COTT CORP /CN/
Form 10-Q
November 12, 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: October 3, 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. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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

Class	Outstanding at October 30, 2015
Common Shares, no par value per share	109,689,642 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		For the Nine Months Ended	
	October 3, 2015	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Revenue, net	**$ 755.6**	$ 535.0	**$ 2,245.2**	$ 1,559.3
Cost of sales	**523.1**	465.5	**1,570.8**	1,354.6
Gross profit	**232.5**	69.5	**674.4**	204.7
Selling, general and administrative expenses	**196.2**	49.9	**574.9**	147.5
Loss on disposal of property, plant & equipment	**1.1**	0.4	**2.7**	0.4
Restructuring		0.1		2.4
Asset impairments		(0.2)		1.7
Acquisition and integration expenses	**6.6**	0.5	**15.4**	3.4
Operating income	**28.6**	18.8	**81.4**	49.3
Other expense (income), net	**0.6**	5.4	**(8.8)**	22.9
Interest expense, net	**27.4**	9.0	**83.0**	27.2
Income (loss) before income taxes	**0.6**	4.4	**7.2**	(0.8)
Income tax (benefit) expense	**(5.8)**	1.8	**(16.3)**	3.8
Net income (loss)	**$ 6.4**	$ 2.6	**$ 23.5**	$ (4.6)
Less: Net income attributable to non-controlling interests	**1.6**	1.3	**4.6**	4.1
Less: Accumulated dividends on convertible preferred shares			**4.5**	
Less: Accumulated dividends on non-convertible preferred shares			**1.4**	
Less: Foreign exchange impact on redemption of preferred shares			**12.0**	
Net income (loss) attributed to Cott Corporation	**$ 4.8**	**$ 1.3**	**$ 1.0**	**$ (8.7)**

Net income (loss) per common share attributed to Cott Corporation								
Basic	**$**	**0.04**	**$**	**0.01**	**$**	**0.01**	**$**	**(0.09)**
Diluted		**0.04**		**0.01**		**0.01**		**(0.09)**
Weighted average outstanding shares (thousands) attributed to Cott Corporation								
Basic		**109,686**		93,607		**100,818**		94,053
Diluted		**110,410**		94,348		**101,387**		94,053
Dividends declared per share	**$**	**0.06**	$	0.06	**$**	**0.18**	$	0.18

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		For the Nine Months Ended	
	October 3, 2015	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Net income (loss)	**$ 6.4**	$ 2.6	**$ 23.5**	$ (4.6)
Other comprehensive (loss) income:				
Currency translation adjustment	**(11.5)**	(16.3)	**(12.8)**	(9.5)
Pension benefit plan, net of tax[1]	**0.2**	0.1	**0.7**	(0.2)
Unrealized (loss) gain on derivative instruments, net of tax[2]	**(2.1)**	0.4	**(4.9)**	0.6
Total other comprehensive loss	**(13.4)**	(15.8)	**(17.0)**	(9.1)
Comprehensive (loss) income	**$ (7.0)**	$ (13.2)	**$ 6.5**	$ (13.7)
Less: Comprehensive income attributable to non-controlling interests	**1.9**	1.4	**4.9**	4.2
Less: Accumulated dividends on convertible preferred shares			**4.5**	
Less: Accumulated dividends on non-convertible preferred shares			**1.4**	
Less: Foreign exchange impact on redemption of preferred shares			**12.0**	
Comprehensive loss attributed to Cott Corporation	**$ (8.9)**	$ (14.6)	**$ (16.3)**	$ (17.9)

1. Net of the effect of $0.3 million and $0.5 million tax expense for the three and nine months ended October 3, 2015, respectively, and net of the effect of $0.1 million and $0.2 million tax expense for the three and nine months ended September 27, 2014, respectively.
2. Net of the effect of $1.5 million and $2.5 million tax benefit for the three and nine months ended October 3, 2015, respectively, and net of the effect of $0.1 million and $0.2 million tax expense for the three and nine months ended September 27, 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

	October 3, 2015	January 3, 2015
ASSETS		
Current assets		
Cash & cash equivalents	**$ 63.7**	$ 86.2
Accounts receivable, net of allowance of $9.5 ($6.5 as of January 3, 2015)	**324.4**	305.7
Income taxes recoverable	**1.1**	1.6
Inventories	**253.9**	262.4
Prepaid expenses and other current assets	**37.5**	59.3
Total current assets	**680.6**	715.2
Property, plant & equipment, net	**803.2**	864.5
Goodwill	**751.1**	743.6
Intangibles and other assets, net	**736.6**	781.7
Deferred income taxes	**2.9**	2.5
Other tax receivable	**0.9**	0.2
Total assets	**$ 2,975.3**	$ 3,107.7
LIABILITIES, PREFERRED SHARES AND EQUITY		
Current liabilities		
Short-term borrowings	**$ 152.0**	$ 229.0
Current maturities of long-term debt	**3.7**	4.0
Accounts payable and accrued liabilities	**436.2**	420.3
Total current liabilities	**591.9**	653.3
Long-term debt	**1,547.9**	1,565.0
Deferred income taxes	**95.3**	119.9
Other long-term liabilities	**77.4**	71.8
Total liabilities	**2,312.5**	2,410.0
Convertible preferred shares, $1,000 stated value, no shares issued (January 3, 2015 - 116,054 shares issued)		116.1
Non-convertible preferred shares, $1,000 stated value, no shares issued (January 3, 2015 - 32,711 shares issued)		32.7
Equity		
Capital stock, no par - 109,689,642 shares issued (January 3, 2015 - 93,072,850 shares issued)	**532.6**	388.3

Additional paid-in-capital	**53.0**	46.6
Retained earnings	**140.5**	158.1
Accumulated other comprehensive loss	**(68.3)**	(51.0)
Total Cott Corporation equity	**657.8**	542.0
Non-controlling interests	**5.0**	6.9
Total equity	**662.8**	548.9
Total liabilities, preferred shares and equity	**$ 2,975.3**	$ 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 October 3, 2015	For the Three Months Ended September 27, 2014	For the Nine Months Ended October 3, 2015	For the Nine Months Ended September 27, 2014
Operating Activities				
Net income (loss)	**$ 6.4**	$ 2.6	**$ 23.5**	$ (4.6)
Depreciation & amortization	**58.1**	26.8	**173.7**	77.7
Amortization of financing fees	**1.2**	0.7	**3.6**	1.9
Amortization of senior notes premium	**(1.3)**		**(4.2)**	
Share-based compensation expense	**2.3**	1.5	**8.4**	4.9
(Decrease) increase in deferred income taxes	**(4.7)**	2.2	**(21.6)**	4.1
Write-off of financing fees and discount		0.8		4.1
Loss on disposal of property, plant & equipment	**1.1**	0.4	**2.7**	0.4
Asset impairments		(0.2)		1.7
Other non-cash items	**4.7**		**(11.8)**	(0.7)
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable	**37.8**	27.0	**(22.9)**	(39.3)
Inventories	**10.5**	17.4	**5.6**	9.8
Prepaid expenses and other current assets	**2.9**	(0.5)	**28.7**	(1.5)
Other assets	**(3.8)**		**(7.5)**	(0.2)
Accounts payable and accrued liabilities, and other liabilities	**(24.3)**	(17.5)	**(14.3)**	(19.7)
Income taxes recoverable	**0.9**	(0.7)	**2.5**	(1.1)
Net cash provided by operating activities	**91.8**	60.5	**166.4**	37.5
Investing Activities				
Acquisitions, net of cash received	**(22.0)**		**(22.5)**	(80.8)
Additions to property, plant & equipment	**(28.3)**	(10.8)	**(85.5)**	(31.4)
Additions to intangibles and other assets	**(0.5)**	(1.5)	**(2.7)**	(4.3)
Proceeds from sale of property, plant & equipment and sale-leaseback	**0.4**	1.6	**40.9**	1.6
Net cash used in investing activities	**(50.4)**	(10.7)	**(69.8)**	(114.9)
Financing Activities				
Payments of long-term debt	**(1.0)**	(80.1)	**(2.9)**	(392.6)
Issuance of long-term debt				525.0
Borrowings under ABL	**52.4**	191.1	**801.3**	474.3
Payments under ABL	**(97.3)**	(156.0)	**(874.5)**	(455.4)

