COTT CORP /CN/
Form 10-Q
May 14, 2015
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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 4, 2015

¨ **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, CANADA	**L4V 1H6**
5519 WEST IDLEWILD AVENUE	
TAMPA, FLORIDA, UNITED STATES	**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 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 7, 2015
Common Shares, no par value per share	93,259,829 shares

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Cott Corporation

Consolidated Statements of Operations

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

Unaudited

	For the Three Months Ended	
	April 4, 2015	**March 29, 2014**
Revenue, net	**$ 709.8**	$ 475.1
Cost of sales	**508.5**	418.9
Gross profit	**201.3**	56.2
Selling, general and administrative expenses	**188.5**	46.9
Loss on disposal of property, plant & equipment	**1.4**	0.1
Restructuring		2.2
Asset impairments		1.6
Acquisition and integration expenses	**4.7**	1.1
Operating income	**6.7**	4.3
Other income, net	**(10.4)**	(2.3)
Interest expense, net	**27.7**	9.8
Loss before income taxes	**(10.6)**	(3.2)
Income tax benefit	**(9.4)**	(0.5)
Net loss	**$ (1.2)**	$ (2.7)
Less: Net income attributable to non-controlling interests	**1.3**	1.4
Less: Accumulated dividends on convertible preferred shares	**2.7**	
Less: Accumulated dividends on non-convertible preferred shares	**0.8**	
Net loss attributed to Cott Corporation	**$ (6.0)**	$ (4.1)
Net loss per common share attributed to Cott Corporation		
Basic	**$ (0.06)**	$ (0.04)
Diluted	**(0.06)**	(0.04)
Weighted average outstanding shares (thousands) attributed to Cott Corporation		
Basic	**93,196**	94,319
Diluted	**93,196**	94,319

Dividends declared per share	**$ 0.06**	$ 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

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended	
	April 4, 2015	March 29, 2014
Net loss	**$ (1.2)**	$ (2.7)
Other comprehensive loss:		
Currency translation adjustment	**(25.9)**	(1.6)
Pension benefit plan, net of tax [1]	**0.1**	
Unrealized loss on derivative instruments, net of tax [2]		(0.1)
Total other comprehensive loss	**(25.8)**	(1.7)
Comprehensive loss	**$ (27.0)**	$ (4.4)
Less: Comprehensive income attributable to non-controlling interests	**1.3**	1.4
Less: Accumulated dividends on convertible preferred shares	**2.7**	
Less: Accumulated dividends on non-convertible preferred shares	**0.8**	
Comprehensive loss attributed to Cott Corporation	**$ (31.8)**	$ (5.8)

1. Net of the effect of $0.2 million and $0.1 million tax expense for the three months ended April 4, 2015 and March 29, 2014, respectively.
2. Net of the effect of nil tax expense for the three months ended April 4, 2015 and March 29, 2014, 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

	April 4, 2015	January 3, 2015
ASSETS		
Current assets		
Cash & cash equivalents	**$ 34.5**	$ 86.2
Accounts receivable, net of allowance of $10.2 ($6.5 as of January 3, 2015)	**340.6**	305.7
Income taxes recoverable	**1.2**	1.6
Inventories	**270.5**	262.4
Prepaid expenses and other current assets	**34.5**	59.3
Total current assets	**681.3**	715.2
Property, plant & equipment, net	**845.2**	864.5
Goodwill	**742.4**	743.6
Intangibles and other assets, net	**762.9**	781.7
Deferred income taxes	**1.8**	2.5
Other tax receivable		0.2
Total assets	**$ 3,033.6**	$ 3,107.7
LIABILITIES, PREFERRED SHARES AND EQUITY		
Current liabilities		
Short-term borrowings	**$ 221.0**	$ 229.0
Current maturities of long-term debt	**4.1**	4.0
Accounts payable and accrued liabilities	**422.0**	420.3
Total current liabilities	**647.1**	653.3
Long-term debt	**1,552.5**	1,565.0
Deferred income taxes	**105.3**	119.9
Other long-term liabilities	**67.1**	71.8
Total liabilities	**2,372.0**	2,410.0
Convertible preferred shares, $1,000 stated value, 116,054 (January 3, 2015 116,054) shares issued	**116.2**	116.1
Non-convertible preferred shares, $1,000 stated value, 32,711 (January 3, 2015 32,711) shares issued	**32.7**	32.7
Equity		
Capital stock, no par 93,259,829 (January 3, 2015 93,072,850) shares issued	**389.5**	388.3
Additional paid-in-capital	**47.2**	46.6

Retained earnings	**146.6**	158.1
Accumulated other comprehensive loss	**(76.8)**	(51.0)
Total Cott Corporation equity	**506.5**	542.0
Non-controlling interests	**6.2**	6.9
Total equity	**512.7**	548.9
Total liabilities, preferred shares and equity	**$ 3,033.6**	$ 3,107.7

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	
	April 4, 2015	March 29, 2014
Operating Activities		
Net loss	**$ (1.2)**	$ (2.7)
Depreciation & amortization	**57.4**	25.1
Amortization of financing fees	**1.3**	0.6
Amortization of senior notes premium	**(1.5)**	
Share-based compensation expense	**2.4**	1.3
Decrease in deferred income taxes	**(11.7)**	(0.7)
Write-off of financing fees and discount		0.3
Loss on disposal of property, plant & equipment	**1.4**	0.1
Asset impairments		1.6
Other non-cash items	**(10.2)**	(0.2)
Change in operating assets and liabilities, net of acquisition:		
Accounts receivable	**(41.3)**	(33.3)
Inventories	**(11.0)**	(16.5)
Prepaid expenses and other current assets	**30.3**	0.2
Other assets	**(2.4)**	0.2
Accounts payable and accrued liabilities, and other liabilities	**(15.2)**	(28.5)
Income taxes recoverable	**0.6**	
Net cash used in operating activities	**(1.1)**	(52.5)
Investing Activities		
Additions to property, plant & equipment	**(27.3)**	(8.8)
Additions to intangibles and other assets	**(2.1)**	(1.5)
Proceeds from sale of property, plant & equipment	**0.4**	
Net cash used in investing activities	**(29.0)**	(10.3)
Financing Activities		
Payments of long-term debt	**(0.8)**	(16.0)
Borrowings under ABL	**94.8**	95.0
Payments under ABL	**(102.8)**	(15.1)
Distributions to non-controlling interests	**(2.0)**	(2.3)
Proceeds from the exercise of options for common shares, net	**0.1**	

Common shares repurchased and cancelled	**(0.7)**	(0.4)
Dividends paid to common and preferred shareowners	**(9.0)**	(5.1)
Net cash (used in) provided by financing activities	**(20.4)**	56.1
Effect of exchange rate changes on cash	**(1.2)**	0.1
Net decrease in cash & cash equivalents	**(51.7)**	(6.6)
Cash & cash equivalents, beginning of period	**86.2**	47.2
Cash & cash equivalents, end of period	**$ 34.5**	$ 40.6
Supplemental Non-cash Investing and Financing Activities:		
Dividend payable issued through accounts payable and accrued liabilities	**0.1**	
DSS additional consideration accrued in accounts payable	**8.9**	
Additions to property, plant & equipment through accounts payable and accrued liabilities	**6.2**	
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	**$ 8.3**	$ 16.6
Cash paid for income taxes, net	**$ 0.5**	$ 0.3

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)*	Common Shares	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non-Controlling Interests	Total Equity
Balance at December 28, 2013	**94,238**	**$ 392.8**	**$ 44.1**	**$ 174.8**	**$ (16.8)**	**$ 9.5**	**$ 604.4**
Common shares repurchased and cancelled	(54)	(0.4)					(0.4)
Common shares issued Time-based RSUs	141	1.2	(1.2)				
Share-based compensation			1.3				1.3
Dividend payment				(5.1)			(5.1)
Distributions to non-controlling interests						(2.3)	(2.3)
Comprehensive (loss) income							
Currency translation adjustment					(1.6)		(1.6)
Unrealized gain on derivative instruments, net of tax					(0.1)		(0.1)
Net (loss) income				(4.1)		1.4	(2.7)
Balance at March 29, 2014	**94,325**	**$ 393.6**	**$ 44.2**	**$ 165.6**	**$ (18.5)**	**$ 8.6**	**$ 593.5**
Balance at January 3, 2015	**93,073**	**$ 388.3**	**$ 46.6**	**$ 158.1**	**$ (51.0)**	**$ 6.9**	**$ 548.9**
Common shares repurchased and cancelled	(87)	(0.7)					(0.7)
Common shares issued Performance-based RSUs	255	1.7	(1.7)				
Share-based compensation			2.4				2.4
Options exercised	19	0.2	(0.1)				0.1
Common shares dividend				(5.5)			(5.5)
Distributions to non-controlling interests						(2.0)	(2.0)
Comprehensive (loss) income							
Currency translation adjustment					(25.9)		(25.9)
Pension benefit plan, net of tax					0.1		0.1
Preferred shares dividend				(3.5)			(3.5)
Net (loss) income				(2.5)		1.3	(1.2)

Balance at April 4, 2015	**93,260**	**$ 389.5**	**$ 47.2**	**$ 146.6**	**$ (76.8)**	**$ 6.2**	**$ 512.7**

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, us, or our), is one of the world s largest producers of beverages on behalf of retailers, brand owners and distributors and has one of the broadest home and office bottled water and office coffee services distribution networks in the United States, with the ability to service approximately 90% of U.S. households, as well as national, regional and local offices. Our product lines include carbonated soft drinks (CSDs), 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, purified, spring, artesian, distilled and fluoridated bottled water, energy drinks and shots, sports products, new age beverages, ready-to-drink teas and alcoholic beverages, beverage concentrates, liquid enhancers and freezables, as well as hot chocolate, coffee, malt drinks, creamers/whiteners and cereals. In addition, Cott is now a national direct-to-consumer provider of bottled water, office coffee and water filtration services offering a comprehensive portfolio of beverage products, equipment and supplies to approximately 1.5 million customer locations through its network of over 200 sales and distribution facilities and daily operation of over 2,100 routes.

