Annual Report

Bermuda Container Line

2007

2007 Highlights

	2007	2006	% Change
Net Earnings	**$6,026,898**	$4,406,309	37%
Earnings per Share	**$2.01**	$1.47	37%
Return on Shareholders' Equity	**20.07%**	15.83%	27%
Cash Dividends:-			
Regular quarterly dividends	**$1,620,000**	$1,560,000	4%
Special year end dividend	**$1,650,000**	$1,500,000	10%
Total dividends	**$3,270,000**	$3,060,000	7%
Cash Dividends per share:-			
Regular quarterly dividends	**$0.54**	$0.52	4%
Special year end dividend	**$0.55**	$0.50	10%
Total dividends	**$1.09**	$1.02	7%
Book value per share	**$10.49**	$9.53	10%
Ocean Freight Revenues	**$34,704,872**	$33,686,675	3%
Eastbound Slot Utilization - BCL Service	**12,861**	12,403	4%
Eastbound Slot per Voyage - BCL Service	**252**	243	4%
Eastbound Slot Utilization - SISL Service	**6,164**	5,805	6%
Eastbound Slot per Voyage - SISL Service	**176**	171	3%
Share Price - Year End	**$14.00**	$13.50	4%

Bermuda Container Line provides an ocean freight service linking Bermuda with the world. It operates a weekly service between Port Elizabeth, New Jersey and Hamilton, Bermuda with the vessel M.V. Oleander. Through an associated company, Somers Isles Shipping Ltd., it also operates a three times per month service between Fernandina Beach, Florida and Hamilton. BCL maintains a wide-ranging network of agencies throughout North America to allow it to provide full container load intermodal services between Bermuda and all key centres on the North American continent. Through connecting carrier arrangements with a number of major shipping lines, BCL connects Bermuda with the rest of the world.

Letter to Shareholders

Overview

Bermuda Container Line Ltd.'s net earnings in 2007 at $6,027,000 were a record and were $1,621,000 ahead of the figure for 2006. They were also $1,500,000 ahead of the previous earnings records set in 2001. Nearly all the increase in earnings came from a one-off item, a gain on the sale of the subsidiary company which owned the terminal facility in Salem, N.J.

Earnings from continuing operations at $4,434,500 were only $28,000 ahead of the 2006 figure. In total, revenue was up $907,000 or 2.5% while expenses were up a lower dollar amount, $879,000 but the percentage increase, 2.86%, was higher than that for total revenue. Freight revenue grew by $1,018,000 or 3% due to a combination of a small increase in cargo volume and freight rate increases. The total cargo market to Bermuda has been essentially flat over the last three years; eastbound container volume up approximately 250 TEU in that three years and zero growth in non-containerized cargo. This represents a less than 1% growth in total market volume over three years. Other revenue showed a decline, down $111,000 or 7%, but the 2006 figure included BCL's share of the gain on the purchase and sale of the previous "Somers Isles" and this one-off item increased the 2006 figure. The largest element by far in other revenue is investment income which did increase at a healthy rate of 13.5%, $156,000, in 2007 over 2006 and it was this that led to the small growth in overall net earnings for the year.

On the expense side two categories of expenses did show small decreases; stevedoring & cargo handling and general & administrative; but unfortunately there was a large increase in vessel related costs, up $920,000 or 21.5% and a smaller increase in equipment costs. The jump in vessel related costs was incurred in both the BCL and SISL services.

The BCL Freight Service and Operations

Cargo volume, as measured in slots utilized, on the freight service operated by BCL between Port Elizabeth N.J. and Bermuda showed an increase, up 3.6% but all this growth came in Ro/Ro cargo. Eastbound container volume, the core business of the service, declined by 507 TEU or 4.8%. Average revenue per Ro/Ro slot is a lot lower than average revenue per TEU so that despite the growth in cargo volume freight revenue was only up $214,000 or less than 1%.

The biggest impact on the BCL service, and the earnings of that service, were the unexpected problems and additional costs incurred during the scheduled dry-docking of the "Oleander" in March of 2007. The "Oleander" was scheduled for an intermediate dry-docking in the latter part of March and it was planned that this docking would take two weeks with the vessel not available for two scheduled voyages. The anticipated costs of this dry-docking had been budgeted for over the 2-1/2 year period since the previous dry-docking.

