | <b>\$ 9.8</b>  |  |

Option activity for the three months ended April 2, 2011 was as follows:

|                              | <b>Shares<br/><i>(in thousands)</i></b> | <b>Weighted average<br/>exercise price<br/><i>(Canadian \$)</i></b> |
|------------------------------|---|---|
| Balance at January 1, 2011   | 704                                     | \$ 16.67  |
| Awarded                      |   |   |
| Forfeited or expired         |   |   |
| Outstanding at April 2, 2011 | 704                                     | 16.67   |
| Exercisable at April 2, 2011 | 704                                     | \$ 16.67  |

During the three months ended April 2, 2011, EISPP, PSU, Performance-based RSU and Time-based RSU activity was as follows:

| <i>(in thousands)</i>        | <b>EISPP</b> | <b>Number of PSUs</b> | <b>Number of<br/>Performance-based<br/>RSUs</b> | <b>Number of<br/>Time-based RSUs</b> |
|------------------------------|--------------|-----------------------|---|--------------------------------------|
| Balance at January 1, 2011   | 189          | 188                   | 1,727   | 1,397                                |
| Awarded                      |              |                       |   |                                      |
| Issued                       | (189)        | (188)                 |   |                                      |
| Forfeited                    |              |                       |   |                                      |
| Outstanding at April 2, 2011 |              |                       | 1,727   | 1,397                                |

**Average Canadian to U.S. Dollar Exchange Rate for the Three Months Ended April 2, 2011**

Various compensation components in Note 3 are disclosed in Canadian dollars. The table below represents the average Canadian dollar to U.S. dollar exchange rate for the three months ended April 2, 2011:

|                       | <b>For the Three Months Ended<br/>April 2, 2011</b> |
|-----------------------|---|
| Average exchange rate | \$ 1.014  |

**Note 4 Income Taxes**

Income tax expense was \$1.6 million on pretax income of \$9.3 million for the three months ended April 2, 2011, as compared to an income tax expense of \$4.4 million on pretax income of \$17.1 million for the three months ended April 3, 2010. The estimated effective tax rate applied to income from operations for the three months ended April 2, 2011 differs from the statutory rate due mostly to foreign tax rate differentials and tax exempt income.

**Table of Contents****Note 5 Net Income Per Common Share**

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common share is calculated using the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, PSUs, Performance-based RSUs and Time-based RSUs.

A reconciliation of the denominators of the basic and diluted net income per common share computations is as follows:

| <i>(in thousands)</i>                                   | For the Three Months Ended |               |
|---|----------------------------|---------------|
|   | April 2, 2011              | April 3, 2010 |
| Weighted average number of shares outstanding - basic   | 94,076                     | 80,374        |
| Dilutive effect of stock options                        | 196                        | 278           |
| Dilutive effect of PSUs                                 |                            | 188           |
| Dilutive effect of Performance-based RSUs               | 430                        |               |
| Dilutive effect of Time-based RSUs                      | 626                        |               |
| Weighted average number of shares outstanding - diluted | 95,328                     | 80,840        |

We excluded 354,000 (April 3, 2010 452,150) options from the computation of diluted net income per share because the options exercise price was greater than the average market price of the common shares. Shares purchased on the open market and held by independent trusts are categorized as treasury shares under applicable accounting rules. We excluded 674,397 (April 3, 2010 957,104) of treasury shares held in various trusts in the calculation of basic and diluted earnings per share.

**Note 6 Segment Reporting**

We produce, package and distribute private-label CSDs, clear, still and sparkling flavored waters, energy-related drinks, juice, juice-based products, bottled water and ready-to-drink teas to regional and national grocery, mass-merchandise and wholesale chains and customers in the dollar convenience and drug channels through five reportable segments North America (which includes our U.S. reporting unit and Canada reporting unit), U.K. (which includes our United Kingdom reporting unit and our Continental European reporting unit), Mexico, Royal Crown International ( RCI ) and All Other.

| <i>(in millions of U.S. dollars)</i>     | Operating Segments |                |         |        |           | Total    |
|--|--------------------|----------------|---------|--------|-----------|----------|
|  | North America      | United Kingdom | Mexico  | RCI    | All Other |          |
| <b>For the Three Months Ended</b>        |                    |                |         |        |           |          |
| <b>April 2, 2011</b>                     |                    |                |         |        |           |          |
| External revenue <sup>1</sup>            | \$ 428.8           | \$ 86.3        | \$ 11.4 | \$ 7.6 | \$        | \$ 534.1 |
| Depreciation and amortization            | 19.7               | 3.4            | 0.5     |        |           | 23.6     |
| Operating income (loss)                  | 20.8               | 3.0            | (1.5)   | 2.2    |           | 24.5     |
| Additions to property, plant & equipment | 10.2               | 2.3            |         |        |           | 12.5     |
| <b>As of April 2, 2011</b>               |                    |                |         |        |           |          |
| Property, plant & equipment              | \$ 399.8           | \$ 93.6        | \$ 13.2 | \$     | \$        | \$ 506.6 |
| Goodwill                                 | 126.6              |                |         | 4.5    |           | 131.1    |
| Intangibles and other assets             | 345.9              | 15.6           | 0.8     |        |           | 362.3    |
| Total assets <sup>2</sup>                | 1,290.2            | 215.5          | 34.1    | 12.3   | 0.7       | 1,552.8  |

<sup>1</sup> Intersegment revenue between North America and the other operating segments was \$4.2 million for the three months ended April 2, 2011.

<sup>2</sup> Excludes intersegment receivables, investments and notes receivable.





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| <i>(in millions of U.S. dollars)</i>     | Operating Segments |                |         |        |           | Total    |
|--|--------------------|----------------|---------|--------|-----------|----------|
|  | North America      | United Kingdom | Mexico  | RCI    | All Other |          |
| <b>For the Three Months Ended</b>        |                    |                |         |        |           |          |
| <b>April 3, 2010</b>                     |                    |                |         |        |           |          |
| External revenue <sup>1</sup>            | \$ 263.2           | \$ 79.7        | \$ 11.8 | \$ 8.2 | \$        | \$ 362.9 |
| Depreciation and amortization            | 12.1               | 3.3            | 0.5     |        |           | 15.9     |
| Operating income (loss)                  | 20.9               | 3.0            | (1.8)   | 3.0    |           | 25.1     |
| Restructuring                            | (0.5)              |                |         |        |           | (0.5)    |
| Additions to property, plant & equipment | 4.9                | 2.4            | 0.3     |        |           | 7.6      |
| <b>As of January 1, 2011</b>             |                    |                |         |        |           |          |
| Property, plant & equipment              | \$ 400.4           | \$ 90.2        | \$ 13.2 | \$     | \$        | \$ 503.8 |
| Goodwill                                 | 125.7              |                |         | 4.5    |           | 130.2    |
| Intangibles and other assets             | 354.7              | 15.7           | 0.7     |        |           | 371.1    |
| Total assets <sup>2</sup>                | 1,275.9            | 207.4          | 31.5    | 13.7   | 0.7       | 1,529.2  |

<sup>1</sup> Intersegment revenue between North America and the other operating segments was \$5.9 million for the three months ended April 3, 2010.

<sup>2</sup> Excludes intersegment receivables, investments and notes receivable.

For the three months ended April 2, 2011, sales to Wal-Mart accounted for 33.0% (April 3, 2010 32.9%) of our total revenues, 36.7% of our North America operating segment revenues (April 3, 2010 36.7%), 15.4% of our U.K. operating segment revenues (April 3, 2010 16.8%), and 52.0% of our Mexico operating segment revenues (April 3, 2010 45.6%).

Credit risk arises from the potential default of a customer in meeting its financial obligations to us. Concentrations of credit exposure may arise with a group of customers that have similar economic characteristics or that are located in the same geographic region. The ability of such customers to meet obligations would be similarly affected by changing economic, political or other conditions. We are not currently aware of any facts that would create a material credit risk.

Revenues are attributed to countries based on the location of the plant. Revenues by reporting unit were as follows:

| <i>(in millions of U.S. dollars)</i> | For the Three Months Ended |                 |
|--------------------------------------|----------------------------|-----------------|
|                                      | April 2, 2011              | April 3, 2010   |
| United States                        | \$ 388.7                   | \$ 235.9        |
| Canada                               | 52.1                       | 40.1            |
| United Kingdom                       | 86.3                       | 80.4            |
| Mexico                               | 11.4                       | 11.8            |
| RCI                                  | 7.6                        | 8.2             |
| Elimination <sup>1</sup>             | (12.0)                     | (13.5)          |
|                                      | <b>\$ 534.1</b>            | <b>\$ 362.9</b> |

<sup>1</sup> Represents intersegment revenue among our reporting units, of which \$4.2 million and \$5.9 million represent intersegment revenue between North America and our other operating segments for the three months ended April 2, 2011 and April 3, 2010, respectively. The revenue by product table for the three months ended April 3, 2010 has been reclassified to separately present the category Juice which is now a significant portion of our revenue due to the Cliffstar Acquisition.

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Revenues by product were as follows:

| <b>For the Three Months Ended April 2, 2011</b> |                          |                           |                |               |                 |
|---|--------------------------|---------------------------|----------------|---------------|-----------------|
| <i>(in millions of U.S. dollars)</i>            | <b>North<br/>America</b> | <b>United<br/>Kingdom</b> | <b>Mexico</b>  | <b>RCI</b>    | <b>Total</b>    |
| <b><u>Revenue</u></b>                           |                          |                           |                |               |                 |
| Carbonated soft drinks                          | \$ 156.3                 | \$ 42.4                   | \$ 9.3         | \$            | \$ 208.0        |
| Juice   | 160.0                    | 2.2                       | 0.8            |               | 163.0           |
| Concentrate                                     | 2.3                      |                           |                | 7.6           | 9.9             |
| All other products                              | 110.2                    | 41.7                      | 1.3            |               | 153.2           |
| <b>Total</b>                                    | <b>\$ 428.8</b>          | <b>\$ 86.3</b>            | <b>\$ 11.4</b> | <b>\$ 7.6</b> | <b>\$ 534.1</b> |

| <b>For the Three Months Ended April 3, 2010</b> |                          |                           |                |               |                 |
|---|--------------------------|---------------------------|----------------|---------------|-----------------|
| <i>(in millions of U.S. dollars)</i>            | <b>North<br/>America</b> | <b>United<br/>Kingdom</b> | <b>Mexico</b>  | <b>RCI</b>    | <b>Total</b>    |
| <b><u>Revenue</u></b>                           |                          |                           |                |               |                 |
| Carbonated soft drinks                          | \$ 166.7                 | \$ 33.5                   | \$ 10.4        | \$            | \$ 210.6        |
| Juice   |                          | 1.4                       | 0.3            |               | 1.7             |
| Concentrate                                     | 2.0                      | 1.3                       |                | 8.2           | 11.5            |
| All other products                              | 94.5                     | 43.5                      | 1.1            |               | 139.1           |
| <b>Total</b>                                    | <b>\$ 263.2</b>          | <b>\$ 79.7</b>            | <b>\$ 11.8</b> | <b>\$ 8.2</b> | <b>\$ 362.9</b> |

Property, plant and equipment by geographic area were as follows:

| <i>(in millions of U.S. dollars)</i> | <b>April 2, 2011</b> | <b>January 1, 2011</b> |
|--------------------------------------|----------------------|------------------------|
| United States                        | \$ 349.2             | \$ 350.4               |
| Canada                               | 50.6                 | 50.0                   |
| United Kingdom                       | 93.6                 | 90.2                   |
| Mexico                               | 13.2                 | 13.2                   |
|                                      | <b>\$ 506.6</b>      | <b>\$ 503.8</b>        |

**Note 7 Inventories**

| <i>(in millions of U.S. dollars)</i> | <b>April 2, 2011</b> | <b>January 1, 2011</b> |
|--------------------------------------|----------------------|------------------------|
| Raw materials                        | \$ 91.0              | \$ 90.1                |
| Finished goods                       | 112.9                | 107.3                  |
| Other                                | 19.2                 | 18.1                   |
|                                      | <b>\$ 223.1</b>      | <b>\$ 215.5</b>        |

**Table of Contents****Note 8 Intangibles and Other Assets including Goodwill**

| <i>(in millions of U.S. dollars)</i>            | Cost         | April 2, 2011<br>Accumulated<br>Amortization | Net          |
|---|--------------|--|--------------|
| <b>Intangibles</b>                              |              |  |              |
| <i>Not subject to amortization</i>              |              |  |              |
| Rights  | \$ 45.0      | \$   | \$ 45.0      |
| <br><i>Subject to amortization</i>              |              |  |              |
| Customer relationships                          | 370.1        | 101.2  | 268.9        |
| Trademarks                                      | 27.6         | 20.2   | 7.4          |
| Information technology                          | 60.6         | 54.1   | 6.5          |
| Other   | 10.3         | 3.8  | 6.5          |
|   | 468.6        | 179.3  | 289.3        |
|   | 513.6        | 179.3  | 334.3        |
| <b>Other Assets</b>                             |              |  |              |
| Financing costs                                 | 23.2         | 4.4  | 18.8         |
| Deposits  | 7.6          |  | 7.6          |
| Other   | 2.1          | 0.5  | 1.6          |
|   | 32.9         | 4.9  | 28.0         |
| <br><b>Total Intangibles &amp; Other Assets</b> | <br>\$ 546.5 | <br>\$ 184.2                                 | <br>\$ 362.3 |

Amortization expense of intangible and other assets for the three months ended April 2, 2011 and April 3, 2010 was \$8.9 million and \$5.3 million, respectively.

