COTT CORP /CN/
Form 10-Q
May 03, 2013
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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: March 30, 2013

¨ **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)

CANADA	**98-0154711**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**
6525 VISCOUNT ROAD	
MISSISSAUGA, ONTARIO	
5519 WEST IDLEWILD AVE	**L4V 1H6**
TAMPA, FLORIDA	**33634**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (905) 672-1900 and (813) 313-1800

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 x 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 x	Accelerated filer ¨
Non-accelerated filer ¨ (do not check if a smaller reporting company)	Smaller reporting company ¨

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

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 1, 2013
Common Stock, no par value per share	95,371,484 shares

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements
Cott Corporation

Consolidated Statements of Operations

(in millions of U.S. dollars, except share and per share amounts)

Unaudited

	For the Three Months Ended March 30, 2013	March 31, 2012
Revenue, net	$ 505.4	$ 523.8
Cost of sales	449.0	460.4
Gross profit	56.4	63.4
Selling, general and administrative expenses	41.3	41.8
Loss on disposal of property, plant & equipment		0.6
Operating income	15.1	21.0
Other expense (income), net	0.3	(0.2)
Interest expense, net	13.3	14.0
Income before income taxes	1.5	7.2
Income tax expense	0.5	0.4
Net income	$ 1.0	$ 6.8
Less: Net income attributable to non-controlling interests	1.0	0.9
Net income attributed to Cott Corporation	$	$ 5.9
Net income per common share attributed to Cott Corporation		
Basic	$	$ 0.06
Diluted	$	$ 0.06
Weighted average outstanding shares (thousands) attributed to Cott Corporation		
Basic	95,371	94,427
Diluted	95,801	95,702
Dividends declared per share	$ 0.06	$

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

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Cott Corporation

Condensed Consolidated Statements of Comprehensive (Loss) Income

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended March 30, 2013	March 31, 2012
Net income	**$ 1.0**	$ 6.8
Other comprehensive (loss) income:		
Currency translation adjustment	**(12.4)**	8.2
Pension benefit plan, net of tax[1]	**0.2**	(0.5)
Unrealized gain (loss) on derivative instruments, net of tax[2]	**0.1**	(0.3)
Total other comprehensive (loss) income	**(12.1)**	7.4
Comprehensive (loss) income	**$ (11.1)**	$ 14.2
Less: Comprehensive income attributable to non-controlling interests	**0.9**	0.8
Comprehensive (loss) income attributed to Cott Corporation	**$ (12.0)**	$ 13.4

1 Net of the effect of $0.1 million tax expense and no tax benefit for the three months ended March 30, 2013 and March 31, 2012, respectively.

2 Net of the effect of $0.1 million tax expense and $0.1 million tax benefit for the three months ended March 30, 2013 and March 31, 2012, respectively.

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

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Cott Corporation

Consolidated Balance Sheets

(in millions of U.S. dollars, except share amounts)

Unaudited

	March 30, 2013	December 29, 2012
ASSETS		
Current assets		
Cash & cash equivalents	**$ 93.0**	$ 179.4
Accounts receivable, net of allowance of $6.1 ($6.8 as of December 29, 2012)	**223.3**	199.4
Income taxes recoverable	**1.0**	1.2
Inventories	**235.7**	224.8
Prepaid expenses and other assets	**20.8**	20.3
Total current assets	**573.8**	625.1
Property, plant & equipment, net	**486.8**	490.9
Goodwill	**129.7**	130.3
Intangibles and other assets, net	**305.6**	315.4
Deferred income taxes	**3.0**	3.3
Other tax receivable	**1.2**	0.9
Total assets	**$ 1,500.1**	$ 1,565.9
LIABILITIES AND EQUITY		
Current liabilities		
Current maturities of long-term debt	**$ 2.0**	$ 1.9
Accounts payable and accrued liabilities	**238.4**	287.7
Total current liabilities	**240.4**	289.6
Long-term debt	**601.4**	601.8
Deferred income taxes	**38.4**	39.1
Other long-term liabilities	**15.1**	12.5
Total liabilities	**895.3**	943.0
Equity		
Capital stock, no par - 95,371,484 (December 29, 2012 - 95,371,484) shares issued	**397.8**	397.8
Additional paid-in-capital	**41.1**	40.4
Retained earnings	**180.4**	186.0
Accumulated other comprehensive loss	**(24.4)**	(12.4)
Total Cott Corporation equity	**594.9**	611.8
Non-controlling interests	**9.9**	11.1
Total equity	**604.8**	622.9