Distributions to non-controlling interests	**(3.2)**	(2.4)	**(6.8)**	(7.2)
Issuance of common shares	**0.5**		**143.1**	
Financing fees	**(0.1)**	(1.2)	**(0.3)**	(9.1)
Preferred shares repurchased and cancelled			**(148.8)**	
Common shares repurchased and cancelled	**(0.1)**	(4.6)	**(0.8)**	(7.7)
Dividends to common and preferred shareholders	**(6.5)**	(5.6)	**(24.5)**	(16.4)
Payment of deferred consideration for acquisitions		(32.4)	**(2.5)**	(32.4)
Net cash (used in) provided by financing activities	**(55.3)**	(91.2)	**(116.7)**	78.5
Effect of exchange rate changes on cash	**(1.4)**	(2.1)	**(2.4)**	(0.9)
Net (decrease) increase in cash & cash equivalents	**(15.3)**	(43.5)	**(22.5)**	0.2
Cash & cash equivalents, beginning of period	**79.0**	90.9	**86.2**	47.2
Cash & cash equivalents, end of period	**$ 63.7**	$ 47.4	**$ 63.7**	$ 47.4
Supplemental Non-cash Investing and Financing Activities:				
Additions to property, plant & equipment through accounts payable and accrued liabilities	**$ 3.2**	$	**$ 5.3**	$
Acquisition related deferred consideration				19.0
Accrued deferred financing fees			**0.2**	0.2
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	**$ 19.0**	$ 3.9	**$ 67.6**	$ 28.9
Cash paid for income taxes, net	**$ 0.5**	$ 1.0	**$ 2.6**	$ 1.3

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 issued - Director Share Awards	112		0.8				0.8
Common shares repurchased and cancelled	(1,073)	(4.7)		(3.0)			(7.7)
Common shares issued - Time-based RSUs	161	1.3	(1.3)				
Share-based compensation			4.3				4.3
Dividend payment				(16.4)			(16.4)
Distributions to non-controlling interests						(7.2)	(7.2)
Comprehensive (loss) income							
Currency translation adjustment					(9.6)	0.1	(9.5)
Pension benefit plan, net of tax					(0.2)		(0.2)
Unrealized gain on derivative instruments, net of tax					0.6		0.6
Net (loss) income				(8.7)		4.1	(4.6)
Balance at September 27, 2014	**93,438**	**$ 389.4**	**$ 47.9**	**$ 146.7**	**$ (26.0)**	**$ 6.5**	**$ 564.5**
Balance at January 3, 2015	**93,073**	**$ 388.3**	**$ 46.6**	**$ 158.1**	**$ (51.0)**	**$ 6.9**	**$ 548.9**
Common shares issued - Director Share Awards	110		1.0				1.0
Common shares repurchased and cancelled	(92)	(0.8)					(0.8)
Common shares issued - Performance-based RSUs	255	1.7	(1.7)				
Common shares issued - Time-based RSUs	10	0.1	(0.1)				
Common shares issued - Equity issuance	16,215	142.6					142.6

Common shares issued - Reinvestment	6						
Options exercised	113	0.7	(0.2)				0.5
Share-based compensation			7.4				7.4
Common shares dividend				(18.6)			(18.6)
Redemption of preferred shares				(12.0)			(12.0)
Distributions to non-controlling interests						(6.8)	(6.8)
Comprehensive (loss) income							
Currency translation adjustment					(13.1)	0.3	(12.8)
Pension benefit plan, net of tax					0.7		0.7
Unrealized loss on derivative instruments, net of tax					(4.9)		(4.9)
Preferred shares dividend				(5.9)			(5.9)
Net income				18.9		4.6	23.5
Balance at October 3, 2015	**109,690**	**$ 532.6**	**$ 53.0**	**$ 140.5**	**$ (68.3)**	**$ 5.0**	**$ 662.8**

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

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Cott Corporation

Notes to the Consolidated Financial Statements

Unaudited

Note 1 Business and Recent Accounting Pronouncements

Description of Business

Cott Corporation, together with its consolidated subsidiaries (Cott, the Company, our Company, Cott Corporation, 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 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 warehouse, branch and distribution facilities and daily operation of over 2,200 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 and nine months ended September 27, 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 changed the classification to report these SG&A expenses in the Consolidated Statements of Operations for the three and nine months ended September 27, 2014. Also, for the three and nine months ended September 27, 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 changed the classification to report these expenses separately in the Consolidated Statements of Operations for the three and nine months ended September 27, 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 changed 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 September 27, 2014**		**For the nine months ended September 27, 2014**	
Decrease to cost of sales	$	(5.6)	$	(17.1)
Increase to SG&A expenses	$	5.6	$	17.1

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(in millions of U.S. dollars)	For the three months ended September 27, 2014		For the nine months ended September 27, 2014	
Decrease to SG&A expenses	$	(0.5)	$	(3.4)
Increase to acquisition and integration expenses	$	0.5	$	3.4

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

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 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 with early adoption permitted. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The adoption of this standard will not have a significant impact on our consolidated financial statements.

Update ASU 2015-15 Interest Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements

In April 2015, the FASB amended its guidance on the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. The amendments update the guidance with ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. 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. The adoption of this standard will not have a significant impact on our consolidated financial statements.

Update ASU 2015-16 Simplifying the Accounting for Measurement-Period Adjustments

In September 2015, the FASB amended its guidance regarding business combinations. The amendment requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendment also requires that the acquirer record, in the same period s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date and requires the entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public entities, the amendments in this update are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in this update should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this update with earlier application permitted for financial statements that have not been issued. 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 Consolidated Statements of Operations, Consolidated Statements of Comprehensive (Loss) Income, and Consolidated Statements of Cash Flows for the three and nine months ended September 27, 2014 and its Consolidated Statement of Equity for the nine months ended September 27, 2014 to correct errors comprising (i) 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 periods, (ii) an overstatement of deferred tax liabilities, (iii) an overstatement of SG&A expenses related to a value added tax receivable error, and (iv) an understatement of inventories and revenue, net, cost of sales, and SG&A expenses for an exchange rate error. 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 the previously issued financial statements.

Consolidated Statements of Operations (in millions of U.S. dollars)	As previously filed	As revised	Difference
	For the three months ended September 27, 2014		
Cost of sales[1]	$ 471.5	$ 471.1	$ (0.4)
Gross profit[1]	$ 63.5	$ 63.9	$ 0.4
Selling, general and administrative expenses[1, 2]	$ 45.0	$ 44.8	$ (0.2)
Loss on disposal of property, plant & equipment	$ 0.7	$ 0.4	$ (0.3)
Operating income	$ 17.9	$ 18.8	$ 0.9
Income (loss) before income taxes	$ 3.5	$ 4.4	$ 0.9
Net income (loss)	$ 1.7	$ 2.6	$ 0.9
Net income (loss) attributed to Cott Corporation	$ 0.4	$ 1.3	$ 0.9

Consolidated Statements of Operations (in millions of U.S. dollars)	As previously filed	As revised	Difference
	For the nine months ended September 27, 2014		
Revenue, net	$ 1,561.0	$ 1,559.3	$ (1.7)
Cost of sales[1]	$ 1,373.4	$ 1,371.7	$ (1.7)
Selling, general and administrative expenses[1, 2]	$ 134.2	$ 133.8	$ (0.4)
Loss on disposal of property, plant & equipment	$ 1.2	$ 0.4	$ (0.8)
Operating income	$ 48.1	$ 49.3	$ 1.2
Income (loss) before income taxes	$ (2.0)	$ (0.8)	$ 1.2
Income tax expense	$ 3.4	$ 3.8	$ 0.4
Net income (loss)	$ (5.4)	$ (4.6)	$ 0.8
Net income (loss) attributed to Cott Corporation	$ (9.5)	$ (8.7)	$ 0.8

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 Statements of Operations for the three and nine

months ended September 27, 2014 (see Note 1 to the Consolidated Financial Statements).

2. The revised balances do not include the reclassification of acquisition and integration expenses from SG&A expenses as presented in the Consolidated Statements of Operations for the three and nine months ended September 27, 2014 (see Note 1 to the Consolidated Financial Statements).

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Consolidated Statements of Comprehensive (Loss) Income (in millions of U.S. dollars)	As previously filed For the three months ended September 27, 2014	As revised For the three months ended September 27, 2014	Difference
Net income (loss)	$ 1.7	$ 2.6	$ 0.9
Comprehensive (loss) income	$ (14.1)	$ (13.2)	$ 0.9
Comprehensive (loss) income attributed to Cott Corporation	$ (15.5)	$ (14.6)	$ 0.9

Consolidated Statements of Comprehensive (Loss) Income (in millions of U.S. dollars)	As previously filed For the nine months ended September 27, 2014	As revised For the nine months ended September 27, 2014	Difference
Net income (loss)	$ (5.4)	$ (4.6)	$ 0.8
Comprehensive (loss) income	$ (14.5)	$ (13.7)	$ 0.8
Comprehensive (loss) income attributed to Cott Corporation	$ (18.7)	$ (17.9)	$ 0.8

Consolidated Statements of Cash Flows (in millions of U.S. dollars)	As previously filed For the three months ended September 27, 2014	As revised For the three months ended September 27, 2014	Difference
Operating Activities			
Net income (loss)	$ 1.7	$ 2.6	$ 0.9
Depreciation & amortization	$ 27.2	$ 26.8	$ (0.4)
Loss on disposal of property, plant & equipment	$ 0.7	$ 0.4	$ (0.3)
Change in accounts receivable	$ 27.2	$ 27.0	$ (0.2)

Consolidated Statements of Cash Flows (in millions of U.S. dollars)	As previously filed For the nine months ended September 27, 2014	As revised For the nine months ended September 27, 2014	Difference
Operating Activities			
Net income (loss)	$ (5.4)	$ (4.6)	$ 0.8
Depreciation & amortization	$ 78.5	$ 77.7	$ (0.8)
Increase in deferred income taxes	$ 3.7	$ 4.1	$ 0.4
Loss on disposal of property, plant & equipment	$ 1.2	$ 0.4	$ (0.8)