The estimated amortization expense for intangibles over the next five years is:

| <i>(in millions of U.S. dollars)</i> |          |
|--------------------------------------|----------|
| Remainder of 2011                    | \$ 23.8  |
| 2012                                 | 29.6     |
| 2013                                 | 28.6     |
| 2014                                 | 26.9     |
| 2015                                 | 24.6     |
| Thereafter                           | 155.8    |
|                                      | \$ 289.3 |

Goodwill is not subject to amortization and the change in goodwill reflects fluctuations in foreign currency exchange rates.

**Table of Contents****Note 9 Debt**

Our total debt was as follows:

| <i>(in millions of U.S. dollars)</i>          | <b>April 2, 2011</b> | <b>January 1, 2011</b> |
|---|----------------------|------------------------|
| 8.375% senior notes due in 2017 <sup>1</sup>  | <b>\$ 215.0</b>      | <b>\$ 215.0</b>        |
| 8.125% senior notes due in 2018               | <b>375.0</b>         | <b>375.0</b>           |
| ABL facility                                  | <b>35.2</b>          | <b>7.9</b>             |
| GE obligation                                 | <b>15.5</b>          | <b>16.5</b>            |
| Other capital leases                          | <b>5.6</b>           | <b>5.8</b>             |
| Other debt                                    | <b>1.9</b>           | <b>2.0</b>             |
| <b>Total debt</b>                             | <b>648.2</b>         | <b>622.2</b>           |
| Less: Short-term borrowings and current debt: |                      |                        |
| ABL facility                                  | <b>35.2</b>          | <b>7.9</b>             |
| <b>Total short-term borrowings</b>            | <b>35.2</b>          | <b>7.9</b>             |
| GE obligation - current maturities            | <b>4.2</b>           | <b>4.1</b>             |
| Other capital leases - current maturities     | <b>1.4</b>           | <b>1.4</b>             |
| Other debt - current maturities               | <b>0.3</b>           | <b>0.5</b>             |
| <b>Total current debt</b>                     | <b>41.1</b>          | <b>13.9</b>            |
| Long-term debt before discount                | <b>607.1</b>         | <b>608.3</b>           |
| Less discount on 8.375% notes                 | <b>(2.7)</b>         | <b>(2.8)</b>           |
| <b>Total long-term debt</b>                   | <b>\$ 604.4</b>      | <b>\$ 605.5</b>        |

<sup>1</sup> Our 8.375% senior notes were issued at a discount of 1.425% on November 13, 2009.

**Debt***Asset Based Lending Facility*

On March 31, 2008, we entered into a credit agreement with JPMorgan Chase Bank N.A. as Agent that created an asset-based lending credit facility (the ABL facility) to provide financing for our North America, United Kingdom and Mexico operating segments. In connection with the Cliffstar Acquisition, we refinanced the ABL facility on August 17, 2010 to, among other things, provide for the Cliffstar Acquisition, the issuance of \$375.0 million of 8.125% senior notes that are due on September 1, 2018 (the 2018 Notes) and the application of net proceeds therefrom, the underwritten public offering of 13,340,000 common shares at a price of \$5.67 per share and the application of net proceeds therefrom and to increase the amount available for borrowings to \$275.0 million. We drew down a portion of the indebtedness under the ABL facility in order to fund the Cliffstar Acquisition. We incurred \$5.4 million of financing fees in connection with the refinancing of the ABL facility. The financing fees are being amortized using the straight-line method over a four-year period.

As of April 2, 2011, we had \$35.2 million in borrowings under the ABL facility outstanding. The commitment fee was 0.5% per annum of the unused commitment, which was \$227.6 million as of April 2, 2011.

*8.125% Senior Notes due in 2018*

On August 17, 2010, we issued the 2018 Notes. The issuer of the 2018 Notes is Cott Beverages Inc., but we and most of our U.S., Canadian and United Kingdom subsidiaries guarantee the 2018 Notes. The interest on the 2018 Notes is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> of each year.

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We incurred \$8.6 million of financing fees in connection with the 2018 Notes. The financing fees are being amortized using the straight-line method over an eight-year period, which represents the duration of the 2018 Notes. The amortization expense calculated under the straight-line method does not differ materially from the effective-interest method.

### *8.375% Senior Notes due in 2017*

On November 13, 2009, we issued \$215.0 million of senior notes that are due on November 15, 2017 (the 2017 Notes ). The 2017 Notes were issued at a \$3.1 million discount. The issuer of the 2017 Notes is Cott Beverages Inc., but we and most of our U.S., Canadian and United Kingdom subsidiaries guarantee the 2017 Notes. The interest on the 2017 Notes is payable semi-annually on May 15<sup>th</sup> and November 15<sup>th</sup> of each year.

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We incurred \$5.1 million of financing fees in connection with the 2017 Notes. The financing fees are being amortized using the straight-line method over an eight-year period, which represents the duration of the 2017 Notes. The amortization expense calculated under the straight-line method does not differ materially from the effective-interest method.

### *8% Senior Subordinated Notes due in 2011*

We repurchased the remaining outstanding 8% senior subordinated notes due December 15, 2011 (the 2011 Notes ) for \$11.1 million on February 1, 2010, and recorded a loss on buyback of \$0.1 million. The 2011 Notes acquired by us have been retired, and we have discontinued the payment of interest.

## **Note 10 Commitments and Contingencies**

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations, and other actions arising out of the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position, results of operations, or cash flow.

We had \$9.1 million in standby letters of credit outstanding as of April 2, 2011 (April 3, 2010 \$7.5 million).

## **Note 11 Shares Held in Trust Treated as Treasury Shares**

In May 2008, an independent trustee acting under certain of our benefit plans purchased 2.3 million of our common shares to be used to satisfy future liabilities under the Amended and Restated Performance Share Unit Plan (the PSU Plan ) and the Restated Executive Incentive Share Purchase Plan (the Restated EISPP ). During the three months ended April 2, 2011, we distributed 0.2 million shares from the trust to satisfy certain PSU obligations that had vested. During the three months ended April 2, 2011, we distributed 0.2 million shares from the trust to satisfy certain Restated EISPP obligations that had vested. As of April 2, 2011, 0.4 million and 0.3 million shares were held in trust, and accounted for as treasury shares under applicable accounting rules. Treasury shares are reported at cost.

Subsequent to the adoption of the 2010 Equity Incentive Plan on May 4, 2010, the Human Resources and Compensation Committee of the Board of Directors (the HRCC ) determined that certain of Cott 's long-term incentive plans were no longer needed and terminated the PSU Plan and the Restated EISPP effective February 23, 2011. No further awards will be granted under such plans, as future awards will be made under the Company 's 2010 Equity Incentive Plan.

## **Note 12 Hedging Transactions and Derivative Financial Instruments**

The Company is directly and indirectly affected by changes in foreign currency market conditions. These changes in market conditions may adversely impact the Company 's financial performance and are referred to as market risks. The Company, when deemed appropriate by management, uses derivatives as a risk management tool to mitigate the potential impact of foreign currency market risks. The Company 's foreign currency market risks are managed by the Company through the use of derivative instruments.

The Company purchases forward contract derivative instruments. Forward contracts are agreements to buy or sell a quantity of a currency at a predetermined future date, and at a predetermined rate or price. We do not enter into derivative financial instruments for trading purposes.

All derivatives are carried at fair value in the Consolidated Balance Sheets in the line item accounts payable and accrued liabilities. The carrying values of the derivatives reflect the impact of legally enforceable agreements with the same counterparties. These allow the Company to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the type of hedging relationships. The changes in fair values of derivatives that have been designated and qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) ( AOCI ) and are reclassified into the line item in the Consolidated Statements of Operations in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged.





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The Company formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, the Company formally assesses both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized into earnings.

The Company estimates the fair values of its derivatives based on quoted market prices or pricing models using current market rates (refer to Note 13). The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or other financial indices. The Company does not view the fair values of its derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions. All of our derivatives are straightforward over-the-counter instruments with liquid markets.

**Credit Risk Associated with Derivatives**

We have established strict counterparty credit guidelines and enter into transactions only with financial institutions of investment grade or better. We mitigate pre-settlement risk by being permitted to net settle for transactions with the same counterparty.

**Cash Flow Hedging Strategy**

The Company uses cash flow hedges to minimize the variability in cash flows of assets or liabilities or forecasted transactions caused by fluctuations in foreign currency exchange rates. The changes in the fair values of derivatives designated as cash flow hedges are recorded in AOCI and are reclassified into the line item in the Consolidated Statements of Operations in which the hedged items are recorded in the same period the hedged items affect earnings. The changes in fair values of hedges that are determined to be ineffective are immediately reclassified from AOCI into earnings. The Company did not discontinue any cash flow hedging relationships during the three months ended April 2, 2011. The maximum length of time over which the Company hedges its exposure to future cash flows is typically one year.

The Company maintains a foreign currency cash flow hedging program to reduce the risk that our procurement activities will be adversely affected by changes in foreign currency exchange rates. We enter into forward contracts to hedge certain portions of forecasted cash flows denominated in foreign currencies. When the U.S. dollar strengthens significantly against foreign currencies, the decline in the present value of future foreign currency cash flows is partially offset by gains in the fair value of the derivative instruments. Conversely, when the U.S. dollar weakens as compared to other currencies, the increase in the present value of future foreign currency cash flows is partially offset by losses in the fair value of the derivative instruments. The total notional value of derivatives that have been designated and qualify for the Company's foreign currency cash flow hedging program as of April 2, 2011 was approximately \$16.0 million.

The following table summarizes the Company's derivative instruments as of April 2, 2011:

| <i>(in millions of U.S. dollars)</i><br>Derivatives designated as cash flow hedging instruments | Liability Derivatives                    |            |
|---|--|------------|
|   | Balance Sheet location                   | Fair Value |
| Foreign exchange contracts  | Accounts payable and accrued liabilities | \$ 1.0     |

The settlement of our derivative instruments resulted in a charge to cost of sales of less than \$0.2 million for the three months ended April 2, 2011.

**Table of Contents****Note 13 Fair Value Measurements**

ASC No. 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

We have certain assets and liabilities that are required to be recorded at fair value on a recurring basis in accordance with U.S. GAAP.