Total liabilities and equity	**$ 1,500.1**	$ 1,565.9

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

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Cott Corporation

Consolidated Statements of Cash Flows

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended March 30, 2013	March 31, 2012
Operating Activities		
Net income	**$ 1.0**	$ 6.8
Depreciation & amortization	**24.7**	23.8
Amortization of financing fees	**0.7**	1.2
Share-based compensation expense	**0.7**	0.8
Loss on disposal of property, plant & equipment		0.6
Other non-cash items	**0.3**	(0.4)
Change in operating assets and liabilities, net of acquisition:		
Accounts receivable	**(28.2)**	(20.5)
Inventories	**(13.2)**	(16.5)
Prepaid expenses and other assets	**(0.6)**	(1.8)
Other assets	**(0.1)**	1.0
Accounts payable and accrued liabilities	**(44.1)**	(38.4)
Income taxes recoverable	**0.2**	0.3
Net cash used in operating activities	**(58.6)**	(43.1)
Investing Activities		
Acquisition		(5.0)
Additions to property, plant & equipment	**(19.9)**	(17.7)
Additions to intangibles and other assets	**(0.2)**	(2.7)
Proceeds from insurance recoveries	**0.4**	
Net cash used in investing activities	**(19.7)**	(25.4)
Financing Activities		
Payments of long-term debt	**(0.5)**	(1.2)
Borrowings under ABL		7.0
Payments under ABL		(7.0)
Distributions to non-controlling interests	**(2.1)**	(1.1)
Common shares repurchased and cancelled	**(2.9)**	
Net cash used in financing activities	**(5.5)**	(2.3)
Effect of exchange rate changes on cash	**(2.6)**	1.5
Net decrease in cash & cash equivalents	**(86.4)**	(69.3)
Cash & cash equivalents, beginning of period	**179.4**	100.9

Cash & cash equivalents, end of period	**$**	**93.0**	$	31.6
Supplemental Non-cash Financing Activities:				
Dividend payable issued through accounts payable and accrued liabilities	**$**	**5.6**	$	
Supplemental Disclosures of Cash Flow information:				
Cash paid for interest	**$**	**15.9**	$	16.0
Cash paid for income taxes, net	**$**	**0.5**	$	0.2

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

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Cott Corporation

Consolidated Statements of Equity

(in millions of U.S. dollars, except share amounts)

Unaudited

	Cott Corporation Equity								
	Number of Common Shares (In thousands)	Number of Treasury Shares (In thousands)	Common Shares	Treasury Shares	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total Equity
Balance at December 31, 2011	**95,101**	**674**	**$ 395.9**	**$ (2.1)**	**$ 42.6**	**$ 144.1**	**$ (24.7)**	**$ 12.4**	**$ 568.2**
Share-based compensation					0.8				0.8
Distributions to non-controlling interests								(1.1)	(1.1)
Comprehensive income									
Currency translation adjustment							8.3	(0.1)	8.2
Pension benefit plan, net of tax							(0.5)		(0.5)
Unrealized loss on derivative instruments, net of tax							(0.3)		(0.3)
Net income						5.9		0.9	6.8
Balance at March 31, 2012	**95,101**	**674**	**$ 395.9**	**$ (2.1)**	**$ 43.4**	**$ 150.0**	**$ (17.2)**	**$ 12.1**	**$ 582.1**
Balance at December 29, 2012	**95,371**		**$ 397.8**	**$**	**$ 40.4**	**$ 186.0**	**$ (12.4)**	**$ 11.1**	**$ 622.9**
Dividend						(5.6)			(5.6)
Share-based compensation					0.7				0.7
Distributions to non-controlling interests								(2.1)	(2.1)
Comprehensive income									
Currency translation adjustment							(12.3)	(0.1)	(12.4)
Pension benefit plan, net of tax							0.2		0.2
Unrealized gain on derivative instruments, net of tax							0.1		0.1
Net income								1.0	1.0
Balance at March 30, 2013	**95,371**		**$ 397.8**	**$**	**$ 41.1**	**$ 180.4**	**$ (24.4)**	**$ 9.9**	**$ 604.8**

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 o world s largest producers of beverages on behalf of retailers, brand owners and distributors. Our product lines include carbonated soft drinks (CSDs), 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy products, sports products, new age beverages, and ready-to-drink teas, as well as alcoholic beverages for brand owners.