Change in accounts receivable	$ (39.1)	$ (39.3)	$ (0.2)
Change in accounts payable and accrued liabilities, and other liabilities	$ (20.2)	$ (19.7)	$ 0.5
Net cash provided by operating activities	$ 37.6	$ 37.5	$ (0.1)
Effect of exchange rate changes on cash	$ (1.0)	$ (0.9)	$ 0.1

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Consolidated Statements of Equity (in millions of U.S. dollars)	As previously filed	As revised	Difference
	For the nine months ended September 27, 2014		
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 September 27, 2014	$ 147.4	$ 146.7	$ (0.7)
Total equity at September 27, 2014	$ 565.2	$ 564.5	$ (0.7)
Net (loss) income	$ (5.4)	$ (4.6)	$ 0.8

Note 3 Acquisitions

HOD Water Business Acquisitions

During the three months ended October 3, 2015, the Company acquired two home and office delivery (HOD) water businesses for an aggregate cash purchase price of $10.6 million. In addition to these two HOD water businesses, the Company also acquired three HOD water businesses during the first half of the year for an aggregate cash purchase price of $0.5 million. The Company has accounted for all of these transactions as business combinations in accordance with U.S. GAAP. These acquisitions support the Company s previously announced objective of strategic acquisitions where it expects to be able to leverage synergies with its existing business. Net assets, including goodwill, acquired have been allocated to the DSS reporting segment. All of the goodwill recorded is expected to be tax deductible.

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 paid 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, assumption of existing $350.0 million senior notes due 2021 originally issued by DSS, 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 cash and stock consideration paid by us in the DSS Acquisition is summarized below:

(in millions of U.S. dollars)	
Cash paid to sellers	$ 449.7
Working capital payment	11.4
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	$ 952.5

The estimated merger consideration was subject to adjustment upon the determination of actual working capital, net indebtedness and certain transaction related expenses, which adjustment was resolved in July 2015 by the payment of $11.4 million to the former security holders of DSS.

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Our primary strategic reasons for the DSS Acquisition were to accelerate Cott s acquisition-based diversification outside of CSDs and shelf stable juices, broaden our distribution platform by adding a national direct-to-consumer distribution channel and 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.

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. 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.

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. 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 July 4, 2015**	**Adjustments**	**As reported at October 3, 2015**
Cash and cash equivalents	$ 74.5	$	$ 74.5
Accounts receivable	102.6		102.6
Inventories	46.4		46.4
Prepaid expenses and other current assets	8.8		8.8
Deferred income taxes	4.4	(0.7)	3.7
Property, plant & equipment	412.7		412.7
Goodwill	562.8	0.7	563.5
Intangible and other assets	417.2		417.2
Accounts payable and accrued liabilities	(118.5)		(118.5)
Long-term debt	(406.0)		(406.0)
Deferred income taxes liabilities	(122.9)		(122.9)
Other long-term liabilities	(29.5)		(29.5)
Total	$ 952.5	$	$ 952.5

The principal factor that resulted in recognition of goodwill in the DSS Acquisition was that the purchase price 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% 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 ($24.3 million at exchange rates in effect on October 3, 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 and deferred consideration payment were funded from borrowings under the ABL facility and available cash.

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

(in millions of U.S. dollars)	
Cash	$ 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.

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 on 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 ($24.3 million at exchange rates in effect on October 3, 2015), which will become due by us if and to the extent 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. The acquisition date fair value of the contingent consideration was determined to be £10.6 million ($16.1 million at exchange rates in effect on October 3, 2015) using a present value probability-weighted income approach. During the second quarter of 2015, we recorded a fair value adjustment of £0.4 million ($0.6 million at exchange rates in effect on July 4, 2015) to the contingent consideration based on our review of the key assumptions used to calculate the fair value at the acquisition date. The change in the fair value adjustment of the contingent consideration was recognized in other expense (income), net in the Consolidated Statement of Operations for the nine months ended October 3, 2015.

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

(in millions of U.S. dollars)	Acquired Value
Cash	$ 9.5
Accounts receivable	11.0
Inventories	9.6

Prepaid expenses and other assets		1.9
Property, plant & equipment		10.9
Goodwill		54.5
Intangibles and other assets		86.2
Accounts payable and accrued liabilities		(27.4)
Deferred tax liabilities		(17.2)
Total	$	139.0

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The principal factor that resulted in recognition of goodwill in the Aimia Acquisition was that the purchase price 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 pro forma financial information for the three and nine months ended September 27, 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 periods.

(in millions of U.S. dollars, except share amounts)	For the Three Months Ended September 27, 2014	For the Nine Months Ended September 27, 2014
Revenue	$ 785.9	$ 2,347.8
Net loss	(18.8)	(40.8)
Net loss per common share, diluted	$ (0.20)	$ (0.43)

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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. During the first quarter of 2014, we implemented one such program, which 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). In connection with the 2014 Restructuring Plan, we incurred charges related primarily to headcount reductions and to asset impairments. We had no restructuring activities during the nine months ended October 3, 2015.

The following table summarizes restructuring charges for the three and nine months ended September 27, 2014:

(in millions of U.S. dollars)	**For the Three Months Ended September 27, 2014**	**For the Nine Months Ended September 27, 2014**
North America	**$ 0.1**	**$ 2.3**
U.K.		**0.1**
Total	**$ 0.1**	**$ 2.4**

The following table summarizes asset impairment charges for the three and nine months ended September 27, 2014:

(in millions of U.S. dollars)	**For the Three Months Ended September 27, 2014**	**For the Nine Months Ended September 27, 2014**
North America	**$**	**$ 0.9**
U.K.	**(0.2)**	**0.8**
Total	**$ (0.2)**	**$ 1.7**

The following tables summarize our restructuring liability as of September 27, 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 September 27, 2014**
Restructuring liability	$	$ 2.3	$ (2.3)	$
	$	$ 2.3	$ (2.3)	$

	U.K.						
(in millions of U.S. dollars)	**Balance at December 28, 2013**	**Charges to costs and expenses**		**Cash payments**		**Balance at September 27, 2014**	
Restructuring liability	$	$	0.1	$	(0.1)	$	
	$	$	0.1	$	(0.1)	$	

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Note 5 Share-Based Compensation

The table below summarizes the share-based compensation expense for the three and nine months ended October 3, 2015 and September 27, 2014, respectively. 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 Amended and Restated Cott Corporation Equity Incentive Plan, as amended (the Equity Incentive Plan), (ii) Time-based RSUs mean restricted share units with time-based vesting granted under the Equity Incentive Plan, (iii) Stock options mean non-qualified stock options granted under the Equity Incentive Plan or the Restated 1986 Common Share Option Plan, as amended (the Option Plan), as the case may be, and (iv) Director share awards mean common shares issued in consideration of the annual board retainer fee to non-management members of our board of directors under the Equity Incentive Plan.

	For the Three Months Ended		For the Nine Months Ended	
(in millions of U.S. dollars)	**October 3, 2015**	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Stock options	**$ 0.6**	$ 0.4	**$ 1.5**	$ 1.2
Performance-based RSUs	**1.0**	0.2	**4.0**	1.0
Time-based RSUs	**0.7**	0.7	**1.9**	2.1
Director share awards		0.2	**1.0**	0.6
Total	**$ 2.3**	$ 1.5	**$ 8.4**	$ 4.9

As of October 3, 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 October 3, 2015**	**Weighted average years expected to recognize compensation**
Stock options	**$ 3.2**	**1.9**
Performance-based RSUs	**8.7**	**2.1**
Time-based RSUs	**3.0**	**1.7**
Total	**$ 14.9**	

Stock option activity for the nine months ended October 3, 2015 was as follows:

	Shares	**Weighted average**

	(in thousands)	**exercise price**
Balance at January 3, 2015	**1,221**	**$ 7.77**
Awarded	**685**	**9.22**
Exercised	**(113)**	**4.94**
Outstanding at October 3, 2015	**1,793**	**$ 8.50**
Exercisable at October 3, 2015	**297**	**$ 6.60**

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During the nine months ended October 3, 2015, Performance-based RSU and Time-based RSU activity was as follows:

	Number of Performance-based RSUs (*in thousands*)	Weighted Average Grant-Date Fair Value	Number of Time-based RSUs (*in thousands*)	Weighted Average Grant-Date Fair Value
Balance at January 3, 2015	1,782	$ 7.01	664	$ 8.63
Awarded	320	9.22	212	9.22
Awarded in connection with modification	55	7.90		
Issued	(255)	6.87	(10)	8.60
Forfeited	(5)	8.52	(21)	8.51
Outstanding at October 3, 2015	1,897	$ 7.42	845	$ 8.78

Certain stock options were granted under the Option Plan, prior to its termination. As of October 3, 2015, all options granted under the Option Plan have been exercised, forfeited or terminated, as applicable.