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 3, 2015. 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.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. For the three months ended March 29, 2014, the Company concluded that it was appropriate to reclassify the amortization of customer list intangible assets to selling, general and administrative (SG&A) expenses. Previously, such amortization had been classified as cost of sales. Accordingly, the Company has revised the classification to report these SG&A expenses in the Consolidated Statement of Operations for the three months ended March 29, 2014. Also, for the three months ended March 29, 2014, the Company concluded that it was appropriate to reclassify acquisition and integration expenses separately. Previously, such expenses had been classified as SG&A expenses. Accordingly, the Company has revised the

classification to report these expenses separately in the Consolidated Statement of Operations for the three months ended March 29, 2014. Additionally, as of January 3, 2015, the Company concluded that it was appropriate to reclassify certain recently acquired assets in connection with the DSS Acquisition (see Note 3 to the Consolidated Financial Statements) from inventories to property, plant and equipment, net to be consistent with Cott s accounting treatment. Accordingly, the Company has revised the classification to report these assets under property, plant and equipment, net in the Consolidated Balance Sheet as of January 3, 2015. The impacts of the reclassifications are shown in the tables below:

(in millions of U.S. dollars)	For the three months ended March 29, 2014
Decrease to cost of sales	$ (5.7)
Increase to selling, general and administrative expenses	$ 5.7

(in millions of U.S. dollars)	For the three months ended March 29, 2014
Decrease to selling, general and administrative expenses	$ (1.1)
Increase to acquisition and integration expenses	$ 1.1

(in millions of U.S. dollars)	January 3, 2015
Decrease to inventories	$ (8.9)
Increase to property, plant and equipment, net	$ 8.9

These changes in classification did not affect net income attributable to Cott Corporation or total assets as previously reported in the Consolidated Statement of Operations and Consolidated Balance Sheet for the periods presented.

Recent Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates (ASUs) or the issuance of new standards to the FASB s Accounting Standards Codification (ASC). The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on these Consolidated Financial Statements.

Update ASU 2014-09 Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB amended its guidance regarding revenue recognition and created a new Topic 606, Revenue from Contracts with Customers. The objectives for creating Topic 606 were to remove inconsistencies and weaknesses in revenue recognition, provide a more robust framework for addressing revenue issues, provide more useful information to users of the financial statements through improved disclosure requirements, simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer, and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve the core principle, an entity should apply the following steps: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract; and 5) recognize revenue when (or as) the entity satisfies a performance obligation. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The amendments may be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the amendment recognized at the date of initial application. We are currently assessing the impact of adoption of this standard on our consolidated financial statements.

Update ASU 2014-12 Compensation Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the FASB amended its guidance regarding accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as

a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The stated vesting period (which includes the period in which the performance target could be achieved) may differ from the requisite service period. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2015, including interim periods within

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that reporting period. The amendments may be applied prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We believe that the adoption of these amendments will not have a material impact on our consolidated financial statements.

Update ASU 2015-03 Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB amended its guidance to simplify the presentation of debt issuance costs. The amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by these amendments. For public entities, the amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. We are currently assessing the impact of adoption of this standard on our consolidated financial statements.

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Note 2 Revisions

The Company has revised its three months ended March 29, 2014 Consolidated Statement of Operations, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows, and Consolidated Statement of Equity to correct errors for an overstatement of historical property, plant and equipment, net, including a portion related to a prior acquisition, and the related depreciation expense recorded during the period, and an overstatement of deferred tax liabilities. The overstatement of deferred tax liabilities overstated previously reported income tax benefit by $0.4 million for the three months ended March 29, 2014. The remaining differences identified in the reconciliations below are attributable to the historical overstatement of property, plant and equipment, net of $0.2 million. The impact on the previously issued financial statements is detailed in the reconciliations below. These adjustments were not considered to be material individually or in the aggregate to previously issued financial statements.

Consolidated Statements of Operations	As previously filed	As revised	Difference
	For the three months ended March 29, 2014		
(in millions of U.S. dollars)			
Cost of sales [1]	$ 424.8	$ 424.6	$ (0.2)
Gross profit [1]	$ 50.3	$ 50.5	$ 0.2
Operating income	$ 4.1	$ 4.3	$ 0.2
(Loss) income before income taxes	$ (3.4)	$ (3.2)	$ 0.2
Income tax (benefit) expense	$ (0.9)	$ (0.5)	$ 0.4
Net (loss) income	$ (2.5)	$ (2.7)	$ (0.2)
Net loss attributed to Cott Corporation	$ (3.9)	$ (4.1)	$ (0.2)

1. The revised balances do not include the reclassification of the amortization of customer list intangible assets from cost of sales to SG&A expenses as presented in the Consolidated Statement of Operations for the three months ended March 29, 2014 (see Note 1 to the Consolidated Financial Statements).

Consolidated Statements of Comprehensive Income	As previously filed	As revised	Difference
	For the three months ended March 29, 2014		
(in millions of U.S. dollars)			
Net (loss) income	$ (2.5)	$ (2.7)	$ (0.2)
Comprehensive loss	$ (4.2)	$ (4.4)	$ (0.2)
Comprehensive loss attributed to Cott Corporation	$ (5.6)	$ (5.8)	$ (0.2)

Consolidated Statements of Cash Flows	**As previously filed**	**As revised**	**Difference**
	For the three months ended March 29, 2014		
(in millions of U.S. dollars)			
Operating Activities			
Net (loss) income	$ (2.5)	$ (2.7)	$ (0.2)
Depreciation & amortization	$ 25.3	$ 25.1	$ (0.2)
Decrease in deferred income taxes	$ (1.1)	$ (0.7)	$ 0.4

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Consolidated Statements of Equity	As previously filed	As revised	Difference
	For the three months ended March 29, 2014		
(in millions of U.S. dollars)			
Retained earnings at December 28, 2013	$ 176.3	$ 174.8	$ (1.5)
Total equity at December 28, 2013	$ 605.9	$ 604.4	$ (1.5)
Retained earnings at March 29, 2014	$ 167.3	$ 165.6	$ (1.7)
Total equity at March 29, 2014	$ 595.2	$ 593.5	$ (1.7)
Net (loss) income	$ (2.5)	$ (2.7)	$ (0.2)

Note 3 Acquisitions

DSS Acquisition

In December 2014, we completed the acquisition by merger of DSS Group, Inc. (DSS Group), parent company to DS Services of America Inc. (collectively DSS), a leading bottled water and coffee direct-to-consumer services provider in the United States (the DSS Acquisition). The DSS Acquisition was consummated pursuant to an Agreement and Plan of Merger (the DSS Merger Agreement) dated November 6, 2014. Aggregate consideration was approximately $1.246 billion payable through a combination of incremental borrowings under the ABL facility (as defined below) of $180.0 million, the issuance of $625.0 million of our 6.75% senior notes due January 1, 2020 (2020 Notes), assumption of existing $350.0 million senior notes due 2021 originally issued by DSS (DSS Notes), the issuance of Series A Convertible First Preferred Shares (the Convertible Preferred Shares), having an aggregate value of approximately $116.1 million and Series B Non-Convertible First Preferred Shares (the Non-Convertible Preferred Shares and together with the Convertible Preferred Shares, the Preferred Shares), having an aggregate value of approximately $32.7 million. A portion of the aggregate consideration is being held in escrow to secure the indemnification obligations of DSS s former security holders under the DSS Merger Agreement.

The total consideration paid by us in the DSS Acquisition is summarized below:

(in millions of U.S. dollars)	
Cash paid to sellers	$ 449.7
Deferred consideration	8.9
Cash paid on behalf of sellers for sellers expenses	25.3
Cash paid to retire term loan on behalf of sellers	317.3
Convertible Preferred Shares	116.1
Non-Convertible Preferred Shares	32.7
Total consideration	$ 950.0

The initial estimated merger consideration of $941.1 million was adjusted by $8.9 million for differences between estimated working capital, net indebtedness and certain transaction related expenses and those amounts calculated by Cott and submitted to the former security holders of DSS for review and approval, and, if necessary, submitted to an independent auditor for a final determination. The parties continue to work toward finalization of these amounts as of the filing date of this report.

Our primary reasons for the DSS Acquisition were to accelerate Cott s acquisition based diversification outside of CSDs and shelf stable juices, extend our beverage portfolio into new and growing markets, including home and office bottled water delivery services, office coffee services and filtration services, while creating opportunities for revenue, cost synergies and growth prospects, and broaden our distribution platform by adding a national direct-to-consumer distribution channel.

The DSS Acquisition is being accounted for as a business combination which, among other things, requires that assets acquired and liabilities assumed be measured at their acquisition date fair values. Identified intangible assets, goodwill and property, plant and equipment are recorded at their estimated fair values per preliminary valuations and may change based on the final valuation results. Estimated fair values recorded for deferred tax balances and working capital are also subject to change based on finalization of the purchase price. The results of operations of DSS have been included in our operating results beginning as of the acquisition date. We allocated the purchase price in the DSS Acquisition to tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The fair value assigned to identifiable intangible assets acquired was based on estimates and assumptions made by management.