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 December 29, 2012. 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

Update ASU 2013-02 Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the Financial Accounting Standards Board (FASB) amended its guidance regarding the information provided in relation to the amounts reclassified out of accumulated other comprehensive income. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. Early adoption is permitted. We have adopted this guidance, and the required disclosure is set forth in Note 10.

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Note 2 Acquisitions

In March of 2012, our United Kingdom (U.K.) reporting segment acquired a beverage and wholesale business based in Scotland for approximately $5.0 million. The business was purchased from a company in administration and is expected to provide a number of benefits to our U.K. reporting segment, including increased product offerings, logistical synergies and access to an additional production line. The acquisition has been accounted for using the purchase method of accounting for business combinations, and related operating results are included in the Consolidated Statements of Operations for the periods subsequent to the acquisition. The identified assets, which included inventory, property, plant and equipment, trade names and customer lists, were recorded at their estimated fair values, which exceeded the fair value of the purchase price of the business. Accordingly, the acquisition has been accounted for as a bargain purchase and, as a result, we recognized a gain of approximately $0.9 million associated with the acquisition during the second quarter of 2012.

On August 17, 2010, we completed the acquisition of substantially all of the assets and liabilities of Cliffstar Corporation (Cliffstar) and its affiliated companies for approximately $503.0 million in cash, $14.0 million in deferred consideration payable in equal installments over three years and contingent consideration of up to $55.0 million (the Cliffstar Acquisition). The first $15.0 million of the contingent consideration was paid upon the achievement of milestones in certain expansion projects in 2010. The remainder of the contingent consideration was to be calculated based on the achievement of certain performance measures during the fiscal year ending January 1, 2011.

In 2011, the seller of Cliffstar raised certain objections to the performance measures used to calculate the contingent consideration, and the parties commenced the dispute resolution mechanism provided for in the asset purchase agreement. During 2011, Cott made interim payments to the seller equal to $29.6 million, which was net of a $4.7 million refund due to Cott and included $0.9 million in settlement of certain of the seller s objections to the calculation of the contingent consideration. The seller s claims for an additional $12.1 million in contingent consideration were submitted to binding arbitration pursuant to the asset purchase agreement and favorably resolved by payment by Cott in February 2013 of approximately $0.6 million.

Note 3 Share-Based Compensation

The table below summarizes the share-based compensation expense for the three months ended March 30, 2013 and March 31, 2012. This share-based compensation expense was recorded in selling, general, and administrative expenses in our Consolidated Statements of Operations. 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), (ii) Time-based RSUs mean restricted share units with time-based vesting granted under the 2010 Equity Incentive Plan, and (iii) Stock options mean non-qualified stock options granted under the 2010 Equity Incentive Plan and the Restated 1986 Common Share Option Plan (the 1986 Option Plan).

	For the Three Months Ended	
(in millions of U.S. dollars)	**March 30, 2013**	**March 31, 2012**
Stock options	**$ 0.1**	$ 0.1
Performance-based RSUs	**0.2**	
Time-based RSUs	**0.4**	0.7
Total	**$ 0.7**	$ 0.8

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As of March 30, 2013, the unrecognized share-based compensation expense and years we expect to recognize it as future compensation expense were as follows:

(in millions of U.S. dollars)	Unrecognized share-based compensation expense as of March 30, 2013	Weighted average years expected to recognize compensation
Stock options	$ 0.8	1.8
Performance-based RSUs	1.5	1.8
Time-based RSUs	2.0	1.6
Total	$ 4.3	

Stock option activity for the three months ended March 30, 2013 was as follows:

	Shares *(in thousands)*	Weighted average exercise price *(Canadian $)*
Balance at December 29, 2012	468	$ 7.28
Awarded		
Exercised		
Forfeited or expired		
Outstanding at March 30, 2013	468	$ 7.28
Exercisable at March 30, 2013	125	$ 9.49

