Sea Containers Ltd. Annual Report 1999

Sea Containers Ltd.

Front cover: The Amalfi Coast seen from a terrace of the Hotel Caruso in Ravello, Italy. Orient-Express Hotels acquired the Caruso in 1999 and will reconstruct the property during 2000-2001 with a view to re-opening in the spring of 2002. Capri and Paestum are nearby. Demand for luxury hotel accommodation on the Amalfi Coast greatly exceeds supply.

Contents

Sea Containers is a Bermuda company with operating headquarters (through subsidiaries) in London, England. It is owned primarily by U.S. shareholders and its common shares have been listed on the New York Stock Exchange (SCRA and SCRB) since 1974.

The Company engages in three main activities: passenger transport, marine container leasing and the leisure business. Passenger transport includes 100% ownership of Hoverspeed Ltd., cross-English Channel fast ferry operators, the Isle of Man Steam Packet Company, operators of fast and conventional ferry services to and from the Isle of Man, the Great North Eastern Railway, operators of train services between London and Scotland, and 50% ownership of Neptun Maritime Oyj whose subsidiary Silja Line operates fast and conventional ferry services in Scandinavia.

Marine container leasing is conducted primarily through GE SeaCo SRL, a Barbados company owned 50% by Sea Containers and 50% by GE Capital Corporation. GE SeaCo is the largest lessor of marine containers in the world with a fleet of 1.1 million units.

The leisure business is conducted through Orient-Express Hotels Ltd., also a Bermuda company, which is 100% owned by Sea Containers. Orient-Express Hotels owns and/or operates 35 leisure properties worldwide, including 26 hotels, six tourist trains, two restaurants and a river cruise ship. It also partly owns and manages PeruRail, the sole provider of rail services in central and southern Peru.

Sea Containers owns three ports in the United Kingdom, The Illustrated London News publishing group, fresh fruit plantations in Brazil and the Ivory Coast, marine container manufacturing facilities in the U.K. and U.S., a naval architects company and a business travel company, both based in the U.K. It engages in property development, primarily in the British Isles.

Financial highlights

	1999 $000	1998 $000	Change %
Revenue	**1,339,069**	1,266,533	5.7
Earnings before corporate and finance costs:			
Passenger transport operations	**69,486**	61,919	12.2
Leisure operations	**64,804**	49,465	31.0
Container operations	**61,639**	75,386	(18.2)
Other operations	**150**	76	97.4
Total	**196,079**	186,846	4.9
Net earnings	**61,652** *	58,684	5.1
Total assets at book value	**2,515,417**	2,314,455	8.7
Long-term obligations	**1,700,285**	1,510,278	12.6
	$	$	%
Net earnings per class A and class B common share			
- basic	**3.30***	3.34	(1.2)
- diluted	**3.27***	3.11	5.1
Cash dividends per class A common share	**1.10**	0.885	24.3
Cash dividends per class B common share	**0.9945**	0.8045	23.6

* Before cumulative effect of change in accounting principle.

Directors and Officers

Back row, left to right:

Robert M. Riggs
Member of Carter, Ledyard & Milburn (attorneys)

John D. Campbell
Senior Counsel of Appleby Spurling & Kempe (attorneys)

Philip J.R. Schlee
Chairman of Robert Anderson & Co. Ltd. (a private investment firm)

W. Murray Grindrod
Chairman of Grindrod Unicorn Group Ltd. (a shipping and transportation company)

Front row, left to right:

Charles N.C. Sherwood
Partner of Schroder Ventures (a private equity investment firm)

James B. Sherwood
President of the Company

Ian Hilton
Private investor

Michael J.L. Stracey
Executive Vice President (retired) and Consultant to the Company

Officers *other than the President*

Back row, left to right:

James G. Struthers *Vice President, Controller*

Stephen O. Whittam *Vice President, Management Information Systems*

Michael V. Scawn *Vice President, Funding*

Robert S. Ward *Senior Vice President, Containers*

Simon M.C. Sherwood *Senior Vice President, Leisure*

James A. Beveridge *Vice President, Administration and Property*

Christopher W.M. Garnett *Vice President, Rail*

Nicholas J. Novasic *Vice President, Funding, North America*

Front row, left to right:

Edwin S. Hetherington *Vice President, General Counsel and Secretary*

Daniel J. O'Sullivan *Senior Vice President, Finance and Chief Financial Officer*

David G. Benson *Senior Vice President, Passenger Transport*

Regional Managers

Franco delle Piane
Regional Manager, Mediterranean

Chresten A. Bjerrum
Regional Manager, Asia

Ian Routledge
Regional Manager, Australasia

Robin Lynch
Regional Manager, North America

Toby G. Grey
Regional Manager, South America


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President’s letter to shareholders

May 1, 2000

Dear Shareholder,

1999 was a year of continued improvement in the underlying net earnings of your company. Net income excluding the effect of a compulsory accounting rule change was up 12% to $60.6 million (diluted net earnings per common share before accounting rule change were up 5% to $3.27).

This excellent result was achieved despite increased fuel prices in the second half of the year which adversely impacted net earnings by about $6 million, higher interest costs on our floating rate debt, a higher than normal cancellation rate of ferry and train services in the fourth quarter due to weather, and loss of duty free sales in the second half of the year on a few ferry routes. As I write this letter, fuel prices have come down by $10 per barrel from their peak.

I would like to confine my remarks this year to an overview of the main business units.

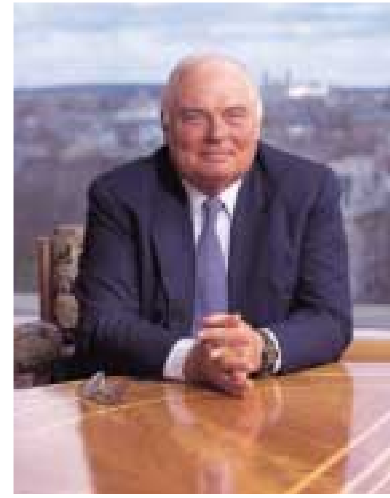
Fast ferry operations (excluding Silja Line, the Isle of Man Steam Packet Company, cargo ships and ports).

We suffered losses on our start-up Belfast, Northern Ireland to Troon, Scotland route in 1999 due to intense competition from operators to the much less desirable port of Stranraer in Scotland, 50 miles to the south. Nonetheless, the customers voted with their feet and supported the Troon service. Our competitors lost money as well. We think a much more stable pricing environment will prevail this year and we have been able to cut costs significantly. We also suffered losses on Gothenburg/ Frederikshavn when duty free sales stopped and our competitor did not increase rates to compensate. Again, we think a more stable pricing environment will prevail in 2000 and we have deployed a smaller, less costly ship on the route, handed sales and marketing to Silja which has an excellent transport brand name in Sweden, and we will operate twice a week from Gothenburg to Norway where duty free sales are still permitted.

Our English Channel operations prospered in 1999 despite the loss of duty free sales. We operate six vessels on four cross-Channel routes and were particularly pleased to have completed a successful first year on the Newhaven/Dieppe route. We acquired Holyman’s interest in our joint venture Dover/Ostend ferry service and their two vessels as a result of the Lang Corporation’s acquisition of Holyman.

In 2000 we will deploy one SuperSeaCat between Helsinki, Finland and Tallinn, Estonia marketed by Silja Line, and we intend to commence a joint venture service with a SeaCat on the Ancona, Italy to Split, Croatia route together with Mediterranean Shipping Company. Besides being the owner of SNAV, the largest fast ferry operator in southern Italy, Mediterranean Shipping is the world’s fourth largest containership operator and a valued major customer for GE SeaCo’s leased containers.

Our Liverpool, England to Dublin, Ireland SuperSeaCat route (formerly a duty free sales route) has been altered in 2000 to provide one round trip sailing per day at the peak period followed by one round trip sailing on Liverpool/Isle of Man (the latter was never a duty free sales route).



James B. Sherwood
President and Founder

Left: The colorful Cusco/Machu Picchu narrow gauge railway runs through Peru’s Urubamba River Valley. Other than by hiking four days the train is the only practical way of visiting the spectacular Machu Picchu Inca Sanctuary.

The Southern and Southeastern railways of Peru were acquired in 1999 by a joint venture between Orient-Express Hotels and Peruval. They are managed by Orient-Express Hotels under the brand PeruRail. Another joint venture between Orient-Express Hotels and Peruval leases the Monasterio Hotel in Cusco and the Machu Picchu Sanctuary Lodge in the national park at Machu Picchu. Orient-Express Hotels also manages these properties.

Charleston Marine Containers Inc. in Charleston, South Carolina manufactures specialized containers for the U.S. military forces, chassis (shown here) for over-the-road carriage of containers in the U.S. and small production run non-standard units of many different types. The factory incurred heavy start-up costs in 1999 which had immediately to be expensed as a result of an accounting rule change, but the facility is expected to be profitable in 2000 and subsequent years.

Our New York fast ferry commuter services are straining to accommodate demand and two more ships are now under construction in New England, which we will long term time charter in order to meet this demand and open a new route.

We expect greatly improved results from these ferry operations in 2000 and future years.

Isle of Man Steam Packet Company. This business continues to generate increased profits year on year. Freight volumes have been rising in step with the increased economic growth on the Isle of Man and we have been able to take more passengers away from air because of our speedy and comfortable fast ferry services.

Neptun Maritime (Silja Line). Our strategy with this investment has been to build on the improvements started before our purchase of 51% of the company (1% subsequently sold to Gotland Steamship which shares our views). Both Finland and Sweden are very conservative countries and we see the main opportunity coming from a change of attitude towards the business. The Finnish trade unions, in particular, are resistant to change and hotel services staff aboard Finnish flag vessels get paid twice what shore based hotel staff are paid and base wages are significantly higher than those paid in nearby countries such as Estonia and Poland. We are trying to build a dialogue with the trade unions which will result in keeping Silja always on a competitive footing, realizing that competition is not only with other cruise ferry companies but with overseas air holidays as well. We and Silja are currently considering other ferry investments in the Baltic which will strengthen profits in the region. In 2002 we will be considering the acquisition of 100% of Neptun Maritime.

Ports. We own the ports of Folkestone, Newhaven and Heysham, as well as a large tract of port land near Harwich, all in Britain. These investments performed well in 1999 and we are in negotiation to sell Newhaven and the land at Harwich in 2000 at satisfactory prices.

Marine Container Leasing. 1999 was a tough year for this activity with operating profits down $13.8 million from 1998 to $61.6 million. This downturn was caused primarily by lease renewals at lower rates, positioning expense of idle containers from surplus to demand areas and heavy storage costs related to stocks in surplus locations. Demand for new containers at satisfactory rates was good in 1999 and continues so in 2000. GE SeaCo purchased $114 million of new containers in 1999 and Sea Containers separately purchased $12 million for finance leases and leases to customers in countries where GE Capital Corporation. does not conduct business. GE SeaCo will purchase at least $100 million of new containers in 2000 and Sea Containers may acquire up to a further $50 million on its own.

Utilization of refrigerated containers greatly improved in the high season northern hemisphere winter 1999-2000 and demand for standard dry cargo containers did not decline in 2000's first quarter as normal and has increased in the second quarter. Rates are hardening and movements of containerized cargoes are increasing. Far East and European

economies are strengthening. From the second quarter of 2000 we expect to see quarter by quarter improved earnings. Start-up losses in connection with our Charleston container factory (supplying containers to the U.S. military and domestic chassis) had to be expensed in 1999 under the new accounting rules. We expect to report a profit from the factory in 2000.

Leisure. Orient-Express Hotels had an excellent year, increasing its operating profits by $15.3 million or 31% over 1998 to $64.8 million. We have pointed out before that this activity is based on buying unique properties with physical expansion potential, at reasonable prices. We are not interested in city center hotels where not a single room will ever be added because of physical constraints, nor are we interested in hotels which compete merely on rate with a multitude of other properties, nor are we interested in hotels which have already maximized their pricing potential. With exceptions, we prefer to participate in new-build projects as a manager with fees from the outset because of the long time span between conception and profitability. We always retain a right of first refusal to buy managed properties and interestingly in 1998 and 2000 we bought properties which we managed from time of construction.

We have a large program of internal growth planned: 40 new suites at La Samanna on our development land, a new wing for the Windsor Court in New Orleans, a new wing for the Hotel Cipriani in Venice, a health spa at Reid's Palace in Madeira, additional banqueting rooms at '21' Club, doubling of rooms at the Inn at Perry Cabin in St. Michael's and Keswick at Monticello, rebuild and enlargement of the Hotel Caruso in Ravello, a new wing at the Lapa Palace in Lisbon, development of La Cabana restaurant in Buenos Aires and construction of a new wing of 150 rooms in the Copacabana Palace in Rio de Janeiro.

We are committed to Peru, which we feel is the most interesting tourist destination in South America. There our joint ventures have a long term concession to operate the Southern and South-eastern Railways and own the two best tourist hotels. We expect to bring the beautiful 1926 lake steamer *Ollanta* back into operation on Lake Titicaca later this year and to improve passenger rail services for tourists, not only on the highly profitable Cusco/Machu Picchu line but also on Cusco/Lake Titicaca and Lake Titicaca/Arequipa which must be the most spectacular rail journey in the world (a ten

SuperSeaCat Four enters historic Tallinn in Estonia on her maiden voyage from Helsinki, Finland. Silja was forced to withdraw a conventional ferry from the route in 1999 because Finnish crew costs were uncompetitive with Estonian costs. The new fast ferry is operated by Sea Containers with mixed nationality manning, although the service is marketed by Silja Line.

hour daylight trip crossing a summit of 15,000 feet).

Our British tourist train service is so oversubscribed that we have had to acquire and restore a second train, the Northern Belle, to meet demand. Our cruise ship on the Irrawaddy River in Burma has bookings for 2000 well ahead of 1999 (when we experienced low water levels in our peak season) and the opening of the new international airport in Mandalay where our ship is based, combined with a direct daily air service to Bangkok, should increase profitability of this operation.

In 1999 Orient-Express Hotels' operating profits exceeded those of rival Four Seasons and were 50% higher than Mandarin Oriental, so we think the time is opportune to float the company. New shares in the company would be sold to raise capital and pay off intercompany debt owed to Sea Containers. A spin-off of Sea Containers' holding in Orient-Express Hotels to Sea Containers' existing shareholders is not excluded but this can only happen when our investment advisors say the market price of Orient-Express Hotels shares would not be significantly affected by doing so. We would also have to be satisfied that the spin-off would not be taxable to our shareholders, they would have to approve the transaction and bank lenders would have to consent in cases where their approval is required.

Neptun Maritime's pure cruise ship *Leeward* was chartered to Star Cruises of Singapore in 1999. This 1,200 passenger ship will serve the Japanese market and is on a three year charter. Neptun Maritime's other pure cruise vessel, the *Walrus*, is based in Hong Kong and operates overnight gaming cruises. It is on a four year charter and can accommodate 620 passengers.

Property. Our land holdings near Harwich and our port lands come under this activity, as well as our residential house construction program in the south of England where house prices have soared. So do our plantations in the Ivory Coast and northeast Brazil. We have achieved a major breakthrough in table grape production in Brazil, and are now growing the first tasty seedless white and red grapes in the region. This development is so important that ultimately it could challenge the Chilean and South African supremacy in southern hemisphere seedless table grape production. Those countries can only produce one crop a year in a defined time period while in northeast Brazil we can produce $2^1/2$ crops per year from the same vines, targeted to meet the highest price windows in the European market.

We have submitted a zoning application to build the largest office building in the Isle of Man on our existing property. We are in the planning stage for three new parkway stations for GNER which will be subject to our obtaining a new 20 year franchise which is currently under negotiation.