In the event the dry-docking took more than twice as long as planned with significantly more work involved. The cause of the additional work and delay was due to cracks in the blade carriers which attach the controllable pitch blades to the propeller hub. At first it was thought that these were surface cracks that could be ground out and repaired but as one crack was ground out another appeared. The blade carriers were then X-rayed and ultra-sonically tested and it was determined that the cracks were significant and the blade carriers would have to be replaced. This problem was a most unusual one and had never been experienced before by the propeller manufacturer, Lips. The blade carriers are not standard spare parts and BCL was first informed that it would take three months for new blade carriers to be manufactured. Lips was able to find larger blade carriers that could be machined to fit and the propeller hub had to be air freighted to the Netherlands to have the new blade carriers fitted by Lips' own specialist technicians.

The delay in work created a further problem as Detyens had committed their dry-dock to another ship so the "Oleander" had to be towed to a dry-dock located in Jacksonville to have the propeller refitted. The additional costs of the extra work, towing of the "Oleander" from Charleston to Jacksonville and extra charter costs for chartered-in vessels to cover for the "Oleander" amounted to $420,000 more than budget.

In addition to the above listed issues there were both crew and mechanical problems, compounded by weather delays, with two of the ships charted in to replace the "Oleander". These factors badly delayed the scheduled arrivals in Bermuda leading to a noticeable lack of fresh produce available in supermarkets and tarnished BCL's excellent reliability record built up over 27 years. These delays undoubtedly led to some loss of cargo and revenue to competitors, though they also showed the heavy reliance of Bermuda on the regularly scheduled ocean liner services to the Island.

We believe that the issues that caused the cracks in the blade carriers have been identified and steps have been taken to ensure this problem does not occur again.

Another negative impact on vessel costs were higher crew costs and there are two factors that effect these costs; a tight worldwide supply of officers and crew and the falling value of the US and Bermuda dollars. World-wide demand for seafarers, particularly experienced ones, far outstrips supply and in true economic tradition this drives up the price. The major source of supply for seafarers is from non-US$ economies and as the US$ has fallen against other currencies it has further increased crew costs for a dollar based operator such as BCL.

With the increase in total expenses being larger than the increase in revenue, the earnings generated by the BCL service declined by $271,500 over 2006. If there had not been the

problem with the blade carriers there would have been a reasonable increase in earnings from this service.

The SISL Freight Service and Operations

The cargo volume on the service operated by Somers Isles Shipping between Florida and Bermuda and which is owned 50% by BCL showed a healthy growth and this had a positive impact on the freight revenue of this service. Eastbound container volume on this service was up nearly 7% and there was also a small growth in non-containerized cargo volume. During 2007 and continuing into 2008 there has been a clear shift in Bermuda importers sourcing more of their imports from the South. This may be partly explained by exchange rates. The services from the North carry the cargo from Canada and Europe and both areas have been hurt by the fall in the value of the US dollar.

Freight revenue on the SISL services grew by 13% due to the increased volume, a change in the mix of cargo from low revenue trans-shipment cargo to higher revenue inter-modal cargo and freight rate increases. But on the other side of the earnings equation expenses were up by 10% with the biggest factor being vessel costs, in particular charter-hire. Charter-hire costs alone were up 80% in 2007 over 2006. A new charter-party was entered into in 2006 for a larger vessel at the expiration of the charter-party for the previous vessel. There was a large increase in world-wide vessel charter rates between 2001, when the previous charter-party was entered into, and 2006. The increase in charter-costs would have been even higher except for the fact that SISL has bought forward in Euros, the currency in which charter-hire is paid, and the average cost of Euros to SISL in 2007 was well below the spot rate.

SISL did achieve some savings with the new vessel in that it burns intermediate fuel oil (IFO) a cheaper fuel than the marine diesel oil (MDO) that the previous ship burned.

SISL had a healthy growth in interest income, up 22% and overall SISL experienced a reasonable growth in net earnings of 7%.

Investment Income and Sale of Subsidiary Company

As noted in the Overview section, there was a good growth in investment income in 2007 over 2006. Consolidated investment income in 2007 was $1,318,500 giving a rate of return on cash and investments of just over 5% per annum. The majority of the investment income growth occurred in the first part of the year as in the latter part of the year BCL's investment return was impacted by the turmoil in the financial markets. BCL did have a positive return in all four quarters of 2007 but did experience a negative investment return in the first quarter of 2008.