The following table summarizes those assets and liabilities measured at fair value on a recurring basis as of April 2, 2011:

| <i>(in millions of U.S. dollars)</i> | April 2, 2011 |         |         |                    | Fair Value Measurements |
|--------------------------------------|---------------|---------|---------|--------------------|-------------------------|
|                                      | Level 1       | Level 2 | Level 3 | Netting Adjustment |                         |
| <b>Liabilities</b>                   |               |         |         |                    |                         |
| Derivatives                          | \$            | \$ 1.0  | \$      | \$                 | \$ 1.0                  |
| Contingent Consideration             |               |         | 32.9    |                    | 32.9                    |
| <b>Total Liabilities</b>             | \$            | \$ 1.0  | \$ 32.9 | \$                 | \$ 33.9                 |

**Fair Value of Financial Instruments**

The carrying amounts reflected in the Consolidated Balance Sheets for cash, receivables, payables, short-term borrowings and long-term debt approximate their respective fair values, except as otherwise indicated. The carrying values and estimated fair values of our significant outstanding debt as of April 2, 2011 were as follows:

| <i>(in millions of U.S. dollars)</i>         | April 2, 2011  |            |
|--|----------------|------------|
|  | Carrying Value | Fair Value |
| 8.375% senior notes due in 2017 <sup>1</sup> | \$ 215.0       | \$ 231.1   |
| 8.125% senior notes due in 2018 <sup>1</sup> | 375.0          | 401.7      |
| ABL facility                                 | 35.2           | 35.2       |
| Total  | \$ 625.2       | \$ 668.0   |

<sup>1</sup> The fair values are based on the trading levels and bid/offer prices observed by a market participant.

**Fair value of contingent consideration**

The fair value of the contingent consideration, which is payable no later than July 29, 2011, was based on significant inputs not observed in the market and thus represented a Level 3 instrument. Level 3 instruments are valued based on unobservable inputs that are supported by little or no market activity and reflect our own assumptions in measuring fair value.

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| <i>(in millions of U.S. dollars)</i> | <b>April 2, 2011</b> |
|--------------------------------------|----------------------|
| Beginning balance                    | <b>\$ 32.2</b>       |
| Accretion to fair value              | <b>0.7</b>           |
| <b>Ending balance</b>                | <b>\$ 32.9</b>       |

We were notified on May 9, 2011 by the seller of Cliffstar Corporation of certain objections to the performance measures used to calculate the contingent consideration, and the seller asserted a claim for amounts in excess of the amounts accrued as contingent consideration at April 2, 2011. We believe the contingent consideration has been properly calculated in accordance with the asset purchase agreement and we have not adjusted our estimated fair value of the contingent consideration for the objections raised by the seller. We believe that our estimated fair value and assumptions are reasonable, but there is significant judgment involved. We will resolve these matters in accordance with the asset purchase agreement and final amounts paid may materially vary from our current estimated fair value. Changes in the fair value of contingent consideration will be recorded in our Statement of Operations

**Note 14 Guarantor Subsidiaries**

The 2017 Notes and 2018 Notes issued by our wholly owned subsidiary, Cott Beverages, Inc., are unconditionally guaranteed on a senior basis pursuant to guarantees by Cott Corporation and certain other wholly owned subsidiaries (the Guarantor Subsidiaries). Such guarantees are full, unconditional and joint and several.

We have not presented separate financial statements and separate disclosures have not been provided concerning subsidiary guarantors because management has determined such information is not material to the holders of the above-mentioned notes.

The following supplemental financial information sets forth on an unconsolidated basis, our Balance Sheets, Statements of Operations and Cash Flows for Cott Corporation, Cott Beverages Inc., Guarantor Subsidiaries and our other subsidiaries (the Non-guarantor Subsidiaries). The supplemental financial information reflects our investments and those of Cott Beverages Inc. in their respective subsidiaries using the equity method of accounting.

**Table of Contents****Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited*

|   | For the Three Months Ended April 2, 2011 |                     |                        |                            |                     | Consolidated |
|---|--|---------------------|------------------------|----------------------------|---------------------|--------------|
|   | Cott Corporation                         | Cott Beverages Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination Entries |              |
| <b>Revenue, net</b>   | \$ 41.9                                  | \$ 215.0            | \$ 252.6               | \$ 33.1                    | \$ (8.5)            | \$ 534.1     |
| Cost of sales   | 34.9                                     | 186.0               | 223.4                  | 28.7                       | (8.5)               | 464.5        |
| <b>Gross profit</b>   | 7.0                                      | 29.0                | 29.2                   | 4.4                        |                     | 69.6         |
| Selling, general and administrative expenses                                      | 8.2                                      | 18.6                | 14.8                   | 3.5                        |                     | 45.1         |
| <b>Operating income</b>   | (1.2)                                    | 10.4                | 14.4                   | 0.9                        |                     | 24.5         |
| Other expense, net  | 0.4                                      | 0.4                 |                        |                            |                     | 0.8          |
| Intercompany interest (income) expense, net                                       | (1.7)                                    |                     | 1.7                    |                            |                     |              |
| Interest expense, net   |  | 13.8                | 0.5                    | 0.1                        |                     | 14.4         |
| <b>Income (loss) before income tax expense (benefit) and equity income (loss)</b> | 0.1                                      | (3.8)               | 12.2                   | 0.8                        |                     | 9.3          |
| Income tax expense (benefit)  | 1.1                                      | 1.3                 | (0.9)                  | 0.1                        |                     | 1.6          |
| Equity income (loss)  | 7.8                                      | 1.3                 | (3.8)                  |                            | (5.3)               |              |
| <b>Net income (loss)</b>  | \$ 6.8                                   | \$ (3.8)            | \$ 9.3                 | \$ 0.7                     | \$ (5.3)            | \$ 7.7       |
| Less: Net income attributable to non-controlling interests                        |  |                     |                        | 0.9                        |                     | 0.9          |
| <b>Net income (loss) attributed to Cott Corporation</b>                           | \$ 6.8                                   | \$ (3.8)            | \$ 9.3                 | \$ (0.2)                   | \$ (5.3)            | \$ 6.8       |

**Table of Contents****Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited*

|   | For the Three Months Ended April 3, 2010 |                        |                           |                               |                        |                 |
|---|--|------------------------|---------------------------|-------------------------------|------------------------|-----------------|
|   | Cott<br>Corporation                      | Cott<br>Beverages Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination<br>Entries | Consolidated    |
| <b>Revenue, net</b>   | <b>\$ 40.1</b>                           | <b>\$ 218.1</b>        | <b>\$ 80.4</b>            | <b>\$ 33.5</b>                | <b>\$ (9.2)</b>        | <b>\$ 362.9</b> |
| Cost of sales   | 34.0                                     | 181.5                  | 70.3                      | 29.1                          | (9.2)                  | 305.7           |
| <b>Gross profit</b>   | <b>6.1</b>                               | <b>36.6</b>            | <b>10.1</b>               | <b>4.4</b>                    |                        | <b>57.2</b>     |
| Selling, general and administrative expenses                                      | 7.8                                      | 14.2                   | 7.0                       | 3.4                           |                        | 32.4            |
| Loss on disposal of property, plant & equipment                                   |  | 0.2                    |                           |                               |                        | 0.2             |
| Restructuring   |  | (0.5)                  |                           |                               |                        | (0.5)           |
| <b>Operating (loss) income</b>  | <b>(1.7)</b>                             | <b>22.7</b>            | <b>3.1</b>                | <b>1.0</b>                    |                        | <b>25.1</b>     |
| Other expense (income), net   | 1.7                                      | 0.1                    | 0.2                       | (0.2)                         |                        | 1.8             |
| Intercompany interest (income) expense, net                                       | (1.7)                                    | 3.2                    | (1.5)                     |                               |                        |                 |
| Interest expense, net   | 0.1                                      | 5.9                    | 0.1                       | 0.1                           |                        | 6.2             |
| <b>(Loss) income before income tax (benefit) expense and equity income (loss)</b> | <b>(1.8)</b>                             | <b>13.5</b>            | <b>4.3</b>                | <b>1.1</b>                    |                        | <b>17.1</b>     |
| Income tax (benefit) expense  | (1.0)                                    | 5.1                    | 0.1                       | 0.2                           |                        | 4.4             |
| Equity income (loss)  | 12.3                                     | 1.5                    | 9.8                       |                               | (23.6)                 |                 |
| <b>Net income (loss)</b>  | <b>\$ 11.5</b>                           | <b>\$ 9.9</b>          | <b>\$ 14.0</b>            | <b>\$ 0.9</b>                 | <b>\$ (23.6)</b>       | <b>\$ 12.7</b>  |
| Less: Net income attributable to non-controlling interests                        |  |                        |                           | 1.2                           |                        | 1.2             |
| <b>Net income (loss) attributed to Cott Corporation</b>                           | <b>\$ 11.5</b>                           | <b>\$ 9.9</b>          | <b>\$ 14.0</b>            | <b>\$ (0.3)</b>               | <b>\$ (23.6)</b>       | <b>\$ 11.5</b>  |

**Table of Contents****Consolidating Balance Sheets***(in millions of U.S. dollars)**Unaudited*

|  | As of April 2, 2011 |                        |                           |                               |                        |                   |
|--|---------------------|------------------------|---------------------------|-------------------------------|------------------------|-------------------|
|  | Cott<br>Corporation | Cott<br>Beverages Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination<br>Entries | Consolidated      |
| <b>ASSETS</b>                            |                     |                        |                           |                               |                        |                   |
| <i>Current assets</i>                    |                     |                        |                           |                               |                        |                   |
| Cash & cash equivalents                  | \$ 7.0              | \$ 1.7                 | \$ 20.6                   | \$ 6.5                        | \$                     | \$ 35.8           |
| Accounts receivable, net of allowance    | 26.7                | 104.3                  | 140.2                     | 16.9                          | (42.3)                 | 245.8             |
| Income taxes recoverable                 | 0.1                 | 3.6                    | 0.5                       | 0.6                           |                        | 4.8               |
| Inventories                              | 20.6                | 71.5                   | 124.1                     | 6.9                           |                        | 223.1             |
| Prepaid expenses and other assets        | 3.0                 | 18.1                   | 9.7                       | 0.2                           |                        | 31.0              |
| <b>Total current assets</b>              | <b>57.4</b>         | <b>199.2</b>           | <b>295.1</b>              | <b>31.1</b>                   | <b>(42.3)</b>          | <b>540.5</b>      |
| Property, plant & equipment              | 50.8                | 183.2                  | 258.7                     | 13.9                          |                        | 506.6             |
| Goodwill                                 | 28.5                | 4.4                    | 98.2                      |                               |                        | 131.1             |
| Intangibles and other assets             | 1.4                 | 111.1                  | 229.4                     | 20.4                          |                        | 362.3             |
| Deferred income taxes                    | 2.6                 | (0.4)                  |                           |                               |                        | 2.2               |
| Other tax receivable                     | 2.5                 | 7.6                    |                           |                               |                        | 10.1              |
| Due from affiliates                      | 243.0               | 172.5                  | 222.7                     | 41.9                          | (680.1)                |                   |
| Investments in subsidiaries              | 232.2               | 365.0                  | 560.8                     | 191.9                         | (1,349.9)              |                   |
| <b>Total assets</b>                      | <b>\$ 618.4</b>     | <b>\$ 1,042.6</b>      | <b>\$ 1,664.9</b>         | <b>\$ 299.2</b>               | <b>\$ (2,072.3)</b>    | <b>\$ 1,552.8</b> |
| <b>LIABILITIES AND EQUITY</b>            |                     |                        |                           |                               |                        |                   |
| <i>Current liabilities</i>               |                     |                        |                           |                               |                        |                   |
| Short-term borrowings                    | \$                  | \$ 35.2                | \$                        | \$                            | \$                     | \$ 35.2           |
| Current maturities of long-term debt     |                     | 5.4                    | 0.1                       | 0.4                           |                        | 5.9               |
| Contingent consideration earn-out        |                     | 32.9                   |                           |                               |                        | 32.9              |
| Accounts payable and accrued liabilities | 34.8                | 71.9                   | 177.6                     | 15.8                          | (42.3)                 | 257.8             |
| <b>Total current liabilities</b>         | <b>34.8</b>         | <b>145.4</b>           | <b>177.7</b>              | <b>16.2</b>                   | <b>(42.3)</b>          | <b>331.8</b>      |
| Long-term debt                           |                     | 600.5                  | 1.5                       | 2.4                           |                        | 604.4             |
| Deferred income taxes                    |                     | 32.0                   | 10.2                      | 0.8                           |                        | 43.0              |
| Other long-term liabilities              | 0.3                 | 3.9                    | 17.1                      |                               |                        | 21.3              |
| Due to affiliates                        | 43.4                | 221.2                  | 382.8                     | 32.7                          | (680.1)                |                   |
| <b>Total liabilities</b>                 | <b>78.5</b>         | <b>1,003.0</b>         | <b>589.3</b>              | <b>52.1</b>                   | <b>(722.4)</b>         | <b>1,000.5</b>    |
| <i>Equity</i>                            |                     |                        |                           |                               |                        |                   |
| Capital stock, no par                    | 395.6               | 380.1                  | 1,322.2                   | 175.0                         | (1,877.3)              | 395.6             |
| Treasury stock                           | (2.1)               |                        |                           |                               |                        | (2.1)             |
| Additional paid-in-capital               | 40.8                | 0.2                    |                           |                               | (0.2)                  | 40.8              |
| Retained earnings (deficit)              | 113.2               | (352.6)                | (350.5)                   | (38.3)                        | 741.5                  | 113.3             |