GNER. While PeruRail is managed by our Leisure Division, GNER comes under our Passenger Transport Division. GNER had a subsidy reduction of $33 million in 1999 and its earnings declined by $1.4 million from 1998. In 2000 the subsidy reduction will only be $21 million, setting the stage for an improved result. Two Eurostar trains are being

GNER has leased two Eurostar high speed trains for operation on the London to York, England route, which should be extended to Newcastle when cleared by the safety authorities. These trains will enable GNER to increase its daily departures in 2000 from 112 to 125. The train sets will be returned to their owners when GNER acquires new tilting trains in 2004 subject to winning a new franchise which is currently under negotiation with Britain's Strategic Rail Authority. In 1999 GNER carried 14.7 million passengers (1998 14.2 million).

introduced in 2000 to alleviate the serious overcrowding which is now prevalent on many services.

I know that our shareholders are anxious to know the outcome of the new GNER franchise as soon as possible, however, I must make the point that this is the first franchise to be renewed by the new Strategic Rail Authority in Britain and they are naturally proceeding cautiously. Virgin Trains has lodged an alternative plan which would cost $10 billion versus our $3 billion, yet not provide any more services or capacity to and from London where 72% of our passengers travel. Our $3 billion plan would be funded through natural growth while Virgin's plan would have to be funded largely through government subsidy.

Other issues, such as Virgin's poor record in running its own trains plus giving it control over all Scotland/England rail services make us feel that our proposal will win favor over theirs. We will be upgrading train speeds from the current 125 miles per hour to 140 miles per hour within 10 years when the track authority makes physical changes to allow us to do so. Virgin would only operate at a higher speed on a 120 mile section of new track (it is 400 miles from London to Edinburgh) which they propose to own separately from the track authority.

Finance. In 1999 we sold $115 million of 10.75% p.a. unsecured senior notes which were swapped into euros at 7.75% p.a. to fund the purchase of the shares in Neptun Maritime (Silja). The bond market has deteriorated since then, making the interest cost of new issues prohibitive. We have been making limited open market purchases of our earlier debt issues. We think at the present time that sale of shares in Orient-Express Hotels would be the most cost effective way to fund capital needs for expansion. Cash flow should greatly improve in our passenger transport, property and container businesses for the reasons indicated above. We are in the midst of refinancing Silja with a consortium of banks. GE SeaCo funds its new container purchases with bank debt which is guaranteed half by GE Capital Corporation and half by ourselves.

Outlook. Our share price of late has been disappointing despite a healthy dividend payout and our plans for the Orient-Express Hotels flotation. For investors seeking longer term appreciation we think our shares represent excellent value.

Our 14,000 employees are to be congratulated for their efforts in achieving fine results in 1999 despite the challenges, all of which we took in stride.

Sincerely,

J B Sherwood

James B. Sherwood President

Silja Line's Turku/Stockholm ships cross every day at Mariehamn, Åland at 1pm. Shown here are the *Silja Europa* (left) out of Stockholm bound for Turku, Finland and *Silja Festival* (right) out of Turku bound for Stockholm, Sweden. Ships calling the Åland Islands are permitted to sell duty free merchandise, although such sales are now prohibited on other intra-European Union routes by legislation which came into force on July 1, 1999.


LINE

New ticket office opened in 1999 at Kings Cross Station, London. GNER is embarked upon a program to rebuild ticket offices at all key stations and to provide new first class lounges. Part of its plan for the new rail franchise is to provide elevators at all stations, escalators at key stations and new platform paving. Car parking will be expanded at all stations north of London. GNER leases and manages 12 stations out of 50 in its network from Railtrack, the track authority. GNER's longer term goal is to manage all the major stations in its network so it can deliver a standardized quality product.

Vice President's analysis:

Passenger Transport

David G. Benson
Senior Vice President,
Passenger Transport

Great North Eastern Railway
Silja Line
The Isle of Man Steam Packet Company
Hoverspeed
SeaStreak
Ports of Heysham, Newhaven and Folkestone
Cargo ships
Hart, Fenton & Co.

Ferry operations. Duty free sales between countries within the European Union ceased at the end of June 1999, although sales continue on Silja ships calling at the Åland Islands between Finland and Sweden and on services between Finland and Estonia. The ferry industry has been adjusting to the loss of this important source of revenue by increasing prices. 1999 average yields for Hoverspeed traffic increased by 60% for cars and 31% for foot passengers compared with 1998. Attention has also switched to the sale of liquor, wine, beer and tobacco at French duty paid prices. Sales of these items by Hoverspeed are currently $1.5 million per month. Passengers can now buy much larger quantities of these goods than previously but the margin to Hoverspeed is lower, and foot passengers have reduced their travel frequency.

Hoverspeed carried 3.5 million passengers in 1999 (1998 3.9 million) and 722,000 vehicles (1998 710,000). *SuperSeaCat Two* was introduced on the Newhaven/Dieppe route during April 1999. Total revenue from Hoverspeed including retail sales was $110 million (1998 $111 million).

On the Irish Sea, new routes were started between Belfast, Northern Ireland to Troon in Scotland and between Belfast and the Sea Containers' owned port of Heysham, England. These routes offer reduced total journey times for Scotland/Northern Ireland and England/Northern Ireland motorists. These new routes together with sailings on Belfast/Stranraer carried 486,000 passengers (1998 403,000) and 137,000 vehicles (1998 108,000). Belfast/Stranraer SeaCat services and the conventional ferry service from Ballycastle to Campbelltown have now ceased. Revenue from all these routes totalled $23.5 million (1998 $16.9 million).

SuperSeaCat Three continued in service between Liverpool, England and Dublin, Ireland and carried 264,000 passengers (1998 308,000) and 49,000 vehicles (1998 56,000). Revenue totalled $17.3 million (1998 $17.7 million).

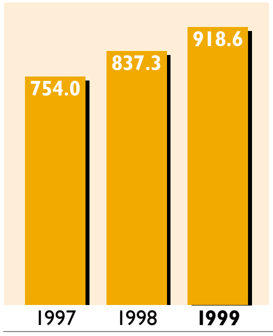
The Isle of Man Steam Packet Company continued to expand. Total revenue increased to $53.3 million from $51.2 million with passenger carryings up to 557,000 from 502,000 in 1998 and cars, motorcycles and coaches up to 148,000 from 140,000 in the previous year. Freight meterage shipped was 355,000 (1998 326,000).

SeaStreak, our New York commuter ferry service acquired in January 1999, carried 374,000 passengers for revenue totalling $5.1 million in the 11 months under our operation.

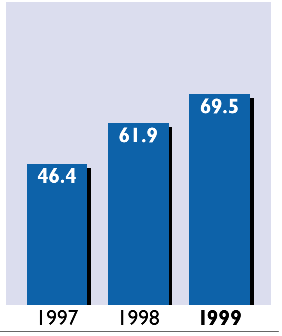
Our Gothenburg/Frederikshavn SuperSeaCat operation carried 490,000 passengers (1998 615,000) and 106,000 vehicles (1998 110,000) with the revenue falling to $20.5 million from $27.5 million in 1998, reflecting the adverse impact of the loss of duty free sales.

Sea Containers has held 50% of the listed company Neptun Maritime since the second quarter of 1999. Neptun's business is to offer high-quality passenger and cargo transport primarily in the Baltic Sea area. A fifty-year

Divisional revenue
$millions



Divisional operating income
$millions



SuperSeaCat One enters the port of Newhaven on Britain's south coast. The boat marina immediately to the left of the harbor entrance was re-acquired from the lessee in 1999 and is now being enlarged and improved. The port has considerable development potential and several interested parties have expressed interest in buying it. Sea Containers has said it will sell at a profit or will develop the port itself. A sale, if consummated, would likely take place in 2000.

long, continual development of the concept of combination tonnage, with high standard passenger cabins, excellent public areas and large car decks in the same hull, forms the framework of operations today and in the future.

Silja Line, the leading passenger shipping company in the Baltic Sea, accounts for 95 per cent of Neptun's sales. Silja Line's renowned brand, built up over a long period through purposeful investment in quality in a wide sense, is based on five values, which permeate the group's activities. These values are: safety - the customer - commitment - quality - profitability.

Other operations include two chartered out pure cruise ships which will be sold when the opportunity arises. A third cruise ship was sold for net book value in late 1999.

In 1999 Silja Line carried 5.5 million passengers (1998 5.8 million), 308,000 cars (1998 347,000) and 118,000 freight units (1998 123,000). Declines were due to reduced volumes on the Gulf of Bothnia service, which in turn were a consequence of loss of duty free sales in the second half of the year. Gross revenue for Neptun Maritime was $573 million (1998 $658 million), of which $546 million (1998 $603 million) was from Silja Line.

Cargo ships. One of our two remaining container ships, the *Puerto Cortes*, is on charter trading Far East/Arabian Gulf and the other, *Boxer Captain Cook*, is being recommissioned and should be in service in the same region by mid May 2000. Three small ro-ro ferries are currently laid up pending disposal or long term charter work.

Ports. Revenue at Heysham was $13.5 million (1998 $12.8 million). Following the departure of our ferry tenant in January 1999, revenue at Newhaven declined to $4.3 million (1998 $7.7 million including lease termination payments). Revenue at Folkestone totalled $2.3 million (1998 $2.7 million).

GNER. During 1999 GNER carried 14.7 million passengers and produced total revenue of $605 million from its highly intensive service of 112 train

Below: The port of Heysham on the west coast of England connects the industrial heartland of England with Ireland. Both the Republic of Ireland's and Northern Ireland's economies have been growing rapidly and cargo volumes through the port have increased as a result. In 1999 Sea Containers opened a new fast ferry service between Belfast and Heysham and it was an instant success.

departures per day. Over 90% of the fleet was in daily operation. This high level of service was achieved with improved punctuality which by the end of the year had risen to 89.3% of all trains arriving within 10 minutes. With an average journey time for a GNER train of 180 minutes, this is a major achievement.

During 1999 the significant investment program in stations resulted in the opening of the new first class lounges at London Kings Cross, Edinburgh, Newcastle, Berwick upon Tweed, Darlington and Doncaster along with new ticket offices at London Kings Cross and Edinburgh. These improved facilities have been well received by passengers and have drawn much favorable comment by the press.

GNER has received further recognition for the high quality of its customer service, being awarded the U.K. Rail Industry Innovation Award for Customer Service.

1999 saw a major increase in catering revenue on trains as a result of further improvements in the quality and range of food being sold to passengers and the full effect of electronic point of sale systems providing accurate information on sales trends and margins. Average passenger spend has increased 15%.

2000 started successfully with further improvements in train punctuality which is now at 90.1%. At the end of May 2000 GNER will increase its number of services from 112 per day to 125 services per day as a result of leasing two Eurostar sets to be operated between London Kings Cross and York. These trains were originally designed to operate between the U.K. and Paris, France.

David G. Benson Senior Vice President

Below: When the Lang Corp. in Australia acquired Holyman Ltd. in 1999 they wished to exit the ferry business so Sea Containers acquired their 50% shareholding in Hoverspeed-Holyman for a nominal amount and bought the two fast ferries which operate the Dover, England to Ostend, Belgium service. Although duty free sales were stopped between Britain and France and Belgium from July 1, 1999, neither France nor Belgium imposes excise taxes as does the U.K., so VAT paid goods purchased in these countries are priced the same as duty free goods were before. The ferry companies have had to increase ticket prices to compensate for loss of profit margin on duty free sales but despite this extra cost it is still of substantial economic benefit for British residents to travel to France and Belgium to shop.

Vice President's analysis:

Leisure

The leisure group had an excellent year, generating operating profits of $64.8 million, up 31% from $49.5 million in 1998. This was fuelled partly by new acquisitions but also from improved performance by our existing businesses. On a same store basis, operating profits increased by 20% on the back of a 7% increase in rooms revenue measured in local currency (the U.S. dollar REVPAR figure is somewhat misleading as a significant portion of our revenue is in currencies that weakened relative to the dollar). Occupancy decreased slightly as we had fewer rooms available in 1998 due to several refurbishment projects.

Profits at our Italian properties were up 14% continuing the pattern of steady growth. In September 1999 we acquired the historic Hotel Caruso in Ravello, Italy, perched above the town center with stunning views over the Amalfi Coast. This famous property has fallen into disrepair, but once refurbished, will complement perfectly the Cipriani, Splendido and Villa San Michele.

1999 was the first full year of ownership of the Lapa Palace, Lisbon and Hotel Quinta do Lago in the Algarve. Both turned in solid results, as did our other Portuguese hotel, Reid's Palace in Madeira. We believe that these Portuguese properties have tremendous potential and our priority is to enlarge them, especially the Lapa Palace where work has already started on 15 extra keys.

North America generates our highest regional return on investment but our growth in the area was hampered for several years as prices were inflated by buying activity of real estate investment trusts. In 1999, this activity died down allowing us to purchase Keswick Hall at Monticello, Virginia and the Inn at Perry Cabin at St. Michaels, Maryland at reasonable prices. We hope to double the size of each property by 2002.

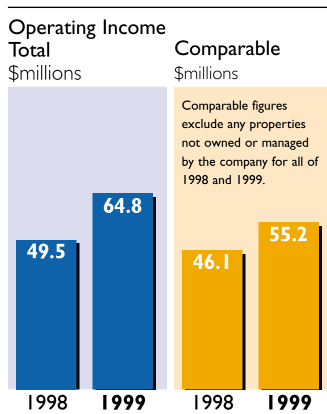
Business in Latin America moved ahead with profitability of the Copacabana Palace in Rio up 20% over 1998. The Brazilian real devalued 56% during 1999 which is giving another boost to profits as operating costs are lower in U.S. dollars whereas dollar based rates are holding up well.

In the last annual report, we announced our Peruvian hotel joint venture, which brought us the Hotel Monasterio in Cusco and the Machu Picchu Sanctuary Lodge, located beside the famous ruins. We were able to build on this investment in September 1999 with another joint venture (also 50/50) which won a long-term concession to operate most of the Peruvian railways. This serves both passenger and freight traffic, but most significantly, includes the profitable tourist train services from Cusco to Machu Picchu. In 1999, we received $2.5 million in profit share and fees from our Peruvian ventures. We expect this to more than double in 2000, our first full year of operation.

Simon M.C. Sherwood
Senior Vice President,
Leisure

Orient-Express Hotels
Restaurants
Tourist trains
River cruising

Left: Lilianfels Hotel at Katoomba, Blue Mountains, about 1 hr. 30 minutes drive west of Sydney, Australia. Within easy walking distance of the famous "Three Sisters" rock formation and enjoying spectacular views over Australia's "Grand Canyon", the hotel has 86 rooms and is managed together with the Observatory Hotel in downtown Sydney.



Hotel Statistics Hotels represent over 85% of total leisure assets.

	Total		Comparable	
	1999	1998	**1999**	1998
Occupancy	**66.1%**	67.8%	**65.4%**	67.6%
ADR*	**256.24**	262.89	**267.72**	264.02
REVPAR+	**169.43**	178.32	**175.08**	178.48

*ADR = Average Daily Rate (for accommodation only)
+ REVPAR = Revenue Per Available Room (the rooms department revenue divided by the number of lettable hotel rooms for each night of operation)

Left: The Northern Belle is Orient-Express Hotels' second tourist train in Britain. Demand for the British Pullman has reached such a level that it was decided to concentrate its itineraries in the south and west, while the new train will operate north of London.

Southern Africa offset some of these achievements. The market remained weak and we actually lost ground versus 1998. Our biggest challenge was The Westcliff, Johannesburg, which suffered a loss of $1.1 million. The good news is that business is picking up and occupancy in the first quarter of 2000 was twice that of the first quarter of 1999.

The other major disappointment was the *Road to Mandalay* river cruiser in Myanmar. Early in 1999, the water level of the river fell to such an extent that the ship could not operate the normal itinerary, which seriously affected the popularity of the cruise. In 2000, with the river now navigable, business should recover and bookings are already 33% ahead of last year.