Due to the turmoil in the financial markets BCL did maintain in 2007, and still does, a very liquid position with nearly all growth in assets going into cash, thus the growth in cash balances of $3,025,500 or 21% between the end of 2006 and 2007.

In 2007 the sale of the wholly-owned U.S. subsidiary company, Tilbury Road Associates Inc. (TRA), was concluded. The major asset of TRA was the terminal facility in Salem N.J. developed by BCL and partners in 1996/97. BCL was never able to use this facility for its own operations and while it did generate some revenue it never covered costs and so, was a drag on BCL's earnings. The terminal facility also required some repairs which would have required BCL putting more money into the facility. The Board of BCL took the decision to sell off the facility and turn this non-revenue generating asset into cash.

The sale of TRA did generate a gain in the 2007 BCL earnings of $1,592,500 as the Company was sold for more than its book value but this gain did not offset the losses generated by TRA and included in the earnings for the years 1997 through 2006.

The total of cash, cash equivalents and marketable investments at the end of 2007 amounted to $28,989,000 representing 79% of total assets and 92% of shareholders' equity. The purpose of accumulating all these assets is to have the funds available to finance a new ship to eventually replace the "Oleander" which reached 17 years old in 2007.

Planning for a New Ship

Planning for a new ship to eventually replace the "Oleander" continued in 2007. A broad specification for the new ship has been provided to a ship design bureau and preliminary ideas have been presented to BCL for consideration. For a one-ship company like BCL the purchase of a new ship is a huge undertaking and capital commitment and it is essential to get it right as this ship will be expected to serve the Company and Bermuda for a 15 to 20 year period.

One issue that will be critical for the success of the new ship will be fuel efficiency both from a cost and an environmental perspective. We are all aware of the dramatic increase in the price of oil over the last few years and this has had a profound impact on the economics of running a ship. In 1995 the combined financing and daily operating costs of the "Oleander" were 4.4 times the fuel costs; in 2006 this ratio had fallen and these costs were only 1.4 times fuel costs. Using the fuel prices in effect at the time of writing this report annual fuel costs are equal to the combined costs of financing and operating the ship. If oil prices continue to go up then the fuel costs will exceed all other costs of the ship combined.

Therefore in building a ship for the future it will be essential to have not only a fuel efficient engine but BCL will need to ensure that the hull form and coatings and the way the ship is operated all lead to the most efficient use of fuel. It will also be necessary to have as flexible a design as possible to make use of new fuel saving technologies as they are developed in the future.

There is a lot of research going into ways to reduce fuel consumption by ships including the use of sails. One progressive German shipping company, the Beluga group, has recently launched a ship the "Beluga SkySails" to test out the concept of a kite sail flown from the bow of the ship. Initial reports indi-

cate potential reduction in fuel consumption of 20% over a similar vessel without a kite sail and some developers are predicting reductions of up to 40% once the technology has been fully developed.

In addition to the cost factor the environmental consequences of burning fossil fuels has become a much more critical issue now than when the present "Oleander" was built. While ocean transportation is a more fuel efficient method of moving cargo than by either air or land, the amount of fuel used per ton/mile in ocean transportation is a fraction of the other two modes, the industry as a whole still uses a large amount of fossil fuels which contribute to global warming. The industry and BCL have to be proactive in reducing the amount of greenhouse gases and particulate matter generated by their business activities. This may mean burning higher distillate fuels further increasing fuel costs.

In addition to having the best possible design another factor to take into account when building a new ship is timing the placement of the order. The shipbuilding market has been booming for the last few years with a high world-wide demand for new ships which has driven up the cost of ship building. It would not be financially wise for BCL, particularly as a one ship operator, to place an order at the top of the market.

Management Company – Planning for the Future

The Letter to Shareholders in the 2005 Annual Report commented on the hiring of an outside consultant, Mr. John Grice, to advise on the Management structure of the BCL group and it was noted that one of his key recommendations was the need to plan for the succession of the two senior executives of Bermuda Container Line Ltd.