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The following table summarizes the estimated allocation of the purchase price to the fair value of the assets acquired and liabilities assumed in connection with the DSS Acquisition. Included as part of these adjustments to the initial purchase price allocation is the correction of $6.2 million of certain balance sheet classification errors previously identified at January 3, 2015. The allocation of the purchase price is based on a preliminary valuation that is expected to be completed by the end of 2015.

(in millions of U.S. dollars)	As reported at January 3, 2015	Adjustments	As reported at April 4, 2015
Cash and cash equivalents	$ 74.5	$	$ 74.5
Accounts receivable	103.4	(0.8)	102.6
Inventories	46.8	(0.4)	46.4
Prepaid expenses and other current assets	8.8		8.8
Deferred income taxes	2.8	1.3	4.1
Property, plant & equipment	403.3	9.4	412.7
Goodwill	556.9	2.9	559.8
Intangible and other assets	417.2		417.2
Accounts payable and accrued liabilities	(110.2)	(7.5)	(117.7)
Long-term debt	(406.0)		(406.0)
Deferred income taxes liabilities	(129.1)	6.2	(122.9)
Other long-term liabilities	(27.3)	(2.2)	(29.5)
Total	$ 941.1	$ 8.9	$ 950.0

The principal factor that resulted in recognition of goodwill was that the purchase price for the DSS Acquisition was based in part on cash flow projections assuming the reduction of administration costs and the integration of acquired customers and products into our operations, which is of greater value than on a standalone basis. The goodwill recognized as part of the DSS Acquisition was allocated to the DSS reporting segment, a portion of which is expected to be tax deductible.

Aimia Acquisition

In May 2014, our United Kingdom (U.K.) reporting segment acquired 100 percent of the share capital of Aimia Foods Holdings Limited (the Aimia Acquisition), which includes its operating subsidiary company, Aimia Foods Limited (together referred to as, Aimia). Aimia produces and distributes hot chocolate, coffee and powdered beverages primarily through food service, vending and retail channels, and produces hot and cold cereal products on a contract manufacturing basis. The aggregate purchase price for the Aimia Acquisition was £52.1 million ($87.6 million) payable in cash, which included a payment for estimated closing balance sheet working capital, £19.9 million ($33.5 million) in deferred consideration paid on September 15, 2014, and aggregate contingent consideration of up to £16.0 million ($23.7 million at exchange rates in effect on April 4, 2015), which is payable upon the achievement of certain measures related to Aimia s performance during the twelve months ending July 1, 2016. The closing payment was funded from ABL borrowings and available cash.

The total consideration paid by us for the Aimia Acquisition is summarized below:

(in millions of U.S. dollars)	
Cash paid to sellers	$ 80.4
Deferred consideration	33.5
Contingent consideration [1]	17.9
Working capital payment	7.2
Total consideration	$ 139.0

1. Represents the estimated present value of the contingent consideration based on probability of achievement of performance targets recorded at fair value.

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Our primary reasons for the Aimia Acquisition were to diversify Cott s product portfolio, packaging formats and channel mix, and enhance our customer offering and growth prospects.

The Aimia Acquisition was accounted for as a business combination, which, among other things, required that assets acquired and liabilities assumed be measured at their acquisition date fair values. Identified intangible assets, goodwill and property, plant and equipment were recorded at their estimated fair values per valuations. The results of operations of Aimia have been included in our operating results beginning as of the acquisition date. We allocated the total purchase price to tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill.

The sellers are entitled to contingent consideration of up to a maximum of £16.0 million ($23.7 million at exchange rates in effect on April 4, 2015), based on the exchange rate on the acquisition date, which will become due by us if Aimia meets certain targets relating to net income plus interest, income taxes, depreciation and amortization (EBITDA) for the twelve months ending July 1, 2016. We estimated the fair value of the contingent consideration based on financial projections of the acquired business and estimated probabilities of achievement of the EBITDA targets. We believe that our estimates and assumptions are reasonable, but there is significant judgment involved. Changes in the fair value of contingent consideration liabilities subsequent to the acquisition will be recorded in our Consolidated Statements of Operations. The fair value of the contingent consideration was determined to be £10.6 million ($15.7 million at exchange rates in effect on April 4, 2015) using a present value probability-weighted income approach. Key assumptions include probability-adjusted EBITDA amounts with discount rates consistent with the level of risk achievement.

The following table summarizes the allocation of the purchase price to fair value of the assets acquired and liabilities assumed in connection with the Aimia Acquisition.

(in millions of U.S. dollars)		**As reported at April 4, 2015**
Cash	$	9.5
Accounts receivable		11.0
Inventories		9.6
Prepaid expenses and other current assets		1.9
Property, plant & equipment		10.9
Goodwill		54.5
Intangible and other assets		86.2
Accounts payable and accrued liabilities		(27.4)
Deferred tax liabilities		(17.2)
Total	$	139.0

The principal factor that resulted in recognition of goodwill was that the purchase price for the Aimia Acquisition was based in part on cash flow projections assuming the reduction of administration costs and the integration of acquired customers and products into our operations, which is of greater value than on a standalone basis. The goodwill recognized as part of the Aimia Acquisition was allocated to the U.K. reporting segment, none of which is expected to be tax deductible.

Supplemental Pro Forma Data (unaudited)

The following unaudited financial information for the three months ended March 29, 2014 represent the combined results of our operations as if the DSS Acquisition and Aimia Acquisition had occurred on December 30, 2012. 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.

(in millions of U.S. dollars, except share amounts)		**For the Three Months Ended March 29, 2014**
Revenue	$	735.5
Net loss		(14.2)
Net loss per common share, diluted	$	(0.15)

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Note 4 Restructuring and Asset Impairments

We implement restructuring programs from time to time that are designed to improve operating effectiveness and lower costs. When we implement these programs, we incur various charges, including severance, asset impairments, and other employment related costs. We had no restructuring activities during the first quarter of 2015. During the first quarter of 2014, we implemented a restructuring program that involved the closure of two of our smaller plants, one located in North America and another one located in the United Kingdom (the 2014 Restructuring Plan). For the first quarter of 2014, in connection with the 2014 Restructuring Plan, we incurred charges of approximately $2.2 million related primarily to headcount reductions and $1.6 million related to asset impairments.

The following table summarizes restructuring charges for the three months ended March 29, 2014 in connection with the 2014 Restructuring Plan:

(in millions of U.S. dollars)	North America	U.K.	Total
Restructuring	$ 2.1	$ 0.1	$ 2.2
Asset impairments	0.9	0.7	1.6
	$ 3.0	$ 0.8	$ 3.8

The following tables summarize our restructuring liability as of March 29, 2014, along with charges to costs and expenses and cash payments in connection with the 2014 Restructuring Plan:

	North America			
(in millions of U.S. dollars)	Balance at December 28, 2013	Charges to costs and expenses	Cash payments	Balance at March 29, 2014
Severance liability restructuring	$	$ 2.1	$ (0.2)	$ 1.9
	$	$ 2.1	$ (0.2)	$ 1.9

	U.K.			
(in millions of U.S. dollars)	Balance at December 28, 2013	Charges to costs and expenses	Cash payments	Balance at March 29, 2014
Severance liability restructuring	$	$ 0.1	$	$ 0.1
	$	$ 0.1	$	$ 0.1

Note 5 Share-Based Compensation

The table below summarizes the share-based compensation expense for the three months ended April 4, 2015 and March 29, 2014. This share-based compensation expense was recorded in SG&A 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) or Amended and Restated Equity Plan (as defined below), as the case may be, (ii) Time-based RSUs mean restricted share units with time-based vesting granted under the 2010 Equity Incentive Plan or Amended and Restated Equity Plan, as the case may be, and (iii) Stock options mean non-qualified stock options granted under the Amended and Restated Equity Plan, the 2010 Equity Incentive Plan, or the 1986 Common Share Option Plan, as amended (the Option Plan), as the case may be.

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(in millions of U.S. dollars)	For the Three Months Ended April 4, 2015	March 29, 2014
Stock options	$ 0.4	$ 0.4
Performance-based RSUs	1.5	0.2
Time-based RSUs	0.5	0.7
Total	$ 2.4	$ 1.3

As of April 4, 2015, the unrecognized share-based compensation expense and years we expect to recognize it as compensation expense were as follows:

(in millions of U.S. dollars, except years)	Unrecognized share-based compensation expense as of April 4, 2015	Weighted average years expected to recognize compensation
Stock options	$ 3.9	2.3
Performance-based RSUs	9.8	2.6
Time-based RSUs	4.2	2.0
Total	$ 17.9	

Stock option activity for the three months ended April 4, 2015 was as follows:

	Shares (in thousands)	Weighted average exercise price
Balance at January 3, 2015	1,221	$ 7.77
Awarded	599	9.25
Exercised	(19)	6.58
Outstanding at April 4, 2015	1,801	$ 8.27
Exercisable at April 4, 2015	391	$ 6.12

During the three months ended April 4, 2015, Performance-based RSU and Time-based RSU activity was as follows:

	Number of Performance-based RSUs	Weighted Average Grant-Date Fair Value	Number of Time-based RSUs (in thousands)	Weighted Average Grant-Date Fair Value

(in thousands)						
Balance at January 3, 2015	1,782	$	7.01	664	$	8.63
Awarded	279		9.25	185		9.25
Awarded in connection with modification	55		7.90			
Issued	(255)		6.87			
Outstanding at April 4, 2015	1,861	$	7.39	849	$	8.77

In February 2013, our board of directors adopted an amendment and restatement of the 2010 Equity Incentive Plan (the Amended and Restated Equity Plan). Awards made in 2011 and 2012 prior to the amendment and restatement are generally governed by the 2010 Equity Incentive Plan.