During the three months ended March 30, 2013 Performance-based RSU and Time-based RSU activity was as follows:

(in thousands of shares)	Number of Performance-based RSUs	Number of Time-based RSUs
Balance at December 29, 2012	825	529
Awarded		
Issued		
Forfeited	(5)	(4)
Outstanding at March 30, 2013	820	525

There were no stock options awarded during the three months ended March 30, 2013. Stock options awarded in 2012 were granted under the 2010 Equity Incentive Plan, while stock options awarded prior to 2012 were granted under the 1986 Option Plan. Our board of directors terminated the 1986 Option Plan, as of February 23, 2011. In connection with the termination of the 1986 Option Plan, outstanding options will continue in accordance with the terms of the 1986 Option Plan until exercised, forfeited or terminated, as applicable. No further awards will be granted under the 1986 Option Plan.

On February 14, 2013, our board of directors adopted an amendment and restatement to the 2010 Equity Incentive Plan (the Amended and Restated Equity Plan), pursuant to which the 2010 Equity Incentive Plan was amended and restated to, among other things, increase the number of shares that may be issued under the plan to 12,000,000 shares and to provide that the number of shares available for issuance will be reduced 2.0 shares for each share issued pursuant to a full-value award (i.e. an award other than an option or stock appreciation right). The Amended and Restated Equity Plan was approved by Cott s shareowners on April 30, 2013.

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Average Canadian to U.S. Dollar Exchange Rate for the Three Months Ended March 30, 2013

The weighted-average exercise prices for options in this 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 March 30, 2013:

	For the Three Months Ended March 30, 2013
Average exchange rate	$ 0.994

Note 4 Income Taxes

Income tax expense was $0.5 million on pretax income of $1.5 million for the three months ended March 30, 2013, as compared to an income tax expense of $0.4 million on pretax income of $7.2 million for the three months ended March 31, 2012. The first quarter s income tax rate was 33% in comparison to the prior year rate of 6%. This is the result of $0.2 million in discrete items that increased the current quarter s rate relative to net income in comparison to prior year discrete items of $(0.8) million which reduced that rate.

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, 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:

	For the Three Months Ended	
(in thousands of shares)	March 30, 2013	March 31, 2012
Weighted-average number of shares outstanding - basic	95,371	94,427
Dilutive effect of stock options	49	30
Dilutive effect of Performance-based RSUs	127	114
Dilutive effect of Time-based RSUs	254	1,131
Adjusted weighted-average number of shares outstanding - diluted	95,801	95,702

We excluded 50,000 (March 31, 2012 183,500) stock 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 treasury shares held in various trusts in the calculation of basic and diluted earnings per share for the three months ended March 31, 2012. We distributed the remaining shares from the trusts to satisfy certain 2010 Equity Incentive Plan obligations that vested during the fourth quarter of 2012.

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Note 6 Segment Reporting

Our product lines include CSDs, 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy products, sports products, new age beverages, and ready-to-drink teas, as well as alcoholic beverages for brand owners. Our business operates through five reporting segments North America (which includes our U.S. operating segment and Canada operating segment), U.K. (which includes our United Kingdom reporting unit and our Continental European reporting unit), Mexico, Royal Crown International (RCI) and All Other. The primary measures used in evaluating our reporting segments are revenues, operating income (loss), and additions to property, plant and equipment, which have been included as part of our segment disclosures listed below.

(in millions of U.S. dollars)	**North America**	**United Kingdom**	**Mexico**	**RCI**	**All Other**	**Total**
For the Three Months Ended March 30, 2013						
External revenue[1]	**$ 393.2**	**$ 97.4**	**$ 7.4**	**$ 7.4**	**$**	**$ 505.4**
Depreciation and amortization	**21.0**	**3.2**	**0.5**			**24.7**
Operating income (loss)	**13.8**		**(0.7)**	**2.0**		**15.1**
Additions to property, plant & equipment	**14.5**	**4.6**	**0.8**			**19.9**
As of March 30, 2013						
Property, plant & equipment	**$ 382.0**	**$ 94.8**	**$ 10.0**	**$**	**$**	**$ 486.8**
Goodwill	**125.2**			**4.5**		**129.7**
Intangibles and other assets	**292.6**	**12.6**	**0.4**			**305.6**
Total assets[2]	**1,223.5**	**235.2**	**26.8**	**13.8**	**0.8**	**1,500.1**

1 Intersegment revenue between North America and the other reporting segments was $3.8 million for the three months ended March 30, 2013.
2 Excludes intersegment receivables, investments and notes receivable.