Note 6 Income Taxes

Income tax benefit was $16.3 million on pre-tax income of $7.2 million for the nine months ended October 3, 2015, as compared to an income tax expense of $3.8 million on pre-tax loss of $0.8 million for the nine months ended September 27, 2014. As a result of the DSS Acquisition in the fourth quarter of 2014, the Company expects to generate taxable income in the future in the United States and as such is now able to realize tax benefits, such as net operating losses, generated in the United States.

The Company has significant global permanent book to tax differences that exceed its estimated income before taxes on an annual basis, thus small changes in estimated income before taxes or changes in year to date income before taxes between jurisdictions can cause material fluctuations in the estimated effective tax rate on a quarterly basis. The Company has therefore calculated its income tax provision for the nine months ended October 3, 2015 on a discrete basis for the United States rather than using the estimated annual effective tax rate for the year, in accordance with ASC 740.

Note 7 Net Income (Loss) per Common Share

Basic net income (loss) per common share is calculated by dividing net income (loss) attributed to Cott Corporation by the weighted average number of common shares outstanding during the periods presented. Diluted net income (loss) per common share is calculated by dividing net income (loss) 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 is 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

(in millions of U.S. dollars)	For the Three Months Ended October 3, 2015	For the Three Months Ended September 27, 2014	For the Nine Months Ended October 3, 2015	For the Nine Months Ended September 27, 2014
Net income (loss) attributed to Cott Corporation	**$ 4.8**	$ 1.3	**$ 1.0**	$ (8.7)
Plus:				
Accumulated dividends on convertible preferred shares[1]				
Foreign exchange impact on redemption of convertible preferred shares[1]				
Diluted net income (loss) attributed to Cott Corporation	**$ 4.8**	$ 1.3	**$ 1.0**	$ (8.7)

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Denominator

(in thousands)	For the Three Months Ended October 3, 2015	September 27, 2014	For the Nine Months Ended October 3, 2015	September 27, 2014
Weighted average number of shares outstanding - basic	**109,686**	93,607	**100,818**	94,053
Dilutive effect of stock options	**236**	39	**146**	
Dilutive effect of Performance-based RSUs[2]		276		
Dilutive effect of Time-based RSUs	**488**	426	**423**	
Dilutive effect of Convertible Preferred Shares[1]				
Adjusted weighted average number of shares outstanding - diluted	**110,410**	94,348	**101,387**	94,053

1. For the nine months ended October 3, 2015, we excluded the impact of the Convertible Preferred Shares from the computation of diluted net income per common share as the Convertible Preferred Shares were anti-dilutive for purposes of calculating diluted net income per common share as a result of the addition of the accumulated dividends and foreign exchange impact on redemption to net income per common share attributable to Cott Corporation to the numerator and the addition of 15,620,632 incremental common shares assumed outstanding applying the if-converted method to the denominator in such calculation.
2. For the three and nine months ended October 3, 2015, we excluded the outstanding Performance-based RSUs from the computation of diluted net income per common share because the performance conditions would not have been satisfied assuming October 3, 2015 was the end of the performance measurement period.

For the three and nine months ended October 3, 2015, the average market price of the common shares was greater than the exercise price of all outstanding stock options and therefore no stock options were excluded from the computation of diluted net income (loss) per share. For the three and nine months ended September 27, 2014, we excluded 832,951 stock options from the computation of diluted net income (loss) per share because the average market price of the common shares was less than the options exercise price. In addition, we excluded the impact of the remaining stock options, Performance-based RSUs and Time-based RSUs from the computation of diluted net loss per share as they were considered anti-dilutive for purposes of calculating loss per share for the nine months ended September 27, 2014.

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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 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 warehouse, branch and distribution facilities and daily operation of over 2,200 routes. During the nine months ended September 27, 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**	**Elimination**	**Total**
For the Three Months Ended October 3, 2015							
Revenue, net[1]	**$ 338.5**	**$ 268.1**	**$ 139.9**	**$ 15.4**	**$**	**(6.3)**	**$ 755.6**
Depreciation and amortization	**19.4**	**32.3**	**5.9**	**0.5**			**58.1**
Operating income (loss)	**8.3**	**14.0**	**7.0**	**3.1**	**(3.8)**		**28.6**
Additions to property, plant and equipment	**8.4**	**18.0**	**1.5**	**0.4**			**28.3**
For the Nine Months Ended October 3, 2015							
Revenue, net[1]	**$ 1,026.2**	**765.4**	**425.9**	**44.8**		**(17.1)**	**$ 2,245.2**
Depreciation and amortization	**61.3**	**94.3**	**16.8**	**1.3**			**173.7**
Operating income (loss)	**33.8**	**25.7**	**25.5**	**8.4**	**(12.0)**		**81.4**
Additions to property, plant and equipment	**20.1**	**56.8**	**7.7**	**0.9**			**85.5**
As of October 3, 2015							
Property, plant and equipment, net	**297.1**	**397.9**	**101.9**	**6.3**			**803.2**
Goodwill	**121.0**	**568.0**	**57.6**	**4.5**			**751.1**
Intangibles and other assets	**249.4**	**396.0**	**91.2**				**736.6**
Total assets[2]	**983.2**	**1,543.8**	**417.9**	**30.4**			**2,975.3**

1. Intersegment revenue between North America and the other reporting segments was $6.3 million and $17.1 million for the three and nine months ended October 3, 2015, respectively.
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	Elimination	Total
For the Three Months Ended September 27, 2014							
Revenue, net[1]	$ 351.7	$	$ 172.0	$ 16.8	$	(5.5)	$ 535.0
Depreciation and amortization	20.3		6.1	0.4			26.8
Operating income (loss)	8.9		10.3	2.6	(3.0)		18.8
Additions to property, plant and equipment	7.9		2.5	0.4			10.8
For the Nine Months Ended September 27, 2014							
Revenue, net[1]	$ 1,081.8	$	$ 445.3	$ 49.9	$	(17.7)	$ 1,559.3
Depreciation and amortization	61.4		15.0	1.3			77.7
Operating income (loss)	26.7		23.2	8.2	(8.8)		49.3
Additions to property, plant and equipment	20.9		10.1	0.4			31.4
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 $5.5 million and $17.7 million for the three and nine months ended September 27, 2014, respectively.
2. Excludes intersegment receivables, investments and notes receivable.

For the nine months ended October 3, 2015, sales to Walmart accounted for 18.1% (September 27, 2014 26.4%) of our total revenue, 32.9% of our North America reporting segment revenue (September 27, 2014 32.5%), 11.8% of our U.K. reporting segment revenue (September 27, 2014 12.9%), 4.1% of our All Other reporting segment revenue (September 27, 2014 3.1%), and 2.2% of our DSS reporting segment revenue.

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

Revenues for our DSS reporting segment from sales to external customers were generated 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	For the Nine Months Ended

(in millions of U.S. dollars)	**October 3, 2015**	September 27, 2014	**October 3, 2015**	September 27, 2014
United States	**$ 298.5**	$ 307.4	**$ 906.8**	$ 946.1
Total	**$ 298.5**	$ 307.4	**$ 906.8**	$ 946.1

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

For the Three Months Ended October 3, 2015

(in millions of U.S. dollars)	North America	DSS	U.K.	All Other	Elimination	Total
Revenue						
Private label retail	**$ 270.4**	**$ 17.0**	**$ 65.4**	**$ 0.9**	**$ (0.4)**	**$ 353.3**
Branded retail	**30.0**	**22.9**	**42.0**	**0.9**	**(0.3)**	**95.5**
Contract packaging	**31.1**		**30.3**	**5.7**	**(2.4)**	**64.7**
Home and office bottled water delivery		**173.3**				**173.3**
Office coffee services		**28.1**				**28.1**
Other	**7.0**	**26.8**	**2.2**	**7.9**	**(3.2)**	**40.7**
Total	**$ 338.5**	**$ 268.1**	**$ 139.9**	**$ 15.4**	**$ (6.3)**	**$ 755.6**

For the Nine Months Ended October 3, 2015

(in millions of U.S. dollars)	North America	DSS	U.K.	All Other	Elimination	Total
Revenue						
Private label retail	**$ 827.8**	**$ 49.7**	**$ 198.1**	**$ 3.7**	**$ (1.6)**	**$ 1,077.7**
Branded retail	**87.9**	**63.2**	**131.3**	**3.3**	**(1.2)**	**284.5**
Contract packaging	**88.0**		**89.6**	**16.4**	**(4.0)**	**190.0**
Home and office bottled water delivery		**487.7**				**487.7**
Office coffee services		**89.8**				**89.8**
Other	**22.5**	**75.0**	**6.9**	**21.4**	**(10.3)**	**115.5**
Total	**$ 1,026.2**	**$ 765.4**	**$ 425.9**	**$ 44.8**	**$ (17.1)**	**$ 2,245.2**