We are pleased to report that much was accomplished in 2007 on this issue. The Management company, Container Ship Management Ltd., (CSM) put in place a new organizational structure in February 2007 with the key element being the executive roles taken on by three young managers and they are:-

Mr. Howard Pitcher, a Bermudian and a graduate of Maine Maritime Academy with a Bachelor of Science degree in Marine Transportation Operations and International Business and Logistics. After graduation Howard spent time at sea and did a period as chief mate on a small coastal passenger vessel and as a cadet he spent three months on the "Oleander". Howard joined CSM in September 2004 and his position as of February 2007 is Manager – Systems Administration and Development. Howard also has dual citizenship with the United States, which allows him to work for Bermuda Agencies Ltd. Where he provides back-up for the critical position of Port Captain in Port Elizabeth NJ.

Capt. Blair Simmons, a Bermudian and a graduate of Warsash Maritime Centre and Glasgow College of Nautical Studies both in the U.K. He holds a United Kingdom Maritime & Coastguard Agency (MCA) Master's Certificate of Competency. Capt. Simmons spent over ten years at sea which included six months as a third officer on the "Oleander" in the mid 1990s. He has had a number of years experience as Captain on various vessels sailing world-wide. He also has experience as owners' superintendant during major conversion work on a vessel. Capt. Simmons joined CSM in November 2006 and his position as of February 2007 is Manager – Vessel Operations.

Mr. Tjerk Neijmeijer, a Dutchman married to a Bermudian and a qualified engineer is a graduate of the Technische Hogeschool Gelderland with a Bachelors degree in Automotive Engineering. He had nine years experience as a development and test engineer in the automotive industry and then six years experience in senior administrative roles. Mr. Neijmeijer joined CSM in April 2006 to take on responsibility for the equipment fleet of containers, chassis and road trailers owned and operated by the BCL group which is a major cost center. Mr. Neijmeijer's position as of February 2007 is Manager – Equipment Control and Administration.

All three have joined CSM as Directors and shareholders. They range in age from 28 to 41 and so provide the foundation for the Management of BCL for many years into the future.

Following a further recommendation in Mr. Grice's report Container Ship Management and Bermuda Agencies work on a practical basis as one entity though they still are two separate legal entities.

Looking forward in 2008

So far in 2008, to mid-May, cargo volumes in the North show little growth. The BCL service container volume is down again, under 1%, but there has been an increase in Ro/Ro cargo volume and a small growth in freight revenue. The SISL service from Florida is doing much better with a healthy growth in container volume and break-bulk cargo. The big concern is fuel costs with prices continuing to increase and problems with quality. The costs of MDO used in the BCL service have soared by 48% since the beginning of the year and so the fuel surcharge will be increased again at the beginning of June.

As long as net fuel costs can be contained through either price reductions or fuel surcharges and vessel repair and maintenance costs are kept to budget then it is anticipated that earnings from shipping operations in 2008 will be higher than in 2007. Unfortunately, net earnings in 2008 will be quite a bit lower than in 2007.

There will be no repeat of the one-off gain on the sale of TRA and investment income in 2008 will be much lower than in 2007. In order to protect capital in the present volatile investment market the Directors of BCL have decided to take a conservative approach and keep all funds in safe and liquid investment vehicles. With the present low level of interest rates, this will lead to little in the way of investment income in 2008.

Geoffrey R Frith
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May 28, 2008

Auditors' Report

To the Shareholders of
Bermuda Container Line Ltd.

We have audited the consolidated balance sheet of **Bermuda Container Line Ltd.** as at December 31, 2007 and the consolidated statements of earnings and shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

PricewaterhouseCoopers

Chartered Accountants

A list of partners can be obtained from the above address.
PricewaterhouseCoopers refers to the members of the worldwide PricewaterhouseCoopers organization.

Bermuda Container Line Ltd.

Consolidated Balance Sheet

As at December 31, 2007

	2007 $	2006 $
Current assets		
Cash and cash equivalents	17,629,880	14,604,258
Accounts receivable	2,930,452	2,483,191
Prepaid expenses	400,214	268,790
	20,960,546	17,356,239
Marketable investments (note 3)	11,358,916	10,578,634
Property, plant and equipment (note 4)	4,531,558	6,288,397
	36,851,020	34,223,270
Current liabilities		
Accounts payable and accrued liabilities (note 7)	3,743,743	4,118,257
Dividend payable (note 11)	1,650,000	1,500,000
	5,393,743	5,618,257
Shareholders' equity		
Capital stock (note 6)	3,000,000	3,000,000
Share premium	175,000	175,000
Retained earnings		
Appropriated – reserve for new ship (note 8)	15,000,000	13,500,000
Unappropriated	12,978,692	11,721,794
Accumulated other comprehensive income (note 10)	303,585	208,219
	31,457,277	28,605,013
	36,851,020	34,223,270

Approved by the Board of Directors

Director

Director

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

Bermuda Container Line Ltd.