(in millions of U.S. dollars)	**North America**	**United Kingdom**	**Mexico**	**RCI**	**All Other**	**Total**
For the Three Months Ended March 31, 2012						
External revenue[1]	$ 408.1	$ 99.2	$ 9.1	$ 7.4	$	$ 523.8
Depreciation and amortization	20.1	3.3	0.4			23.8
Operating income (loss)	17.3	3.2	(1.3)	1.8		21.0
Additions to property, plant & equipment	12.6	5.0	0.1			17.7
As of December 29, 2012						
Property, plant & equipment	$ 382.1	$ 99.5	$ 9.3	$	$	$ 490.9
Goodwill	125.8			4.5		130.3
Intangibles and other assets	301.1	13.9	0.4			315.4
Total assets[2]	1,246.7	273.8	28.1	14.1	3.2	1,565.9

1 Intersegment revenue between North America and the other reporting segments was $4.1 million for the three months ended March 31, 2012.
2 Excludes intersegment receivables, investments and notes receivable.

For the three months ended March 30, 2013, sales to Walmart accounted for 32.8% (March 31, 2012 31.6%) of our total revenues, 37.8% of our North America reporting segment revenues (March 31, 2012 36.0%), 16.5% of our U.K. reporting segment revenues (March 31, 2012 16.8%), and 13.3% of our Mexico reporting segment revenues (March 31, 2012 24.4%).

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.

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Revenues are attributed to operating segments based on the location of the customer. Revenues by operating segment were as follows:

	For the Three Months Ended	
(in millions of U.S. dollars)	**March 30, 2013**	**March 31, 2012**
United States	**$ 354.8**	$ 366.2
Canada	**47.5**	53.8
United Kingdom	**97.4**	99.2
Mexico	**7.4**	9.1
RCI	**7.4**	7.4
Elimination[1]	**(9.1)**	(11.9)
Total	**$ 505.4**	$ 523.8

[1] Represents intersegment revenue among our operating segments, of which $3.8 million represents intersegment revenue between the North America reporting segment and our other operating segments for the three months ended March 30, 2013, and $4.1 million represents intersegment revenue between the North America reporting segment and our other operating segments for the three months ended March 31, 2012.

Revenues by product were as follows:

	For the Three Months Ended March 30, 2013				
(in millions of U.S. dollars)	**North America**	**United Kingdom**	**Mexico**	**RCI**	**Total**
Revenue					
Carbonated soft drinks	**$ 151.4**	**$ 32.7**	**$ 3.5**	**$ 0.1**	**$ 187.7**
Juice	**135.0**	**3.1**		**0.5**	**138.6**
Concentrate	**3.1**	**0.6**		**6.8**	**10.5**
All other products	**103.7**	**61.0**	**3.9**		**168.6**
Total	**$ 393.2**	**$ 97.4**	**$ 7.4**	**$ 7.4**	**$ 505.4**

	For the Three Months Ended March 31, 2012				
(in millions of U.S. dollars)	**North America**	**United Kingdom**	**Mexico**	**RCI**	**Total**
Revenue					
Carbonated soft drinks	$ 163.8	$ 33.7	$ 5.6	$	$ 203.1
Juice	133.9	3.1	0.1	0.4	137.5
Concentrate	2.9	0.8		7.0	10.7
All other products	107.5	61.6	3.4		172.5
Total	$ 408.1	$ 99.2	$ 9.1	$ 7.4	$ 523.8

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Property, plant and equipment by operating segment as of March 30, 2013 and December 29, 2012 was as follows:

(in millions of U.S. dollars)	**March 30, 2013**	**December 29, 2012**
United States	**$ 335.1**	$ 333.7
Canada	**46.9**	48.4
United Kingdom	**94.8**	99.5
Mexico	**10.0**	9.3
Total	**$ 486.8**	$ 490.9