Right: The entrance of the Observatory Hotel in Sydney, Australia. Orient-Express Hotels has managed this hotel since it was built in 1993 and recently the opportunity arose to buy it. The hotel is located just under the Sydney Observatory in the popular "Rocks" area, yet is within easy walking distance of the commercial center of Sydney.

Our luxury trains business continues to develop well, especially the British Pullman and Venice Simplon-Orient-Express in Europe. We are getting a lot of interest in our new Northern Belle train which we will launch in May. All this progress is encouraging as the luxury trains are so important in establishing and

Left: Keswick Hall at Monticello, near Charlottesville, Virginia was acquired in 1999 by Orient-Express Hotels. This property includes a spectacular Arnold Palmer 18 hole golf course and a 600 acre estate which can be developed into home lots. There are nearly half a million visitors a year to Thomas Jefferson's home, Monticello, and the nearby University of Virginia whose core buildings were designed by Jefferson attracts many others for sports and cultural events.

promoting the Orient-Express Hotels brand and image.

In March 2000, we acquired The Observatory Hotel in Sydney (96 keys) and Lilianfels (86 keys) in the Blue Mountains, Australia. Orient-Express Hotels has managed The Observatory Hotel for many years and the contract had provisions which helped us secure the property at an attractive price. Both hotels are expected to have a strong 2000 as Sydney hosts the Olympic Games. Longer term, the outlook is good as tourism to Australia is growing steadily and the hotels have been purchased at well below replacement cost.

Overall, 1999 was a memorable year. Not only was it a record year, with profits up over 30%, but we also acquired six new properties. Over the last five years, Orient-Express Hotels has more than doubled in size and operating profits have grown at a compound annual growth rate of 39%. Given the potential of our recent acquisitions, there seems plenty of scope for further growth.

Simon M.C. Sherwood Senior Vice President

Above: The Inn at Perry Cabin in St. Michael's, Maryland was acquired in 1999. This quaint 41 room resort is in great demand for business groups weekdays and for tourists at weekends. It is within easy driving distance of Washington, D.C., Baltimore and Philadelphia. Haunt of the famous Blue Crab and other Chesapeake Bay seafood delicacies, St. Michael's, established in the 1650s has become an increasingly popular short break destination. The hotel sits on 25 acres and Orient-Express Hotels plans to double the number of rooms.

GEseaco
GEseaco
ENG KONG

Vice President's analysis:

Containers

In the second half of 1999 new container prices started to rise and by the end of 2000 are expected to be more than 15% higher than they were in the middle of 1999, strengthening the value of our existing fleet. Sensible curtailment of production by Chinese container manufacturers – who control the vast majority of the world's capacity – is restoring the balance between supply and demand. International container trade is increasing fast. The main Asian economies have largely recovered their losses of 1998 and demand for all standard dry cargo types is extremely strong throughout the region. We are now seeing an increasingly better balance of trade in Europe and although imbalances remain between the USA and particularly the Far East, our aggressive positioning program is keeping this under control.

All this is good news for us. Our older fleet is gaining utilization rapidly. Rate pressures have reduced and leases are being renegotiated at existing and often better rates. Rates for new equipment have risen by percentages greater than the rise in container prices and interest rates.

We, and our partners in GE SeaCo, have embarked on a controlled program of disposal of older units from surplus locations which will in itself increase utilization and reduce costs. A steady tightening up of return quantities allowed to our lessees in low demand locations is gradually restoring a better shape to our business.

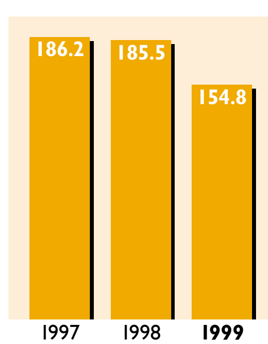
Demand for new containers, particularly for 20ft. standard and 40ft. high cube dry cargo and 40ft. high cube refrigerated units is very high. We concluded our largest lease since the inception of GE SeaCo with the supply to a major world carrier of 2,000 40ft. high cube refrigerated containers late in 1999. We are pleased that we have participated fully in the leasing requirements of a major new Far Eastern shipping line. All our new purchases are being placed on good term leases, usually five years but sometimes longer, and our investment program for 2000 is on target and might be exceeded.

We have also noted a considerable revival in demand for 20ft. refrigerated containers and are buying new units of this length for the first time for some years. In particular the 20ft. refrigerated unit, as well as being the dominant factor in the large Australasian market, is coming into greater and greater use in the fast growing intra Asian trades.

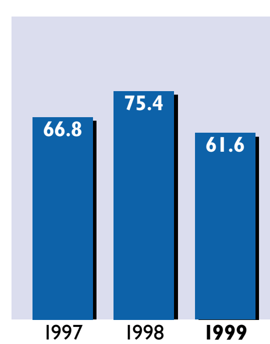
I foresee a very healthy business for the refrigerated container in the future. The latest large containerships under construction are installing huge capacity for its carriage and taking an increasing share of this trade from conventional break bulk vessels.

Our patented SeaCell, a unit which, while still compatible with all forms of intermodal transport, has extra cubic and pallet carrying capacity, continues to make inroads. Whole trades, such as that between Spain

Divisional revenue
$millions



Divisional operating income
$millions



Robert S.Ward
Senior Vice President,
Containers

GE SeaCo
Container manufacturing
Container depots

Left: GE SeaCo tank containers about to be loaded aboard a vessel in the port of Singapore. GE SeaCo's fleet numbered 1.1 million units at the end of 1999, making it the largest operating lease lessor in the world. The Asian financial crisis in 1998 had an adverse impact on the marine container business in 1999 but with Asian economies now recovering and U.S. and European imports rising, demand for containers has increased. GE SeaCo's tank container fleet surpassed 5,000 units at the end of 1999, representing an initial investment of more than $100 million. Many of GE SeaCo's tanks are manufactured by Yorkshire Marine Containers Ltd., one of Sea Containers' factories in the U.K.

Tri-Con containers manufactured for the U.S. Marine Corps at Charleston Marine Containers Inc., Sea Containers' factory in the old U.S. Navy Yard in Charleston, South Carolina. These containers as well as the Quad-Con unit for the U.S. Army are used for the carriage of ammunition. Charleston Marine Containers received in 1999 an order for 34,000 Quad-Cons which will keep one line busy for the next five years.

and its island possessions and Australia and New Zealand are converting to SeaCell, and of increasing interest are the very considerable interplant movements of the automobile industry who largely palletize CKD parts. Our first major contract, using up to 1,500 40ft. units, is now underway for such movements.

Tank container leasing continues to grow and our fleet now numbers over 5,000 units - a 25% growth over last year. As well as buying low priced new units in volume in 1999, we bought and leased back over 200 tanks to a major U.S. mining company who will also lease a further 250 units replacing those of other lessors. This contract also entails us managing their tank fleet for a fee and gives us first option on the rest of their substantial standard container leasing. This sector of the business is increasingly turning towards lessor management in which we expect to participate in the future in full measure.

Another growth sector of our business is the European swapbody business. Swapbodies are designed to compete with road trailers and come in various sizes. We are lucky to have entered this business in volume somewhat late in the day and we have been able to learn from some of the mistakes of the past. In particular, all our units, unlike the bulk of the rest of the total European fleet, can be stacked unladen and laden. We have avoided inappropriate sizes and a number of patented features, designed by our Yorkshire Marine Containers subsidiary, are incorporated into many of them.

Yorkshire Marine Containers itself had a year of full production, supplying both GE SeaCo and numerous other customers with a wide variety of specialized types. They were particularly active in the waste container business, selling our proprietary SeaDeck flatracks to our leasing customers – who then lease their further requirements from us – and selling swapbodies to a variety of customers.

Our Charleston factory, CMCI, is now full with one line producing Quad-Con containers for the U.S. Military – a contract which is expected to occupy the line for five years - and the second making container chassis for a shipping line. The shortage of chassis manufacturing capacity in the U.S. bodes well for the future of this line and Sea Containers expects to enter the chassis leasing market in 2000 with units built at CMCI. A third line has now been opened for the production of a wide variety of specialized units. The factory is now moving into profit and we expect a good future for it.

Our six container depots performed well above budget in 1999. Particularly pleasing were the results in Santos, Brazil and from our refrigerated container servicing operations in Australia.

The GE SeaCo and Sea Containers separately owned marine container fleets at December 31, 1999 totalled 1,104,000 20ft. equivalent units (December 31, 1998 1,135,000 units) and utilization of the operating fleets was 80% (76%).

I am looking at 2000 as a considerably better year than 1999.

Robert S. Ward Senior Vice President

The SeaCell container is a GE SeaCo proprietary design. It is a standard dry cargo unit which has an extra 40 cubic feet of cargo space in the 20ft. version and 80 cubic feet more in the 40ft. unit, compared with traditional containers. This extra capacity has been achieved by redesign of the side walls. Important car manufacturers have recently dictated the use of the SeaCell for their interplant parts shipments. The SeaCell is gradually penetrating markets which up until now have been served by traditional dry cargo units. Ship operators naturally do not wish to see their existing containers made obsolete so market penetration will be gradual but inexorable.

Vice President's analysis:

Property, Publishing and Plantations

James A. Beveridge
Vice President,
Administration and Property

Plantations
Property development
Publishing
Corporate relations
Fairways & Swinford travel

My division comprises fruit farming in the tropics, property management and development, publishing, corporate public relations and a travel agency.

The development of our table grape plantation in northeast Brazil is progressing on schedule. 160 acres are supplying the seeded Italia variety of grapes, twice a year for northern Europe. The grapes reach Europe at the two times in the year when no other grape producing area has product available. An additional 110 acres have been prepared for expansion with all wires and trellising in place. We are in the process of planting seedless grapes in this area with the first commercial crops anticipated in 2001. The newly constructed packing station and cold storage rooms significantly improved the quality of grapes arriving in the European market during the last export season. Production is 2000 tons annually and increasing.

Our 750 acre banana plantation in the Ivory Coast continues to trade well with good export prices being achieved in the European market. There was a military coup in the country towards the end of 1999 and an interim military government installed. Thankfully it is not causing any interruption to business in the country. There is still no final resolution of the European Union banana regime with the World Trade Organization expected to issue a final statement within three months.

The housing market in the United Kingdom was buoyant throughout 1999 and remains very strong in the southeast of England. In this area, property price increases of between 15%-20% were reported over the last 12 months. Our Bradford on Avon development has now sold out at excellent prices. During the year we began construction on our new site at Tortington Manor, Arundel in southern England. The sales office for the first phase has just opened with very encouraging results. The development has virtually uninterrupted views over the historic Arundel Castle. During the summer we will begin construction of 64 town houses and apartments on the West Quay of our port at Newhaven and improve part of the port infrastructure. We are, however, in discussions to sell Newhaven. We are also negotiating the sale of the land we still own adjacent to the port of Harwich in eastern England.

Below right: A new packing and refrigeration center was opened in 1999 at the Brasiluvas table grape plantation in northeast Brazil. Traditionally, only seeded grapes have come from the San Francisco Valley but Sea Containers has now developed several successful seedless varieties which are currently being grafted on to root stock. It is possible to harvest 2½ crops per year from the same vines in the San Francisco Valley due to year round constant growing conditions, allowing production to be carefully targeted to important European market "windows".

In the Isle of Man, we have recently submitted a planning application for the largest commercial office development on the island. If approval is granted we will construct c. 190,000 square feet of net lettable space which will be partly occupied by the Isle of Man Steam Packet Company. The building will greatly enhance the shoreline of the island. In Houston, Texas, we continue to sell plots of land adjacent to our container depot to owner occupiers and "built to suit" developers. We have 54 acres of land remaining. We will continue to manage Sea Containers House, London (our subsidiaries occupy about 20% of the building) until 2011.

The corporate travel business is going through a period where commissions are being squeezed. As a result, our Fairways and Swinford travel agency experienced a profits decline in 1999.

Our publishing business moved into profit in 1999. 18 titles are now produced mainly allied to our principal businesses although we do publish for others under contract. The publishing unit also produces this annual report and other group print items at significantly less cost than using third parties.

James A. Beveridge Vice President

Above: Construction started in 1999 on the Tortington residential property development near Arundel near Britain's south coast. A recent government survey revealed that human longevity in Britain was greatest in Arundel, which should stimulate demand for homes in this area. Home prices in the south of England have risen by 17% in 1999 over 1998.

Left: The Illustrated London News publishes 18 travel, lifestyle and other magazines, many for business units within the Sea Containers group of companies. It also provides print and photo library support to the group.

Daniel J. O'Sullivan
Senior Vice President,
Finance and
Chief Financial Officer

Corporate finance
Information systems
Insurance

Vice President's analysis:

Finance

Cash flow from operations in 1999 was $110.6 million of which $42.2 million was invested in capital expenditure (net of finance including $110.6 million net proceeds from the issue of 10¾% senior notes used to finance our 50% shareholding in Silja Line), $53.9 million repaid on long-term debt and $21 million paid in dividends on common and preferred shares, leaving a deficit of $6.5 million which was covered by the issuance of common shares of $1.7 million and the use of working capital loans.

Cash on the balance sheet at December 31, 1999 was $103.8 million with additional undrawn bank facilities of $72 million.

On the financing side, the Company issued $115 million principal amount of unsecured 7 year 10¾% senior notes in October 1999. As the proceeds were used to fund our investment in Neptun Maritime which is a euro-based operation, we swapped these notes into euros which had the effect of reducing our interest cost to 7.75%. The bond market has deteriorated since this issue so that current interest rates would be substantially higher.

New long-term bank debt of $144 million was issued in 1999 of which $77 million was used to finance passenger transport division assets, including two new SuperSeaCats, and $55 million to finance the acquisition of new hotels and the refurbishment of existing ones.

Under the terms of the Company's loan facilities the most restrictive covenants are the leverage and interest coverage tests. At December 31, 1999 we had the ability to borrow under the covenants a further $275 million. Bank finance has largely been arranged for the capital expenditure planned in 2000 including the purchase of two Australian hotels for $40 million and two Hoverspeed fast ferries for $51 million in March. Neptun Maritime is close to completing a bank refinancing of its vessels which will reduce debt repayments by $145 million over the next three years. Container purchases are made principally through GE SeaCo, the 50% owned joint venture company with GE Capital Corporation. Such purchases are currently financed by bank debt in GE SeaCo which is guaranteed 50% by each parent company and it is anticipated an additional securitized facility will be put in place during 2000.

Currently, the Company has debt of $450 million in euros on which interest rates are approximately 2½% per annum lower than on dollar denominated debt. The book value of euro assets totalled $500 million at December 31, 1999. The Company's interest cost averaged 7% in 1999 on total debt outstanding during the year.

Depending on market conditions and other factors, the Company believes an issue of common shares in Orient-Express Hotels Ltd., the Bermuda based holding company for the leisure division assets, may be an effective means of raising capital for further expansion. The Company is also considering a spin-off of the shares in Orient-Express Hotels Ltd. to Sea Containers shareholders but this would not happen for at least six months after the common share issue. The spin-off would be subject to being tax free to our shareholders and obtaining shareholder and bank lender approvals.
A substantial amount of the equity raised would be retained by the Company which wishes to see that its current bond ratings are maintained.

The Company's tax charge in 1999 of $5 million primarily related to the leisure division since most of our hotels operate in high tax jurisdictions. Our passenger transport division profits are mainly taxable in the United Kingdom, where, although a high tax jurisdiction, we still have available tax shelter which has kept taxes to a minimum.

The significant effort of our management information systems department led by Steve Whittam, continued in 1999 to make our systems year 2000 compliant and as a result, no disruption of business was experienced at or after the Millennium.