For the Three Months Ended September 27, 2014

(in millions of U.S. dollars)	North America	U.K.	All Other	Elimination	Total
Revenue					
Private label retail	$ 291.7	$ 84.0	$ 1.8	$ (0.4)	$ 377.1
Branded retail	28.9	47.9	1.3	(0.4)	77.7
Contract packaging	23.0	37.7	6.1	(1.2)	65.6
Home and office bottled water delivery					
Office coffee services					
Other	8.1	2.4	7.6	(3.5)	14.6

Total	$ 351.7	$ 172.0	$ 16.8	$ (5.5)	$ 535.0

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For the Nine Months Ended September 27, 2014

(in millions of U.S. dollars)	North America	U.K.	All Other	Elimination	Total
Revenue					
Private label retail	$ 905.3	$ 226.5	$ 4.5	$ (0.8)	$ 1,135.5
Branded retail	81.9	127.6	3.6	(1.3)	211.8
Contract packaging	71.3	87.1	20.6	(6.0)	173.0
Home and office bottled water delivery					
Office coffee services					
Other	23.3	4.1	21.2	(9.6)	39.0
Total	$ 1,081.8	$ 445.3	$ 49.9	$ (17.7)	$ 1,559.3

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

(in millions of U.S. dollars)	October 3, 2015	January 3, 2015
North America	**$ 695.0**	$ 747.3
U.K.	**101.9**	109.9
All Other	**6.3**	7.3
Total	**$ 803.2**	$ 864.5

Note 9 Inventories

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

(in millions of U.S. dollars)	October 3, 2015	January 3, 2015
Raw materials	**$ 93.5**	$ 105.8
Finished goods[1]	**128.2**	118.4
Resale items	**12.5**	17.4
Other	**19.7**	20.8
Total	**$ 253.9**	$ 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.

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Note 10 Intangibles and Other Assets

The following table summarizes intangibles and other assets as of October 3, 2015:

	October 3, 2015		
(in millions of U.S. dollars)	**Cost**	**Accumulated Amortization**	**Net**
Intangibles			
Not subject to amortization			
Rights [1]	$ 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	648.5	(222.0)	426.5
Trademarks	33.3	(28.1)	5.2
Information technology	52.8	(28.4)	24.4
Other	7.9	(4.3)	3.6
Total intangibles subject to amortization	**742.5**	**(282.8)**	**459.7**
Total intangibles	**970.6**	**(282.8)**	**687.8**
Other assets			
Financing costs	38.1	(12.1)	26.0
Deposits	9.5		9.5
Other	14.9	(1.6)	13.3
Total other assets	**62.5**	**(13.7)**	**48.8**
Total intangibles and other assets	**$ 1,033.1**	**$ (296.5)**	**$ 736.6**

1. Relates to the 2001 acquisition of intellectual property from Royal Crown Company, Inc., including the right to manufacture our concentrates, with all related inventions, processes, technologies, technical and manufacturing information, know-how and the use of the Royal Crown brand outside of North America and Mexico.

Amortization expense of intangibles and other assets was $19.9 million and $58.7 million for the three and nine months ended October 3, 2015, respectively, compared to $9.8 million and $27.0 million for the comparable prior year periods.

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

(in millions of U.S. dollars)

Remainder of 2015	**$ 18.1**
2016	**67.8**
2017	**59.5**
2018	**53.1**
2019	**45.3**
Thereafter	**215.9**
Total	**$ 459.7**

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Note 11 Debt

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

(in millions of U.S. dollars)	**October 3, 2015**	**January 3, 2015**
6.750% senior notes due in 2020	**$ 625.0**	$ 625.0
10.000% senior notes due in 2021[1]	**391.5**	405.6
5.375% senior notes due in 2022	**525.0**	525.0
ABL facility	**152.0**	229.0
GE Term Loan	**6.9**	8.2
Capital leases and other debt financing	**3.2**	5.2
Total debt	**1,703.6**	1,798.0
Less: Short-term borrowings and current debt:		
ABL facility	**152.0**	229.0
Total short-term borrowings	**152.0**	229.0
GE Term Loan - current maturities	**2.1**	2.0
Capital leases and other financing - current maturities	**1.6**	2.0
Total current debt	**155.7**	233.0
Total long-term debt	**$ 1,547.9**	$ 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 have amended and refinanced the ABL facility from time to time and incurred financing fees in connection therewith, an aggregate of $9.0 million of which have been capitalized and deferred and are being amortized using the straight-line method over the duration of the amended ABL facility.

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, (6) permit certain other indebtedness that we issued or assumed in connection with the DSS Acquisition, and (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.

On May 26, 2015, we amended the ABL facility to, among other things, (1) increase the maximum annual amount of Preferred Shares that may be redeemed in order to facilitate the redemption in full of the Preferred Shares that was completed in June 2015, (2) modify the sale-leaseback covenant to allow for the inclusion of properties that have been owned by certain subsidiaries of the Company for more than 180 days, and (3) make miscellaneous other technical changes.

As of October 3, 2015, we had $152.0 million of outstanding borrowings under the ABL facility. The commitment fee was 0.375% per annum of the unused commitment, which, taking into account $41.2 million of letters of credit, was $206.8 million as of October 3, 2015. As of that date, our total availability under the ABL facility was $350.6 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 $152.0 million and outstanding letters of credit of $41.2 million, our excess availability under the ABL facility was $157.4 million.

5.375% Senior Notes due in 2022

On June 24, 2014, we issued $525.0 million of 5.375% senior notes due 2022 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 notes is our wholly-owned U.S. subsidiary Cott Beverages Inc. (CBI), and we and most of our U.S., Canadian and U.K. subsidiaries guarantee the obligations. The interest is payable semi-annually on January 1st and July 1st of each year. On May 13, 2015, we exchanged the notes for notes that are registered under the Securities Act and that do not contain transfer restrictions, registration rights or additional interest provisions, but otherwise contain identical economic terms (the 2022 Notes).

We incurred $9.6 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 senior secured notes to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act. In July 2014, the notes were exchanged for notes that are registered under the Securities Act and that do not contain transfer restrictions, registration rights or additional interest provisions, but otherwise contain identical economic terms (the DSS Notes). In November 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.

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. In connection with the DSS Acquisition, we arranged for backstop bridge financing that was not ultimately necessary to utilize to close the transaction. The aggregate amount of fees for the DSS Notes consent solicitation and bridge financing commitment was approximately $26.5 million.

6.750% Senior Notes due in 2020

On December 12, 2014, we issued the $625.0 million of 6.75% senior notes due January 1, 2020 to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act. The issuer of the notes is CBI, and we and most of our U.S., Canadian and U.K. subsidiaries guarantee the obligations. The interest is payable semi-annually on January 1st and July 1st of each year. On July 14, 2015, we exchanged the notes for notes that are registered under the Securities Act and that do not contain transfer restrictions, registration rights or additional interest provisions, but otherwise contain identical economic terms (the 2020 Notes).

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 $375.0 million aggregate principal amount of our 8.125% senior notes due 2018 (the 2018 Notes). The issuer of the 2018 Notes was CBI. 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 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 CBI. 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 5.23% interest.

Note 12 Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income (AOCI) by component for the nine months ended October 3, 2015 were as follows:

(in millions of U.S. dollars)[1]	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	(5.2)		(13.1)	(18.3)
Amounts reclassified from AOCI	0.3	0.7		1.0
Net current-period OCI	(4.9)	0.7	(13.1)	(17.3)
Ending balance October 3, 2015	$ (4.7)	$ (11.7)	$ (51.9)	$ (68.3)

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

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The following table summarizes the amounts reclassified from AOCI for the three and nine months ended October 3, 2015 and September 27, 2014, respectively.

(in millions of U.S. dollars)	**For the Three Months Ended**		**For the Nine Months Ended**		**Affected Line Item in**
Details About AOCI Components[1]	**October 3, 2015**	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**	**the Statement Where Net Income Is Presented**
Gains and losses on derivative instruments					
Foreign currency and commodity hedges	$ (0.9)	$ (0.1)	$ (0.7)	$ 0.1	Cost of sales
	$ (0.9)	$ (0.1)	$ (0.7)	$ 0.1	Total before taxes
	0.4		0.4		Tax (expense) or benefit
	$ (0.5)	$ (0.1)	$ (0.3)	$ 0.1	Net of tax
Amortization of pension benefit plan items					
Prior service costs[2]	$ (0.2)	$ (0.1)	$ (0.7)	$ (0.3)	
	(0.2)	(0.1)	(0.7)	(0.3)	Total before taxes
					Tax (expense) or benefit
	$ (0.2)	$ (0.1)	$ (0.7)	$ (0.3)	Net of tax
Total reclassifications for the period	$ (0.7)	$ (0.2)	$ (1.0)	$ (0.2)	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.

We had $41.2 million in standby letters of credit outstanding as of October 3, 2015 (September 27, 2014 $6.9 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 the remaining $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 contingent consideration of up to £16.0 million ($24.3 million at exchange rates in effect on October 3, 2015), which is payable upon achievement of certain measures related to Aimia s performance during the twelve months ending July 1, 2016.

In June 2013, our U.K. reporting segment acquired 100% of the share capital of Cooke Bros. Holdings Limited. The terms of the transaction included the payment of deferred consideration, the final payment of which (approximately $2.5 million) was paid during the second quarter of 2015.