Note 7 Inventories

The following table summarizes inventories as of March 30, 2013 and December 29, 2012:

(in millions of U.S. dollars)	**March 30, 2013**	**December 29, 2012**
Raw materials	**$ 102.1**	$ 93.4
Finished goods	**113.5**	111.6
Other	**20.1**	19.8
Total	**$ 235.7**	**$ 224.8**

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Note 8 Intangibles and Other Assets

The following table summarizes intangibles and other assets as of March 30, 2013:

	March 30, 2013		
(in millions of U.S. dollars)	Cost	Accumulated Amortization	Net
Intangibles			
Not subject to amortization			
Rights	$ 45.0	$	$ 45.0
Subject to amortization			
Customer relationships	$ 366.3	$ 148.0	$ 218.3
Trademarks	28.6	23.6	5.0
Information technology	65.3	51.4	13.9
Other	11.8	9.2	2.6
	472.0	232.2	239.8
	517.0	232.2	284.8
Other Assets			
Financing costs	$ 24.3	$ 11.7	$ 12.6
Deposits	7.2		7.2
Other	1.3	0.3	1.0
	32.8	12.0	20.8
Total Intangibles & Other Assets	$ 549.8	$ 244.2	$ 305.6

Our only intangible asset with an indefinite life relates to the 2001 acquisition of intellectual property from Royal Crown Company, Inc., including the right to manufacture our concentrates, with all related inventions, processes, technologies, technical and manufacturing information, know-how and the use of the Royal Crown brand outside of North America and Mexico (the Rights).

Amortization expense of intangible and other assets was $8.6 million for the three months ended March 30, 2013 and $9.0 million for the three months ended March 31, 2012.

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

(in millions of U.S. dollars)	
Remainder of 2013	$ 22.7
2014	28.9
2015	26.6
2016	23.2
2017	19.9
Thereafter	118.5
	$ 239.8

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Note 9 Debt

Our total debt as of March 30, 2013 and December 29, 2012 was as follows:

(in millions of U.S. dollars)	**March 30, 2013**	**December 29, 2012**
8.375% senior notes due in 2017[1]	**$ 215.0**	$ 215.0
8.125% senior notes due in 2018	**375.0**	375.0
GE obligation	**9.7**	9.9
Other capital leases	**4.4**	4.6
Other debt	**1.3**	1.3
Total debt	**605.4**	605.8
Less: Current debt		
GE obligation - current maturities	**0.9**	0.9
Other capital leases - current maturities	**0.8**	0.8
Other debt - current maturities	**0.3**	0.2
Total current debt	**2.0**	1.9
Long-term debt before discount	**603.4**	603.9
Less discount on 8.375% senior notes	**(2.0)**	(2.1)
Total long-term debt	**$ 601.4**	$ 601.8

[1] 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, U.K. and Mexico reporting 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.

On July 19, 2012, we amended the ABL facility to, among other things, extend the maturity date to either July 19, 2017 or, if we have not redeemed, repurchased or refinanced our 8.375% senior notes due 2017 (the 2017 Notes) by May 1, 2017, May 15, 2017. We incurred $1.2 million of financing fees in connection with the amendment of the ABL facility.

The financing fees incurred in connection with the refinancing of the ABL facility on August 17, 2010, along with the financing fees incurred in connection with the amendment of the ABL facility on July 19, 2012, are being amortized using the straight line method over the duration of the amended ABL facility.

As of March 30, 2013, we had no outstanding borrowings under the ABL facility. The commitment fee was 0.375% per annum of the unused commitment, which, taking into account $11.2 million of letters of credit, was $252 million as of March 30, 2013.

8.375% Senior Notes due in 2017

On November 13, 2009, we issued the 2017 Notes. The 2017 Notes were issued at a $3.1 million discount. The issuer of the 2017 Notes is our wholly-owned U.S. subsidiary Cott Beverages Inc., and most of our U.S., Canadian and U.K. subsidiaries guarantee the 2017 Notes. The interest on the 2017 Notes is payable semi-annually on May 15th and November 15th of each year.