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Certain outstanding stock options were granted under the Option Plan, which was subsequently terminated in 2011. In connection with the termination of the Option Plan, outstanding options will continue in accordance with the terms of the Option Plan until exercised, forfeited or terminated, as applicable.

Note 6 Income Taxes

Income tax benefit was $9.4 million on pretax loss of $10.6 million for the three months ended April 4, 2015, as compared to an income tax benefit of $0.5 million on pretax loss of $3.2 million for the three months ended March 29, 2014.

With the release of our federal tax valuation allowance in the United States during the fourth quarter of 2014, we are now able to realize tax benefits generated in the United States. As we have significant global permanent book to tax differences that exceed our estimated income before taxes on an annual basis, small changes in our estimated income before taxes can cause material fluctuations in our estimated effective tax rate on a quarterly basis. We have therefore calculated our quarterly income tax provision for the quarter ended April 4, 2015 on a discrete basis rather than using the estimated annual effective tax rate for the year, in accordance with Accounting Standards Codification 740.

Note 7 Net Loss Per Common Share

Basic net loss per common share is calculated by dividing net loss attributed to Cott Corporation by the weighted average number of common shares outstanding during the periods presented. Diluted net loss per common share is calculated by dividing diluted net income attributed to Cott Corporation by 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, Time-based RSUs and Convertible Preferred Shares during the periods presented. The dilutive effect of the Convertible Preferred Shares was calculated using the if-converted method. In applying the if-converted method, the Convertible Preferred Shares are assumed to have been converted at the beginning of the period (or at the time of issuance, if later). Set forth below is a reconciliation of the numerator and denominator for the diluted earnings per common share computations for the periods indicated:

Numerator

	For the Three Months Ended	
(in millions of U.S. dollars)	**April 4, 2015**	**March 29, 2014**
Net loss attributed to Cott Corporation	**$ (6.0)**	$ (4.1)
Plus:		
Accumulated dividends on convertible preferred shares [1]	**2.7**	
Diluted net loss attributed to Cott Corporation	**$ (3.3)**	$ (4.1)

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Denominator

(in thousands)	For the Three Months Ended April 4, 2015	March 29, 2014
Weighted average number of shares outstanding basic	93,196	94,319
Dilutive effect of stock options		
Dilutive effect of Performance-based RSUs		
Dilutive effect of Time-based RSUs		
Dilutive effect of Convertible Preferred Shares		
Adjusted weighted average number of shares outstanding diluted	93,196	94,319

1. The accumulated dividends on Convertible Preferred Shares were added back to the numerator to calculate diluted net loss per common share because the Convertible Preferred Shares were assumed to have been converted at the time of issuance for purposes of this calculation.

At April 4, 2015, we excluded 991,259 (March 29, 2014 882,951) stock options from the computation of diluted net (loss) income per share because the options exercise price was greater than the average market price of the common shares. In addition, we excluded the impact of the remaining stock options, Performance-based RSUs, Time-based RSUs and Convertible Preferred Shares from the computation of diluted net loss per share as they were considered anti-dilutive for purposes of calculating loss per share.

Note 8 Segment Reporting

Our product lines include CSDs, 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, purified, spring, artesian, distilled and fluoridated bottled water, energy drinks and shots, sports products, new age beverages, ready-to-drink teas and alcoholic beverages, beverage concentrates, liquid enhancers and freezeables, as well as hot chocolate, coffee, malt drinks, creamers/whiteners and cereals. In addition, Cott is now a national direct-to-consumer provider of bottled water, office coffee and water filtration services offering a comprehensive portfolio of beverage products, equipment and supplies to approximately 1.5 million customer locations through its network of over 200 sales and distribution facilities and daily operation of over 2,100 routes. During the first quarter of 2014, our business operated through three reporting segments North America, U.K., and All Other (which includes our Mexico operating segment, our Royal Crown International (RCI) operating segment and other miscellaneous expenses). Our corporate oversight function (Corporate) is not treated as a segment; it includes certain general and administrative costs that are not allocated to any of the reporting segments. In December 2014, we added a fourth reporting segment, DSS, in connection with the DSS Acquisition.

(in millions of U.S. dollars)	North America	DSS	U.K.	All Other	Corporate	Total

For the Three Months Ended April 4, 2015						
External revenue [1]	**$ 324.3**	**$ 240.3**	**132.2**	**$ 13.0**	**$**	**$ 709.8**
Depreciation and amortization	**21.3**	**30.2**	**5.5**	**0.4**		**57.4**
Operating income (loss)	**7.2**	**(1.5)**	**3.9**	**1.6**	**(4.5)**	**6.7**
Additions to property, plant and equipment	**7.2**	**18.4**	**1.7**			**27.3**
As of April 4, 2015						
Property, plant and equipment, net	**319.2**	**415.4**	**103.7**	**6.9**		**845.2**
Goodwill	**122.0**	**559.9**	**56.0**	**4.5**		**742.4**
Intangibles and other assets	**260.8**	**408.8**	**93.2**	**0.1**		**762.9**
Total assets [2]	**1,035.8**	**1,548.0**	**418.0**	**31.8**		**3,033.6**

1. Intersegment revenue between North America and the other reporting segments was $4.4 million for the three months ended April 4, 2015.
2. Excludes intersegment receivables, investments and notes receivable.

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(in millions of U.S. dollars)	North America	DSS	U.K.	All Other	Corporate	Total
For the Three Months Ended March 29, 2014						
External revenue [1]	$ 344.7	$	$ 115.6	$ 14.8	$	$ 475.1
Depreciation and amortization	20.7		4.0	0.4		25.1
Operating income (loss)	2.5		2.2	2.5	(2.9)	4.3
Additions to property, plant and equipment	5.8		3.0			8.8
As of January 3, 2015						
Property, plant and equipment, net	331.9	415.4	109.9	7.3		864.5
Goodwill	123.7	556.9	58.5	4.5		743.6
Intangibles and other assets	266.8	415.5	99.2	0.2		781.7
Total assets [2]	1,077.7	1,572.8	426.8	30.4		3,107.7

1. Intersegment revenue between North America and the other reporting segments was $6.1 million for the three months ended March 29, 2014.
2. Excludes intersegment receivables, investments and notes receivable.

For the three months ended April 4, 2015, sales to Walmart accounted for 18.6% (March 29, 2014 28.6%) of our total revenue, 34.0% of our North America reporting segment revenue (March 29, 2014 34.7%), 11.6% of our U.K. reporting segment revenue (March 29, 2014 14.2%), 4.8% of our All Other reporting segment revenue (March 29, 2014 0.3%), and 2.6% of our DSS reporting segment revenue.

Credit risk arises from the potential default of a customer in meeting its financial obligations with 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 for our DSS reporting segment from sales to external customers were located exclusively in the United States. In our other reporting segments, revenues attributed to external customers located outside of Canada are displayed separately within the U.K. and All Other reporting segments above, with the exception of revenues attributed to external customers located in the United States, which are reported within the North America reporting segment. Revenues generated from sales to external customers in the United States for the North America reporting segment were as follows:

	For the Three Months Ended	
(in millions of U.S. dollars)	**April 4, 2015**	**March 29, 2014**
United States	**$ 297.2**	$ 310.7
Total	**$ 297.2**	$ 310.7

Revenues by channel by reporting segment were as follows:

	For the Three Months Ended April 4, 2015				
(in millions of U.S. dollars)	**North America**	**DSS**	**U.K.**	**All Other**	**Total**
Revenue					
Private label retail	**$ 267.2**	**$ 15.6**	**$ 60.5**	**$ 1.2**	**$ 344.5**
Branded retail	**26.7**	**19.7**	**41.2**	**1.1**	**88.7**
Contract packaging	**25.5**		**28.4**	**4.0**	**57.9**
Home and office bottled water delivery		**149.6**			**149.6**
Office coffee services		**32.0**			**32.0**
Other	**4.9**	**23.4**	**2.1**	**6.7**	**37.1**
Total	**$ 324.3**	**$ 240.3**	**$ 132.2**	**$ 13.0**	**$ 709.8**

	For the Three Months Ended March 29, 2014			
(in millions of U.S. dollars)	**North America**	**U.K.**	**All Other**	**Total**
Revenue				
Private label retail	$ 299.5	$ 64.4	$ 1.0	$ 364.9
Branded retail	24.7	31.6	1.2	57.5
Contract packaging	17.1	18.9	6.8	42.8
Other	3.4	0.7	5.8	9.9
Total	$ 344.7	$ 115.6	$ 14.8	$ 475.1

Property, plant and equipment, net by geographic area as of April 4, 2015 and January 3, 2015 were as follows:

(in millions of U.S. dollars)	**April 4, 2015**	January 3, 2015
North America	**$ 734.6**	$ 747.3
U.K.	**103.7**	109.9
All Other	**6.9**	7.3
Total	**$ 845.2**	$ 864.5

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Note 9 Inventories

The following table summarizes inventories as of April 4, 2015 and January 3, 2015:

(in millions of U.S. dollars)	**April 4, 2015**	**January 3, 2015**
Raw materials	**$ 93.3**	$ 105.8
Finished goods [1]	**142.4**	118.4
Resale items	**14.9**	17.4
Other	**19.9**	20.8
Total	**$ 270.5**	$ 262.4

1. Recently acquired DSS finished goods inventory of $8.9 million were reclassified to property, plant and equipment, net as of January 3, 2015 (see Note 1 to the Consolidated Financial Statements) to be consistent with Cott s accounting treatment.