Consolidated Statement of Earnings

For the year ended December 31, 2007

	2007 $	2006 $
Revenues		
Freight revenue	34,704,872	33,686,675
Other revenue	1,409,928	1,521,292
	36,114,800	35,207,967
Expenses		
Stevedoring and cargo handling	16,869,695	16,898,248
General and administrative	6,625,573	6,754,044
Vessel related	5,197,891	4,278,151
Container and equipment	2,987,220	2,871,217
	31,680,379	30,801,658
Earnings before the undernoted	4,434,421	4,406,309
Gain on sale of subsidiary (note 4)	1,592,477	-
Net earnings for the year	6,026,898	4,406,309
Earnings per share (note 6)	$2.01	$1.47

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

Bermuda Container Line Ltd.

Consolidated Statement of Shareholders' Equity

For the year ended December 31, 2007

	Total $	Common stock and share premium $	Reserve for new ship $	Retained earnings $	Accumulated other comprehensive income $
Balance as of December 31, 2005	27,050,485	3,175,000	$12,000,000	11,875,485	-
Net earnings	4,406,309	-	-	4,406,309	-
Other comprehensive income					
Deferred gain on foreign currency transactions (note 10)	208,219	-	-	-	208,219
Comprehensive income	4,614,528	-	-	4,406,309	208,219
Dividends	(3,060,000)	-	-	(3,060,000)	-
Appropriation of retained earnings to reserve for new ship	-	-	1,500,000	(1,500,000)	-
Balance as of December 31, 2006	28,605,013	3,175,000	13,500,000	11,721,794	208,219
Net earnings	6,026,898	-	-	6,026,898	-
Other comprehensive income					
Deferred gain on foreign currency transactions (note 10)	95,366	-	-	-	95,366
Comprehensive income	6,122,264	-	-	6,026,898	95,366
Dividends	(3,270,000)	-	-	(3,270,000)	-
Appropriation of retained earnings to reserve for new ship	-	-	1,500,000	(1,500,000)	-
Balance as of December 31, 2007	31,457,277	3,175,000	15,000,000	12,978,692	303,585

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

Bermuda Container Line Ltd.

Consolidated Statement of Cash Flows

For the year ended December 31, 2007

	2007 $	2006 $
Cash flows from operating activities		
Net earnings for the year	6,026,898	4,406,309
Items not affecting cash flow		
Depreciation and amortization	1,344,545	1,508,892
Gain on sale of property, plant and equipment	(1,660,777)	(212,950)
Gain on sale of investments	-	(165,328)
Change in fair value of investments	(780,282)	(578,634)
Movement in current operating items		
Accounts receivable	(447,261)	(226,257)
Prepaid expenses	(131,424)	11,983
Accounts payable and accrued liabilities	(374,515)	550,748
	3,977,184	5,294,763
Cash flows for investing activities		
Purchase of marketable securities	-	(10,000,000)
Proceeds on disposition of marketable securities	-	7,876,900
Purchase of property, plant and equipment	(1,100,934)	(244,611)
Deposit on property, plant and equipment (note 4)	(409,272)	-
Proceeds on sale of property, plant and equipment	59,250	516,453
Proceeds on sale of subsidiary	3,524,028	-
Deferred gain on foreign currency transactions	95,366	27,305
	2,168,438	(1,823,953)
Cash flow from financing activity		
Dividends paid	(3,120,000)	(2,310,000)
Increase (decrease) in cash and cash equivalents	3,025,622	1,160,810
Cash and cash equivalents - Beginning of year	14,604,258	13,443,448
Cash and cash equivalents - End of year	17,629,880	14,604,258
Cash and cash equivalents comprise:		
Cash	8,470,142	4,088,307
Money market funds	9,157,738	10,515,951
	17,629,880	14,604,258
Supplemental cash flow information:		
Cash received during the year for interest	699,004	916,711

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

Notes to Consolidated Financial Statements

For the Year Ended December 31,2007

1. *Significant accounting policies*

These financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of income and expenses for the reporting period. Actual results could differ from those estimates. Outlined below are those policies which are considered to be significant:

(a) Consolidation of interests in subsidiaries

These financial statements include the accounts of Bermuda Container Line Ltd. ("the company") and its wholly-owned subsidiaries, Bermuda Container Line Netherlands B.V., a company incorporated in the Netherlands, Bermuda Shipping Company N.V., a company incorporated in the Netherlands Antilles, Bermuda Agencies, Ltd. ("BAL"), a company incorporated in New Jersey in the United States of America and Salem Associates Ltd. ("SAL"), a company incorporated in Bermuda.