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|   |          |            |            |          |              |            |
|---|----------|------------|------------|----------|--------------|------------|
| Accumulated other comprehensive (loss) income | (7.6)    | 11.9       | 103.9      | 98.1     | (213.9)      | (7.6)      |
| Total Cott Corporation equity                 | 539.9    | 39.6       | 1,075.6    | 234.8    | (1,349.9)    | 540.0      |
| Non-controlling interests                     |          |            |            | 12.3     |              | 12.3       |
| Total equity                                  | 539.9    | 39.6       | 1,075.6    | 247.1    | (1,349.9)    | 552.3      |
| <b>Total liabilities and equity</b>           | \$ 618.4 | \$ 1,042.6 | \$ 1,664.9 | \$ 299.2 | \$ (2,072.3) | \$ 1,552.8 |



**Table of Contents****Consolidating Balance Sheets***(in millions of U.S. dollars)*

|   | As of January 1, 2011 |                        |                           |                               |                        |              |
|---|-----------------------|------------------------|---------------------------|-------------------------------|------------------------|--------------|
|   | Cott<br>Corporation   | Cott<br>Beverages Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination<br>Entries | Consolidated |
| <b>ASSETS</b>                                 |                       |                        |                           |                               |                        |              |
| <i>Current assets</i>                         |                       |                        |                           |                               |                        |              |
| Cash & cash equivalents                       | \$ 7.8                | \$ 9.1                 | \$ 26.0                   | \$ 5.3                        | \$                     | \$ 48.2      |
| Accounts receivable, net of allowance         | 108.6                 | 151.6                  | 128.6                     | 17.3                          | (192.5)                | 213.6        |
| Income taxes recoverable                      |                       | 1.3                    | (1.3)                     | 0.3                           |                        | 0.3          |
| Inventories                                   | 18.1                  | 66.1                   | 124.6                     | 6.7                           |                        | 215.5        |
| Prepaid expenses and other assets             | 3.6                   | 19.3                   | 8.1                       | 1.7                           |                        | 32.7         |
| <b>Total current assets</b>                   | 138.1                 | 247.4                  | 286.0                     | 31.3                          | (192.5)                | 510.3        |
| Property, plant & equipment                   | 50.0                  | 180.4                  | 259.5                     | 13.9                          |                        | 503.8        |
| Goodwill                                      | 27.4                  | 4.5                    | 98.3                      |                               |                        | 130.2        |
| Intangibles and other assets                  | 1.3                   | 114.8                  | 233.6                     | 21.4                          |                        | 371.1        |
| Deferred income taxes                         | 3.7                   |                        |                           | (1.2)                         |                        | 2.5          |
| Other tax receivable                          | 2.5                   | 7.6                    | 1.2                       |                               |                        | 11.3         |
| Due from affiliates                           | 241.8                 | 166.9                  | 220.9                     | 41.9                          | (671.5)                |              |
| Investments in subsidiaries                   | 198.4                 | 351.5                  | 322.7                     | 161.0                         | (1,033.6)              |              |
| <b>Total assets</b>                           | \$ 663.2              | \$ 1,073.1             | \$ 1,422.2                | \$ 268.3                      | \$ (1,897.6)           | \$ 1,529.2   |
| <b>LIABILITIES AND EQUITY</b>                 |                       |                        |                           |                               |                        |              |
| <i>Current liabilities</i>                    |                       |                        |                           |                               |                        |              |
| Short-term borrowings                         | \$                    | \$ 7.9                 | \$                        | \$                            | \$                     | \$ 7.9       |
| Current maturities of long-term debt          | 0.1                   | 5.4                    | 0.1                       | 0.4                           |                        | 6.0          |
| Contingent consideration earn-out             |                       | 32.2                   |                           |                               |                        | 32.2         |
| Accounts payable and accrued liabilities      | 97.3                  | 171.8                  | 185.9                     | 14.1                          | (192.5)                | 276.6        |
| <b>Total current liabilities</b>              | 97.4                  | 217.3                  | 186.0                     | 14.5                          | (192.5)                | 322.7        |
| Long-term debt                                |                       | 601.9                  | 1.4                       | 2.5                           | (0.3)                  | 605.5        |
| Deferred income taxes                         |                       | 31.8                   | 10.7                      | 1.1                           |                        | 43.6         |
| Other long-term liabilities                   |                       | 5.4                    | 16.9                      |                               | (0.1)                  | 22.2         |
| Due to affiliates                             | 43.2                  | 219.6                  | 377.2                     | 31.7                          | (671.7)                |              |
| <b>Total liabilities</b>                      | 140.6                 | 1,076.0                | 592.2                     | 49.8                          | (864.6)                | 994.0        |
| <i>Equity</i>                                 |                       |                        |                           |                               |                        |              |
| Capital stock, no par                         | 395.6                 | 354.4                  | 1,182.6                   | 175.0                         | (1,712.0)              | 395.6        |
| Treasury stock                                | (3.2)                 |                        |                           |                               |                        | (3.2)        |
| Additional paid-in-capital                    | 40.7                  | 0.4                    |                           |                               | (0.3)                  | 40.8         |
| Retained earnings (deficit)                   | 106.4                 | (350.4)                | (352.0)                   | (36.4)                        | 738.9                  | 106.5        |
| Accumulated other comprehensive (loss) income | (16.9)                | (7.3)                  | (0.6)                     | 66.9                          | (59.6)                 | (17.5)       |

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|                                     |                 |                   |                   |                 |                     |                   |
|-------------------------------------|-----------------|-------------------|-------------------|-----------------|---------------------|-------------------|
| Total Cott Corporation equity       | 522.6           | (2.9)             | 830.0             | 205.5           | (1,033.0)           | 522.2             |
| Non-controlling interests           |                 |                   |                   | 13.0            |                     | 13.0              |
| <b>Total equity</b>                 | <b>522.6</b>    | <b>(2.9)</b>      | <b>830.0</b>      | <b>218.5</b>    | <b>(1,033.0)</b>    | <b>535.2</b>      |
| <b>Total liabilities and equity</b> | <b>\$ 663.2</b> | <b>\$ 1,073.1</b> | <b>\$ 1,422.2</b> | <b>\$ 268.3</b> | <b>\$ (1,897.6)</b> | <b>\$ 1,529.2</b> |

**Table of Contents****Condensed Consolidating Statements of Cash Flows***(in millions of U.S. dollars)**Unaudited*

|   | <b>For the Three Months Ended April 2, 2011</b> |                                |                                   |                                       |                                |                     |
|---|---|--------------------------------|-----------------------------------|---------------------------------------|--------------------------------|---------------------|
|   | <b>Cott<br/>Corporation</b>                     | <b>Cott<br/>Beverages Inc.</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Elimination<br/>Entries</b> | <b>Consolidated</b> |
| <b>Operating activities</b>                                   |   |                                |                                   |                                       |                                |                     |
| Net income (loss)   | \$ 6.8  | \$ (3.8)                       | \$ 9.3                            | \$ 0.7                                | \$ (5.3)                       | \$ 7.7              |
| Depreciation & amortization                                   | 1.6   | 8.6                            | 11.9                              | 1.5                                   |                                | 23.6                |
| Amortization of financing fees                                | 0.1   | 0.7                            | 0.1                               |                                       |                                | 0.9                 |
| Share-based compensation expense                              | 0.1   | 0.7                            | 0.3                               |                                       |                                | 1.1                 |
| Increase (decrease) in deferred income taxes                  | 0.3   | 1.1                            | (0.5)                             |                                       |                                | 0.9                 |
| Equity (loss) income, net of distributions                    | (7.8)   | (1.3)                          | 3.8                               |                                       | 5.3                            |                     |
| Intercompany transactions                                     | 4.6   | 1.6                            |                                   |                                       | (6.2)                          |                     |
| Other non-cash items  | 0.4   | (0.2)                          |                                   |                                       |                                | 0.2                 |
| Net change in operating assets and liabilities                | (32.3)  | (45.2)                         | 4.8                               | 6.5                                   | 6.2                            | (60.0)              |
| Net cash (used in) provided by operating activities           | (26.2)  | (37.8)                         | 29.7                              | 8.7                                   |                                | (25.6)              |
| <b>Investing activities</b>                                   |   |                                |                                   |                                       |                                |                     |
| Additions to property, plant & equipment                      | (0.7)   | (8.0)                          | (3.8)                             |                                       |                                | (12.5)              |
| Proceeds from sale of property, plant & equipment             |   |                                | 0.1                               |                                       |                                | 0.1                 |
| Advances to affiliates  | 19.8  |                                | (12.4)                            | (6.0)                                 | (1.4)                          |                     |
| Net cash provided by (used in) investing activities           | 19.1  | (8.0)                          | (16.1)                            | (6.0)                                 | (1.4)                          | (12.4)              |
| <b>Financing activities</b>                                   |   |                                |                                   |                                       |                                |                     |
| Payments of long-term debt                                    |   | (1.2)                          |                                   | (0.1)                                 |                                | (1.3)               |
| Borrowings under ABL  |   | 99.7                           |                                   |                                       |                                | 99.7                |
| Payments under ABL  |   | (72.5)                         |                                   |                                       |                                | (72.5)              |
| Advances from affiliates                                      | 6.0   | 12.4                           | (19.8)                            |                                       | 1.4                            |                     |
| Distributions to non-controlling interests                    |   |                                |                                   | (1.5)                                 |                                | (1.5)               |
| Net cash provided by (used in) financing activities           | 6.0   | 38.4                           | (19.8)                            | (1.6)                                 | 1.4                            | 24.4                |
| Effect of exchange rate changes on cash                       | 0.3   |                                | 0.8                               | 0.1                                   |                                | 1.2                 |
| <b>Net (decrease) increase in cash &amp; cash equivalents</b> | <b>(0.8)</b>                                    | <b>(7.4)</b>                   | <b>(5.4)</b>                      | <b>1.2</b>                            |                                | <b>(12.4)</b>       |
|   | <b>7.8</b>                                      | <b>9.1</b>                     | <b>26.0</b>                       | <b>5.3</b>                            |                                | <b>48.2</b>         |