The GE SeaCo joint venture had its first calendar year of operation and successfully dealt with 558,000 container movements and the U.K. ferries systems processed more than 1,200,000 bookings.

GNER successfully introduced an efficient on-train point of sales system during the year and web-based applications to conduct e-commerce and to provide information have been introduced in all our businesses in 1999. The latter will be greatly enhanced and expanded during 2000.

Our London based insurance department added the newly acquired hotel and passenger transport assets in 1999 to our Company-wide policies which we believe continue to provide maximum cover at the minimum cost.

D O'Sullivan

Daniel J. O'Sullivan Senior Vice President

(From top to bottom) *Ben my Chree*, *SeaCat Isle of Man* and *Lady of Mann*, all ships of the Isle of Man Steam Packet Company in the port of Douglas, Isle of Man. Sea Containers has applied for permission to build a six storey, 220,000 sq. ft. office building at the head of the pier to the right of the photo (not shown). The Isle of Man is becoming an increasingly important offshore financial center. The new building will serve as the headquarters of the Steam Packet Company although a majority of the space would be leased out to others.

Financial Review

Form 10-K

This report contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. These include statements regarding earnings growth, capital expenditure and investment plans and similar matters that are not historical facts. Such statements are based on management's current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Factors that may cause such a difference include, but are not limited to, those mentioned in the report, customer demand and competitive considerations, inability to increase prices or reduce costs, seasonality and adverse weather conditions, variable fuel prices, changes in new container prices from manufacturers, shifting patterns of world trade, the effects of cessation of duty free shopping privileges in the European Union, uncertainty of achieving a GNER franchise replacement and acceptability of proposed terms, uncertainty of completing proposed purchase or sale transactions, obtaining zoning or other regulatory approvals neccessary for construction, interest rate and currency value fluctuations, changes in new service and ship deployment plans and in investment and capital expenditure proposals or their terms, adequate sources of capital and acceptability of finance terms, global and regional economic conditions, potentially unstable relations with labor unions, and legislative, regulatory and political developments. Additional information regarding these and other factors is included in the company's reports filed with the U.S. Securities and Exchange Commission including the 1999 Form 10-K annual report beginning on page 31 of this report.

Contents

Securities and Exchange Commission, Washington, D.C. 20549

FORM 10-K*

(Mark One)

(X) Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended **December 31, 1999**
or
( ) 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 1-7560

Sea Containers Ltd.

(Exact name of registrant as specified in its charter)

BERMUDA	98-0038412
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

41 CEDAR AVENUE, P.O. BOX HM 1179
HAMILTON HM EX, BERMUDA
(Address of principal executive offices)
Registrant's telephone number, including area code: (441) 295-2244

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
9½% Senior Notes Due 2003	New York Stock Exchange
10½% Senior Notes Due 2003	New York Stock Exchange
12½% Senior Subordinated Debentures Due 2004, Series A and B	New York Stock Exchange
Class A and Class B Common Shares, $0.01 par value each	New York Stock Exchange Pacific Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None.

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (Not applicable. See Preliminary Notes on page 1.)

As of March 15, 2000, 16,725,118 Class A common shares and 14,678,325 Class B common shares of Sea Containers Ltd. were outstanding (including 12,900,500 Class B shares owned by subsidiaries (see Note 14(e) to the Financial Statements (Item 8)), and the aggregate market value of the Class A and B common shares held by non-affiliates was approximately $400,000,000.

DOCUMENTS INCORPORATED BY REFERENCE: None.*

* Items 11, 12 and 13, portions of Items 10 and 14, the Exhibits and the Financial Statement Schedule have been included in full in the registrant's Form 10-K report filed with the Securities and Exchange Commission, and are omitted from this copy of the Form 10-K although information comparable to that omitted from Items 10, 11, 12 and 13 is included in the registrant's Proxy Statement for the 2000 annual general meeting. A copy of the Form 10-K as filed with the Securities and Exchange Commission is available on the website of Sea Containers Ltd. (www.seacontainers.com) or upon request to Sea Containers America Inc., 1155 Avenue of the Americas, New York, New York 10036 (telephone +212-302-5066, fax +212-302-5073).

Preliminary Notes: Sea Containers Ltd. is incorporated in the Islands of Bermuda and is a "foreign private issuer" as defined in Rule 3b-4 under the Securities Exchange Act of 1934 (the "1934 Act") and in Rule 405 under the Securities Act of 1933. As a result, it is eligible to file this annual report pursuant to Section 13 of the 1934 Act on Form 20-F (in lieu of Form 10-K) and to file its interim reports on Form 6-K (in lieu of Forms 10-Q and 8-K). However, Sea Containers Ltd. elects to file its annual and interim reports on Forms 10-K, 10-Q and 8-K.

As a foreign private issuer, Sea Containers Ltd. is not required to make its Commission filings electronically under Regulation S-T (specifically Rule 601), nor does it do so. Its filings, therefore, are not available on the Commission's internet website, although recent ones are available on the company's website (www.seacontainers.com).

Pursuant to Rule 3a12-3 regarding foreign private issuers, the proxy solicitations of Sea Containers Ltd. are not subject to the disclosure and procedural requirements of Regulation 14A under the 1934 Act, and transactions in its equity securities by its officers and directors are exempt from Section 16 of the 1934 Act.

Forward-looking statements concerning the operations, performance, financial condition, plans and prospects of Sea Containers Ltd. and its subsidiaries are based on management's current expectations and are subject to various risks and uncertainties. Actual results could differ materially from those anticipated in the statements due to a number of factors, including those described in Item 1 - Business, Item 7 - Management's Discussion and Analysis, Item 7A - Quantitative and Qualitative Disclosures about Market Risk, and Item 12 - Security Ownership of Certain Beneficial Owners and Management below and substantially repeated in Exhibit 99(b) to this report.

Part I

Item 1. **Business**

Sea Containers Ltd. (the "Company") and its subsidiaries (collectively with the Company referred to as "SCL") are engaged in three main businesses. The first is passenger transport mainly involving passenger and vehicle ferry services in the English Channel, Irish Sea and (through its Neptun Maritime Oyj investment) the northern Baltic Sea, operation of three ports in Great Britain, and passenger rail services in Britain between London and Scotland. The second is ownership and/or management of 22 hotels and resort properties located in the United States, the Caribbean, Europe, southern Africa, Brazil, Peru, Australia and the South Pacific, six tourist trains in Europe, Southeast Asia, Australia and Peru, a river cruiseship in Burma (Myanmar), and two restaurants in London and New York. The third is the leasing of cargo containers, principally through SCL's GE SeaCo SRL joint venture, to a diversified customer base of liner ship operators and others throughout the world, and the manufacture and repair of container equipment. In addition, SCL engages in property development, perishable commodity production and trading, and publishing.

Revenue, operating earnings and identifiable assets of SCL in 1997, 1998 and 1999 for its business segments and (to the extent possible) for its geographic areas are presented in Note 18 to the Financial Statements (Item 8 below).

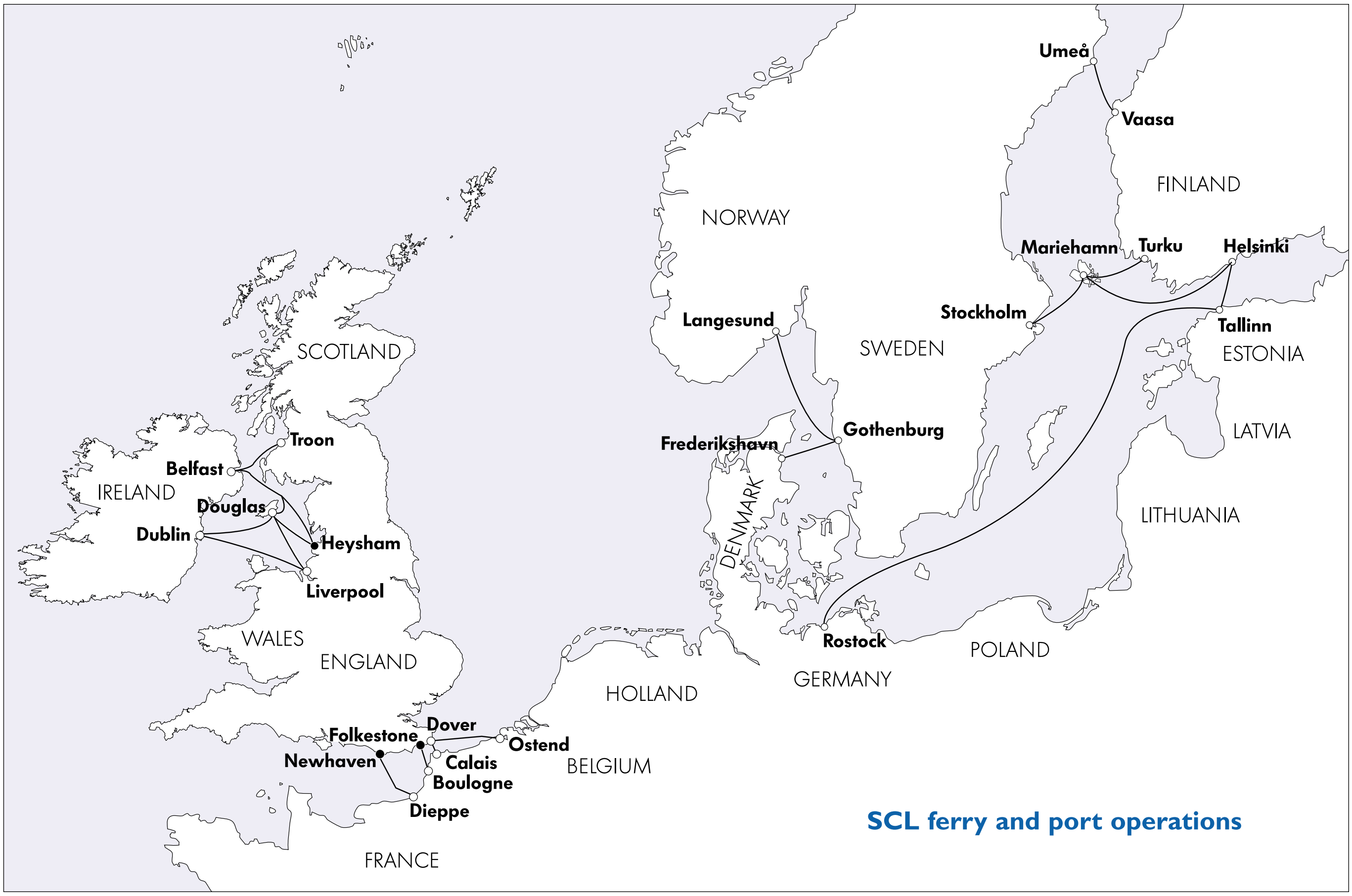
SCL employed a total of approximately 10,400 persons in its various activities at December 31, 1999, plus another 3,400 persons by Neptun Maritime Oyj, GE SeaCo SRL and their respective subsidiaries.

Passenger Transport

SCL provides passenger transport services principally in and around Great Britain and Scandinavia. It operates seagoing ferries between mainland Britain and France, Belgium, Ireland and the Isle of Man, between Sweden, Denmark and Norway and, through its 50% investment in Neptun Maritime, in the northern Baltic Sea. It also owns a small commuter ferry company operating in New York harbor, and owns three ports in Britain. In addition, SCL operates high-speed passenger train services in Britain between London and Scotland, and engages to a limited degree in ship chartering and other shipowning activities.

Ferry and Port Operations

SCL's present ferry and port operations in Europe and Scandinavia are shown on the map on the following page. These primarily involve the deployment of roll-on, roll-off ("ro-ro") vessels carrying passengers and accompanied vehicles (cars, buses and trucks) and the provision of catering, retail and other services both on board and in the terminals. SCL transports cars, small buses and light trucks on nearly all of its routes and heavier freight traffic on some of them. Linkspans at the ports connect to the ships and allow drive-through loading and unloading, while the amphibious hovercraft load and unload on land. Passengers travel with their vehicles or on foot, some connecting by rail or bus service. The New York ferries transport only passengers. In 1999, SCL operated on a total of 23 routes with 28 vessels and hovercraft,



SCL ferry and port operations

and collectively transported approximately nine million passengers and 1.5 million vehicles. Two minor routes have been discontinued in 2000.

Fast Ferries

Most of SCL's ferries travel at high speed, often double the operating speed of conventional ferries. SCL's oldest fast ferries are two hovercraft built in 1968. These are designed on aviation principles and powered by engines driving both overhead propulsion propellers and lift fans mounted underneath. They ride on a cushion of air above the water at an operating speed of about 50 knots and, being amphibious, land on a concrete pad area in front of the terminals. Each hovercraft carries up to 380 passengers and 55 cars or other light vehicles. Passengers sit in cabins configured like airplanes and are attended by cabin staff.

SCL owns five 74-meter-high-speed catamarans called "SeaCats" built in 1990 and 1991 and charters in two larger 81-meter SeaCats built in 1996. These seven vessels are similar to conventional catamarans except that the hulls are designed to pierce the waves, rather than ride over them, and operate at normal speeds of about 35 knots. Each of the five smaller ones carries between 430 and 580 passengers and 80 to 90 cars, while the two larger ones carry up to 650 passengers and 150 cars. They feature spacious passenger areas, shopping on board, an aft passenger deck and lounge with buffet serving light meals, and an observation deck behind the bridge. The SeaCats have relatively low capital cost, operate with fuel efficient waterjets and require smaller crews compared to conventional ferries of similar capacity.

SCL also owns four 100-meter monohull fast ferries built in 1997 and 1999. Each transports up to 700 passengers and 160 cars at an operating speed of 38 knots propelled by steering waterjets. Because of their larger size and capacity, the ships are called "SuperSeaCats" and have more extensive passenger seating on two decks, a business class lounge, separate shops and larger food service and bar areas than the SeaCats.

English Channel Services

Through its Hoverspeed Ltd. subsidiary ("Hoverspeed"), SCL operates its two hovercraft and a SeaCat on the shortest routes to France across the English Channel, from Dover to Calais and from Folkestone to Boulogne. Frequency ranges from 16 round trips daily in the summer to six round trips daily in the winter on the Dover-Calais route, and four round trips daily on the Folkestone-Boulogne route except in the winter when service is suspended. Crossings take 35 to 55 minutes compared to approximately 75 to 100 minutes for the conventional ferry competition.

In April 1999, Hoverspeed introduced a seasonal SuperSeaCat service between Newhaven in England and Dieppe, France. The ship makes one to three daily round trips in a crossing time of two hours.

Hoverspeed provides a fast ferry service between Dover and Ostend, Belgium, which was owned until July 1999 by a joint venture in which SCL had a 50% interest. Effective July 1, SCL acquired the 50% interest it did not own. See Note 2(a) to the Financial Statements. The service uses the two larger SeaCats which are chartered in from Holyman Ltd. of Australia, the former joint venture partner, but which SCL plans to purchase in April 2000. Between three and seven daily round trips operate with a crossing time of two hours.

Hoverspeed has exclusive use of its seven terminals. Most of these offer passengers extensive shopping, restaurants and bars and other travel amenities. SCL owns the ports of Folkestone and Newhaven while the terminals in Dover, Calais, Boulogne, Dieppe and Ostend are either leased from the local port authority or occupied under operating agreements.

Irish Sea Services

SCL's principal ferry operation in the Irish Sea is its Isle of Man Steam Packet Co. Ltd. subsidiary ("IOMSPC") serving Douglas on the Isle of Man from four locations in Britain and Ireland. These are a twice daily ferry service between Douglas and Heysham in England, with sailings from Douglas to Liverpool on the weekends and all week long in the spring and summer, and seasonal ferry services up to four times per week from Douglas to Belfast and Dublin during the spring and summer. The transit times on the most frequent routes, Douglas-Heysham and Douglas-Liverpool, are about four hours with a conventional ferry and two and a half hours by fast ferry. Transit times to Ireland are similar.