(b) Proportionate consolidation of interest in joint venture

The company owns 50% of Somers Isles Shipping Ltd. ("SISL") which is a joint venture company. The company accounts for its investment in SISL using the proportionate consolidation method.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and investments in money market funds, which are included due to their liquid nature.

(d) Foreign currency transactions

Transactions denominated in foreign currencies are translated at rates of exchange in effect on the transaction dates. Year-end balances denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Gains or losses arising on translation are recorded in earnings for the year, except for monetary assets designated as a hedge as described below.

(e) Marketable Investments

Marketable investments consist of mutual funds carried at fair value, or quoted market value. Changes in fair value, both realized and unrealized, are included in net earnings.

(f) Depreciation

The M.V. Oleander is being depreciated over its estimated useful economic life of twenty years. Container equipment is being depreciated on the straight-line basis over five to fifteen years. All other property, plant and equipment are being depreciated on the straight-line basis over periods ranging from three to forty years.

(g) Hedging relationships

The company's risk management policy is to mitigate the impact of market risks to enable the company to plan its business with greater certainty. In particular, the company purchases foreign currency to manage exposure to fluctuations in foreign exchange based on established practices and parameters which are subject to the oversight of the Board of Directors.

The hedges are accounted for as cash flow hedges of future charter-hire payments. Monetary assets designated as a hedge are recorded at fair value and unrealized gains and losses are recorded in other comprehensive income until realized. Gains or losses in the value of the foreign currency amounts are recognized in earnings proportionately as the charter-hire payments are made. Realized and unrealized gains or losses associated with derivative instruments which have been terminated or cease to be effective are recognized in earnings in the period in which they have been terminated or cease to be effective.

(h) Voyage revenue and expenses

The company accounts for its voyage revenue and expenses using the completed voyage method.

2. *Adoption of new accounting standards and accounting developments*

The company elected to early adopt the following sections for the year beginning January 1, 2006:

(i) Financial Instruments – Recognition and Measurement, Section 3855

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented.

Effective January 1, 2006, the company's cash equivalents, temporary investments and investments in marketable securities have been classified as held for trading and will be recorded at fair value on the balance sheet. Changes in the fair value of these instruments will be reflected as a gain or loss in earnings.

All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. Transaction costs incurred to acquire financial instruments will be included in the underlying balance.

(ii) Hedges, Section 3865

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing AcG-13, "Hedging Relationships", and Section 1650, "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Effective January 1, 2006, the company reflected any deferred gain as other comprehensive income, by moving the deferred gain from liabilities to equity.

(iii) Comprehensive Income, Section 1530

This standard requires the presentation of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on certain investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized.

As at January 1, 2006, the estimated effect on the company's balance sheet of adopting these standards was an increase to marketable and retained earnings of $82,479, and reclassification of the deferred gain on foreign currency transactions to accumulated other comprehensive income of $180,914. As prescribed by GAAP, prior periods were not restated.

3. Marketable investments

The company's marketable investments comprise a range of mutual funds invested in a diversified portfolio of bonds, equities and alternative investments.

4. Property, plant and equipment

Property, plant and equipment comprise:

			2007	2006
	Cost $	Accumulated depreciation $	Net book value $	Net book value $
Vessel: M.V. Oleander	16,839,359	15,117,664	1,721,695	2,324,690
Container equipment	6,529,468	4,424,813	2,104,655	1,802,067
Land and buildings	364,920	146,314	218,606	2,071,033
Office and other equipment	1,346,607	1,269,277	77,330	90,607
Deposit on equipment	409,272	-	409,272	-
	25,489,625	20,958,068	4,531,558	6,288,397

Depreciation expense amounted to $1,344,545 (2006 - $1,508,892) for the year and is included in container and equipment costs and general and administrative expenses. Included in property, plant and equipment at the end of 2006 were assets held by a subsidiary that were not used in the active operations of the company. These assets had a net book value of $Nil (2006 - $1,860,587).