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 were redeemable at our option. As of June 11, 2015, all of the outstanding Preferred Shares were redeemed for an aggregate cash payment of $151.3 million, which included accrued and unpaid dividends of $2.5 million. The aggregate cash payment was funded primarily through an issuance of our common shares, which generated cash proceeds, net of related issuance expenses and broker commissions, of approximately $142.5 million. The difference in the U.S. dollar and Canadian dollar exchange rates at issuance of the Preferred Shares compared to those exchange rates in effect at redemption, resulted in an adjustment to retained earnings upon redemption of approximately $12.0 million.

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Note 15 Share Repurchase Program

On May 6, 2014, our board of directors approved the renewal of our share repurchase program for up to 5% of Cott s outstanding common shares over a 12-month period commencing upon the expiration of 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 we made no additional repurchases of our common shares. The share repurchase program expired 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 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 counterparty default to be minimal.

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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 nine months ended October 3, 2015 or September 27, 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 $11.1 million and $22.5 million as of October 3, 2015 and January 3, 2015, respectively. Approximately $0.8 million and nil of unrealized net of tax gains related to the foreign currency cash flow hedges were included in AOCI as of October 3, 2015 and September 27, 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 $57.1 million and $55.4 million as of October 3, 2015 and January 3, 2015, respectively. Approximately $5.7 million and $0.7 million of unrealized net of tax losses related to the commodity swaps were included in AOCI as of October 3, 2015 and September 27, 2014, respectively. The cumulative hedge ineffectiveness for these hedging instruments was not material for the nine months ended October 3, 2015 and September 27, 2014, respectively.

The fair value of the Company s derivative assets included within other receivables as a component of accounts receivable, net was $1.0 million and $1.2 million as of October 3, 2015 and January 3, 2015, respectively. The fair value of the Company s derivative liabilities included in accrued liabilities was $8.5 million and $2.3 million as of October 3, 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)	**October 3 ,2015**		**January 3, 2015**	
Derivative Contract	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign currency hedge	$ 1.0	$	$ 1.0	$
Aluminum swaps		(8.5)	0.2	(2.3)
	$ 1.0	$ (8.5)	$ 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:

	October 3 ,2015		January 3, 2015	
(in millions of U.S. dollars)	Assets	Liabilities	Assets	Liabilities
Aluminum swap assets	$	$	$ 0.2	$ 0.2
Aluminum swap liabilities		(8.5)		(2.5)
Net asset (liability)	$	$ (8.5)	$ 0.2	$ (2.3)

The settlement of our derivative instruments resulted in a charge to cost of sales of $0.9 million and $0.7 million for the three and nine months ended October 3, 2015, respectively, compared with a charge to cost of sales of $0.1 million and a credit to costs of sales of $0.1 million for the comparable prior year periods.

Note 17 Fair Value Measurements

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

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

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

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

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

We have certain assets and liabilities such as our derivative instruments 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 October 3, 2015 and January 3, 2015 was $1.0 million and $1.2 million, respectively. The fair value for the derivative liabilities as of October 3, 2015 and January 3, 2015 was $8.5 million and $2.3 million, respectively.

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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 October 3, 2015 and January 3, 2015 were as follows:

	October 3, 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**	**$ 643.0**	$ 625.0	$ 630.1
10.000% senior notes due in 2021[1, 2]	**391.5**	**402.9**	405.6	403.4
5.375% senior notes due in 2022[1]	**525.0**	**506.6**	525.0	481.7
Total	**$ 1,541.5**	**$ 1,552.5**	$ 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.

Fair Value of contingent consideration

We estimated the fair value of the contingent consideration related to the Aimia Acquisition 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 ($16.1 million at exchange rates in effect on October 3, 2015) using a present valued probability-weighted income approach. During the second quarter of 2015, we recorded a fair value adjustment of £0.4 million ($0.6 million at exchange rates in effect on July 4, 2015) to the contingent consideration based on review of the key assumptions used to calculate the fair value at the acquisition date. The change in the fair value adjustment of the contingent consideration was recognized in other expense (income), net in the Consolidated Statement of Operations for the nine months ended October 3, 2015. The maximum potential payout is £16.0 million ($24.3 million at exchange rates in effect on October 3, 2015) on an undiscounted basis.

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Note 18 Guarantor Subsidiaries

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

The following summarized condensed consolidating financial information of the Company sets forth on a consolidating basis, our Balance Sheets, Statements of Operations and Cash Flows for Cott Corporation, DSS, the DSS Guarantor Subsidiaries and our other non-guarantor subsidiaries (the DSS 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 Statements of Operations

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended October 3, 2015					
	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 37.0	$ 268.1	$ 431.3	$ 33.3	$ (14.1)	$ 755.6
Cost of sales	31.4	104.3	375.2	26.3	(14.1)	523.1
Gross profit	5.6	163.8	56.1	7.0		232.5
Selling, general and administrative expenses	6.0	142.5	44.2	3.5		196.2
Loss on disposal of property, plant & equipment		0.9	0.2			1.1
Acquisition and integration expenses		6.4	0.2			6.6
Operating (loss) income	(0.4)	14.0	11.5	3.5		28.6
Other expense (income), net	0.8	(0.6)	0.3	0.1		0.6
Intercompany interest expense (income), net		10.8	(10.8)			
Interest expense, net		7.4	20.0			27.4
(Loss) income before income tax (benefit) expense and equity income	(1.2)	(3.6)	2.0	3.4		0.6
Income tax (benefit) expense	(0.2)	(1.2)	(4.3)	(0.1)		(5.8)
Equity income	5.8		1.0		(6.8)	
Net income (loss)	$ 4.8	$ (2.4)	$ 7.3	$ 3.5	$ (6.8)	$ 6.4
Less: Net income attributable to non-controlling interests				1.6		1.6
Net income (loss) attributed to Cott Corporation	$ 4.8	$ (2.4)	$ 7.3	$ 1.9	$ (6.8)	$ 4.8
Comprehensive (loss) income attributed to Cott Corporation	$ (8.9)	$ (2.4)	$ (19.8)	$ 3.9	$ 18.3	$ (8.9)

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Condensed Consolidating Statements of Operations

(in millions of U.S. dollars)

Unaudited

	For the Nine Months Ended October 3, 2015					
	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 113.9	$ 765.4	$ 1,307.1	$ 103.0	$ (44.2)	$ 2,245.2
Cost of sales	96.8	305.5	1,129.6	83.1	(44.2)	1,570.8
Gross profit	17.1	459.9	177.5	19.9		674.4
Selling, general and administrative expenses	16.4	418.8	130.1	9.6		574.9
Loss (gain) on disposal of property, plant & equipment		2.9	(0.2)			2.7
Acquisition and integration expenses		12.5	2.9			15.4
Operating income	0.7	25.7	44.7	10.3		81.4
Other (income) expense, net	(9.0)	(1.0)	1.1	0.1		(8.8)
Intercompany interest (income) expense, net	(4.9)	32.7	(27.8)			
Interest expense, net	0.1	22.2	60.7			83.0
Income (loss) before income tax expense (benefit) and equity income	14.5	(28.2)	10.7	10.2		7.2
Income tax expense (benefit)	2.8	(10.2)	(9.0)	0.1		(16.3)
Equity income	7.2		4.0		(11.2)	
Net income (loss)	$ 18.9	$ (18.0)	$ 23.7	$ 10.1	$ (11.2)	$ 23.5
Less: Net income attributable to non-controlling interests				4.6		4.6
Less: Accumulated dividends on convertible preferred shares	4.5					4.5
Less: Accumulated dividends on non-convertible preferred shares	1.4					1.4
Less: Foreign exchange impact on redemption of preferred shares	12.0					12.0
Net income (loss) attributed to Cott Corporation	$ 1.0	$ (18.0)	$ 23.7	$ 5.5	$ (11.2)	$ 1.0

Comprehensive (loss) income attributed to Cott Corporation	$ (16.3)	$ (18.0)	$ 23.7	$ 8.7	$ (14.4)	$ (16.3)

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Condensed Consolidating Statements of Operations

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended September 27, 2014					
	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 42.3	$	$ 469.8	$ 35.7	$ (12.8)	$ 535.0
Cost of sales	36.2		412.1	30.0	(12.8)	465.5
Gross profit	6.1		57.7	5.7		69.5
Selling, general and administrative expenses	5.5		41.7	2.7		49.9
Loss on disposal of property, plant & equipment	0.2		0.2			0.4
Restructuring	0.1					0.1
Asset impairments			(0.2)			(0.2)
Acquisition and integration expenses			0.5			0.5
Operating income	0.3		15.5	3.0		18.8
Other expense, net	0.2		5.2			5.4
Interest expense, net	0.1		8.8	0.1		9.0
Income before income tax expense and equity income			1.5	2.9		4.4
Income tax expense			1.8			1.8
Equity income	1.3		1.4		(2.7)	
Net income (loss)	$ 1.3	$	$ 1.1	$ 2.9	$ (2.7)	$ 2.6
Less: Net income attributable to non-controlling interests				1.3		1.3
Net income (loss) attributed to Cott Corporation	$ 1.3	$	$ 1.1	$ 1.6	$ (2.7)	$ 1.3
Comprehensive (loss) income attributed to Cott Corporation	$ (14.6)	$	$ (32.8)	$ 3.2	$ 29.6	$ (14.6)