Note 10 Intangibles and Other Assets

The following table summarizes intangibles and other assets as of April 4, 2015:

	April 4, 2015		
(in millions of U.S. dollars)	**Cost**	**Accumulated Amortization**	**Net**
Intangibles			
Not subject to amortization			
Rights	**$ 45.0**	**$**	**$ 45.0**
DSS Trademarks	**183.1**		**183.1**
Total intangibles not subject to amortization	**228.1**		**228.1**
Subject to amortization			
Customer relationships	**642.8**	**189.5**	**453.3**
Trademarks	**33.1**	**27.2**	**5.9**
Information technology	**52.7**	**25.9**	**26.8**
Other	**7.5**	**3.8**	**3.7**
Total intangibles subject to amortization	**736.1**	**246.4**	**489.7**
Total intangibles	**964.2**	**246.4**	**717.8**
Other assets			
Financing costs	**37.4**	**9.7**	**27.7**
Deposits	**7.2**		**7.2**

Other	**11.6**	**1.4**	**10.2**
Total other assets	**56.2**	**11.1**	**45.1**
Total intangibles and other assets	**$ 1,020.4**	**$ 257.5**	**$ 762.9**

Amortization expense of intangible and other assets was $19.2 million for the three months ended April 4, 2015 and $8.4 million for the three months ended March 29, 2014.

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

(in millions of U.S. dollars)	
Remainder of 2015	**$ 54.2**
2016	**66.3**
2017	**58.7**
2018	**51.6**
2019	**43.8**
Thereafter	**215.1**
Total	**$ 489.7**

Note 11 Debt

Our total debt as of April 4, 2015 and January 3, 2015 was as follows:

(in millions of U.S. dollars)	**April 4, 2015**	**January 3, 2015**
6.750% senior notes due in 2020	**625.0**	625.0
10.000% senior notes due in 2021 [1]	**394.2**	405.6
5.375% senior notes due in 2022	**525.0**	525.0
ABL facility	**221.0**	229.0
GE Term Loan	**7.7**	8.2
Capital leases and other debt financing	**4.7**	5.2
Total debt	**1,777.6**	1,798.0
Less: Short-term borrowings and current debt:		
ABL facility	**221.0**	229.0
Total short-term borrowings	**221.0**	229.0
GE Term Loan current maturities	**2.1**	2.0
Capital leases and other financing current maturities	**2.0**	2.0
Total current debt	**225.1**	233.0
Total long-term debt	**$ 1,552.5**	$ 1,565.0

1. The outstanding aggregate principal amount of the DSS Notes of $350.0 million was assumed by Cott at fair value of $406.0 million in connection with the DSS Acquisition. The premium of $56.0 million is being amortized as an adjustment to interest expense using the effective interest method over the remaining contractual term of the DSS Notes. The effective interest rate is 7.515%.

Asset-Based Lending Facility

In March 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 operations. We refinanced the ABL facility in August 2010 and have amended the ABL from time to time and incurred an aggregate of $7.5 million of financing fees in connection therewith.

Most recently, on December 12, 2014, in connection with the DSS Acquisition, we amended the ABL facility to, among other things, (1) provide for an increase in the lenders commitments under the ABL facility to $400.0 million (which, with the accordion feature, if used, permits us to increase the lenders commitments under the ABL facility to $450.0 million, subject to certain conditions), (2) extend the maturity date to the earliest of (i) December 12, 2019, (ii) June 12, 2019, if we have not redeemed, repurchased or refinanced the 2020 Notes by May 28, 2019, or (iii) any earlier date on which the commitments under the ABL facility are reduced to zero or otherwise terminated, (3) include DSS and its subsidiaries as borrowers, (4) permit certain adjustments to the borrowing base calculation, (5) permit the debt, liens and intercreditor arrangements contemplated by the supplemental indenture entered into in connection with the DSS Notes (described below), (6) permit certain other indebtedness that we intend to issue or assume in connection with the DSS Acquisition, (7) permit certain other changes to dollar thresholds and limitations within our covenants generally reflecting the increased size of the facility. We incurred approximately $1.7 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 in August 2010, along with the financing fees incurred in connection with the amendments of the ABL facility, other than the May 2014 amendment, are being amortized using the straight-line method over the duration of the amended ABL facility. Each of the amendments, with the exception of the May 2014 amendment, was considered to be a modification of the original agreement under GAAP.

As of April 4, 2015, we had $221.0 million of outstanding borrowings under the ABL facility. The commitment fee was 0.375% per annum of the unused commitment, which, taking into account $42.0 million of letters of credit, was $137.0 million as of April 4, 2015. As of April 4, 2015, our total availability under the ABL facility was $380.8 million, which was based on our borrowing base (accounts receivable, inventory, and fixed assets). As a result of our outstanding borrowings under the ABL facility of $221.0 million and outstanding letters of credit of $42.0 million, our excess availability under the ABL facility was $117.8 million.

5.375% Senior Notes due in 2022

On June 24, 2014, we issued $525.0 million of our 5.375% senior notes due 2022 (the 2022 Notes) to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act of 1933, as amended (the Securities Act). The issuer of the 2022 Notes is our wholly-owned U.S. subsidiary Cott Beverages Inc., and we and most of our U.S., Canadian and U.K. subsidiaries guarantee the 2022 Notes. The interest on the 2022 Notes is payable semi-annually on January 1st and July 1st of each year commencing on January 1, 2015.

We incurred $9.2 million of financing fees in connection with the issuance of the 2022 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2022 Notes.

10.000% Senior Notes due in 2021

On August 30, 2013, DS Services of America, Inc. (formerly DS Waters of America, Inc.) issued $350.0 million of the DSS Notes to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act. Pursuant to a consent solicitation statement dated November 13, 2014, as amended on November 25, 2014, and its accompanying consent letter, dated November 13, 2014, DSS solicited consent from the holders of the DSS Notes to certain modifications and amendments to the August 30, 2013 indenture and related security documents. On December 2, 2014, the requisite consents from the holders of the DSS Notes were obtained, with a consent payment of approximately $19.2 million. At the DSS Acquisition closing, we and most of our U.S., Canadian and U.K. subsidiaries executed a supplemental indenture to be added as guarantors to the DSS Notes. The interest on the DSS Notes is payable semi-annually on March 1st and September 1st of each year commencing on March 1, 2014.

The DSS Notes were recorded at their fair value of $406.0 million as part of the DSS Acquisition. The difference between the fair value and the principal amount of $350.0 million is amortized as a component of interest expense over the remaining contractual term of the DSS Notes. We incurred approximately $26.5 million of consent solicitation fees and bridge financing commitment fees.

6.750% Senior Notes due in 2020

On December 12, 2014, we issued the 2020 Notes to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act. The issuer of the 2020 Notes is our wholly-owned U.S. subsidiary Cott Beverages Inc., and we and most of our U.S., Canadian and U.K. subsidiaries guarantee the 2020 Notes. The interest on the 2020 Notes is payable semi-annually on January 1st and July 1st of each year commencing on July 1, 2015.

We incurred $14.4 million of financing fees in connection with the issuance of the 2020 Notes. The financing fees are being amortized using the effective interest method over a five-year period, which represents the term to maturity of the 2020 Notes.

8.125% Senior Notes due in 2018

On August 17, 2010, we issued the 2018 Notes. The issuer of the 2018 Notes was our wholly-owned U.S. subsidiary Cott Beverages Inc. We incurred $8.6 million of financing fees in connection with the issuance of the 2018 Notes.

On June 24, 2014, we used a portion of the proceeds from our issuance of the 2022 Notes to purchase $295.9 million aggregate principal amount of our 2018 Notes in a cash tender offer. The tender offer included approximately $16.2 million in premium payments as well as accrued interest of $7.5 million, the write-off of approximately $3.0 million in deferred financing fees, and other costs of approximately $0.2 million.

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On July 9, 2014 and July 24, 2014, we redeemed all of the remaining $79.1 million aggregate principal amount of our 2018 Notes. The redemption included approximately $3.8 million in premium payments as well as accrued interest of approximately $2.5 million and the write-off of approximately $0.8 million in deferred financing fees.

8.375% Senior Notes due in 2017

On November 13, 2009, we issued $215.0 million of our 8.375% senior notes due 2017 (the 2017 Notes). The 2017 Notes were issued at a $3.1 million discount. The issuer of the 2017 Notes was our wholly-owned U.S. subsidiary Cott Beverages Inc. We incurred $5.1 million of financing fees in connection with the 2017 Notes.

On November 15, 2013, we redeemed $200.0 million aggregate principal amount of our 2017 Notes at 104.118% of par. The redemption included approximately $8.2 million in premium payments, the write-off of approximately $4.0 million in deferred financing fees, and discount charges and other costs of approximately $0.5 million.

On February 19, 2014, we redeemed all of the remaining $15.0 million aggregate principal amount of the 2017 Notes at 104.118% of par. The redemption included approximately $0.6 million in premium payments as well as the write-off of approximately $0.3 million in deferred financing fees and discount charges.