On January 3, 2007, a letter of intent was signed by SAL, to sell the above assets to a third party. The letter of intent proposed that SAL sell to the third party all issued and outstanding shares of its wholly owned subsidiary, Tilbury Road Associates, Inc. (TRA).

On October 7, 2007, the sale of these assets was completed. The final gross sale proceeds were $3,556,220. The net book value after the sale was $1,740,256, less expenses of $147,779, resulting in a net gain on sale of the TRA property of $1,592,477.

5. Investment in joint venture

Included in the financial statements of the company is its share of the assets, liabilities and net earnings of SISL as follows:

	2007 $	2006 $
Current assets	4,725,644	6,145,438
Long-term assets	900,265	861,267
Current liabilities	1,692,698	2,210,815
Revenue	7,164,804	6,574,098
Expenses	5,027,484	4,577,776
Net earnings	2,137,320	1,996,324
Cash flows from operating activities	2,343,181	2,022,190
Cash flows (used in) from investing activities	(64,480)	402,265

6. Capital stock

Capital stock comprises:

	2007 $	2006 $
Authorized, issued and fully paid		
3,000,000 shares of a par value of $1 each	3,000,000	3,000,000

7. Related party transactions

Container Ship Management Limited (CSM)
The company signed an agreement with CSM to manage the company and to provide agency services in Bermuda and the USA for a period of five years, effective January 1, 2007. The contract provides that CSM receives a commission of 11% (2006 - 6%) of gross freight revenue.

At December 31, 2007, a balance in accounts payable and accrued liabilities of $470,315 (2006 - $259,996) was payable to CSM. CSM also provides management services to the joint venture Somers Isles Shipping Ltd.

8. Reserve for new ship

During 2007, the Directors of the company earmarked a further $1,500,000 (2006 - $1,500,000) of retained earnings for the future likelihood of building a new ship. To date, the company has made no commitments nor signed any agreements for a new ship.

9. Commitments and contingent liability

Through its membership in the NYSA, and in accordance with its industry labour contract, the company makes contributions to a multi-employer pension plan. The company does not administer the plan, however, financial data made available by the NYSA, as at December 31, 2006, indicates the company's share of the pension plan's unfunded liability was approximately $1,654,844 (2005 - $1,961,418). This amount is payable to the NYSA should the company discontinue its membership.

The company has entered into a number of operating leases for container equipment and BAL has entered into an operating lease for the provision of office space, which expires August 31, 2017. Minimum rentals under these leases are as follows:

	Office space $	Container equipment $
2008	87,172	60,079
2009	89,984	50,297
2010	92,792	50,297
2011	95,608	50,297
2012	98,447	50,297
2013 – 2017	534,253	-
Total	998,256	261,267

On November 20, 2006, SISL entered into a new Charter-Hire agreement for a four year term with two one-year renewal periods at the option of the company. Minimum commitments under this agreement, including the two one-year renewal periods are as follows, presented at 50% of SISL's total commitments:

	€
2008	904,150
2009	912,500
2010	914,825
2011	940,650
2012	868,400
Total	4,540,525

10. Hedge of future foreign currency transactions

As mentioned in note 9, the joint venture SISL will have exposure to €4,540,525 over the remainder of the lease period and two one-year renewals periods, with year 2012 being the final year. In order to reduce the company's exposure to future fluctuations in the Euro, management of SISL made a decision to partially hedge the future charter-hire payments by purchasing Euros. Any unrealized gains and losses are included in other comprehensive income and proportionately realized into income as charter-hire payments are incurred. The unrealized exchange gain on the purchase of Euros at December 31, 2007 was $303,585 (2006 - $208,219), representing 50% of the joint venture SISL's deferred gain.

11. Dividend payable

The Board of directors of the company have declared a 55 cent per share special dividend payable to shareholders of record at February 7, 2008.

12. Financial instruments

The estimated fair values of the company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and dividend payable approximate their carrying values due to their short-term nature.