Cash & cash equivalents, beginning of period

|  |        |        |         |        |         |
|--|--------|--------|---------|--------|---------|
| Cash & cash equivalents, end of period | \$ 7.0 | \$ 1.7 | \$ 20.6 | \$ 6.5 | \$ 35.8 |
|--|--------|--------|---------|--------|---------|

**Table of Contents****Condensed Consolidating Statements of Cash Flows***(in millions of U.S. dollars)**Unaudited*

For the Three Months Ended April 3, 2010

|   | Cott<br>Corporation | Cott<br>Beverages Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination<br>Entries | Consolidated |
|---|---------------------|------------------------|---------------------------|-------------------------------|------------------------|--------------|
| <b>Operating activities</b>                         |                     |                        |                           |                               |                        |              |
| Net income (loss)                                   | \$ 11.5             | \$ 9.9                 | \$ 14.0                   | \$ 0.9                        | \$ (23.6)              | \$ 12.7      |
| Depreciation and amortization                       | 1.6                 | 9.5                    | 3.4                       | 1.4                           |                        | 15.9         |
| Amortization of financing fees                      | 0.1                 | 0.4                    |                           |                               |                        | 0.5          |
| Share-based compensation expense                    |                     | 0.4                    | 0.1                       |                               |                        | 0.5          |
| Decrease in deferred income taxes                   |                     |                        | (0.1)                     |                               |                        | (0.1)        |
| Loss on disposal of property, plant and equipment   |                     | 0.2                    |                           |                               |                        | 0.2          |
| Equity (loss) income, net of distributions          | (12.3)              | (1.5)                  | (9.8)                     |                               | 23.6                   |              |
| Intercompany transactions                           | 2.3                 | 1.9                    |                           |                               | (4.2)                  |              |
| Loss on buyback of Notes                            |                     | 0.1                    |                           |                               |                        | 0.1          |
| Lease contract termination gain                     |                     | (0.4)                  |                           |                               |                        | (0.4)        |
| Lease contract termination payments                 |                     | (3.9)                  |                           |                               |                        | (3.9)        |
| Other non-cash items                                | 1.7                 | 1.3                    |                           |                               |                        | 3.0          |
| Net change in operating assets and liabilities      | (1.0)               | (14.2)                 | (11.0)                    | 1.7                           | 4.2                    | (20.3)       |
| Net cash provided by (used in) operating activities | 3.9                 | 3.7                    | (3.4)                     | 4.0                           |                        | 8.2          |
| <b>Investing activities</b>                         |                     |                        |                           |                               |                        |              |
| Additions to property, plant & equipment            | (1.8)               | (3.1)                  | (2.4)                     | (0.3)                         |                        | (7.6)        |
| Additions to intangibles                            |                     | (1.1)                  |                           |                               |                        | (1.1)        |
| Proceeds from sale of property, plant & equipment   |                     |                        | 0.1                       |                               |                        | 0.1          |
| Advances to affiliates                              | 1.2                 |                        | (3.1)                     | (3.9)                         | 5.8                    |              |
| Net cash (used in) provided by investing activities | (0.6)               | (4.2)                  | (5.4)                     | (4.2)                         | 5.8                    | (8.6)        |
| <b>Financing activities</b>                         |                     |                        |                           |                               |                        |              |
| Payments of long-term debt                          |                     | (13.1)                 |                           | (0.1)                         |                        | (13.2)       |
| Borrowings under ABL                                |                     | 51.9                   | 6.7                       |                               |                        | 58.6         |
| Payments under ABL                                  |                     | (48.6)                 | (2.2)                     |                               |                        | (50.8)       |
| Advances from affiliates                            | 3.9                 | 3.0                    | (1.1)                     |                               | (5.8)                  |              |
| Distributions to non-controlling interests          |                     |                        |                           | (1.9)                         |                        | (1.9)        |
| Financing fees                                      |                     | (0.2)                  |                           |                               |                        | (0.2)        |
| Net cash provided by (used in) financing activities | 3.9                 | (7.0)                  | 3.4                       | (2.0)                         | (5.8)                  | (7.5)        |
| Effect of exchange rate changes on cash             | 0.4                 |                        | (0.3)                     | 0.1                           |                        | 0.2          |

|   |                |               |               |               |                |
|---|----------------|---------------|---------------|---------------|----------------|
| <b>Net increase (decrease) in cash &amp; cash equivalents</b> | <b>7.6</b>     | <b>(7.5)</b>  | <b>(5.7)</b>  | <b>(2.1)</b>  | <b>(7.7)</b>   |
| <b>Cash &amp; cash equivalents, beginning of period</b>       | <b>4.2</b>     | <b>10.4</b>   | <b>12.2</b>   | <b>4.1</b>    | <b>30.9</b>    |
| <b>Cash &amp; cash equivalents, end of period</b>             | <b>\$ 11.8</b> | <b>\$ 2.9</b> | <b>\$ 6.5</b> | <b>\$ 2.0</b> | <b>\$ 23.2</b> |

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### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This discussion is intended to further the reader's understanding of the consolidated financial condition and results of operations of our Company. It should be read in conjunction with the financial statements included in this quarterly report on Form 10-Q and our annual report on Form 10-K for the year ended January 1, 2011 (the 2010 Annual Report). These historical financial statements may not be indicative of our future performance. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risks referred to under Risk Factors in Item 1A: Risk Factors in our 2010 Annual Report.

#### **Overview**

We are the world's largest retailer brand beverage company. Our objective of creating sustainable long-term growth in revenue and profitability is predicated on working closely with our retailer partners to provide proven profitable products. As a fast follower of innovative products, our goal is to identify which new products are succeeding in the marketplace and develop similar private label products to provide our retail partners and their consumers with high quality products at a better value. This objective is increasingly relevant in more difficult economic times.

The beverage market is subject to some seasonal variations. Our beverage sales are generally higher during the warmer months and also can be influenced by the timing of holidays, and weather fluctuations. This seasonality also causes our working capital needs to fluctuate with inventory being higher in the first half of the year to meet the peak summer demand and accounts receivable declining in the fall as customers pay their higher-than-average outstanding balances from the summer deliveries.

Retailer brand suppliers, such as us, typically operate at low margins and therefore relatively small changes in cost structures can materially impact results.

Ingredient and packaging costs represent a significant portion of our cost of sales. These costs are subject to global and regional commodity price trends. Our three largest commodities are aluminum, polyethylene terephthalate ( PET ) resin, and corn. We attempt to manage our exposure to fluctuations in ingredient and packaging costs of our products by implementing price increases as needed and entering into fixed price commitments for a portion of our ingredient and packaging requirements. In 2010, we entered into fixed price commitments for a majority of our forecasted aluminum requirements for 2010, as well as more than half of our requirements for 2011.

On August 17, 2010, we completed the acquisition (the Cliffstar Acquisition) of substantially all of the assets and liabilities of Cliffstar Corporation ( Cliffstar ) and its affiliated companies for approximately \$500.0 million payable in cash, \$14.0 million in deferred consideration to be paid over three years and contingent consideration of up to \$55.0 million. The first \$15.0 million of the contingent consideration is based upon the achievement of milestones in certain expansion projects in 2010, which were achieved in 2010. The remainder of the contingent consideration is based on the achievement of certain performance measures during the fiscal year ending January 1, 2011. The contingent consideration was \$32.9 million as of April 2, 2011, and is payable no later than July 29, 2011.

We were notified on May 9, 2011 by the seller of Cliffstar Corporation of certain objections to the performance measures used to calculate the contingent consideration, and the seller asserted a claim for amounts in excess of the amounts accrued as contingent consideration at April 2, 2011. We believe the contingent consideration has been properly calculated in accordance with the asset purchase agreement and we have not adjusted our estimated fair value of the contingent consideration for the objections raised by the seller. We believe that our estimated fair value and assumptions are reasonable, but there is significant judgment involved. We will resolve these matters in accordance with the asset purchase agreement and final amounts paid may materially vary from our current estimated fair value. Changes in the fair value of contingent consideration will be recorded in our Statement of Operations

During the first quarter of 2011, our revenues increased 47.2%, or 45.8% excluding the impact of foreign exchange. This increase was due primarily to the Cliffstar Acquisition. Excluding the impact of the Cliffstar Acquisition, and the impact of foreign exchange, revenue was flat.

In the U.S., we have been supplying Wal-Mart with private label carbonated soft drinks ( CSDs ) under an exclusive supply agreement dated December 21, 1998, between our wholly-owned subsidiary Cott Beverages Inc. and Wal-Mart Stores, Inc. (the Exclusive U.S. Supply Contract). We also supply Wal-Mart and its affiliated companies with a variety of products on a non-exclusive basis in the U.S., Canada, United Kingdom and Mexico, including CSDs, clear, still and sparkling flavored waters, juice, juice-based products, bottled water, energy drinks and ready-to-drink teas. On January 27, 2009, we received written notice from Wal-Mart stating that Wal-Mart was exercising its right to terminate, without cause, the Exclusive U.S. Supply Contract. The termination is effective on January 28, 2012. This has the effect of returning our relationship to more typical market terms over time, and allows Wal-Mart to introduce other suppliers in the future, if it so desires. The termination provision of the Exclusive U.S. Supply Contract provides for our exclusive right to supply CSDs to Wal-Mart in the U.S. to be phased out over a period of three years following notice of termination (the Notice Period). Accordingly, we had the exclusive right to supply at

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least two-thirds of Wal-Mart's total CSD volumes in the U.S. during the first 12 months of the Notice Period, and we had the exclusive right to supply at least one-third of Wal-Mart's total CSD volumes in the U.S. during the second 12 months of the Notice Period. During the final 12 months of the Notice Period, there is no minimum supply requirement. Notwithstanding the notice of termination of the Exclusive U.S. Supply Contract, we continue to supply Wal-Mart with all of its private label CSDs in the U.S. However, should Wal-Mart choose to introduce an additional supplier to fulfill a portion of its requirements for its private label CSDs, our operating results could be materially adversely affected. Sales to Wal-Mart for the three months ended April 2, 2011 and April 3, 2010 accounted for 33.0% and 32.9% of total revenue.



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**Summary financial results**

Our net income for the three months ended April 2, 2011 (the first quarter ) was \$6.8 million or \$0.07 per diluted share, compared with \$11.5 million or \$0.14 per diluted share for the three months ended April 3, 2010.

**The following items of significance impacted our financial results for the first quarter of 2011:**

the Cliffstar Acquisition contributed \$166.3 million to revenue and, \$11.6 million to operating income;

gross profit declined to 13.0% for the first quarter compared to 15.8% for the comparable prior year period primarily due to higher commodity and freight costs;

our revenue increased 47.2% from the comparable prior year period. Absent foreign exchange impact, revenue increased 45.8% in the first quarter, due to the Cliffstar Acquisition. Excluding the impact of the Cliffstar Acquisition and the impact of foreign exchange, revenue was flat;

our filled beverage 8-ounce equivalents ( beverage case volume ) increased 22.5% primarily due to the Cliffstar Acquisition which contributed a 30.1% increase in the North America operating segment;

our selling, general and administrative ( SG&A ) expenses increased to \$45.1 million from \$32.4 million in the comparable prior year period, primarily due to the Cliffstar Acquisition, information technology costs, certain employee related costs and professional fees;

our interest expense increased to \$14.4 million from \$6.2 million in the comparable prior year period primarily due to the issuance of \$375.0 million of senior notes that are due on September 1, 2018 (the 2018 Notes );

the decrease in other expense of \$1.0 million was primarily due to the write-off of financing fees of \$1.4 million in the comparable prior year period; and

our income tax expense decreased \$2.8 million in the first quarter from the comparable prior year period, primarily due to lower pretax income.