IOMSPC employs on its routes a SeaCat, a SuperSeaCat and two conventional vessels owned by IOMSPC. The latter two are a multipurpose ferry built in 1998 carrying up to 500 passengers and 1,200 lane-meters of cars and ro-ro freight, and a passenger and car ferry built in 1976 carrying 900 passengers and 135 cars. These are larger vessels in terms of deadweight capacity than SCL's fast ferries, and offer cabins with sleeping berths and more extensive bar/cafeteria and shopping areas. IOMSPC also owns a freight vessel built in 1971 carrying 42 ro-ro vehicles.

IOMSPC occupies its berths in Douglas under a long-term user agreement with the Isle of Man government. This agreement allows IOMSPC to be the exclusive ferry operator to the Isle of Man, in return for a limitation on fare increases at a rate below inflation and undertakings by IOMSPC to provide minimum service levels and to spend certain minimum amounts on ship improvements and sales and marketing. IOMSPC contracts for port access in Liverpool, Belfast and Dublin with the local port authorities, while Heysham is a port owned by SCL.

Elsewhere in the Irish Sea, SCL operates IOMSPC's SuperSeaCat directly between Liverpool and Dublin on a daily round trip service with a crossing time of under four hours. SCL also operates a SeaCat between Belfast and Troon, Scotland (near Glasgow), on three daily round trips, and a SuperSeaCat between Belfast and Heysham on one or two daily round trips. The Belfast-Troon crossing time is about two and a half hours and Belfast-Heysham under four hours. The berths and terminal facilities for these other Irish Sea services are leased from the local port authorities (except Heysham) and are either used exclusively at Troon or shared with IOMSPC at Liverpool, Dublin and Belfast. Until early 2000, SCL also operated a SeaCat between Belfast and Stranraer, Scotland, but management has decided to concentrate SCL's northern Irish Sea services out of Belfast to Troon and Heysham.

Through 1999, SCL operated a seasonal ferry service between Campbeltown, Scotland, and Ballycastle, Northern Ireland, using a small conventional ferry built in 1978 having capacity of 300 passengers and 50 cars. With a crossing time of under three hours, two daily round trips from May through October each year were provided. Because the service was not sufficiently profitable, however, SCL has suspended it in 2000 and plans to dispose of the ship.

Baltic Sea Services

In 1999, SCL acquired 50% of the shares in Neptun Maritime Oyj, a Finnish public company listed on the Helsinki Exchanges that, through its "Silja Line" subsidiary, operates a fleet of eight large conventional multipurpose passenger and freight ferries in the northern Baltic Sea. See Note 2(b) to the Financial Statements.

Four of the Silja Line ships are deployed on routes from Helsinki and Turku, Finland, to Stockholm, Sweden, making one or two round trips every 48 hours; one operates between Helsinki and Tallinn, Estonia, making one daily round trip (with the ship continuing on a 48-hour round trip three times a week to Rostock, Germany, in the summer); and one operates between Vaasa, Finland, and Umea, Sweden, making one or two daily round trips. These six vessels are all spacious, high-quality ferries built or substantially upgraded in the early 1990s to cruiseship standards with passenger capacity of 1,600 to 3,100 persons and ro-ro freight capacity of 470 to 900 lane-meters. Passenger amenities altogether include over 60 restaurants and bars ranging from self-service cafeterias and pubs to gourmet restaurants, wine bars and night clubs, nearly 30 shops from specialized boutiques to duty-free supermarkets, 4,600 cabins from comfortable single bedrooms to luxury suites, and extensive business meeting and conference facilities. Duty-free shopping is available on all but the Vaasa-Umea route.

In addition, Silja Line deploys two ro-ro freight ships, built in the 1970s, between Turku and Stockholm. These have limited passenger accommodation and carry up to 850 and 1,100 lane-meters of freight including rail cars.

In April 2000, SCL plans to introduce a SuperSeaCat on the Helsinki-Tallinn route making three or four daily round trips. The service will be marketed and sold under the Silja Line name.

Of Silja Line's eight conventional ships, seven are owned and one is chartered-in with a purchase option. A ninth ferry is laid up pending sale. Neptun Maritime also owns two modern medium-sized cruiseships, built in the early 1990s with passenger capacity of 620 and 1,200, that are chartered out to third parties. A third 920-passenger cruiseship was sold in January 2000. Silja Line owns its terminal at Turku and leases the terminals at the other ports it serves.

Sweden-Denmark-Norway Services

Under the Silja Line name, SCL operates a SeaCat service between Gothenburg, Sweden, and Frederikshavn, Denmark, across the Kattegat Strait in the spring and summer, with two or three round trips most days of the week. SCL owns the terminal building in Frederikshavn and has leased terminal facilities in Gothenburg. The crossing takes less than two hours compared with the transit time of more than three hours by conventional ferry. Two departures each week also go from Gothenburg across the Skagerrak Strait to Langesund, Norway, a four-hour crossing which is popular with duty-free shoppers because Norway is outside the European Union.

New York Harbor Services

Early in 1999, SCL acquired a commuter ferry business, renamed "SeaStreak", serving three routes across New York harbor to a public pier in lower Manhattan from two locations near Sandy Hook, New Jersey, and from the Brooklyn Army Terminal. Two high-speed passenger-only catamarans built in 1989 and 1990 transport up to 300 passengers on the Manhattan-New Jersey routes, with a crossing time of 45 minutes, while the Manhattan-Brooklyn service uses a smaller, high-speed monohull craft built in 1980 carrying up to 150 passengers on a short 15-minute ride. SeaStreak charters in its three vessels under long-term charter-parties and plans to charter in two additional new ships in late 2000 to expand its services. It owns one of its New Jersey berths and leases the other one and its Brooklyn berth, at all of which there is extensive car parking space for commuters. Between rush hours and on weekends, SeaStreak operates special excursions and private charters with the vessels.

Port Operations

In addition to the third-party owned ports in Britain from which SCL's ferry services operate, SCL owns three ports located at Newhaven and Folkestone on the English Channel and Heysham on the Irish Sea, providing berthing, traffic handling, warehousing, storage and ancillary port facilities. They have multiple ship berths for both oceangoing and smaller vessels, passenger and freight terminal buildings and freight/vehicle standing areas, and are fitted with ship-to-shore linkspans. Industrial buildings at Newhaven and Heysham are leased to third parties. All three ports have good connections to the main road and rail networks in Britain.

About three-quarters of port operations revenue in 1999 derived from shipping, stevedoring and handling charges paid by IOMSPC and three freight operators at Heysham, by Hoverspeed and one freight operator at Folkestone, and by Hoverspeed at Newhaven, with other customers accounting for the balance of revenue. Altogether, these ports occupy approximately 350 acres of land. See "Other SCL Activities" below regarding possible development of surplus land.

Sales and Marketing

Ferry fares vary depending on the route, type of traffic, degree of competition and seasonality of demand. For fast ferry services, SCL generally seeks to charge at least a small premium over competing conventional ferry operators. The cheapest fares usually apply during seasonally low operating periods to encourage demand. Special promotional fares are available throughout the year on certain sailings even during peak travel periods. Fares are not government regulated, except in the case of IOMSPC as noted under "Irish Sea Services" above. Both SCL and Silja Line maintain computerized yield management systems to try to maximize revenue on each sailing based on existing bookings, planned capacity and forecast demand.

Tickets for passengers and cars are sold through local sales offices, by telephone and mail order, via some of the services' internet websites, at the ports, through commercial travel agents and at certain railway stations. SCL's and Silja Line's marketing staff work closely with sales agents, bus and rail operators, hotel groups, tour operators and government tourist authorities to promote their ferry services. Annual brochures distributed widely in the local travel industry describe the services, schedules, fares and inclusive holiday packages. Hoverspeed and Silja Line also offer frequent traveler programs to encourage repeat customer loyalty.

Promotional activities consist principally of local television, radio and print advertising. Each of the ferry services (other than SeaStreak) targets motorist traffic, and foot passengers connecting by train or bus service. Compared to conventional ferry operators, SCL projects the benefits of its fast ferries offering high speed, frequent departures, fast connection times, exclusive terminal facilities, and superior customer care at booking, check-in and on board. On routes where SCL's fast ferries compete directly with conventional ferries, SCL has established market share in part by creating new demand in the form of day trips and business travel by sea. Silja Line emphasizes the mini-cruise atmosphere of its sailings during which passengers enjoy shopping, restaurants, entertainment and hotel services, including passengers on board attending one-or two-day business conferences at sea.

IOMSPC's and Silja Line's freight services are marketed through their own sales personnel who regularly call on major customers. These are principally trucking companies and freight forwarders which transport goods door-to-door. Most sales are on a volume discount basis. Silja Line transports rail cars through a joint venture, in which it has a one-third interest, with the state-owned railways in Finland and Sweden.

Competition

The ferry industry is highly competitive. Hoverspeed competes with five conventional ferry companies between southern Britain and the European Continent, two of which cross the Dover Strait, and also with Eurotunnel under the English Channel. There are five competing ferry operators between Britain and Ireland, including three running fast ferries, and six competing ferry operators between Sweden, Denmark and Norway, including three with fast ferries. A bridge and tunnel link between Malmo in southern Sweden and Copenhagen, Denmark, is scheduled to open in the latter part of 2000 and may provide additional competition for SCL's passenger car traffic on its Gothenburg-Frederikshavn route. SeaStreak competes with another commuter ferry service from New Jersey to Manhattan as well as road and rail commuter services, and Silja Line competes presently with six ferry companies in the northern Baltic Sea. IOMSPC is the only ferry service to the Isle of Man, although it competes with other freight carriers. SCL's high-speed car ferries, short routes and crossing times and superior customer service, and Silja Line's modern ships and the high quality and variety of its on-board services, are important factors in this competitive environment. Airlines compete for passenger traffic on the longer routes.

Certain Trading Factors

SCL owns 15 of its ferry ships and hovercraft, most of which are financed under mortgage loans or lease financings. See Notes 5 and 7 to the Financial Statements. Five others are chartered in. Neptun Maritime owns 11 of its ships and charters in one. The ships and craft are maintained in good condition in compliance with regulatory requirements, operated in compliance with applicable safety/environmental laws and regulations, and insured against usual risks for such amounts as management deems adequate. Their operating certificates and licenses are renewed periodically during each vessel's required annual survey. The operation of ships at sea carries an inherent risk of accidents, however, and the consequences of these may exceed the insurance coverage in place or result in a fall in passenger volume because of a possible adverse impact on the public's perception of ferry safety.

Recent regulations of the International Maritime Organization and other government authorities impose improved stability requirements on existing conventional ro-ro passenger ferries operating in North Europe and Scandinavia in case water floods the vehicle deck. These do not apply to SCL's hovercraft, in which the car decks are not integral to their stability, while the SeaCats, SuperSeaCats, IOMSPC's newer conventional ferry and all but one of Silja Line's ferries are in compliance. The regulations will, however, require SCL's other conventional ferries and one of Silja Line's owned ferries to be modified by 2001 to bring them into compliance or be replaced. SCL does not expect the net capital expenditure for this purpose will be material. There can be no assurance, however, that future governmental mandates will not obligate SCL or Silja Line to incur large capital cost either to modify its vessels or replace them.

Retail sales to passengers of wine, spirits, perfume, tobacco and other products are an important component of ferry revenue on many of SCL's routes. Until mid-1999, sales to travelers between European Union countries were on a duty-free basis, but the legislation permitting duty-free sales expired on July 1. Since then, in an effort to compensate for lower sales volume and profits on its affected routes, SCL offers duty-paid shopping for many goods which should remain attractive to passengers because local prices and taxes differ greatly in various European countries, and has raised fares to the extent competition allowed. There can be no assurance, however, that this strategy will restore the profitability of SCL's former duty-free routes. Silja Line has been less affected by the abolition of duty-free retail sales because all of its sailings to and from Stockholm call at the nearby Åland Islands of Finland where the duty-free exemption continues due to the islands' permanent fiscal status outside the European Union. Also the Helsinki-Tallinn and Helsinki-Tallinn-Rostock routes remain duty-free as long as Estonia is outside the European Union.

A particular characteristic of the ferry market in North Europe and Scandinavia is the seasonality of demand, principally because volumes are linked to tourism. Approximately half of the passengers using ferry services to and from Britain, for example, travel during the June-September period. The freight market tends not to be seasonal. The historical and expected pattern of operating results from the collective ferry activities of SCL and Silja Line is a loss in the first and fourth quarters each year.

Other factors affecting the trading performance of SCL's and Silja Line's ferry services are principally competitive pressure on ticket prices, travel convenience of departure timings, adverse weather conditions disrupting service schedules, regional economic and political conditions (including recessions and actual or threatened terrorism), foreign exchange rate fluctuations in countries served by the ferries, variable fuel costs that cannot be covered by fare increases, fluctuating prices in the ship sale and purchase market, lower labor costs of certain competitors, and industrial relations and strike activity at the ports and regions served by the ferries. The interaction of many of these factors differs on each route and the profitability of individual routes may change from year to year.

SCL plans to open new ferry services and to deploy its new fast ferries on existing and new routes. Profitability of new services is subject to many of the foregoing factors as well as the uncertainty of achieving a sufficient level of sustained market acceptance by customers. High-speed car ferries are a relatively recent development, and a newly built vessel may not perform to its technical specifications under the shipbuilding contract. In addition, the hull forms and technology of the ships to ensure the comfort of passengers on board in different sea conditions are still evolving.

Silja Line employs about 3,100 staff on board ship and on shore, most of whom are unionized. The shipping industry in Finland and Sweden is susceptible to industrial action due to the strong influence of trade unions, resulting both from direct disputes and from sympathetic industrial action which Finnish legislation currently permits. While management believes Silja Line has good relations with its work force, there can be no assurance that Silja Line will not be adversely affected by future industrial action such as by trying to reduce labor costs or to modify work practices.

Finland has agreed gradually to remove by 2004 the quantity restrictions on the import of duty-paid alcoholic beverages bought by private individuals in other European Union countries. Sweden refused to agree on similar terms but undertook to review its position in 2000. It is expected that the harmonization of quantity restrictions in Finland and Sweden with those applying elsewhere in the European Union will gradually result in a reduction of retail prices of alcoholic beverages in the state monopoly shops in Finland and Sweden to a level closer to the retail prices in other European Union countries. Lower retail prices in the shops on land will require duty-free shops on board ferries to lower their prices to maintain their competitive advantage and would therefore be likely to lead to lower profit margins. This could have an adverse effect on Silja Line's financial results because a large part of Silja Line's revenue is generated by sales made in shops on board, almost half of which could be attributed to liquor, wine and beer.

Other Ship-Related Activities

Related to its ferry activities, SCL owns three cargo ships for chartering out. Two are containerships built in 1979 and 1981 carrying up to 576 TEU and 1,250 TEU of containers, respectively, and the third is a small ro-ro ship built in 1977 with capacity for 35 trailers. The ships are maintained in good condition in compliance with relevant government regulations and are insured against usual risks for amounts SCL deems adequate. They are owned by SCL under mortgage or lease financings. See Notes 5 and 7 to the Financial Statements. SCL sold a fourth cargo ship during 1999.

Hart, Fenton & Co. Ltd., an SCL subsidiary, provides naval architect and marine engineering services to SCL and other shipowners. This firm assisted in the design of many of SCL's ferries and cargo ships.