We incurred $5.1 million of financing fees in connection with the 2017 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the duration of the 2017 Notes.

8.125% Senior Notes due in 2018

On August 17, 2010, we issued the 2018 Notes. The issuer of the 2018 Notes is our wholly-owned U.S. subsidiary Cott Beverages Inc., and most of our U.S., Canadian and U.K. subsidiaries guarantee the 2018 Notes. The interest on the 2018 Notes is payable semi-annually on March 1st and September 1st of each year.

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We incurred $8.6 million of financing fees in connection with the issuance of the 2018 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the duration of the 2018 Notes.

Note 10 Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income by component[1] for the three months ended March 30, 2013 were as follows:

(in millions of U.S. dollars)	March 30, 2013			
	Gains and Losses on Derivative Instruments	**Pension Benefit Plan Items**	**Currency Translation Adjustment Items**	**Total**
Beginning balance December 29, 2012	$ 0.2	$ (9.1)	$ (3.5)	$ (12.4)
OCI before reclassifications	0.2		(12.3)[2]	(12.1)
Amounts reclassified from AOCI	(0.1)	0.2		0.1
Net current-period OCI	0.1	0.2	(12.3)	(12.0)
Ending balance March 30, 2013	$ 0.3	$ (8.9)	$ (15.8)	$ (24.4)

1 All amounts are net of tax. Amounts in parentheses indicate debits.
2 Excludes $0.1 million related to non-controlling interest.

Reclassifications out of accumulated other comprehensive (loss) income[1] for the three months ended March 30, 2013 were as follows:

(in millions of U.S. dollars)	March 30, 2013	
Details About AOCI Components	**Amounts Reclassified From AOCI**	**Affected Line Item in the Statement Where Net Income Is Presented**
Gains and losses on derivative instruments		
Commodity contracts	$ 0.1	Cost of sales
	$ 0.1	Total before taxes
		Tax (expense) or benefit
	$ 0.1	Net of tax
Amortization of pension benefit plan items		
Prior-service costs	$ (0.1)[2]	
Actuarial adjustments	(0.1)[2]	
Actuarial gains/(losses)	[2]	
	(0.2)	Total before tax
		Tax (expense) or benefit

	$ (0.2)	Net of tax
Total reclassifications for the period	$ (0.1)	Net of tax

[1] Amounts in parentheses indicate debits.
[2] These AOCI components are included in the computation of net periodic pension cost.

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Note 11 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.

On August 17, 2010, we completed the Cliffstar Acquisition which included contingent consideration of up to $55.0 million. The first $15.0 million of the contingent consideration was paid upon the achievement of milestones in certain expansion projects in 2010. The remainder of the contingent consideration was to be calculated based on the achievement of certain performance measures during the fiscal year ending January 1, 2011. During 2011, Cott made interim payments to the seller equal to $29.6 million, which was net of a $4.7 million refund due to Cott and included $0.9 million in settlement of certain of the seller s objections to the calculation of the contingent consideration.

In 2011, the seller of Cliffstar raised certain objections to the performance measures used to calculate the contingent consideration, and the parties commenced the dispute resolution mechanism provided for in the asset purchase agreement. The seller s claims for an additional $12.1 million in contingent consideration were submitted to binding arbitration pursuant to the asset purchase agreement and favorably resolved by payment by Cott in February 2013 of approximately $0.6 million.

We had $11.2 million in standby letters of credit outstanding as of March 30, 2013 (March 31, 2012 $11.1 million).

Note 12 Shares Held in Trust Treated as Treasury Shares and Share Repurchase Program

In May 2008, an independent trustee acting on behalf of 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 and the Restated Executive Incentive Share Purchase Plan. During the year ended December 29, 2012, we distributed the remaining 0.7 million shares from the trust to satisfy certain 2010 Equity Incentive Plan obligations that had vested during the last quarter of 2012. As of December 29, 2012, there were no shares held in trust that were accounted for as treasury shares.