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Condensed Consolidating Statements of Operations

(in millions of U.S. dollars)

Unaudited

	For the Nine Months Ended September 27, 2014					
	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 129.0	$	$ 1,363.9	$ 104.0	$ (37.6)	$ 1,559.3
Cost of sales	111.4		1,194.3	86.5	(37.6)	1,354.6
Gross profit	17.6		169.6	17.5		204.7
Selling, general and administrative expenses	18.3		120.3	8.9		147.5
Loss on disposal of property, plant & equipment	0.2		0.2			0.4
Restructuring	2.1		0.3			2.4
Asset impairments	0.9		0.8			1.7
Acquisition and integration expenses			3.4			3.4
Operating (loss) income	(3.9)		44.6	8.6		49.3
Other (income) expense, net	(9.1)		31.9	0.1		22.9
Interest expense, net	0.2		26.9	0.1		27.2
Income (loss) before income tax (benefit) expense and equity (loss) income	5.0		(14.2)	8.4		(0.8)
Income tax (benefit) expense	(1.4)		5.1	0.1		3.8
Equity (loss) income	(15.1)		4.1		11.0	
Net (loss) income	$ (8.7)	$	$ (15.2)	$ 8.3	$ 11.0	$ (4.6)
Less: Net income attributable to non-controlling interests				4.1		4.1
Net (loss) income attributed to Cott Corporation	$ (8.7)	$	$ (15.2)	$ 4.2	$ 11.0	$ (8.7)
Comprehensive (loss) income attributed to Cott Corporation	$ (17.9)	$	$ 6.9	$ 5.0	$ (11.9)	$ (17.9)

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Consolidating Balance Sheets

(in millions of U.S. dollars)

Unaudited

	As of October 3, 2015					
	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
ASSETS						
Current assets						
Cash & cash equivalents	$ 2.0	$ 20.6	$ 33.7	$ 7.4	$	$ 63.7
Accounts receivable, net of allowance	17.3	122.1	197.1	10.9	(23.0)	324.4
Income taxes recoverable		0.6	0.4	0.1		1.1
Inventories	13.5	28.6	205.3	6.5		253.9
Prepaid expenses and other assets	2.7	10.0	24.6	0.2		37.5
Total current assets	**35.5**	**181.9**	**461.1**	**25.1**	**(23.0)**	**680.6**
Property, plant & equipment, net	31.3	397.9	367.2	6.8		803.2
Goodwill	20.7	568.0	162.4			751.1
Intangibles and other assets, net	0.9	396.0	336.0	3.7		736.6
Deferred income taxes	2.7		37.8	0.2	(37.8)	2.9
Other tax receivable			0.9			0.9
Due from affiliates	411.4		544.4		(955.8)	
Investments in subsidiaries	193.6		398.9		(592.5)	
Total assets	**$ 696.1**	**$ 1,543.8**	**$ 2,308.7**	**$ 35.8**	**$ (1,609.1)**	**$ 2,975.3**
LIABILITIES AND EQUITY						
Current liabilities						
Short-term borrowings	$	$	$ 152.0	$	$	$ 152.0
Current maturities of long-term debt			3.1	0.6		3.7
Accounts payable and accrued liabilities	36.6	126.6	286.1	9.9	(23.0)	436.2
Total current liabilities	**36.6**	**126.6**	**441.2**	**10.5**	**(23.0)**	**591.9**
Long-term debt		391.5	1,156.4			1,547.9
Deferred income taxes		112.8	20.3		(37.8)	95.3
Other long-term liabilities	0.5	34.7	41.0	1.2		77.4
Due to affiliates	1.2	543.3	382.5	28.8	(955.8)	

Total liabilities	**38.3**	**1,208.9**	**2,041.4**	**40.5**	**(1,016.6)**	**2,312.5**
Equity						
Capital stock, no par	532.6	355.6	702.8	38.5	(1,096.9)	532.6
Additional paid-in-capital	53.0					53.0
Retained earnings (deficit)	140.5	(20.8)	(430.8)	(56.6)	508.2	140.5
Accumulated other comprehensive (loss) income	(68.3)	0.1	(4.7)	8.4	(3.8)	(68.3)
Total Cott Corporation equity	657.8	334.9	267.3	(9.7)	(592.5)	657.8
Non-controlling interests				5.0		5.0
Total equity	**657.8**	**334.9**	**267.3**	**(4.7)**	**(592.5)**	**662.8**
Total liabilities and equity	**$ 696.1**	**$ 1,543.8**	**$ 2,308.7**	**$ 35.8**	**$ (1,609.1)**	**$ 2,975.3**

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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.**	**DSS Guarantor Subsidiaries**	**DSS 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 October 3, 2015					
	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Operating Activities						
Net income (loss)	$ 4.8	$ (2.4)	$ 7.3	$ 3.5	$ (6.8)	$ 6.4
Depreciation & amortization	1.2	32.3	23.3	1.3		58.1
Amortization of financing fees	0.1		1.1			1.2
Amortization of senior notes premium		(1.3)				(1.3)
Share-based compensation expense		0.6	1.7			2.3
(Decrease) increase in deferred income taxes	(1.6)	1.8	(4.9)			(4.7)
Loss on disposal of property, plant & equipment		0.9	0.2			1.1
Equity income, net of distributions	(5.8)		(1.0)		6.8	
Intercompany dividends	0.2		3.3		(3.5)	
Other non-cash items	(3.1)	(1.1)	9.2	(0.3)		4.7
Net change in operating assets and liabilities, net of acquisition	(0.2)	1.4	18.4	4.4		24.0
Net cash (used in) provided by operating activities	(4.4)	32.2	58.6	8.9	(3.5)	91.8
Investing Activities						
Acquisition, net of cash received		(22.0)				(22.0)
Additions to property, plant & equipment	(0.5)	(18.5)	(8.7)	(0.6)		(28.3)
Additions to intangibles and other assets			(0.5)			(0.5)
Proceeds from sale of property, plant & equipment		0.3	0.1			0.4
Net cash used in investing activities	(0.5)	(40.2)	(9.1)	(0.6)		(50.4)
Financing Activities						
Payments of long-term debt	(0.1)		(0.8)	(0.1)		(1.0)
Borrowings under ABL			52.4			52.4
Payments under ABL			(97.3)			(97.3)
Distributions to non-controlling interests				(3.2)		(3.2)
Issuance of common shares	0.5					0.5
Financing fees			(0.1)			(0.1)
Common shares repurchased and cancelled	(0.1)					(0.1)
	(6.5)					(6.5)

Dividends paid to common and preferred shareowners						
Intercompany dividends			(0.2)	(3.3)	3.5	
Net cash used in financing activities	(6.2)		(46.0)	(6.6)	3.5	(55.3)
Effect of exchange rate changes on cash	(0.7)		(0.6)	(0.1)		(1.4)
Net (decrease) increase in cash & cash equivalents	**(11.8)**	**(8.0)**	**2.9**	**1.6**		**(15.3)**
Cash & cash equivalents, beginning of period	**13.8**	**28.6**	**30.8**	**5.8**		**79.0**
Cash & cash equivalents, end of period	**$ 2.0**	**$ 20.6**	**$ 33.7**	**$ 7.4**	**$**	**$ 63.7**

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Consolidating Statements of Condensed Cash Flows

(in millions of U.S. dollars)

Unaudited

	For the Nine Months Ended October 3, 2015					
	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Operating Activities						
Net income (loss)	$ 18.9	$ (18.0)	$ 23.7	$ 10.1	$ (11.2)	$ 23.5
Depreciation & amortization	3.6	94.3	71.7	4.1		173.7
Amortization of financing fees	0.1		3.5			3.6
Amortization of senior notes premium		(4.2)				(4.2)
Share-based compensation expense	1.2	1.7	5.4	0.1		8.4
Decrease in deferred income taxes	(0.5)	(10.8)	(10.1)	(0.2)		(21.6)
Loss (gain) on disposal of property, plant & equipment		2.9	(0.2)			2.7
Equity income, net of distributions	(7.2)		(4.0)		11.2	
Intercompany dividends	4.5		7.0		(11.5)	
Other non-cash items	(9.9)	(1.1)	(0.5)	(0.3)		(11.8)
Net change in operating assets and liabilities, net of acquisition	18.6	(11.4)	(17.0)	1.9		(7.9)
Net cash provided by operating activities	29.3	53.4	79.5	15.7	(11.5)	166.4
Investing Activities						
Acquisition, net of cash received		(22.5)				(22.5)
Additions to property, plant & equipment	(1.0)	(57.3)	(26.2)	(1.0)		(85.5)
Additions to intangibles and other assets		(1.9)	(0.8)			(2.7)
Proceeds from sale of property, plant & equipment and sale-leaseback		14.5	26.4			40.9
Net cash used in investing activities	(1.0)	(67.2)	(0.6)	(1.0)		(69.8)
Financing Activities						
Payments of long-term debt	(0.1)		(2.2)	(0.6)		(2.9)
Borrowings under ABL			801.3			801.3
Payments under ABL			(874.5)			(874.5)
Distributions to non-controlling interests				(6.8)		(6.8)
Issuance of common shares	143.1					143.1
Financing fees			(0.3)			(0.3)
Common shares repurchased and cancelled	(0.8)					(0.8)
Preferred shares repurchased and cancelled	(148.8)					(148.8)
	(24.5)					(24.5)