**The following items of significance impacted our financial results for the first quarter of 2010:**

increased competition in North America led to beverage case volume declines in that segment of 7.9% from the comparable prior year period;

new customer gains and improved product mix in the U.K. led to a beverage case volume improvement in that segment of 12.3% from the comparable prior year period;

decreased gross profit margins to 15.8% as compared to 15.9% from the comparable prior year period;

an increase in the foreign exchange rate for the Canadian dollar, pound sterling and Mexican peso as compared to the U.S. dollar that resulted in a \$12.5 million favorable impact on revenues and a \$1.2 million favorable impact on gross profit;

continued SG&A savings; and

tax expense of \$4.4 million in the current year as compared to a prior tax benefit of \$6.2 million.

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**Non-GAAP Measures**

In this report, we supplement our reporting of revenue determined in accordance with GAAP by excluding the impact of foreign exchange to separate the impact of currency exchange rate changes from Cott's results of operations and, in some cases, by excluding the impact of Cliffstar. Additionally, Cott supplements its reporting of selling, general and administrative expenses, cost of sales, gross profit, and operating income in accordance with GAAP by excluding the impact of the Cliffstar Acquisition. Cott excludes these items to better understand trends in the business and the impact of the Cliffstar Acquisition. Because Cott uses these adjusted financial results in the management of its business and to understand business performance independent of the Cliffstar Acquisition, management believes this supplemental information is useful to investors for their independent evaluation and understanding of Cott's core business performance and the performance of its management. The non-GAAP financial measures described above are in addition to, and not meant to be considered superior to, or a substitute for, Cott's financial statements prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this report reflect management's judgment of particular items, and may be different from, and therefore may not be comparable to, similarly titled measures reported by other companies.

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The following table summarizes our Consolidated Statements of Operations as a percentage of revenue for April 2, 2011 and April 3, 2010:

| <i>(in millions of U.S. dollars)</i>                       | For the Three Months Ended |              |               |       |
|--|----------------------------|--------------|---------------|-------|
|  | April 2, 2011              |              | April 3, 2010 |       |
|  | \$                         | %            | \$            | %     |
| Revenue  | <b>534.1</b>               | <b>100.0</b> | 362.9         | 100.0 |
| Cost of sales  | <b>464.5</b>               | <b>87.0</b>  | 305.7         | 84.2  |
| Gross profit   | <b>69.6</b>                | <b>13.0</b>  | 57.2          | 15.8  |
| Selling, general, and administrative expenses              | <b>45.1</b>                | <b>8.4</b>   | 32.4          | 8.9   |
| Loss on disposal of property, plant & equipment            |                            |              | 0.2           | 0.1   |
| Restructuring  |                            |              | (0.5)         | -0.1  |
| Operating income   | <b>24.5</b>                | <b>4.6</b>   | 25.1          | 6.9   |
| Other expense, net   | <b>0.8</b>                 | <b>0.1</b>   | 1.8           | 0.5   |
| Interest expense, net                                      | <b>14.4</b>                | <b>2.8</b>   | 6.2           | 1.7   |
| Income before income taxes                                 | <b>9.3</b>                 | <b>1.7</b>   | 17.1          | 4.7   |
| Income tax expense   | <b>1.6</b>                 | <b>0.3</b>   | 4.4           | 1.2   |
| Net income   | <b>7.7</b>                 | <b>1.4</b>   | 12.7          | 3.5   |
| Less: Net income attributable to non-controlling interests | <b>0.9</b>                 | <b>0.1</b>   | 1.2           | 0.3   |
| Net income attributed to Cott Corporation                  | <b>6.8</b>                 | <b>1.3</b>   | 11.5          | 3.2   |
| Depreciation & amortization                                | <b>23.6</b>                | <b>4.4</b>   | 15.9          | 4.4   |

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The following table summarizes our revenue and operating income by operating segment for April 2, 2011 and April 3, 2010:

| <i>(in millions of U.S. Dollars)</i>  | <b>For the Three Months Ended</b> |                      |
|---------------------------------------|-----------------------------------|----------------------|
|                                       | <b>April 2, 2011</b>              | <b>April 3, 2010</b> |
| <b><u>Revenue</u></b>                 |                                   |                      |
| North America                         | <b>\$ 428.8</b>                   | \$ 263.2             |
| United Kingdom                        | <b>86.3</b>                       | 79.7                 |
| Mexico                                | <b>11.4</b>                       | 11.8                 |
| RCI                                   | <b>7.6</b>                        | 8.2                  |
| <br>Total                             | <br><b>\$ 534.1</b>               | <br>\$ 362.9         |
| <b><u>Operating income (loss)</u></b> |                                   |                      |
| North America                         | <b>\$ 20.8</b>                    | \$ 20.9              |
| United Kingdom                        | <b>3.0</b>                        | 3.0                  |
| Mexico                                | <b>(1.5)</b>                      | (1.8)                |
| RCI                                   | <b>2.2</b>                        | 3.0                  |
| <br>Total                             | <br><b>\$ 24.5</b>                | <br>\$ 25.1          |

Revenues are attributed to operating segments based on the location of the plant.

The following table summarizes our beverage case volume by operating segment for April 2, 2011 and April 3, 2010:

| <i>(in millions of cases)</i>   | <b>For the Three Months Ended</b> |                      |
|---|-----------------------------------|----------------------|
|   | <b>April 2, 2011</b>              | <b>April 3, 2010</b> |
| <b><u>Volume 8oz. equivalent cases - Total Beverage (including concentrate)</u></b> |                                   |                      |
| North America   | <b>195.1</b>                      | 152.0                |
| United Kingdom  | <b>43.5</b>                       | 44.5                 |
| Mexico  | <b>8.4</b>                        | 8.3                  |
| RCI   | <b>82.5</b>                       | 84.3                 |
| <br>Total   | <br><b>329.5</b>                  | <br>289.1            |
| <b><u>Volume 8oz. equivalent cases - Filled Beverage</u></b>                        |                                   |                      |
| North America   | <b>170.6</b>                      | 130.6                |
| United Kingdom  | <b>39.1</b>                       | 39.2                 |
| Mexico  | <b>8.4</b>                        | 8.3                  |
| RCI   |                                   |                      |
| <br>Total   | <br><b>218.1</b>                  | <br>178.1            |

The revenue by product table for the three months ended April 3, 2010 has been revised to separately present the category Juice, which is a now significant portion of our revenue due to the Cliffstar Acquisition.

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The following tables summarize revenue by product for April 2, 2011 and April 3, 2010, respectively:

| <i>(in millions of U.S. dollars)</i> | <b>For the Three Months Ended April 2, 2011</b> |                       |                |               |                 |
|--------------------------------------|---|-----------------------|----------------|---------------|-----------------|
|                                      | <b>North America</b>                            | <b>United Kingdom</b> | <b>Mexico</b>  | <b>RCI</b>    | <b>Total</b>    |
| <b><u>Revenue</u></b>                |   |                       |                |               |                 |
| Carbonated soft drinks               | \$ 156.3  | \$ 33.1               | \$ 9.3         | \$            | \$ 198.7        |
| Juice                                | 160.0   | 2.0                   | 0.8            |               | 162.8           |
| Concentrate                          | 2.3   | 0.2                   |                | 7.6           | 10.1            |
| All other products                   | 110.2   | 51.0                  | 1.3            |               | 162.5           |
| <b>Total</b>                         | <b>\$ 428.8</b>                                 | <b>\$ 86.3</b>        | <b>\$ 11.4</b> | <b>\$ 7.6</b> | <b>\$ 534.1</b> |

| <i>(in millions of physical cases)</i> | <b>For the Three Months Ended April 2, 2011</b> |                       |               |             |              |
|--|---|-----------------------|---------------|-------------|--------------|
|  | <b>North America</b>                            | <b>United Kingdom</b> | <b>Mexico</b> | <b>RCI</b>  | <b>Total</b> |
| <b><u>8oz. volume</u></b>              |   |                       |               |             |              |
| Carbonated soft drinks                 | 78.7  | 20.3                  | 6.6           |             | 105.6        |
| Juice                                  | 37.4  | 0.6                   | 0.6           |             | 38.6         |
| Concentrate                            | 24.6  | 4.5                   |               | 82.5        | 111.6        |
| All other products                     | 54.4  | 18.1                  | 1.2           |             | 73.7         |
| <b>Total</b>                           | <b>195.1</b>                                    | <b>43.5</b>           | <b>8.4</b>    | <b>82.5</b> | <b>329.5</b> |

| <i>(in millions of U.S. dollars)</i> | <b>For the Three Months Ended April 3, 2010</b> |                       |                |               |                 |
|--------------------------------------|---|-----------------------|----------------|---------------|-----------------|
|                                      | <b>North America</b>                            | <b>United Kingdom</b> | <b>Mexico</b>  | <b>RCI</b>    | <b>Total</b>    |
| <b><u>Revenue</u></b>                |   |                       |                |               |                 |
| Carbonated soft drinks               | \$ 166.7  | \$ 33.5               | \$ 10.4        | \$            | \$ 210.6        |
| Juice                                |   | 1.4                   | 0.3            |               | 1.7             |
| Concentrate                          | 2.0   | 1.3                   |                | 8.2           | 11.5            |
| All other products                   | 94.5  | 43.5                  | 1.1            |               | 139.1           |
| <b>Total</b>                         | <b>\$ 263.2</b>                                 | <b>\$ 79.7</b>        | <b>\$ 11.8</b> | <b>\$ 8.2</b> | <b>\$ 362.9</b> |

| <i>(in millions of physical cases)</i> | <b>For the Three Months Ended April 3, 2010</b> |                       |               |             |              |
|--|---|-----------------------|---------------|-------------|--------------|
|  | <b>North America</b>                            | <b>United Kingdom</b> | <b>Mexico</b> | <b>RCI</b>  | <b>Total</b> |
| <b><u>8oz. volume</u></b>              |   |                       |               |             |              |
| Carbonated soft drinks                 | 80.6  | 21.3                  | 7.0           |             | 108.9        |
| Juice                                  |   | 0.4                   | 0.3           |             | 0.7          |
| Concentrate                            | 21.5  | 5.3                   |               | 84.3        | 111.1        |
| All other products                     | 49.9  | 17.5                  | 1.0           |             | 68.4         |
| <b>Total</b>                           | <b>152.0</b>                                    | <b>44.5</b>           | <b>8.3</b>    | <b>84.3</b> | <b>289.1</b> |

**Table of Contents****Results of operations**

The following table summarizes the change in revenue by operating segment for the three months ended April 2, 2011:

| <i>(in millions of U.S. dollars)</i>  | <b>For the Three Months Ended</b> |                      |   |               |            |
|---|-----------------------------------|----------------------|---|---------------|------------|
|   | <b>Cott</b>                       | <b>North America</b> | <b>April 2, 2011<br/>United<br/>Kingdom</b> | <b>Mexico</b> | <b>RCI</b> |
| Change in revenue   | \$ 171.2                          | \$ 165.6             | \$ 6.6                                      | \$ (0.4)      | \$ (0.6)   |
| Impact of foreign exchange <sup>1</sup>   | (5.0)                             | (1.9)                | (2.5)                                       | (0.6)         |            |
| Change excluding foreign exchange   | \$ 166.2                          | \$ 163.7             | \$ 4.1                                      | \$ (1.0)      | \$ (0.6)   |
| Percentage change in revenue  | 47.2%                             | 62.9%                | 8.3%  | -3.4%         | -7.3%      |
| Percentage change in revenue excluding foreign exchange                           | 45.8%                             | 62.2%                | 5.1%  | -8.5%         | -7.3%      |
| Impact of Cliffstar Acquisition   | (166.3)                           | (166.3)              |   |               |            |
| Change excluding foreign exchange and Cliffstar Acquisition                       | \$ (0.1)                          | \$ (2.6)             | \$ 4.1                                      | \$ (1.0)      | \$ (0.6)   |
| Percentage change in revenue excluding foreign exchange and Cliffstar Acquisition | 0.0%                              | -1.0%                | 5.1%  | -8.5%         | -7.3%      |

<sup>1</sup> Impact of foreign exchange is the difference between the current year's revenue translated utilizing the current year's average foreign exchange rates less the current year's revenue translated utilizing the prior year's average foreign exchange rates.