Five Years in Review

	2007	2006	2005	2004	2003
Revenue	**$36,114,800**	$35,207,967	$32,471,942	$32,399,599	$28,831,612
Net Earnings	**$6,026,898**	$4,406,309	$3,438,890	$3,631,789	$4,071,594
Dividends	**$3,270,000**	$3,060,000	$2,190,000	$2,880,000	$2,820,000
Shareholders' Equity at year end	**$31,457,277**	$28,605,013	$27,050,485	$25,801,595	$25,049,806
Total Assets at year end	**$36,851,020**	$34,223,270	$31,543,577	$30,623,750	$30,001,048
Per Share Amount: (3,000,000 common shares authorized and issued)					
Net Earnings	**$2.01**	$1.47	$1.15	$1.21	$1.36
Dividends	**$1.09**	$1.02	$0.73	$0.96	$0.94
Shareholders' Equity	**$10.49**	$9.53	$9.01	$8.60	$8.34
Share Price at year end	**$14.00**	$13.50	$14.50	$11.75	$10.00
New Jersey/Bermuda Service:					
Containers carried - Eastbound	**9,904**	10,411	9,747	10,240	9,633
Slots utilized for non-containerized cargo -					
Eastbound RO/RO	**2,958**	1,992	2,850	2,574	2,239
Number of Voyages	**51**	51	51	52	52
Average slots per voyage	**252**	243	247	246	228
Florida/Bermuda Service:					
Containers carried - Eastbound	**5,548**	5,192	5,095	5,013	4,385
Slots utilized for non-containerized cargo -					
Eastbound breakbulk	**616**	613	1,167	1,015	1,021
Number of Voyages	**35**	34	36	35	35
Average slots per voyage	**176**	171	174	172	154

Corporate Information

Board of Directors

John Bento
President
Five Star Ltd.

William J. Brewer
Retired—Shipping Executive

Wendall Brown
Chairman
BDC 2000 Ltd.

Cecil O. Durham, J.P.
Managing Director
Durham Accounting & Management Services

Roderick A. Ferguson III, MBA, J.P.
Chairman
Gorhams Ltd. & Purvis Ltd.

Jay Fiddick
Chief Financial Officer
Butterfield & Vallis

Nancy Gosling
President
Gosling Brothers Ltd.

Lars Knudsen
President
Viking Food Ltd.

Hon. Walter Lister, J.P., M.P.
President
Lister Insurance Co.

Reginald Minors, J.P.
President & CEO
Tools & Equipment (Unlimited) Ltd.

Fernance B. Perry, M.B.E., J.P.
President and CEO
Mayfair Ltd.

David A. J. White
Managing Director
Knick Knack Co. Ltd.

John H.K. White
Retired Business Executive

Officers:

John H.K. White -Chairman
Wendall Brown -Vice Chairman
Lars Knudsen -Vice Chairman
Fernance B. Perry -Vice Chairman
Geoffrey Frith -President and CEO
Robert S. Lewis -Vice President
Michael Ashford -Secretary

Auditors:

PricewaterhouseCoopers
Hamilton Bermuda

Corporate Office:

Bermuda Container Line Ltd.
Par La Ville Place
14 Par-la-Ville Road
Hamilton HM 08, Bermuda

P.O. Box HM 2266
Hamilton HM JX, Bermuda

Tel: (441)295-1624
Fax: (441)295-3781
www.bcl.bm

The Directors and Officers as a group have an interest in 981,040 common shares which represents 32.70% of authorized and issued share capital

There are no service contracts for Directors; they are elected at each Annual General Meeting of the company.

Managers/Bermuda Agents

Container Ship Management Ltd.
Par La Ville Place
14 Par-la-Ville Road
Hamilton HM 08, Bermuda

North American General Agents:

Bermuda Agencies Ltd.
One Gateway Center, Suite 2408
Newark, NJ 07102
USA

Agents - Canada

Montship Inc.
Offices in Toronto, Montreal and Halifax

Agents - USA

World Shipping Inc.
Offices in Chicago, Cincinnati, Cleveland and Detroit

Interocean Steamship
Corporate offices in San Francisco and Long Beach

Wightman Shipping Co., Inc.
Office in Philadelphia

Bermuda Container Line Ltd.
Par La Ville Place
14 Par-la-Ville Road
Hamilton HM 08, Bermuda

This Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Company. Although we believe our expectations are based on reasonable assumptions, any forward-looking statements, by their very nature, involve risks and uncertainties and may be influenced by factors that could cause actual outcomes and results to be materially different from those predicted. The forward-looking statements reflect knowledge and information available at the date of the preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. We identify the forward-looking statements by using the words 'anticipates', 'believes', 'expects', 'intends' and similar expressions in such statements. Nothing in this Annual Report should be construed as a profit forecast.