Rail Operations

Under a seven-year franchise awarded by the British government in 1996, SCL operates high-speed passenger trains between London and Scotland along the east coast main line of Britain. Called Great North Eastern Railway ("GNER"), this is one of 25 former British Rail passenger operations privatized by the government. By improving service, increasing ridership and reducing costs, GNER will eliminate its declining government subsidy by the end of the franchise period and fund capital investment largely from cash flow. GNER has applied to the government to replace and extend its franchise agreement by one expiring in 2020. See "Franchise Replacement" below.

GNER's customers are mainly leisure and business passengers and some commuters, travelling between London (from King's Cross station), parts of the East Midlands and East Anglia, Yorkshire, northeast England and Scotland. Covering 935 route miles and calling at 50 stations, in 1999 GNER transported 14.7 million passengers, a 23% increase over annual ridership when the franchise began in 1996. The map above indicates the principal destinations. Some of the core routes are as follows:

Route	*Distance (miles)*	*Typical No. of One-Way Weekday Trains*	*Typical Journey Time (hours)*
London - Leeds	186	22	2-2½
London - Newcastle	268	29	2¾-3
London - Edinburgh	393	19	4-4½
London - Glasgow	450	6	5½

Connections with other passenger trains are available at most stations. Timetables vary between weekdays, weekends and holidays to meet different patterns of demand and to allow infrastructure engineering works. The summer and winter timetables also vary because more services are offered in the summer targeted at the leisure market. Frequency is currently up to 112 weekday services, 92 Saturday services and 76 Sunday services, of which 95% originate or terminate at King's Cross in London.

Rolling Stock

GNER currently operates a fleet of 40 trains totalling 440 cars and locomotives. Thirty-one are electric, drawing power from overhead lines. Built between 1987 and 1990, they provide about 80% of GNER's timetabled services. They can operate up to a speed of 140 mph but are restricted to 125 mph because of track and signalling limitations. A typical electric train is two first-class and six standard-class coaches and a kitchen/catering car, having total capacity of about 550 passengers. On-board catering is typically an over-the-counter buffet, supplemented by at-seat trolley service, with full restaurant service on selected trains.

The rest of GNER's fleet consists of nine diesel trains, substantially all of which were built between 1975 and 1980 and travel at a maximum speed of 125 mph. These operate approximately 20% of GNER's timetabled services, principally to Aberdeen, Inverness and Hull because the routes are not electrified. A typical diesel train carries up to 480 passengers in two first-class and five standard class-coaches and a kitchen/catering car.

GNER leases substantially all its rolling stock from two leasing companies for the seven-year term of its present franchise. Rental charges include maintenance and insurance provided by the lessor, and are largely fixed. In order to supplement its original rolling stock and improve service, GNER acquired an existing electric locomotive and ten passenger coaches which can be refurbished and added to the nine diesel trains. GNER plans in 2000 to lease from Eurostar two modern, high-speed electric trains of 14 coaches each which are surplus to Eurostar's operations between Britain and Continental Europe. In addition, as part of its application to extend its franchise to 2020, GNER plans to buy new tilting trains for delivery in 2004 and 2007. See "Franchise Replacement" below.

GNER operates and maintains its rolling stock in compliance with government-supervised safety standards and the lease requirements. Maintenance work is performed at four depots leased by GNER in London, Edinburgh and Aberdeen where GNER also performs maintenance for other train operators. In addition, GNER contracts for regular maintenance at four other depots. Consistent with these safety and maintenance requirements, GNER carries property and liability insurance in amounts which management believes are adequate.

Track and Station Access

Substantially all of the railway infrastructure in Britain (track, signalling, stations and depots) is owned and maintained by Railtrack Plc ("Railtrack"). GNER has contracted with Railtrack for track access based on the level of services GNER provides. Other train operators run on parts of GNER's routes, requiring Railtrack's coordination of timetables and train paths. Track access charges are fixed in large part but include variable components for actual utilization of track and electric power consumed. To encourage train punctuality and reliability, the track access agreement includes a system of variable payments between GNER and Railtrack under which each party must compensate the other if prescribed performance standards are or are not achieved. Payments by or to GNER vary under this performance regime and may be significant in amount if unforeseen events occur affecting either party. The British government may also impose fines on GNER under its franchise agreement if GNER causes high numbers of train cancellations, but no fines have been incurred to date.

Of the 50 stations along its routes, GNER shares access with other train operators to four central stations owned and managed by Railtrack (London King's Cross, Leeds, Edinburgh and Glasgow). GNER leases from Railtrack 12 other main stations, including Newcastle and York, and provides access and common station services to other train operators calling at these stations, such as ticket sales, train information, car parking, and station cleaning and maintenance. The remaining 34 stations where GNER stops are leased from Railtrack by three other train operators which provide GNER with similar services at these stations.

Sales and Marketing

Passengers may purchase tickets on GNER at all major train stations in Britain. Railtrack publishes the national system timetables, and a trade association of operators in Britain publishes their basic fares and provides telephone information about all operators' services. GNER is the lead ticket seller at London King's Cross, Edinburgh, Stevenage and the 12 stations it leases, obligating GNER to sell tickets on a commission basis for other operators as well as itself. Similarly at GNER's other 35 stations, the lead ticket seller must sell tickets on behalf of GNER. GNER also sells tickets through self-service machines at many of its larger stations, and through its own telephone sales, enquiry and business travel center in Newcastle handling up to 50,000 calls per week. Most remaining sales are made by other train operators and independent travel agents in Britain and abroad. GNER plans to introduce internet ticket sales in the near future.

Previously part of the government-owned British Rail network, GNER services were separately marketed only to a limited degree before SCL acquired the franchise in 1996. GNER has since implemented a marketing program based on its separate brand identity. Print and other media advertising and promotions project the high speed and comfort of GNER's trains. To attract ridership, GNER has upgraded station services and car parking (part of which has been funded by Railtrack) and the technical reliability of its rolling stock. On-board service, catering, appearance and cleanliness have all been improved. Flexible fare structures have been introduced to attract passengers through price incentives, and GNER offers a customer loyalty program for frequent travelers.

Competition

Six other passenger train operators run on parts of GNER's routes. Prior to September 1999, they could increase the frequency of services they operated but could not introduce new services in competition with GNER. Thereafter, operators have been allowed to negotiate with Railtrack for new services and additional train paths and times, representing up to 20% of an existing operator's revenue, but awards are still government-regulated to ensure passenger benefits are achieved (such as better frequencies, lower fares or new journey opportunities) and to avoid competition which might interfere with each operator's ability to satisfy the minimum service requirements under its franchise. GNER has experienced only limited new competition since September 1999. Aggressive bidding by GNER's rail competitors in the future, however, may limit GNER's expansion plans.

GNER also competes with cars, buses and airlines in Britain as well as other train operators which do not share routes with GNER. The choice of transport mode is governed by many factors including frequency, time, reliability, convenience, comfort and cost. The relative importance of these depends on the leisure or business purpose of the journey. GNER believes its fast, frequent and high-quality services directly into city centers are an important competitive advantage.

Franchise Replacement

In December 1999, the British government invited GNER to apply for a new east coast main-line franchise extended to 2020 in replacement of the existing franchise which expires in 2003. The government is seeking higher levels of investment and service in return for a longer franchise term and modified subsidy. One other train operator was invited to bid in competition with GNER, and initial proposals were submitted in February 2000. The government is expected to announce the result of the bidding process by mid-year. It should be noted that, absent any material breach by GNER of its existing franchise agreement, the British government may not mandatorily replace GNER as franchisee before 2003.

Because of the success of GNER's service improvements and marketing to date, ridership has been increasing above the level which can be satisfactorily accommodated with the trains and station facilities originally provided with the franchise award in 1996. GNER is prepared to make the necessary capital investment to lessen overcrowding and to continue service improvements, but believes a longer franchise period is required in order to earn a satisfactory investment return.

GNER's application for a new franchise includes an undertaking to order up to 25 new electric or diesel tilting trains for delivery in 2004 and 2007. Because they lean into track curves, tilting trains can travel at a faster average speed (up to 140 mph) than GNER's existing rolling stock and thereby both reduce travel times (London-Edinburgh in as little as 3 1/2 hours, for example) and add capacity (up to 56 additional daily services). These would be either owned and financed by SCL and/or GNER, or owned by third parties and leased to GNER on a long-term basis. GNER also proposed to upgrade its principal stations and to develop new park-and-ride stations near motorways to attract new ridership from persons currently making long journeys by car. Much of the improvements to the track, stations and other infrastructure would be funded by Railtrack which will entail amendments of the agreements with GNER relating to track access and station leases including higher access and usage charges to GNER. While GNER believes its replacement franchise bid should satisfy all government requirements, there can be no assurance that GNER will be granted a replacement franchise, or on what terms, and whether any investments made by or on behalf of GNER will enhance its profitability.

Certain Trading Factors

GNER services may be disrupted, with consequent loss of revenue, because of infrastructure problems for which Railtrack is responsible, or problems for which GNER is responsible such as rolling stock breakdowns or employee strike activity. Third party actions may also cause disruption, among them being actual or threatened acts of terrorism in mainland Britain.

Under the original franchise award in 1996, the British government must pay GNER an annual subsidy which is declining annually to zero by 2003 when the present franchise ends. See Note 1(f) to the Financial Statements. Except in unusual circumstances, this subsidy is fixed. The largest part of GNER's costs are payments for track, station and depot access and rolling stock rental which, as noted above, are also largely fixed during the franchise term. Therefore, as the government subsidy decreases, GNER must increase its revenue and reduce its variable operating costs if it is to maintain profitability, although no assurance can be given that GNER will accomplish these goals. Part of GNER's bid to replace and extend its franchise to 2020 involves a new government subsidy profile, initially with payments to GNER in the early years followed by substantial payments to the government in the later years.

Efforts to increase ridership are described above under "Sales and Marketing". GNER is contractually obligated not to raise ticket prices by more than the rate of inflation on ticket types representing about 20% of GNER's fare revenue. Other fares are not regulated but are subject to the competitive pricing of alternative rail, airline and other transport services. In addition, GNER must pay passenger rebates of varying percentages of its fares if it fails to meet prescribed punctuality and reliability standards.

Of GNER's variable costs, the largest component is labor. GNER's workforce numbers approximately 2,800 employees, about two-thirds of whom are unionized. Since 1992 there has been no dispute involving withdrawal of labor solely related to GNER, although nationwide strikes against British Rail disrupted GNER's services for short periods in 1994 and 1995. Consistent with upgrading service standards and continued safe operation, management is working with the unions gradually to change work practices to increase efficiency. There can be no assurance, however, that these steps will not result in labor disruption of

GNER's services, or that larger labor disputes broadly involving the British rail industry will not adversely affect GNER.

Following recent fatal rail accidents in Britain (none involving GNER), changes are being considered by regulatory authorities to improve the safety of rolling stock and the training of on-board staff, including possible installation of new emergency braking systems. GNER intends to comply with all final requirements relating to safety. None of the proposals to date is expected to have a significant effect on GNER. While GNER believes, as noted above under "Rolling Stock", that its trains operate in compliance with relevant safety standards and that it carries adequate property and liability insurance against loss, there can be no assurance that accidents involving GNER will not occur in the future or that a serious incident would not have a material adverse effect on GNER's operations or financial condition.

Hotels and Leisure

SCL owns and/or manages 22 deluxe hotels and resorts located in the United States, the Caribbean, Europe, southern Africa, Brazil, Peru, Australia and the South Pacific, six tourist trains in Europe, Southeast Asia, Australia and Peru, a river cruiseship in Burma (Myanmar), and two restaurants in London and New York. During 1999, SCL sold the Windermere Island Club in Eleuthera, Bahamas. SCL also engages in merchandising related to its properties. Management focuses on identifying and acquiring unique properties with potential for operating and marketing improvements through expansion and renovation.

Hotels and Resorts

United States

The Windsor Court Hotel owned and operated by SCL opened in 1984 and is located in the central business district of New Orleans, Louisiana near the French Quarter and the Mississippi River front. The only land-based casino in Louisiana is across the street from the hotel. There are 324 guest rooms and suites, each with panoramic views over the river or the city. Facilities include three restaurants and lounges, a rooftop ballroom, several other banquet and meeting rooms, an outdoor swimming pool and a health club. The hotel's interior decor features a collection of historic European art and antique furniture.

SCL owns a minority interest in Charleston Place Hotel in the historic center of Charleston, South Carolina, and manages the property under an exclusive long-term contract. Originally opened in 1986, the hotel has 440 guest rooms and suites, two restaurants, extensive banqueting and conference space including a grand ballroom, a health club with swimming pool and tennis court, and 27 retail shops leased to third parties. The hotel also owns the adjacent historic Riviera Theater recently remodelled as an additional conference facility and five retail shops.

In May 1999, SCL acquired the Keswick Hall Hotel in the rolling countryside of central Virginia near Charlottesville. Originally a private home built in 1912, the hotel was significantly renovated and expanded in 1993 and has 48 guest rooms and suites. SCL manages the adjoining golf club with a championship golf course, indoor and outdoor swimming pools, tennis courts and a fitness center, and has an option to purchase the club by 2002. The resort occupies approximately 600 acres much of which is available for future development as either hotel or residential use.

Also in May 1999, SCL purchased from the same seller the Inn at Perry Cabin located in St Michaels, Maryland, on the eastern shore of Chesapeake Bay, a short driving distance from Washington, D.C., Baltimore and Philadelphia. This hotel was first built as a country inn in 1812. Expanded and refurbished to deluxe standard in 1991, it has 41 guest rooms and suites set on 25 shoreside acres that include a health club and indoor swimming pool as well as boating and fishing in the bay.

Caribbean

SCL owns and operates La Samanna resort hotel on St. Martin in the French West Indies. Built in 1973, the hotel has 83 rooms, suites and villas and two restaurants spread over 16 buildings on ten acres of land along a 4,000-foot beach. Amenities include a freshwater swimming pool, tennis courts, fitness and conference centers, boating and ocean water sports. The hotel is open most of the year, seasonally closing during the fall months which, in 1999, continued to mid-February 2000 because of hurricane damage in November. The hotel owns an adjacent 45 acres of land available for future development.

Italy

The Hotel Cipriani and Palazzo Vendramin property owned and operated by SCL in Venice was built for the most part in the 1950s and is located on three acres of land on Giudecca Island opposite the Piazza San Marco. It has 106 guest rooms and suites, most with views over the Venetian lagoon, and is fully open about nine months each year commencing in March. Features include fine cuisine in three indoor and outdoor restaurants, gardens and terraces encompassing an Olympic-sized swimming pool, a tennis court and a private launch service to the Piazza San Marco. The hotel is seeking to acquire adjoining buildings for expansion.

SCL owns and operates the Villa San Michele located in Fiesole on ten acres overlooking Florence and the Arno River valley. Originally built as a monastery in the 15th century with a facade attributed to Michelangelo, it was converted to a hotel in the 1950s. SCL has remodelled and expanded the guest accommodation to luxury standards including the addition of a swimming pool. Currently there are 40 rooms and suites. A shuttle bus service is provided to the center of Florence. The hotel closes during the winter each year.

On the Italian Riviera, SCL owns and operates the Hotel Splendido overlooking the picturesque seaside village of Portofino. Set in four acres, this resort was built in 1901 and has 69 guest rooms and suites surrounded by gardens and terraces which include a swimming pool and tennis court. It is open ten months annually. SCL also leases on a long-term basis (with purchase option) a small hotel ten minutes' walk away in the village square. After remodelling in 1998, it reopened as the Splendido Mare part of the Hotel Splendido with 16 guest rooms and a restaurant.

In September 1999, SCL acquired the 27-room Hotel Caruso in Ravello, Italy, overlooking the Amalfi coast near Naples. With parts dating from the 11th century, the hotel has been closed for refurbishment and expansion on its three acres of hill-top grounds. SCL currently plans to reopen the hotel with additional deluxe guest rooms in 2002.