GE Term Loan

In January 2008, we entered into a capital lease finance arrangement with General Electric Capital Corporation (GE Capital) for the lease of equipment. In September 2013, we purchased the equipment subject to the lease for an aggregate purchase price of $10.7 million, with the financing for such purchase provided by GE Capital at a 5.23% interest rate.

Note 12 Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income (AOCI) by component[1] for the three months ended April 4, 2015 were as follows:

	April 4, 2015			
(in millions of U.S. dollars)	**Gains and Losses on Derivative Instruments**	**Pension Benefit Plan Items**	**Currency Translation Adjustment Items**	**Total**
Beginning balance January 3, 2015	$ 0.2	$ (12.4)	$ (38.8)	$ (51.0)
OCI before reclassifications	0.2		(25.9)	(25.7)
Amounts reclassified from AOCI	(0.2)	0.1		(0.1)
Net current-period OCI		0.1	(25.9)	(25.8)
Ending balance April 4, 2015	$ 0.2	$ (12.3)	$ (64.7)	$ (76.8)

1. All amounts are net of tax. Amounts in parentheses indicate debits.

The following table summarizes the amounts reclassified from AOCI[1] for the three months ended April 4, 2015 and March 29, 2014, respectively.

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(in millions of U.S. dollars)	For the Three Months Ended		
Details About AOCI Components	**April 4, 2015**	**March 29, 2014**	**Affected Line Item in the Statement Where Net Income Is Presented**
Gains and losses on derivative instruments Foreign currency and commodity hedges	$ 0.3	$ 0.1	Cost of sales
	$ 0.3	$ 0.1	Total before taxes
	(0.1)		Tax (expense) or benefit
	$ 0.2	$ 0.1	Net of tax
Amortization of pension benefit plan items Prior service costs [2]	$ (0.1)	$	
	(0.1)		Total before taxes
			Tax (expense) or benefit
	$ (0.1)	$	Net of tax
Total reclassifications for the period	$ 0.1	$ 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.

Note 13 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.

In June 2013, our U.K. reporting segment acquired 100% of the share capital of Cooke Bros. Holdings Limited (the Calypso Soft Drinks Acquisition), which includes the subsidiary companies Calypso Soft Drinks Limited and Mr. Freeze (Europe) Limited. The Calypso Soft Drinks Acquisition included deferred payments of approximately $2.3 million paid on the first anniversary of the closing date, and a deferred payment of approximately $3.0 million to be paid on the second anniversary of the closing date.

We had $42.0 million in standby letters of credit outstanding as of April 4, 2015 (March 29, 2014 $7.5 million).

In March 2014, we had a favorable legal settlement in the amount of $3.5 million of which $3.0 million was collected in April 2014 and $0.5 million was collected in December 2014.

In May 2014, we completed the Aimia Acquisition, which included deferred consideration of £19.9 million ($33.5 million), which was paid by us on September 15, 2014 and aggregate consideration of up to £16.0 million ($23.7

million at exchange rates in effect on April 4, 2015), which is payable upon achievement of certain measures related to Aimia s performance during the twelve months ending July 1, 2016.

Note 14 Preferred Shares

As a portion of the consideration in the DSS Acquisition, we issued to certain former security holders of DSS approximately $116.1 million of Convertible Preferred Shares and approximately $32.7 million of Non-Convertible Preferred Shares, which shares are redeemable at our option. At any time following the third anniversary of their issuance, at the option of the holders, the Convertible Preferred Shares will be convertible into common shares of Cott Corporation. The conversion rate will initially be 159.24 common shares per $1,000 face value of Convertible Preferred Shares, which is equivalent to a conversion price of approximately $6.28 per common share. The conversion rate is subject to adjustment upon certain events. Holders of the Convertible Preferred Shares and Non-Convertible Preferred Shares can require us to redeem such shares upon a change of control of Cott or, with respect to the Non-Convertible Preferred Shares only, at any time on or after the ninth anniversary of the issue date.

Dividends

Holders of Convertible Preferred Shares are entitled to a quarterly fixed cumulative dividend in an amount equal to 9% per annum of the redemption value of each Convertible Preferred Share, and such dividend shall increase by 1% on each of the first through fifth anniversaries of issuance. Holders of Non-Convertible Preferred Shares are entitled to a quarterly fixed cumulative dividend in an amount equal to 10% per annum of the redemption value of each Non-Convertible Preferred Share, and such dividend shall increase by 1% on each of the first through fifth anniversaries of issuance.

Voting Rights

The Preferred Shares have the right to approve certain actions by us, with each series of Preferred Shares voting separately as a series, as long as the Preferred Shares are outstanding. The Convertible Preferred Shares have the right to vote alongside our common shares with respect to certain matters beginning on June 13, 2016 and unrestricted rights to vote alongside our common shares beginning on December 13, 2017. The Non-Convertible Preferred Shares do not have the right to vote alongside our common shares.

Note 15 Share Repurchase Program

On May 6, 2014, our board of directors renewed our share repurchase program for up to 5% of Cott s outstanding common shares over a 12-month period commencing upon the expiration of the prior share repurchase program on May 21, 2014. In connection with the DSS Acquisition, we suspended our share repurchase program during the fourth quarter of 2014 and do not expect to make further repurchases of our common shares under the share repurchase program prior to its expiration on May 21, 2015.

Note 16 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 use various types of derivative instruments including, but not limited to, forward contracts and swap agreements for certain commodities. 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. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices.

All derivatives are carried at fair value in the Consolidated Balance Sheets in the line item accounts receivable, net or accounts payable and accrued liabilities. 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. Derivatives can be designated as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The changes in the fair values of derivatives that have been designated and qualify for fair value hedge accounting are recorded in the same line item in our Consolidated Statements of Operations as the changes in the fair value of the hedged items attributable to the risk being hedged. The changes in fair values of derivatives that

have been designated and qualify 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. 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. The changes in fair values of derivatives that were not designated and/or did not qualify as hedging instruments are immediately recognized into earnings.

For derivatives that will be accounted for as hedging instruments, 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 (see Note 17 to the Consolidated Financial Statements). 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 monitor counterparty exposures regularly and review promptly any downgrade in counterparty credit rating. We mitigate pre-settlement risk by being permitted to net settle for transactions with the same counterparty. To minimize the concentration of credit risk, we enter into derivative transactions with a portfolio of financial institutions. Based on these factors, we consider the risk of the counterparty default to be minimal.

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 and commodity prices. 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 April 4, 2015 or March 29, 2014, respectively. These foreign exchange contracts typically have maturities of less than eighteen months.

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 values of derivatives that were designated and qualified for our foreign currency cash flow hedging program were $23.0 million and $22.5 million as of April 4, 2015 and January 3, 2015, respectively. Approximately $1.5 million and $0.1 million of unrealized net of tax gains related to the foreign currency cash flow hedges were included in AOCI as of April 4, 2015 and March 29, 2014, respectively. The hedge ineffectiveness for these cash flow hedging instruments was not material during the periods presented.

We have entered into commodity swaps on aluminum to mitigate the price risk associated with forecasted purchases of materials used in our manufacturing process. These derivative instruments have been designated and qualify as a part of our commodity cash flow hedging program. The objective of this hedging program is to reduce the variability of cash flows associated with future purchases of aluminum. The total notional values of derivatives that were designated and qualified for our commodity cash flow hedging program were $56.8 million and $55.4 million as of April 4, 2015 and January 3, 2015, respectively. Approximately $1.5 million and nil of unrealized net of tax losses related to the commodity swaps were included in AOCI as of April 4, 2015 and March 29, 2014, respectively. The cumulative hedge ineffectiveness for these hedging instruments was approximately $0.9 million, of which $0.3 million was recognized as a decrease in cost of sales within the Consolidated Statements of Operations for the three months ended April 4, 2015. The hedge ineffectiveness was not material during the comparable prior year period.

The fair value of the Company s derivative assets included within other receivables as a component of accounts receivable, net was $2.2 million and $1.2 million as of April 4, 2015 and January 3, 2015, respectively. The fair value of the Company s derivative liabilities included in accrued liabilities was $3.1 million and $2.3 million as of April 4,

2015 and January 3, 2015, respectively. Set forth below is a reconciliation of the Company s derivatives by contract type for the periods indicated:

(in millions of U.S. dollars)	April 4, 2015		January 3, 2015	
Derivative Contract	Assets	Liabilities	Assets	Liabilities
Foreign currency hedge	$ 2.0	$	$ 1.0	$
Aluminum swaps	0.2	(3.1)	0.2	(2.3)
	$ 2.2	$ (3.1)	$ 1.2	$ (2.3)

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Aluminum swaps subject to enforceable master netting arrangements are presented on a net basis in the reconciliation above. The fair value of the aluminum swap assets and liabilities which are shown on a net basis are reconciled in the table below:

(in millions of U.S. dollars)	April 4, 2015		January 3, 2015	
	Assets	Liabilities	Assets	Liabilities
Aluminum swap assets	$ 0.2	$ 0.2	$ 0.2	$ 0.2
Aluminum swap liabilities		(3.3)		(2.5)
Net asset (liability)	$ 0.2	$ (3.1)	$ 0.2	$ (2.3)

The settlement of our derivative instruments resulted in a credit to cost of sales of $0.2 million for the three months ended April 4, 2015 and $0.1 million for the comparable prior year period.

Note 17 Fair Value Measurements

Accounting Standards Codification 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.