On May 1, 2012, our board of directors authorized the repurchase of up to $35.0 million of our common shares in the open market or through privately negotiated transactions over a 12-month period through either a 10b5-1 automatic trading plan or at management s discretion in compliance with regulatory requirements, and given market, cost and other considerations. During the second quarter of 2012, we repurchased 35,272 shares of common stock for approximately $0.3 million. No other purchases have been made under the repurchase plan. On April 30, 2013, our board of directors approved the renewal of our share repurchase program for up to 5% of Cott s outstanding common shares over a 12-month period commencing upon the expiration of Cott s currently effective share repurchase program on May 21, 2013. We are unable to predict the number of shares that will be repurchased under the share repurchase program or the aggregate dollar amount of the shares actually purchased. We may discontinue purchases at any time, subject to compliance with applicable regulatory requirements.

Note 13 Hedging Transactions and Derivative Financial Instruments

We are directly and indirectly affected by changes in foreign currency market conditions. These changes in market conditions may adversely impact our financial performance and are referred to as market risks. When deemed appropriate by management, we use derivatives as a risk management tool to mitigate the potential impact of foreign currency market risks.

We purchase 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 other receivables or other payables. The carrying values of the derivatives reflect the impact of legally enforceable agreements with the same counterparties. These allow us 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 types 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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We formally designate and document, 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, we formally assess 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.

We estimate the fair values of our derivatives based on quoted market prices or pricing models using current market rates (refer to Note 14). 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. We do not view the fair values of our derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions. All of our derivatives are straight-forward 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

We use 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. We did not discontinue any cash flow hedging relationships during the three months ended March 30, 2013. The maximum length of time over which we hedge our exposure to future cash flows is typically one year.

We maintain 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. The total notional value of derivatives that have been designated and qualify for our foreign currency cash flow hedging program as of March 30, 2013 was approximately $9.4 million.

The fair value of the Company s derivative instruments was $0.3 million and $0.1 million as of March 30, 2013 and December 29, 2012, respectively.

The settlement of our derivative instruments resulted in a credit to cost of sales of approximately $0.1 million for the three months ended March 30, 2013 and a charge to cost of sales of less than $0.1 million for the three months ended March 31, 2012.

Note 14 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.

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(in millions of U.S. dollars)	March 30, 2013 Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Money market	**$ 10.0**	**$**	**$**	**$ 10.0**
Derivatives		**0.3**		**0.3**
Total Assets	**$ 10.0**	**$ 0.3**	**$**	**$ 10.3**

(in millions of U.S. dollars)	December 29, 2012 Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Derivatives	**$**	**$ 0.1**	**$**	**$ 0.1**
Total Assets	**$**	**$ 0.1**	**$**	**$ 0.1**

Fair Value of Financial Instruments

The carrying amounts reflected in the Consolidated Balance Sheets for cash and cash equivalents, 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 March 30, 2013 and December 29, 2012 were as follows:

	March 30, 2013		December 29, 2012	
(in millions of U.S. dollars)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
8.375% senior notes due in 2017[1]	**$ 215.0**	**$ 231.7**	$ 215.0	$ 234.4
8.125% senior notes due in 2018[1]	**375.0**	**409.7**	375.0	414.8
Total	**$ 590.0**	**$ 641.4**	**$ 590.0**	**$ 649.2**

1 The fair values are based on the trading levels and bid/offer prices observed by a market participant and are considered Level 1 inputs.

Note 15 Guarantor Subsidiaries

The 2017 Notes and 2018 Notes issued by our U.S. 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). The guarantees of the Guarantor Subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions.

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. In the third quarter of 2012, we revised the financial statements of certain Non-guarantor Subsidiaries to properly reflect their capitalization and subsequent investment in certain Guarantor Subsidiaries resulting from a reorganization completed in connection with the Cliffstar Acquisition. These Non-guarantor Subsidiaries, which have no business operations and no operating assets, hold, directly or indirectly, our investments in substantially all of the Guarantor Subsidiaries and therefore may be viewed for purposes of this disclosure as in-substance Guarantor Subsidiaries themselves. We have therefore included these Non-guarantor Subsidiaries as Guarantor Subsidiaries in the supplemental financial information below for all periods presented.

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Condensed Consolidating Statements of Operations

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended March 30, 2013					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 39.0	$ 195.3	$ 239.8	$ 37.1	$ (5.8)	$ 505.4
Cost of sales	33.8	168.2	219.3	33.5	(5.8)	449.0
Gross profit	5.2	27.1				