Dividends paid to common and preferred shareowners						
Payment of deferred consideration for acquisitions			(2.5)			(2.5)
Intercompany dividends			(4.5)	(7.0)	11.5	
Net cash used in financing activities	(31.1)		(82.7)	(14.4)	11.5	(116.7)
Effect of exchange rate changes on cash	(1.4)		(0.7)	(0.3)		(2.4)
Net decrease in cash & cash equivalents	**(4.2)**	**(13.8)**	**(4.5)**			**(22.5)**
Cash & cash equivalents, beginning of period	**6.2**	**34.4**	**38.2**	**7.4**		**86.2**
Cash & cash equivalents, end of period	**$ 2.0**	**$ 20.6**	**$ 33.7**	**$ 7.4**	**$**	**$ 63.7**

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Consolidating Statements of Condensed Cash Flows

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended September 27, 2014					
	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Operating Activities						
Net income (loss)	$ 1.3	$	$ 1.1	$ 2.9	$ (2.7)	$ 2.6
Depreciation & amortization	1.7		23.7	1.4		26.8
Amortization of financing fees			0.7			0.7
Share-based compensation expense	0.1		1.3	0.1		1.5
(Decrease) increase in deferred income taxes	(0.3)		2.5			2.2
Loss on disposal of property, plant & equipment	0.2		0.2			0.4
Asset impairments			(0.2)			(0.2)
Write off of financing fees and discount			0.8			0.8
Equity income, net of distributions	(1.3)		(1.4)		2.7	
Intercompany dividends	44.2		2.5		(46.7)	
Other non-cash items	(0.2)		0.2			
Net change in operating assets and liabilities	(36.6)		59.5	2.8		25.7
Net cash provided by operating activities	9.1		90.9	7.2	(46.7)	60.5
Investing Activities						
Additions to property, plant & equipment			(10.4)	(0.4)		(10.8)
Additions to intangibles and other assets			(1.5)			(1.5)
Proceeds from sale of property, plant & equipment			1.6			1.6
Net cash used in investing activities			(10.3)	(0.4)		(10.7)
Financing Activities						
Payments of long-term debt			(79.3)	(0.8)		(80.1)
Borrowings under ABL			191.1			191.1
Payments under ABL			(156.0)			(156.0)
Distributions to non-controlling interests				(2.4)		(2.4)
Financing fees			(1.2)			(1.2)
Common shares repurchased and cancelled	(4.6)					(4.6)
Payment of deferred consideration for acquisitions			(32.4)			(32.4)
Dividends paid to common shareholders	(5.6)					(5.6)
Intercompany dividends			(44.2)	(2.5)	46.7	

Net cash used in financing activities	(10.2)		(122.0)	(5.7)	46.7	(91.2)
Effect of exchange rate changes on cash	(0.4)		(1.6)	(0.1)		(2.1)
Net (decrease) increase in cash & cash equivalents	**(1.5)**		**(43.0)**	**1.0**		**(43.5)**
Cash & cash equivalents, beginning of period	**7.2**		**77.0**	**6.7**		**90.9**
Cash & cash equivalents, end of period	**$ 5.7**	**$**	**$ 34.0**	**$ 7.7**	**$**	**$ 47.4**

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Consolidating Statements of Condensed Cash Flows

(in millions of U.S. dollars)

Unaudited

	For the Nine Months Ended September 27, 2014					
	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Operating Activities						
Net (loss) income	$ (8.7)	$	$ (15.2)	$ 8.3	$ 11.0	$ (4.6)
Depreciation & amortization	4.8		68.6	4.3		77.7
Amortization of financing fees	0.1		1.8			1.9
Share-based compensation expense	0.9		3.9	0.1		4.9
(Decrease) increase in deferred income taxes	(1.6)		5.7			4.1
Loss on disposal of property, plant & equipment	0.2		0.2			0.4
Asset impairments	0.9		0.8			1.7
Write off of financing fees and discount			4.1			4.1
Equity loss (income), net of distributions	15.1		(4.1)		(11.0)	
Intercompany dividends	62.4		7.5		(69.9)	
Other non-cash items	(0.4)		(0.3)			(0.7)
Net change in operating assets and liabilities	(44.3)		(13.2)	5.5		(52.0)
Net cash provided by operating activities	29.4		59.8	18.2	(69.9)	37.5
Investing Activities						
Acquisitions, net of cash received			(80.8)			(80.8)
Additions to property, plant & equipment	(0.9)		(30.1)	(0.4)		(31.4)
Additions to intangibles and other assets			(4.3)			(4.3)
Proceeds from sale of property, plant & equipment			1.6			1.6
Net cash used in investing activities	(0.9)		(113.6)	(0.4)		(114.9)
Financing Activities						
Payments of long-term debt	(0.1)		(391.7)	(0.8)		(392.6)
Issue of long-term debt			525.0			525.0
Borrowings under ABL			474.3			474.3
Payments under ABL			(455.4)			(455.4)
Distributions to non-controlling interests				(7.2)		(7.2)
Financing fees			(9.1)			(9.1)
Common shares repurchased and cancelled	(7.7)					(7.7)
Payment of deferred consideration for acquisitions			(32.4)			(32.4)

Dividends paid to common shareholders	(16.4)					(16.4)
Intercompany dividends			(62.4)	(7.5)	69.9	
Net cash (used in) provided by financing activities	(24.2)		48.3	(15.5)	69.9	78.5
Effect of exchange rate changes on cash	(0.1)		(0.7)	(0.1)		(0.9)
Net increase (decrease) in cash & cash equivalents	**4.2**		**(6.2)**	**2.2**		**0.2**
Cash & cash equivalents, beginning of period	**1.5**		**40.2**	**5.5**		**47.2**
Cash & cash equivalents, end of period	**$ 5.7**	**$**	**$ 34.0**	**$ 7.7**	**$**	**$ 47.4**

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The 2022 Notes and 2020 Notes, each issued by our 100% owned subsidiary, CBI, are guaranteed on a senior secured basis pursuant to guarantees by Cott Corporation and certain other 100% owned direct and indirect subsidiaries (the Cott Guarantor Subsidiaries). CBI and each Cott Guarantor Subsidiary is 100% owned by Cott Corporation. The guarantees of the 2022 Notes and the 2020 Notes by Cott Corporation and the Cott Guarantor Subsidiaries are full and unconditional, and all such guarantees are joint and several. The guarantees of the Cott 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 the Cott Guarantor Subsidiaries due to the presentation of condensed consolidating financial information set forth in this Note, consistent with SEC interpretations governing reporting of subsidiary financial information.

The following summarized condensed consolidating financial information of the Company sets forth on a consolidating basis, our Balance Sheets, Statements of Operations and Cash Flows for Cott Corporation, CBI, the Cott Guarantor Subsidiaries and our other non-guarantor subsidiaries (the Cott 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 Statements of Operations

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended October 3, 2015					
	Cott Corporation	Cott Beverages Inc.	Cott Guarantor Subsidiaries	Cott Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 37.0	$ 182.1	$ 517.3	$ 33.3	$ (14.1)	$ 755.6
Cost of sales	31.4	156.3	323.2	26.3	(14.1)	523.1
Gross profit	5.6	25.8	194.1	7.0		232.5
Selling, general and administrative expenses	6.0	23.8	162.9	3.5		196.2
Loss on disposal of property, plant & equipment		0.2	0.9			1.1
Acquisition and integration expenses		0.2	6.4			6.6
Operating (loss) income	(0.4)	1.6	23.9	3.5		28.6
Other expense (income), net	0.8	(0.1)	(0.2)	0.1		0.6
Intercompany interest (income) expense, net		(14.1)	14.1			
Interest expense, net		19.8	7.6			27.4
(Loss) income before income tax benefit and equity income (loss)	(1.2)	(4.0)	2.4	3.4		0.6
Income tax benefit	(0.2)	(4.2)	(1.3)	(0.1)		(5.8)
Equity income (loss)	5.8	1.6	(0.6)		(6.8)	
Net income	$ 4.8	$ 1.8	$ 3.1	$ 3.5	$ (6.8)	$ 6.4
Less: Net income attributable to non-controlling interests				1.6		1.6
Net income attributed to Cott Corporation	$ 4.8	$ 1.8	$ 3.1	$ 1.9	$ (6.8)	$ 4.8
Comprehensive (loss) income attributed to Cott Corporation	$ (8.9)	$ (7.8)	$ 8.9	$ 3.9	$ (5.0)	$ (8.9)