Portugal

SCL owns and operates Reid's Palace Hotel on the island of Madeira off the coast of Morocco. This resort is situated on ten acres of semitropical gardens on a cliff top above the sea and the bay of Funchal, the main port city. Opened in 1891, the hotel has 162 rooms and suites, four restaurants and spacious conference facilities. Leisure and sports amenities include two swimming pools, a third tide-filled pool, tennis courts, ocean water sports and access to two championship golf courses. During 1999, SCL continued a phased refurbishment of many of the guest rooms and public areas.

The Hotel Quinta do Lago owned and operated by SCL is a modern resort located on the 1,680-acre Quinta do Lago golf and property development near Faro in the Algarve region. Opened in 1988, the hotel occupies eight acres and features 141 rooms and suites with ocean views, two restaurants, a health club, indoor and outdoor swimming pools, tennis courts and extensive gardens, as well as access to ocean beaches and nearby championship golf courses.

SCL owns and operates the 94-room Lapa Palace Hotel in the embassy district of Lisbon, near the city center and overlooking the Tagus River. The main part of the hotel was originally built in the 1870s as the home of a Portuguese noble family. It opened as a luxury hotel in 1992 after extensive conversion and expansion including the addition of conference facilities and underground car parking. The hotel is set amid gardens with ornamental fountains and both indoor and outdoor swimming pools, occupying a total of three acres. During 1999, SCL began adding 15 guest rooms and plans significant expansion in future years.

France

SCL owns and operates Hôtel de la Cité in the medieval fortified town of Carcassonne in southwest France. The hotel is situated in the square of Basilica Saint-Nazaire, the town's main architectural attraction, and incorporates one of the 50 watchtowers in Carcassonne's ancient fortifications. Opened in 1909, it features 60 rooms, two restaurants, gardens with a swimming pool and a conference center. SCL has extensively refurbished and upgraded the hotel in recent years.

Southern Africa

The Mount Nelson Hotel owned and operated by SCL in Cape Town was originally opened in 1899 and has long enjoyed a reputation as one of the foremost hotels on the African continent. It stands just below Table Mountain and is within walking distance of the main business, civic and cultural center of the city. The hotel has 226 guest rooms and a ballroom, two swimming pools, tennis courts and a fitness center, all situated in ten acres of grounds and gardens.

In Johannesburg, SCL owns and operates the Westcliff Hotel. This was originally built in 1996 as a residential garden apartment complex on six hillside acres (including unused expansion land) overlooking the city zoo in the northern suburbs. SCL acquired, redeveloped and extended the property into a deluxe 120-room hotel. It has many resort amenities such as two swimming pools, a tennis court and a health club, and attracts business guests because of the hotel's proximity to the city center.

Elsewhere in southern Africa, SCL owns and operates the Gametrackers photo-safari camps in northern Botswana. Established in 1971, these comprise leases of three lodge and camp sites in the Okavango River delta and nearby game reserves where some of the best wildlife in Africa can be observed from open safari vehicles or boats. Each camp has 12 to 15 twin-bedded deluxe tents, and guests travel between the camps by light aircraft. Boating, fishing, hiking and swimming are offered at the various sites.

Brazil

SCL owns and operates the 226-room Copacabana Palace Hotel in Rio de Janeiro. Built in the 1920s on a three-acre site facing Copacabana Beach near the central business district of Rio, this luxury hotel is one of the most famous in South America and features two gourmet restaurants, several spacious function and meeting rooms including a 500-seat theater, a large swimming pool and a rooftop tennis court. SCL recently completed an extensive refurbishment of most parts of the hotel and future expansion is planned.

Peru

In March 1999, SCL formed a 50/50 joint venture with local Peruvian partners which acquired long-term leases of the Monasterio Hotel in Cusco, Peru, and an adjoining site for future expansion, occupying about three acres altogether. Located in the center of the ancient Inca capital of Cusco in the Andes Mountains, the hotel was originally built as a Spanish monastery in the 16th century and was converted to hotel use in 1995. The 122 deluxe guest rooms and suites and two restaurants are arranged around open-air cloisters. SCL has been appointed the exclusive long-term manager of the hotel.

At the same time, the Peruvian joint venture acquired the long-term lease of Machu Picchu Sanctuary Hotel. This is a small, 32-room property unique in its proximity to one of the world's most famous tourist sites, the mountain-top Inca ruins at Machu Picchu. The site is a three-hour train ride from Cusco. SCL is also the exclusive manager of this hotel which includes seven acres of expansion land in the valley below the site.

Australia

In March 2000, SCL acquired the Observatory Hotel in Sydney, a property it previously managed for an unaffiliated owner. Within walking distance of the central business district, this hotel opened in 1993 and has 96 guest rooms and suites, two restaurants, extensive meeting and banquet rooms, a health club with indoor swimming pool, a tennis court and a large parking garage on a site of about one acre.

Also in March 2000, the owner of the Observatory Hotel sold to SCL the Lilianfels Hotel in the scenic Blue Mountains National Park about 60 miles west of Sydney. The hotel is named after the original estate house, dating from 1890 and refurbished as the hotel's gourmet restaurant. The main hotel built in 1992 has 86 guest rooms and suites and a second restaurant. The resort's four acres of grounds encompass an indoor swimming pool, health club and spa, outdoor tennis courts and extensive gardens with views over the Blue Mountains.

South Pacific

SCL manages the Bora Bora Lagoon Resort in French Polynesia in the South Pacific under an exclusive contract with the previous owner of the Observatory and Lilianfels Hotels. This resort opened in 1993 and has 50 bungalows situated over the lagoon water plus 30 additional beach and garden bungalows, all built in traditional Tahitian style. Guests dine in two restaurants and enjoy extensive water sports and tennis.

Tourist Trains

Europe

SCL's principal European tourist trains, called the "Venice Simplon-Orient-Express" ("VSOE"), operate in two parts in a regularly scheduled overnight service between London and Venice and on short excursions in southern England. SCL owns 30 railway cars originally used on historic "Orient-Express" and other famous European trains. All have been refurbished in original 1920/1930s decor and meet modern safety standards. The trains (one based in Great Britain composed entirely of Pullman cars and the other on the Continent made up of wagon-lits sleeping cars and day coaches) carry 190 passengers and operate once or twice weekly between London and Venice from March to November each year via Paris, Zurich and Innsbruck on a scenic route through the Alps. Passengers travel across the English Channel by Hoverspeed ferry. Occasional trips are also made to Rome, Prague and Istanbul. Haulage is provided by local railways under contract. The British Pullman cars carry up to 250 passengers and operate all year, once or twice weekly, originating out of London on short excursions to places of historic or scenic interest in southern England including some overnight trips when passengers stay at local hotels. Both the British and Continental trains are available for private charter.

During 1999, SCL redeveloped its Regency Rail tourist train business in Britain, acquired in 1998, and has renamed it "Northern Belle". Like the British Pullman train of VSOE, Northern Belle plans in 2000 to commence operating one-or two-day rail excursions, either scheduled or chartered, throughout the year on a variety of scenic routes in northern England, Scotland and Wales. The train comprises a locomotive and six dining cars elegantly decorated to be reminiscent of old British "Belle" trains of the 1930s, and can carry up to 250 passengers. Full-course gourmet meals are served on board and passengers stay in local hotels on overnight itineraries.

Southeast Asia

SCL's Southeast Asian tourist train operates a regularly scheduled service between Singapore, Kuala Lumpur and Bangkok. Called the "Eastern & Oriental Express" ("E&O"), it makes one round trip each week. The journey lasts about 48 hours each way and includes two nights on board and side trips to Penang in Malaysia and the River Kwai in Thailand. Some overnight trips are also made from Bangkok to Chiang Mai in northern Thailand. Haulage is provided by the Malaysian and Thai railways under contract. SCL has a 25% ownership interest in E&O but manages and markets the train exclusively under a long-term contract. Originally built in 1970, the 24 E&O cars were substantially rebuilt to an elegant oriental style of decor and fitted with modern facilities such as air-conditioning and private bathrooms. The train is made up of sleeping cars with three types of berths, three restaurant cars, a bar car and an open-air observation car and can carry 125 passengers. Like VSOE, the E&O is available for charter by private groups.

Australia

SCL manages and markets under an exclusive long-term contract with Queensland Rail its newly built "Great South Pacific Express" luxury tourist train ("GSPE") in Australia. GSPE comprises 21 sleeping, restaurant, bar and observation cars decorated in a late-19th-century style with capacity for 100 passengers. Like the E&O tourist train, GSPE is fully air-conditioned and the three types of passenger compartments are well appointed with private bathrooms. Regularly scheduled one or two night itineraries originating out of Brisbane operate north to Cairns in Queensland and south to Sydney in New South Wales. The northern route includes stopovers for passengers to visit the Great Barrier Reef and the Kuranda rainforest. SCL owns a small minority interest in the train operating company.

Peru

In September 1999, the government of Peru awarded 30-year concessions to another 50/50 joint venture between SCL and its partners in the Peruvian hotels described above to operate two state-owned railways, now collectively called "PeruRail" by the joint venture. These concessions are extendible by the government up to an additional 30 years. One is the 70-mile passenger rail line between Cusco and Machu Picchu. This is the principal access for tourists to the famous Inca ruins because there is no convenient road. PeruRail operates eight trains carrying a maximum of 300 passengers each including those travelling locally to intervening villages along the route. PeruRail plans to improve the quality of the services, particularly for tourists to enjoy the mountain scenery.

PeruRail also operates the state-owned southern railway in Peru linking Cusco with Mollendo and Matarani on the Pacific Ocean (via Arequipa in the high Andes) and with Puno on Lake Titicaca, a total of about 450 miles of track through scenic mountains, valleys and plains. At present, these are principally freight routes using 15 locomotives and up to 600 cars of various types. From its experience in containerization, SCL plans to introduce intermodal cargo handling techniques to make the railway more efficient and competitive with road hauliers, the main competition for freight. The southern railway also transports tourists and local passengers in 40 modern coaches, and PeruRail is investigating how to improve and expand these services because of their potential for tourism.

These concessions were awarded to PeruRail for a modest initial investment and include all existing rolling stock, track and other railway infrastructure and most of the employees. In return, PeruRail must pay the government certain concession fees, which initially may be offset against expenditure on capital improvements, and must maintain the railway infrastructure and provide open access to potential future operators on the routes. Passenger tickets are sold mainly through tour operators and travel agents in Peru as well as at PeruRail's stations, while freight sales are on a contract basis with local shippers. The PeruRail joint venture has appointed SCL as the primary manager to oversee the Machu Picchu and southern railway concessions.

Other Leisure Activities

SCL operates a deluxe cruiseship on the Irrawaddy River in central Burma (Myanmar) called the *"Road to Mandalay"*. The ship was a Rhine River cruiser built in 1964 which SCL bought and refurbished. It features 66 air-conditioned cabins with private bathrooms, spacious restaurants and lounge areas and a canopied sun deck with swimming pool. The ship travels between Mandalay and Pagan up to eight times each month and carries 126 passengers who enjoy sightseeing along the river and guided shore excursions to places of historic interest. Five-to eight-night itineraries are offered including airfare to and from the ship and hotel accommodation in Rangoon (Yangon). The ship does not operate in the rainy summer season or when the Irrawaddy experiences low water levels in other times of the year.

SCL owns a 49% minority interest in Harry's Bar, a popular 80-seat private dining club located in the fashionable Mayfair area of London. The majority partner manages the restaurant with assistance from SCL's Italian hotels. Its menu features gourmet Italian cuisine.

SCL also owns the '21' Club in New York City. Originally a speakeasy in the 1920s, this famous restaurant is open to the public, occupies three brownstone buildings in midtown Manhattan and features gourmet American cuisine. The main dining and bar room on the ground floor seats 150 guests, and ten banquet and function rooms upstairs seat up to an additional 600 diners.

SCL procures and sells high-quality gifts and souvenirs branded with the names of its tourist trains, hotels and cruiseship. This merchandise is sold principally on board the trains and cruiseship, in SCL's hotels and through mail-order catalogues and limited third party retail outlets.

Sales and Marketing

SCL's hotels, tourist trains and other leisure activities provide a high quality of service, cuisine, furnishings and decor attracting first-class travelers. Management believes SCL's unique properties appeal to the premium-traveler market which is less apt to be influenced by pricing considerations. The principal markets for guests are the United States, Europe and Asia. Substantially all of the properties have won prestigious travel and leisure industry awards over the years which have enhanced their public recognition and reputation for excellence.

Using the "Orient-Express Hotels" name, SCL promotes and sells its hotels and resorts through its own staff located in New York, London and Frankfurt and independent hotel sales representatives and organizations worldwide (including membership of 15 of the hotels in The Leading Hotels of the World and five in Preferred Hotels and Resorts Worldwide). The tourist trains and cruiseship are sold through sales and reservations offices in New York, London, Paris, Cologne, Tokyo, Singapore, Brisbane and Cusco, and through independent general sales agents worldwide. SCL develops and markets inclusive holiday packages for all of its travel products. In addition, each hotel conducts its own sales, marketing and public relations activities and participates in computerized reservation systems, such as Sabre and Amadeus, facilitating travel agent reservations. The internet, through the websites of Orient-Express Hotels and most of the individual properties, is a growing source of direct reservations. As noted above, train and hotel branded merchandise is sold through limited retail channels.

Certain Trading Factors

SCL's hotels, resorts, tourist trains, cruiseship and restaurants are subject to operating conditions common to the hospitality industry. These include the cyclical nature of the industry and its dependence on varying levels of tourism and business/commercial travel and entertainment, disposable income of consumers and the traveling public, changes in travel patterns, competition from other hotels and travel products (including competitors with greater financial or other resources than SCL), periodic local oversupply of guest accommodation which may adversely affect occupancy rates and achieved room rates, increases in operating costs due to inflation and other factors which may not be offset by increased revenues, regional and local economic and political conditions affecting market demand (including recessions, civil disorder and terrorism), foreign exchange rate movements, adverse weather conditions, and seasonality in that many of SCL's hotels and tourist trains are located in the northern hemisphere where they operate at low revenue or close during the winter months. The effect of these factors varies among SCL's hotels and other leisure industry activities because of their geographic diversity.

SCL competes for hotel acquisition opportunities with others who have substantially greater financial resources than SCL. They may be prepared to accept a higher level of financial risk than SCL can prudently manage. This competition may have the effect of reducing the number of suitable investment opportunities offered to SCL and increasing the bargaining power of property owners seeking to sell or to enter into management agreements. Similarly, SCL's new hotel and tourist train acquisitions may not perform to SCL management's expectations.

SCL's owned hotels are also subject to conditions generally incident to the ownership of commercial real estate and often beyond SCL's control, such as changes in national, regional and local economic and political conditions, local real estate market fluctuations, changes in interest rates and in the availability, cost and terms of financing, the impact of present or future governmental legislation and regulations (including environmental laws), the ongoing need for capital improvements to maintain or upgrade properties, changes in property taxes and operating expenses, and the potential for uninsured or underinsured losses.

Container Leasing

SCL conducts its container leasing activities principally through GE SeaCo SRL ("GE SeaCo"), a joint venture company established May 1, 1998 with General Electric Capital Corporation ("GE Capital") on effectively a 50/50 basis. GE SeaCo was formed to combine the separate marine container leasing activities of SCL and GE Capital and thereby to save costs and to acquire new equipment jointly. See Note 2(b) to the Financial Statements regarding initial capitalization of GE SeaCo. SCL and GE Capital have each appointed four persons to the governing board of GE SeaCo, and SCL personnel serve as most of GE SeaCo's officers including President and Chief Financial Officer.