Our derivative assets represent Level 2 instruments. Level 2 instruments are valued based on observable inputs for quoted prices for similar assets and liabilities in active markets. The fair value for the derivative assets as of April 4, 2015 and January 3, 2015 was $2.2 million and $1.2 million, respectively. The fair value for the derivative liabilities as of April 4, 2015 and January 3, 2015 was $3.1 million and $2.3 million, respectively.

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 April 4, 2015 and January 3, 2015 were as follows:

	April 4, 2015		**January 3, 2015**	
(in millions of U.S. dollars)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
6.750% senior notes due in 2020 [1]	**$ 625.0**	**$ 646.9**	$ 625.0	$ 630.1
10.000% senior notes due in 2021 [1, 2]	**394.2**	**409.5**	405.6	403.4
5.375% senior notes due in 2022 [1]	**525.0**	**504.0**	525.0	481.7
Total	**$ 1,544.2**	**$ 1,560.4**	$ 1,555.6	$ 1,515.2

1. The fair values were based on the trading levels and bid/offer prices observed by a market participant and are considered Level 1 financial instruments.
2. The outstanding aggregate principal amount of the DSS Notes of $350.0 million was assumed by Cott at fair value of $406.0 million in connection with the DSS Acquisition. The premium of $56.0 million is being amortized as an adjustment to interest expense using the effective interest method over the remaining contractual term of the DSS Notes.

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Fair Value of contingent consideration

We estimated the fair value of the Aimia Acquisition related contingent consideration based on financial projections of the acquired business and estimated probabilities of achievement of certain EBITDA targets. The fair value was based on significant inputs not observable 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. The acquisition date fair value of the contingent consideration was determined to be £10.6 million ($15.7 million at exchange rates in effect on April 4, 2015) using a present valued probability-weighted income approach. We did not record any fair value adjustments to the contingent consideration as the key assumptions used to calculate the fair value at the acquisition date remained consistent at April 4, 2015. Should our assumptions regarding probability of achievement of certain EBITDA targets change in future periods, the change in fair value of the contingent consideration will be recognized as a gain or loss in the Consolidated Statement of Operations. The maximum potential payout is £16.0 million ($23.7 million at exchange rates in effect on April 4, 2015) on an undiscounted basis.

Note 18 Guarantor Subsidiaries

The DSS Notes assumed as part of the DSS Acquisition are guaranteed on a senior basis pursuant to guarantees by Cott Corporation and certain other 100% owned direct and indirect subsidiaries (the Guarantor Subsidiaries). DSS and each Guarantor Subsidiary is 100% owned by Cott Corporation. The guarantees of the DSS Notes by Cott Corporation and the Guarantor Subsidiaries are full and unconditional, and all such guarantees are joint and several. 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 Guarantor Subsidiaries due to the presentation of condensed consolidating financial information set forth in this Note, consistent with Securities and Exchange Commission interpretations governing reporting of subsidiary financial information.

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

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Condensed Consolidating Statement of Operations

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended April 4, 2015					
	Cott Corporation	DS Services of America, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 30.0	$ 240.3	$ 418.3	$ 31.4	$ (10.2)	$ 709.8
Cost of sales	27.0	100.4	365.4	25.9	(10.2)	508.5
Gross profit	3.0	139.9	52.9	5.5		201.3
Selling, general and administrative expenses	5.5	137.2	42.7	3.1		188.5
Loss on disposal of property, plant & equipment		1.1	0.3			1.4
Acquisition and integration expenses		3.0	1.7			4.7
Operating (loss) income	(2.5)	(1.4)	8.2	2.4		6.7
Other (income) expense, net	(10.5)	(0.2)	0.2	0.1		(10.4)
Intercompany interest (income) expense, net	(3.0)	10.9	(7.9)			
Interest expense, net	0.1	7.3	20.3			27.7
Income (loss) before income tax expense (benefit) and equity (loss) income	10.9	(19.4)	(4.4)	2.3		(10.6)
Income tax expense (benefit)	1.2	(7.2)	(3.5)	0.1		(9.4)
Equity (loss) income	(12.2)		1.4		10.8	
Net (loss) income	$ (2.5)	$ (12.2)	$ 0.5	$ 2.2	$ 10.8	$ (1.2)
Less: Net income attributable to non-controlling interests				1.3		1.3
Less: Accumulated dividends on convertible preferred shares	2.7					2.7
Less: Accumulated dividends on non-convertible preferred shares	0.8					0.8
Net (loss) income attributed to Cott Corporation	$ (6.0)	$ (12.2)	$ 0.5	$ 0.9	$ 10.8	$ (6.0)
Comprehensive (loss) income attributed to Cott Corporation	$ (31.8)	$ (12.2)	$ (15.8)	$ 0.6	$ 27.4	$ (31.8)

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Condensed Consolidating Statement of Operations

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended March 29, 2014					
	Cott Corporation	DS Services of America, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 37.2	$	$ 417.4	$ 32.3	$ (11.8)	$ 475.1
Cost of sales	34.2		369.9	26.6	(11.8)	418.9
Gross profit	3.0		47.5	5.7		56.2
Selling, general and administrative expenses	6.5		37.3	3.1		46.9
Loss on disposal of property, plant & equipment			0.1			0.1
Restructuring	1.9		0.3			2.2
Asset impairments	0.9		0.7			1.6
Acquisition and integration expenses			1.1			1.1
Operating (loss) income	(6.3)		8.0	2.6		4.3
Other expense (income), net	0.2		(2.6)	0.1		(2.3)
Interest expense, net	0.1		9.7			9.8
(Loss) income before income tax (benefit) expense and equity income (loss)	(6.6)		0.9	2.5		(3.2)
Income tax (benefit) expense	(1.0)		0.4	0.1		(0.5)
Equity income (loss)	1.5		(5.5)		4.0	
Net (loss) income	$ (4.1)	$	$ (5.0)	$ 2.4	$ 4.0	$ (2.7)
Less: Net income attributable to non-controlling interests				1.4		1.4
Net (loss) income attributed to Cott Corporation	$ (4.1)	$	$ (5.0)	$ 1.0	$ 4.0	$ (4.1)
Comprehensive (loss) income attributed to Cott Corporation	$ (5.8)	$	$ 13.1	$ 0.9	$ (14.0)	$ (5.8)

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Consolidating Balance Sheets

(in millions of U.S. dollars)

Unaudited

	As of April 4, 2015					
	Cott Corporation	**DS Services of America, Inc.**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Elimination Entries**	**Consolidated**
ASSETS						
Current assets						
Cash & cash equivalents	$ 0.3	$ 14.8	$ 14.8	$ 4.6	$	$ 34.5
Accounts receivable, net of allowance	17.7	119.8	224.2	12.8	(33.9)	340.6
Income taxes recoverable		0.6	0.3	0.3		1.2
Inventories	13.0	29.4	220.7	7.4		270.5
Prepaid expenses and other assets	3.1	10.1	20.9	0.4		34.5
Total current assets	**34.1**	**174.7**	**480.9**	**25.5**	**(33.9)**	**681.3**
Property, plant & equipment, net	34.7	415.4	387.7	7.4		845.2
Goodwill	21.9	559.8	160.7			742.4
Intangibles and other assets, net	0.6	408.8	347.8	5.7		762.9
Deferred income taxes	1.7			0.1		1.8
Due from affiliates	183.4		401.2		(584.6)	
Investments in subsidiaries	411.1		412.8		(823.9)	
Total assets	**$ 687.5**	**$ 1,558.7**	**$ 2,191.1**	**$ 38.7**	**$ (1,442.4)**	**$ 3,033.6**
LIABILITIES, PREFERRED SHARES AND EQUITY						
Current liabilities						
Short-term borrowings	$	$	$ 221.0	$	$	$ 221.0
Current maturities of long-term debt	0.1		3.0	1.0		4.1
Accounts payable and accrued liabilities	30.3	131.3	285.5	8.8	(33.9)	422.0
Total current liabilities	**30.4**	**131.3**	**509.5**	**9.8**	**(33.9)**	**647.1**
Long-term debt		394.2	1,158.0	0.3		1,552.5
Deferred income taxes		115.1	(9.8)			105.3
Other long-term liabilities	0.5	28.8	36.5	1.3		67.1
Due to affiliates	1.2	548.8	2.0	32.6	(584.6)	

Total liabilities	**32.1**	**1,218.2**	**1,696.2**	**44.0**	**(618.5)**	**2,372.0**
Convertible preferred shares	116.2					116.2
Non-convertible preferred shares	32.7					32.7
Equity						
Capital stock, no par	389.5	355.5	1,210.8	39.5	(1,605.8)	389.5
Additional paid-in-capital	47.2					47.2
Retained earnings (deficit)	146.6	(15.1)	(694.9)	(55.9)	765.9	146.6
Accumulated other comprehensive (loss) income	(76.8)	0.1	(21.0)	4.9	16.0	(76.8)
Total Cott Corporation equity	506.5	340.5	494.9	(11.5)	(823.9)	506.5
Non-controlling interests				6.2		6.2
Total equity	**506.5**	**340.5**	**494.9**	**(5.3)**	**(823.9)**	**512.7**
Total liabilities, preferred shares and equity	**$ 687.5**	**$ 1,558.7**	**$ 2,191.1**	**$ 38.7**	**$ (1,442.4)**	**$ 3,033.6**

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Consolidating Balance Sheets

(in millions of U.S. dollars)