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**Revenue** Revenue increased \$171.2 million or 47.2% in the first quarter from the comparable prior year period. The Cliffstar Acquisition contributed \$166.3 million to revenue. Excluding the impact of the Cliffstar Acquisition and foreign exchange impact, revenue was flat.

North America revenue increased \$165.6 million or 62.9% in the first quarter from the comparable prior year period. The Cliffstar Acquisition contributed \$166.3 million to revenue. Excluding the impact of foreign exchange and the Cliffstar Acquisition, revenue decreased 1.0% in the first quarter. Net selling price per beverage case (which is net revenue divided by beverage case volume) decreased slightly in the first quarter from the comparable prior year period.

U.K. revenue increased \$6.6 million or 8.3% in the first quarter from the comparable prior year period primarily due to improved product mix (primarily increases in sports isotonic products). Net selling price per beverage case increased 8.9% for the first quarter from the comparable prior year period. Absent foreign exchange impact, U.K. revenue increased 5.1% in the first quarter.

Mexico revenue decreased \$0.4 million or 3.4% in the first quarter from the comparable prior year period, primarily due to a 4.2% decrease in net selling price per beverage case. Absent foreign exchange impact, revenue decreased 8.5% for the first quarter as compared to the comparable prior year period.

RCI revenue decreased \$0.6 million or 7.3% in the first quarter from the comparable prior year period, due primarily to a 2.1% decline in total case volume. Net selling price per beverage case was flat in the first quarter from the comparable prior year period. RCI primarily sells concentrate case volume.

**Cost of Sales** Cost of sales represented 87.0% of revenue in the first quarter compared to 84.2% in the comparable prior year period. Excluding the impact of the Cliffstar Acquisition, cost of sales represented 86.5% of revenue. The cost of sales as a percentage of revenue for Cliffstar was 88.1%. Variable costs represented 87.3% of total sales in the first quarter and in the comparable prior year period. Major elements of these variable costs included ingredient and packaging costs, distribution costs and fees paid to third-party manufacturers. The increase in cost of sales was primarily due to higher commodity and freight costs.

**Gross Profit** Gross profit as a percentage of revenue decreased to 13.0% in the first quarter from 15.8% in the comparable prior year period. Excluding the impact of the Cliffstar Acquisition, gross profit as a percentage of revenue declined to 13.5% in the first quarter from 15.8% in the comparable prior year period.

**Selling, General and Administrative Expenses** SG&A increased \$12.7 million or 39.2% in the first quarter from the comparable prior year period. The Cliffstar Acquisition contributed \$8.2 million of SG&A costs, or 25.3% of the increase, in the first quarter. Excluding the impact of the Cliffstar Acquisition, SG&A increased \$4.5 million or 13.9% from the comparable prior year period. The increase was primarily due to certain employee related costs, information technology costs, and professional fees. As a percentage of revenue, SG&A decreased to 8.4% in the first quarter from 8.9% in the comparable prior year period.

**Restructuring** Restructuring gains decreased \$0.5 million in the first quarter from the comparable prior year period. The decrease was due primarily to a gain of \$0.5 million on a lease contract termination in the comparable prior year period.

**Operating Income** Operating income was \$24.5 million in the first quarter compared to \$25.1 million in the comparable prior year period. The Cliffstar Acquisition contributed \$11.6 million to operating income in the first quarter. Excluding the impact of the Cliffstar Acquisition, operating income declined by \$12.2 million or 48.6%.

**Other Expense (Income)** Other expense decreased \$1.0 million in the first quarter as compared to the comparable prior year period primarily due to a \$1.4 million write-off of financing fees in the prior year period.

**Interest Expense** Net interest expense increased \$8.2 million in the first quarter from the comparable prior year period, due primarily to a higher average debt balance resulting from the issuance of the 2018 Notes.

**Income Taxes** We recorded income tax expense of \$1.6 million in the first quarter compared with \$4.4 million in the comparable prior year period. The decrease was due primarily to lower pretax income.



**Table of Contents****Liquidity and Financial Condition**

The following table summarizes our cash flows for the three months ended April 2, 2011 and April 3, 2010 as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

| <i>(in millions of U.S. dollars)</i>                | <b>For the Three Months Ended</b> |                      |
|---|-----------------------------------|----------------------|
|   | <b>April 2, 2011</b>              | <b>April 3, 2010</b> |
| Net cash (used in) provided by operating activities | <b>\$ (25.6)</b>                  | <b>\$ 8.2</b>        |
| Net cash used in investing activities               | <b>(12.4)</b>                     | <b>(8.6)</b>         |
| Net cash provided by (used in) financing activities | <b>24.4</b>                       | <b>(7.5)</b>         |
| Effect of exchange rate changes on cash             | <b>1.2</b>                        | <b>0.2</b>           |
| Net decrease in cash & cash equivalents             | <b>(12.4)</b>                     | <b>(7.7)</b>         |
| Cash & cash equivalents, beginning of period        | <b>48.2</b>                       | <b>30.9</b>          |
| Cash & cash equivalents, end of period              | <b>\$ 35.8</b>                    | <b>\$ 23.2</b>       |

**Financial, and Capital Resources and Liquidity**

As of April 2, 2011, we had total debt of \$648.2 million and \$35.8 million of cash and cash equivalents compared to \$268.9 million of debt and \$23.2 million of cash and cash equivalents as of April 3, 2010.

We believe that our level of resources, which includes cash on hand, available borrowings under the asset-based lending credit facility (the ABL facility) and funds provided by operations, will be adequate to meet our expenses, capital expenditures, and debt service obligations for the next twelve months. Our ability to generate cash to meet our current expenses and debt service obligations will depend on our future performance. If we do not have enough cash to pay our debt service obligations or if the ABL facility, the 8.375% senior notes that are due on November 15, 2017 (the 2017 Notes), or the 2018 Notes were to become currently due, either at maturity or as a result of a breach, we may be required to take actions such as amending the credit agreement governing our ABL facility or the indentures governing our 2017 Notes and 2018 Notes, refinancing all or part of our existing debt, selling assets, incurring additional indebtedness or raising equity. For periods extending beyond twelve months, we believe that our ability to generate cash to meet our expenses and debt service obligations and to otherwise reduce our debt as anticipated will primarily depend on our ability to retain a substantial amount of volume from our key customers and maintain the profitability of our business. If we do not generate sufficient cash from operations or have excess debt availability to meet our expenses and debt service obligations or if the ABL facility, the 2017 Notes or the 2018 Notes were to become currently due, either at maturity or as a result of a breach, we may be required to take actions such as amending our ABL facility, the indenture governing the 2017 Notes, or the indenture governing the 2018 Notes, refinancing all or part of our existing debt, selling assets, incurring additional indebtedness or raising equity. If we need to seek additional financing, there is no assurance that this additional financing will be available.

Should we desire to consummate significant acquisition opportunities or undertake significant expansion activities, our capital needs would increase and could result in our need to borrow available amounts under the ABL facility, increase available borrowings under our ABL facility or access public or private debt and equity markets.

As of April 2, 2011, our total availability under the ABL facility was \$258.4 million, which was based on our borrowing base (accounts receivables, inventory, and fixed assets) as of April 15, 2011 (the March month-end under the terms of the credit agreement governing our ABL facility), and we had \$35.2 million of ABL borrowings outstanding and \$9.1 million in outstanding letters of credit. As a result, our excess availability under the ABL facility was \$214.1 million. Each month's borrowing base is not effective until submitted to the lenders, which usually occurs on the fifteenth day of the following month.

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### **Operating activities**

Cash used in operating activities was \$25.6 million during the first quarter compared to cash provided of \$8.2 million in the comparable prior year period. The \$33.8 million decrease was due to timing of accounts payable, increased interest and a prior year tax recoverable, which we expect to be non-recurring.

### **Investing activities**

Cash used in investing activities was \$12.4 million during the first quarter compared to \$8.6 million in the comparable prior year period, with the \$3.8 million increase due primarily to an increase in capital expenditures.

### **Financing activities**

Cash provided by financing activities was \$24.4 million during the first quarter compared to cash used of \$7.5 million in the first quarter of 2010. The change was primarily due to an increase of net borrowings under the ABL facility of \$19.5 million, a \$11.9 million decrease in payments on long-term debt, and a \$0.3 million decrease in distributions to non-controlling interests.

### **Off-Balance Sheet Arrangements**

We had no off-balance sheet arrangements as defined under Item 303(a)(4) of Regulation S-K as of April 2, 2011.

### **Contractual Obligations**

We have no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended January 1, 2011.

### **Debt**

#### *Asset Based Lending Facility*

On March 31, 2008, we entered into a credit agreement with JPMorgan Chase Bank N.A. as Agent that created an ABL facility to provide financing for our North America, U.K. and Mexico operating segments. In connection with the Cliffstar Acquisition, we refinanced the ABL facility on August 17, 2010 to, among other things, provide for the Cliffstar Acquisition, the issuance of the 2018 Notes and the application of net proceeds therefrom, the underwritten public offering of 13,340,000 common shares at a price of \$5.67 per share and the application of net proceeds therefrom and to increase the amount available for borrowings to \$275.0 million. We drew down a portion of the indebtedness under the ABL facility in order to fund the Cliffstar Acquisition. We incurred \$5.4 million of financing fees in connection with the refinancing of the ABL facility. The financing fees are being amortized using the straight-line method over a four-year period.

As of April 2, 2011, we had \$35.2 million in borrowings under the ABL facility outstanding. The commitment fee was 0.5% per annum of the unused commitment, which was \$227.6 million as of April 2, 2011.

#### *8.125% Senior Notes due in 2018*

On August 17, 2010, we issued \$375.0 million of the 2018 Notes. The issuer of the 2018 Notes is Cott Beverages Inc., but we and most of our U.S., Canadian and United Kingdom subsidiaries guarantee the 2018 Notes. The interest on the 2018 Notes is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> of each year.

We incurred \$8.6 million of financing fees in connection with the 2018 Notes. The financing fees are being amortized using the straight-line method over an eight-year period, which represents the duration of the 2018 Notes. The amortization expense calculated under the straight-line method does not differ materially from the effective-interest method.

#### *8.375% Senior Notes due in 2017*

On November 13, 2009, we issued \$215.0 million of the 2017 Notes. The 2017 Notes were issued at a \$3.1 million discount. The issuer of the 2017 Notes is Cott Beverages Inc., but we and most of our U.S., Canadian and United Kingdom subsidiaries guarantee the 2017 Notes. The

interest on the 2017 Notes is payable semi-annually on May 15<sup>th</sup> and November 15<sup>th</sup> of each year.

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We incurred \$5.1 million of financing fees in connection with the 2017 Notes. The financing fees are being amortized using the straight-line method over an eight-year period, which represents the duration of the 2017 Notes. The amortization expense calculated under the straight-line method does not differ materially from the effective-interest method.

### *8% Senior Subordinated Notes due in 2011*

We repurchased the remaining outstanding 8% senior subordinated notes due December 15, 2011 (the 2011 Notes ) on February 1, 2010, and recorded a loss on buyback of \$0.1 million. The 2011 Notes acquired by us have been retired, and we have discontinued the payment of interest.

## **Credit Ratings and Covenant Compliance**

### *Credit Ratings*

We have no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended January 1, 2011.

### **Covenant Compliance**

#### *8.125% Senior Notes due in 2018*

Under the indenture governing the 2018 Notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company (applies only to Cott Corporation and Cott Beverages Inc., our subsidiary and issuer of the 2018 Notes) or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell all or substantially all of the assets of a guarantor subsidiary of Cott Corporation. We have been in compliance with all of the covenants under the 2018 Notes and there have been no amendments to any such covenants since the 2018 Notes were issued.