	As of January 3, 2015					
	Cott Corporation	DS Services of America, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
ASSETS						
Current assets						
Cash & cash equivalents	$ 6.2	$ 34.4	$ 38.2	$ 7.4	$	$ 86.2
Accounts receivable, net of allowance	16.2	105.4	358.8	12.2	(186.9)	305.7
Income taxes recoverable		0.6	0.6	0.4		1.6
Inventories	12.4	34.2	210.3	5.5		262.4
Prepaid expenses and other assets	3.2	10.3	45.4	0.4		59.3
Total current assets	**38.0**	**184.9**	**653.3**	**25.9**	**(186.9)**	**715.2**
Property, plant & equipment, net	38.2	415.5	403.0	7.8		864.5
Goodwill	23.4	556.9	163.3			743.6
Intangibles and other assets, net	0.7	415.6	358.7	6.7		781.7
Deferred income taxes	2.5					2.5
Other tax receivable	0.1		0.1			0.2
Due from affiliates	183.8		403.0	0.1	(586.9)	
Investments in subsidiaries	436.3		973.1		(1,409.4)	
Total assets	**$ 723.0**	**$ 1,572.9**	**$ 2,954.5**	**$ 40.5**	**$ (2,183.2)**	**$ 3,107.7**
LIABILITIES, PREFERRED SHARES AND EQUITY						
Current liabilities						
Short-term borrowings	$	$	$ 229.0	$	$	$ 229.0
Current maturities of long-term debt	0.1		3.0	0.9		4.0
Accounts payable and accrued liabilities	30.4	106.8	461.9	8.1	(186.9)	420.3
Total current liabilities	**30.5**	**106.8**	**693.9**	**9.0**	**(186.9)**	**653.3**
Long-term debt		405.6	1,158.8	0.6		1,565.0
Deferred income taxes		129.3	(9.4)			119.9
Other long-term liabilities	0.4	29.6	40.5	1.3		71.8
Due to affiliates	1.3	548.8	3.9	32.9	(586.9)	
Total liabilities	**32.2**	**1,220.1**	**1,887.7**	**43.8**	**(773.8)**	**2,410.0**

Convertible preferred shares	116.1					116.1
Non-convertible preferred shares	32.7					32.7
Equity						
Capital stock, no par	388.3	355.5	1,766.0	39.7	(2,161.2)	388.3
Additional paid-in-capital	46.6					46.6
Retained earnings (deficit)	158.1	(2.8)	(694.5)	(55.1)	752.4	158.1
Accumulated other comprehensive (loss) income	(51.0)	0.1	(4.7)	5.2	(0.6)	(51.0)
Total Cott Corporation equity	542.0	352.8	1,066.8	(10.2)	(1,409.4)	542.0
Non-controlling interests				6.9		6.9
Total equity	**542.0**	**352.8**	**1,066.8**	**(3.3)**	**(1,409.4)**	**548.9**
Total liabilities, preferred shares and equity	**$ 723.0**	**$ 1,572.9**	**$ 2,954.5**	**$ 40.5**	**$ (2,183.2)**	**$ 3,107.7**

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Consolidating Statements of Condensed Cash Flows

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended April 4, 2015					
	Cott Corporation	DS Services of America, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Operating Activities						
Net (loss) income	$ (2.5)	$ (12.2)	$ 0.5	$ 2.2	$ 10.8	$ (1.2)
Depreciation & amortization	1.2	30.2	24.6	1.4		57.4
Amortization of financing fees			1.3			1.3
Amortization of bond premium		(1.5)				(1.5)
Share-based compensation expense	0.1	0.6	1.7			2.4
Increase (decrease) in deferred income taxes	0.4	(7.7)	(4.3)	(0.1)		(11.7)
Loss on disposal of property, plant & equipment		1.1	0.3			1.4
Equity loss (income), net of distributions	12.2		(1.4)		(10.8)	
Intercompany dividends	2.1		2.1		(4.2)	
Other non-cash items			(10.2)			(10.2)
Net change in operating assets and liabilities, net of acquisition	(9.1)	(9.9)	(18.2)	(1.8)		(39.0)
Net cash provided by (used in) operating activities	4.4	0.6	(3.6)	1.7	(4.2)	(1.1)
Investing Activities						
Additions to property, plant & equipment	(0.3)	(18.4)	(8.6)			(27.3)
Additions to intangibles and other assets		(1.8)	(0.3)			(2.1)
Proceeds from sale of property, plant & equipment			0.4			0.4
Net cash used in investing activities	(0.3)	(20.2)	(8.5)			(29.0)
Financing Activities						
Payments of long-term debt			(0.5)	(0.3)		(0.8)
Borrowings under ABL			94.8			94.8
Payments under ABL			(102.8)			(102.8)

Distributions to non-controlling interests				(2.0)		(2.0)
Proceeds from the exercise of options for common shares, net	0.1					0.1
Common shares repurchased and cancelled	(0.7)					(0.7)
Dividends paid to common and preferred shareowners	(9.0)					(9.0)
Intercompany dividends			(2.1)	(2.1)	4.2	
Net cash used in financing activities	(9.6)		(10.6)	(4.4)	4.2	(20.4)
Effect of exchange rate changes on cash	(0.4)		(0.7)	(0.1)		(1.2)
Net decrease in cash & cash equivalents	**(5.9)**	**(19.6)**	**(23.4)**	**(2.8)**		**(51.7)**
Cash & cash equivalents, beginning of period	**6.2**	**34.4**	**38.2**	**7.4**		**86.2**
Cash & cash equivalents, end of period	**$ 0.3**	**$ 14.8**	**$ 14.8**	**$ 4.6**	**$**	**$ 34.5**

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Consolidating Statements of Condensed Cash Flows

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended March 29, 2014					
	Cott Corporation	DS Services of America, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Operating Activities						
Net (loss) income	$ (4.1)	$	$ (5.0)	$ 2.4	$ 4.0	$ (2.7)
Depreciation & amortization	1.5		22.1	1.5		25.1
Amortization of financing fees			0.6			0.6
Share-based compensation expense	0.2		1.1			1.3
(Decrease) increase in deferred income taxes	(0.9)		0.5	(0.3)		(0.7)
Loss on disposal of property, plant & equipment			0.1			0.1
Asset impairments	0.9		0.7			1.6
Write off of financing fees and discount			0.3			0.3
Equity (income) loss, net of distributions	(1.5)		5.5		(4.0)	
Intercompany dividends	2.3		2.4		(4.7)	
Other non-cash items			(0.2)			(0.2)
Net change in operating assets and liabilities	10.3		(88.4)	0.2		(77.9)
Net cash provided by (used in) operating activities	8.7		(60.3)	3.8	(4.7)	(52.5)
Investing Activities						
Additions to property, plant & equipment	(0.6)		(8.2)			(8.8)
Additions to intangibles and other assets			(1.5)			(1.5)
Net cash used in investing activities	(0.6)		(9.7)			(10.3)
Financing Activities						
Payments of long-term debt			(15.7)	(0.3)		(16.0)
Borrowings under ABL			95.0			95.0
Payments under ABL			(15.1)			(15.1)

Distributions to non-controlling interests				(2.3)		(2.3)
Common shares repurchased and cancelled	(0.4)					(0.4)
Dividends paid to shareholders	(5.1)					(5.1)
Intercompany dividends			(2.3)	(2.4)	4.7	
Net cash (used in) provided by financing activities	(5.5)		61.9	(5.0)	4.7	56.1
Effect of exchange rate changes on cash	(0.1)		0.2			0.1
Net increase (decrease) in cash & cash equivalents	**2.5**		**(7.9)**	**(1.2)**		**(6.6)**
Cash & cash equivalents, beginning of period	**1.5**		**40.2**	**5.5**		**47.2**
Cash & cash equivalents, end of period	**$ 4.0**	**$**	**$ 32.3**	**$ 4.3**	**$**	**$ 40.6**

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The 2022 Notes issued by our 100% owned subsidiary, Cott Beverages Inc. (CBI), are guaranteed on a senior basis pursuant to guarantees by Cott Corporation and certain other 100% owned direct and indirect subsidiaries (the Guarantor Subsidiaries). CBI and each Guarantor Subsidiary is 100% owned by Cott Corporation. The guarantees of the 2022 Notes by Cott Corporation and the Guarantor Subsidiaries are full and unconditional, and all such guarantees are joint and several. 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 Guarantor Subsidiaries due to the presentation of condensed consolidating financial information set forth in this Note, consistent with Securities and Exchange Commission interpretations governing reporting of subsidiary financial information.

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

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Condensed Consolidating Statement of Operations

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended April 4, 2015					
	Cott Corporation	Cott Beverages, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 30.0	$ 170.0	$ 488.6	$ 31.4	$ (10.2)	$ 709.8
Cost of sales	27.0	145.8	320.0	25.9	(10.2)	508.5
Gross profit	3.0	24.2	168.6	5.5		201.3
Selling, general and administrative expenses	5.5	23.8	156.1	3.1		188.5
Loss on disposal of property, plant & equipment		0.3	1.1			1.4
Acquisition and integration expenses		1.5	3.2			4.7
Operating (loss) income	(2.5)	(1.4)	8.2	2.4		6.7
Other (income) expense, net	(10.5)			0.1		(10.4)
Intercompany interest (income) expense, net	(3.0)	(12.2)	15.2			
Interest expense, net	0.1	20.1	7.5			27.7
Income (loss) before income tax expense (benefit) and equity (loss) income	10.9	(9.3)	(14.5)	2.3		(10.6)
Income tax expense (benefit)	1.2	(4.6)	(6.1)	0.1		(9.4)
Equity (loss) income	(12.2)	1.4			10.8	