#### *8.375% Senior Notes due in 2017*

Under the indenture governing the 2017 Notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company (applies only to Cott Corporation and Cott Beverages Inc., our subsidiary and issuer of the 2017 Notes) or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell all or substantially all of the assets of a guarantor subsidiary of Cott Corporation. We have been in compliance with all of the covenants under the 2017 Notes and there have been no amendments to any such covenants since the 2017 Notes were issued.

### *ABL Facility*

Under the credit agreement governing the ABL facility, we and our restricted subsidiaries are subject to a number of business and financial covenants, including a covenant requiring a minimum fixed charge coverage ratio of at least 1.1 to 1.0 effective when and if excess availability is less than the greater of (a) \$30.0 million and (b) the lesser of (i) 12.5% of the amount of the aggregate borrowing base or (ii) \$37.5 million. Although the covenant was not triggered as of April 2, 2011, our fixed charge coverage ratio as calculated under this covenant was greater than 1.1 to 1.0. If availability is less than \$37.5 million, the lenders will take dominion over the cash and will apply excess cash to reduce amounts owing under the facility. The credit agreement governing the ABL facility requires us to maintain aggregate availability of at least \$15.0 million. We were in compliance with all of the applicable covenants under the ABL facility on April 2, 2011.

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### **Capital Structure**

Since January 1, 2011, equity has increased by \$17.8 million. The increase was primarily the result of net income of \$6.8 million, the issuance of \$1.1 million in treasury stock related to stock-based awards that vested during the first quarter, and a decrease in other comprehensive loss of \$9.9 million primarily related to a foreign currency translation gain on the net assets of self-sustaining foreign operations, offset in part by a \$0.7 million decrease in equity in non-controlling interests.

### **Dividend Payments**

There are certain restrictions on the payment of dividends under our ABL facility and under the indentures governing the 2017 Notes and 2018 Notes. No dividends were paid in 2010 or during the first quarter of 2011 and we do not expect to pay dividends in the foreseeable future.

### **Critical Accounting Policies and Estimates**

Our critical accounting policies require management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the accompanying notes. These estimates are based on historical experience, the advice of external experts or on other assumptions management believes to be reasonable. Where actual amounts differ from estimates, revisions are included in the results for the period in which actuals become known. Historically, differences between estimates and actuals have not had a significant impact on our consolidated financial statements.

Critical accounting policies and estimates used to prepare the financial statements are discussed with our Audit Committee as they are implemented and on an annual basis.

We have no material changes to our Critical Accounting Policies and Estimates disclosure as filed in our Annual Report on Form 10-K for the year ended January 1, 2011.

### **Forward-looking Statements**

In addition to historical information, this report may contain statements relating to future events and future results. These statements are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation and involve known and unknown risks, uncertainties, future expectations and other factors that may cause actual results, performance or achievements of Cott Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements include, but are not limited to, statements that relate to projections of sales, earnings, earnings per share, cash flows, capital expenditures or other financial items, discussions of estimated future revenue enhancements and cost savings. These statements also relate to our business strategy, goals and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. Generally, words such as anticipate, believe, continue, could, endeavor, estimate, expect, intend, predict, project, should and similar terms and phrases are used to identify forward-looking statements in this report and in the documents incorporated in this report by reference. These forward-looking statements reflect current expectations regarding future events and operating performance and are made only as of the date of this report.

The forward-looking statements are not guarantees of future performance or events and, by their nature, are based on certain estimates and assumptions regarding interest and foreign exchange rates, expected growth, results of operations, performance, business prospects and opportunities and effective income tax rates, which are subject to inherent risks and uncertainties. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in forward-looking statements may include, but are not limited to assumptions regarding management's current plans and estimates, our ability to remain a low cost supplier, and effective management of commodity costs. Although we believe the assumptions underlying these forward-looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could prove to be incorrect. Our operations involve risks and uncertainties, many of which are outside of our control, and any one or any combination of these risks and uncertainties could also affect whether the forward-looking statements ultimately prove to be correct. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended January 1, 2011, and those described from time to time in our future reports filed with the Securities and Exchange Commission ( SEC ) and Canadian securities regulatory authorities.

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The following are some of the factors that could affect our financial performance, including but not limited to sales, earnings and cash flows, or could cause actual results to differ materially from estimates contained in or underlying the forward-looking statements:

our ability to realize the expected benefits of the Cliffstar Acquisition because of integration difficulties and other challenges;

risks associated with the Asset Purchase Agreement entered into in connection with the Cliffstar Acquisition;

the effectiveness of Cliffstar's system of internal control over financial reporting;

significant transaction and acquisition-related costs incurred in connection with the Cliffstar Acquisition;

the effectiveness of Cliffstar's system of internal control over financial reporting;

our ability to compete successfully in the highly competitive beverage category;

changes in consumer tastes and preferences for existing products and our ability to develop and timely launch new products that appeal to such changing consumer tastes and preferences;

loss of or a reduction in sales to any significant customer, particularly Wal-Mart;

fluctuations in commodity prices and our ability to pass on increased costs to our customers, and the impact of those increased prices on our volumes;

our ability to manage our operations successfully;

currency fluctuations that adversely affect the exchange between the U.S. dollar and the British pound sterling, the Euro, the Canadian dollar, the Mexican peso and other currencies;

our ability to maintain favorable arrangements and relationships with our suppliers;

our ability to remediate an identified material weakness;

the substantial indebtedness we incurred and our ability to meet our obligations;

our ability to maintain compliance with the covenants and conditions under our debt agreements;

fluctuations in interest rates;

credit rating downgrades;

further deterioration of the capital markets;

our ability to fully realize the expected cost savings and/or operating efficiencies from our restructuring activities;

any disruption to production at our beverage concentrates or other manufacturing facilities;

our ability to protect our intellectual property;

the impact of regulation and regulatory, investigative and legal actions;

the impact of proposed taxes on soda and other sugary drinks;

unseasonably cold or wet weather, which could reduce demand for our beverages;

the impact of national, regional and global events, including those of a political, economic, business and competitive nature;

our ability to recruit, retain, and integrate new management and a new management structure;

our exposure to intangible asset risk;

volatility of our stock price;

our ability to maintain compliance with the listing requirements of the New York Stock Exchange;

our ability to renew our collective bargaining agreements on satisfactory terms; or

disruptions in our information systems;

compliance with product health and safety standards; or

liability for injury or illness caused by the consumption of contaminated products.





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For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations sections contained elsewhere in this document, as well as in our Annual Report on Form 10-K for the fiscal year ended January 1, 2011, any subsequent Reports on Form 10-Q and Form 8-K and other filings with the SEC and Canadian securities regulatory authorities.

We undertake no obligation to update any information contained in this report or to publicly release the results of any revisions to forward-looking statements to reflect events or circumstances of which we may become aware of after the date of this report. Undue reliance should not be placed on forward-looking statements, and all future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We do not trade market risk sensitive instruments.

#### **Currency Exchange Rate Risk**

The Company's North America operating segment purchases a portion of its inventory for its Canadian operations through transactions denominated and settled in U.S. dollars, a currency different from the functional currency of the Canadian operations. These inventory purchases are subject to exposure from movements in exchange rates. The Company uses foreign exchange forward contracts to hedge operational exposures resulting from changes in these foreign currency exchange rates. The intent of the foreign exchange contracts is to provide predictability in the Company's overall cost structure. These foreign exchange contracts, carried at fair value, have maturities less than one year. As of April 2, 2011, the Company had outstanding foreign exchange forward contracts with notional amounts of \$16.0 million.

#### **Debt Obligations and Interest Rates**

We have exposure to interest rate risk from the outstanding principal amounts of our short-term and long-term debt. Our long-term debt is fixed and our short-term debt is variable. Our ABL facility is vulnerable to fluctuations in the U.S. short-term base rate and the LIBOR rate. At current debt levels as of April 2, 2011, a 100 basis point increase in the current per annum interest rate for our ABL facility (excluding the \$9.1 million outstanding letters of credit) would result in \$0.4 million of additional interest expense during the next year. This change would not be material to our cash flows or our results of operations. The weighted average interest rate of our debt outstanding at April 2, 2011 was 7.9%.

#### **Commodity Price Risk**

We have no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended January 1, 2011.

### **Item 4. Controls and Procedures**

#### **Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of January 1, 2011 (the Evaluation). Based upon the Evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of April 2, 2011, the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) of the Exchange Act) were not effective as a result of the material weakness that is described below. We have taken steps and are taking the actions described more fully below under Remediation Activities to remediate the material weakness.

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As described in the Company's Form 10-K for the year ended January 1, 2011, the Company did not maintain effective controls over the communication and evaluation of a certain customer's discount and pricing programs. The Company's control procedures identified certain differences requiring further investigation, and control procedures in place were either not adequately designed or did not operate effectively to ensure that these differences with financial reporting implications were communicated completely, accurately, and in a timely manner to appropriate accounting personnel. This control deficiency resulted in immaterial pricing errors impacting revenue, accounts receivable and accrued expenses with respect to one of our customers during the quarter ended October 2, 2010 that were corrected through a revision to the Company's interim financial statements in Note 22 in the Annual Report on Form 10-K for the fiscal year ended January 1, 2011. Additionally, this control deficiency, if not remedied, could result in further misstatements of the aforementioned accounts and disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, the Company's management determined this control deficiency constituted a material weakness and has determined that it continues to exist as of April 2, 2011.

### **Changes in Internal Control Over Financial Reporting**

The remediation efforts noted below represent changes in internal control over financial reporting during the quarter ended April 2, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Remediation Activities**

Beginning in January 2011, with oversight from the Audit Committee of the Company's Board of Directors, the Company's management began to design and implement certain remediation measures to address the above-described material weakness and enhance the Company's system of internal control over financial reporting, including expanded reviews and evaluations of specific customer accounts receivable aging and promotional activities reports and re-assignment of senior accounting personnel to oversee the specific customer activities.

The Company believes the remediation measures will strengthen the Company's internal control over financial reporting and remediate the material weakness identified. However, these measures had not been in operation long enough to effectively measure their operating effectiveness and thus, the identified material weakness has not been fully remediated as of April 2, 2011. We will continue to monitor the effectiveness of these remediation measures and will make any changes and take such other actions that we deem appropriate given the circumstances.

## **PART II OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Reference is made to the legal proceedings described in our Annual Report on Form 10-K for the fiscal year ended January 1, 2011.

### **Item 1A. Risk Factors**

Reference is made to the detailed description of risk factors in Item 1A: Risk Factors in our Annual Report on Form 10-K for the fiscal year ended January 1, 2011.

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**Item 6. Exhibits**

| <b>Number</b> | <b>Description</b>  |
|---------------|---|
| 3.1           | Articles of Amalgamation of Cott Corporation (incorporated by reference to Exhibit 3.1 to our Form 10-K dated February 28, 2007).   |
| 3.2           | Second Amended and Restated By-laws of Cott Corporation (incorporated by reference to Exhibit 3.2 to our Form 10-Q filed May 10, 2007).                                   |
| 31.1          | Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended April 2, 2011 (filed herewith).     |
| 31.2          | Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended April 2, 2011 (filed herewith).     |
| 32.1          | Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended April 2, 2011 (furnished herewith). |
| 32.2          | Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended April 2, 2011 (furnished herewith). |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COTT CORPORATION  
(Registrant)

Date: May 11, 2011

/s/ Neal Cravens  
Neal Cravens  
Chief Financial Officer  
(On behalf of the Company)

Date: May 11, 2011

/s/ Gregory Leiter  
Gregory Leiter  
Senior Vice President, Chief Accounting Officer and  
  
Assistant Secretary  
(Principal Accounting Officer)

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**Exhibit Index**

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