Substantially all of the container fleets of SCL and GE Capital on May 1, 1998 are being leased-in to GE SeaCo on an operating basis, and GE SeaCo in turn leases the units out to customers. Profits from the existing fleets after lease payments to the owners are distributed 70% to GE Capital and 30% to SCL, reflecting the larger size of GE Capital's fleet. Once a container reaches a certain age or condition, it is managed by GE SeaCo for the owners, sold at the owner's request or purchased by GE SeaCo. GE SeaCo itself purchases new additions to the combined fleet. Profits from the containers owned and managed by GE SeaCo are divided 50/50 in proportion to each participant's interest in GE SeaCo.

GE SeaCo Container Activities

At December 31, 1999, GE SeaCo had approximately 1,092,000 TEU of containers in its fleet, comprising 249,000 TEU leased-in from SCL or managed on its behalf, 780,000 TEU leased-in from GE Capital or managed on its behalf, and 63,000 TEU owned by GE SeaCo. "TEU" means Twenty-foot Equivalent Unit and is the standard measurement in the container industry; thus, a 40-foot container constitutes two TEU. Generally increasing with growth in world trade in containerizable goods, cargo containers number approximately 13,300,000 worldwide, about 46% of which are owned by leasing companies. GE SeaCo is one of the largest container lessors in the world, and management believes it offers the widest variety of containers for lease, more than 50 different types.

GE SeaCo's containers freely interchange among different modes of transport. The same container, without in-transit repacking of its contents, may be carried successively on ships, railroad cars and road trailers. Containers are registered with government authorities to permit crossing international frontiers with minimum customs formalities. They are constructed primarily of steel and are built to the recommendations of the International Standardization Organization ("ISO") and other regulatory bodies. Substantially all of GE SeaCo's containers have been built to comply with the International Convention for Safe Containers ("CSC") which requires container owners to obtain type approvals of their equipment from independent agencies.

The basic container type is the standard dry freight cargo container having dimensions of 20 ft. or 40 ft. x 8 ft. x 8 ft. 6 in. Refrigerated containers carrying perishables, tank containers for liquid, powder or gaseous substances, and platforms and flatracks for oversized, awkward or heavy cargos are examples of containers built for specialized uses. GE SeaCo also leases non-ISO intermodal containers principally to inland transport operators such as railroads and truckers, as well as wheeled chassis for road haulage of containers. GE SeaCo routinely sells older containers no longer suitable for its leasing activities.

Leasing Terms

Equipment is leased for periods ranging from a few months to several years. Substantially all of the leases are operating leases where the owner retains the residual value of the containers at the end of the term. GE SeaCo also engages to a limited degree in finance leasing where the lessee pays the full cost of the equipment during the term and obtains title at the end of the lease.

Operating leases are in four basic forms: long-term leases, short-term leases, master agreements and rate agreements. These require customers to pay rent monthly and to return the equipment at agreed locations. The first two types cover specified containers for a definite term. Master agreements set forth the rental rate and other basic terms and permit customers to pick up and return equipment at their option and in minimum or maximum quantities up to the end of the lease. Master agreements impose handling, pick-up and drop-off charges for each delivery and return. Rate agreements are similar to master agreements except that on-hire and off-hire terms are agreed at each equipment delivery.

Purchasing

Most of the containers in GE SeaCo's fleet were purchased new from manufacturers. GE SeaCo also acquires existing containers from customers or other lessors from time to time. The cost of equipment is typically financed by banks or other financial institutions. GE SeaCo has arranged its own $200,000,000 container finance facility, guaranteed 50% by SCL and 50% by GE Capital, to fund its container purchases. See also Notes 5 and 7 to the Financial Statements, and "Certain Financial Requirements" in the Management's Discussion and Analysis (Item 7 below).

During 1999, GE SeaCo took delivery of newly manufactured containers and related equipment at an aggregate cost of approximately $114,000,000. At year end, GE SeaCo had approximately $60,000,000 of outstanding purchase orders for container equipment, substantially all of which was available for delivery in 2000. It is GE SeaCo's practice to order equipment when indicative lease rates and other terms justify purchase and appropriate financing is in place.

Maintenance and Engineering

GE SeaCo's leases require customers to maintain equipment properly while on lease, including periodic inspection and safety maintenance in compliance with CSC, and upon return to pay the cost of repairs to GE SeaCo's "SeaWorthy" repair standard. GE SeaCo offers a container damage program (called "SeaCover") under which a lessee pays a supplemental charge during the lease in return for GE SeaCo assuming repair responsibility at the end of the term. GE SeaCo contracts with approximately 250 depots worldwide for container repair and storage services including those owned by SCL. See "Other Container Activities" below.

GE SeaCo's engineers oversee the repair and storage depots and the factories from which new containers are sourced. They are also responsible for developing new container designs, most recently the "SeaCell", a dry cargo container in which pallets can be loaded side by side unlike conventional containers. GE SeaCo's engineers consult regularly with lessees on equipment matters and have produced many operating and technical manuals regarding the specialized containers in GE SeaCo's fleet.

Customers and Marketing

GE SeaCo had leased equipment to about 800 customers at December 31, 1999. Principal lessees are ocean carriers based outside the United States which may also own large parts of their container fleets. Substantially all of GE SeaCo's container leasing revenue and operating profit is derived from non-U.S. operations. See Note 18 to the Financial Statements. No customer accounted for more than ten percent of SCL's consolidated revenue in 1999.

GE SeaCo markets its equipment for lease or sale through a network of 41 agents covering more than 94 countries. GE SeaCo owns 18 of these agents located in primary areas of container activity worldwide. Agents are compensated through commissions based on rental or sale revenue they generate and are guided by central GE SeaCo marketing staff.

GE SeaCo maintains computerized records of every unit, whether on lease or off hire. Equipment on lease is checked regularly through rent billing and collection procedures. Agents and repair/storage depots are responsible for the safekeeping and maintenance of equipment when off hire. Customers are able to access GE SeaCo's computerized records for informational purposes directly through its internet website.

Competition

The container leasing business is highly competitive. GE SeaCo competes with eight major leasing companies and several other smaller lessors, as well as manufacturers of container equipment, companies offering finance leases (as distinct from operating leases), promoters of container ownership and leasing as a tax shelter investment, container shipping lines (which lease out their excess stocks of containers from time to time) and suppliers of alternative types of equipment for freight transport. Competition among container lessors depends upon several factors, including lease rates, the availability and quality of equipment, and customer service. See "Certain Trading Factors" below. GE SeaCo considers its ability to offer a wide range of standard and specialized container equipment, its technical expertise in tailoring specialized containers to customers' needs, and its strong container management controls to be important advantages in this competitive environment.

Other Container Activities

SCL manufactures, assembles and refurbishes containers at three locations in Yorkshire, England, and a fourth location in Charleston, South Carolina. Collectively, SCL built approximately 6,000 TEU of containers in 1999. SCL also owns and operates depots for repairing, servicing and storing containers in Singapore; Santos, Brazil; Charleston, South Carolina; and Houston, Texas, and holds minority interests in depots in Auckland, New Zealand, and Melbourne, Australia. It operates small refrigerated container servicing and spare parts businesses in the U.S., Belgium, Brazil, Singapore, Australia and New Zealand. Each of these facilities conducts business with both GE SeaCo and third parties on arm's length terms. Former SCL factories in Singapore and Santos are being used principally for depot purposes.

In addition, SCL owns a small number of containers (12,000 TEU at December 31, 1999) which are not part of the GE SeaCo joint venture but which SCL continues to lease out directly to customers.

Certain Trading Factors

Demand for leased containers depends largely on levels of economic growth and international trade, both global and regional. Cyclical recessions can negatively affect lessors' operating results because, during economic downturns, ocean carriers tend to lease fewer containers and rely more on their owned fleets to satisfy a greater percentage of their requirements. Thus, a slowdown in economic growth or trade may adversely affect the results of GE SeaCo's and SCL's container activities. There can be no assurance that such cyclical downturns will not occur in the leasing industry in the future.

Other factors affecting demand for leased containers include the available supply and prices of new and used containers (including the market acceptance of new container types and overbuying by competitors), economic conditions and competitive pressures in the shipping industry (including containership fleet capacity, freight rates and expansion, consolidation or withdrawal of individual customers in the industry), shifting trends and patterns of cargo traffic, the availability and terms of equipment financing, fluctuations in interest rates and foreign currency values, import/export tariffs and restrictions, foreign exchange controls, other governmental regulations and political or economic factors that are inherently unpredictable and may be beyond GE SeaCo's and SCL's control.

Defaults by lessees may result in containers being lost or returned at locations where GE SeaCo or SCL cannot efficiently re-lease or sell the equipment. In that event, GE SeaCo or SCL may lose lease revenue and incur additional operating expenses in repossessing, repairing and repositioning the equipment. In recent years, defaults by lessees as measured by allowances for specific doubtful accounts have not been material as a percentage of annual container leasing revenue.

If lessees return equipment to locations where supply exceeds demand, GE SeaCo routinely repositions containers to higher demand areas. Repositioning expenses vary depending on geographic location, distance and other factors, and may not be fully covered by drop-off charges collected from the last lessees of the equipment.

Container leasing revenue is variable and is largely a function of lease rates and equipment utilization and availability. Rates depend on the type and length of lease, the type and age of equipment, and the application of the SeaWorthy and SeaCover programs to equipment maintenance obligations under the lease. Lease rates rise or fall depending on competition, new container prices, economic conditions and the other factors described above. In recent years, rates generally in the leasing industry have tended to decline and may continue to do so. Utilization is the ratio of containers on lease to the total container fleet and may also fluctuate due to these same factors. Since the time GE SeaCo was formed, for example, overall fleet utilization has declined principally because of consolidations among shipping lines and because of the trade imbalance with Asia resulting in high equipment returns in Europe and North America. In order to meet anticipated demand promptly, GE SeaCo maintains inventories of available containers at various depots worldwide. Because demand is difficult to estimate, however, these inventories may be insufficient, and repositioning equipment in a timely manner to meet demand may not be economically feasible. Also, container supply from manufacturers, including SCL's factories, involves a time delay between order placement and equipment delivery, as a result of which revenue may be restrained when demand is strong or may not be realized by the time equipment is delivered.

From time to time, GE SeaCo and SCL sell equipment that was previously leased. The decision whether to sell depends on the equipment's book value, condition, remaining useful life and suitability for continued leasing or for other uses, as well as prevailing local market sale prices and an assessment of the economic benefits of repairing and continuing to lease compared to those of selling. Because these factors vary, gains or losses on sale of equipment will also fluctuate and may be significant if the decision is made to sell large quantities of units.

In certain countries like the United States, the owner of a leased container may be liable for the costs of environmental damage from discharge of container contents even though the owner is not at fault. GE SeaCo and SCL maintain insurance against property damage and third party liability and require lessees to obtain similar insurance and to provide indemnity against loss. There can be no assurance, however, that such insurance or indemnity will protect GE SeaCo or SCL fully against damage stemming from this risk.

In recent years, countries have imposed limitations on the production of chlorofluorocarbon ("CFC") refrigerants because of their ozone depleting and global warming effects. As a result, substantially all refrigerated containers in the GE SeaCo fleet acquired since 1992 have been charged with non-CFC refrigerant gas, and GE SeaCo and SCL are converting older units over time to non-CFC gas. Future regulation might require refrigerated containers using CFCs to be retrofitted with non-CFC refrigerants. In that event, GE SeaCo or SCL would have to bear all or a large portion of the cost to convert their units. While no assurance can be given in this regard, management does not believe that this expense would be material in relation to SCL's financial position.

Other SCL Activities

As noted above under "Passenger Transport", SCL owns three ports in Great Britain occupying approximately 350 acres, substantial parts of which are undeveloped. In addition, SCL owns approximately 300 acres of land (including reclaimable tidal areas) adjoining the port of Harwich, England. Because most of this property is located in the prosperous southeastern region of Britain within 80 miles of London and near good road and railway connections, management believes it can be developed in stages over time for commercial and residential purposes. Appropriate cost, engineering and marketing studies have been performed relating to the development potential of Newhaven and Harwich, and outline planning permission has been granted by the local government authorities. Each project could encompass residential units and supporting services as well as commercial, office or light industrial buildings. No significant construction is planned in 2000, however, other than to commence building 64 residential units in Newhaven. Parts of these sites are being offered for sale to third parties for their own development projects.

On a smaller scale, SCL has developed in stages over three years a 3.5-acre riverside site acquired in 1996 in Bradford-on-Avon near Bath, England, as 59 medium-priced residential units, 54 of which were sold in 1998 and 1999 and five either have been sold or remain for sale in 2000. During 1999, SCL began redevelopment of a 19-acre former college estate near Arundel Castle on the south coast of England and plans to convert the buildings to 55 residential units in various price categories. First sales are expected in 2000. In 1998, SCL completed the four-year construction and sale of 64 medium-priced residential units on 2.4 waterside acres in Portsmouth, England.

SCL manages a 420,000 net square foot modern office building in London, England, called "Sea Containers House" fronting the south bank of the Thames. SCL formerly owned and developed the building and sold it in 1988. SCL retained a long-term lease of part of the space for occupancy by London-based employees of subsidiaries.

SCL also owns undeveloped commercial land in Houston, Texas, adjoining its container repair depot at that location. The land is zoned for light industrial use and has been sold in lots over the years to developers. In 1999, SCL completed paving roads and installing utilities at the site and has since sold about six acres. Approximately 54 acres of the original 172-acre tract remain for sale.

In fruit farming, SCL owns a 70% interest in a 750-acre banana plantation located near Abidjan, Ivory Coast, which produces about 10,000 tons annually for export principally to Europe. Production has been expanded over the years by introduction of a new banana type grown extensively in Central America and through better farming techniques. Capital expenditure is funded from the plantation's profits. SCL also owns a 650-acre table grape farm in northeastern Brazil near Petrolina. It produces two crops each year for sale on the domestic and export markets. Current output is about 3,000 tons annually and the farm includes substantial unused acreage for future cultivation.

SCL owns a British magazine called "The Illustrated London News" ("ILN") which has been published continuously since 1842. At present, two editions of the magazine are produced annually with about one-half of the circulation in Britain and one-half abroad. In addition, ILN publishes the on-board magazines for SCL's ferries and GNER and the guest magazines for SCL's hotels and tourist trains, as well as other limited-circulation publications for third parties under contract.

SCL owns Fairways and Swinford Travel Ltd., a small licensed travel agency and tour operator based in London, which supports SCL's leisure industry activities and corporate travel requirements.

Item 2. **Properties**

The ships, hovercraft, ports and harbor facilities of SCL (including development land) are described in Item 1 - Business above. The SCL subsidiaries engaged in the ferry business own or lease small operating offices and sales outlets at various locations in Britain and elsewhere in Europe. SCL leases substantially all of its GNER rolling stock, stations and depots as described in Item 1.

SCL owns 18 hotels, three European tourist trains, a cruiseship, a restaurant and two fruit farms as described in Item 1. The small regional sales and marketing offices of the hotels, tourist trains and cruiseship are occupied under lease.

SCL owns cargo containers and container factories and depots (except the Singapore facilities and the Charleston, South Carolina, factory which are located on leased premises) as described in Item 1. In addition, SCL leases regional offices in the following locations in connection with its container and other business activities: New York, New York; Washington, D.C.; San Francisco, California; London, England; Genoa, Italy; and Sydney, Australia.

Item 3. **Legal Proceedings**

SCL is not party to any material pending legal proceedings.

Item 4. **Submission of Matters to a Vote of Security Holders**

The Company submitted no matter during the fourth quarter of 1999 to a vote of security holders.

Part II

Item 5. **Market for Registrant's Common Equity and Related Stockholder Matters**

The principal market on which the Class A and B common shares of the Company are traded is the New York Stock Exchange. Both classes are also listed on the Pacific and London Stock Exchanges. The following table presents the quarterly high and low sales prices of the common shares in 1999 and 1998 as reported for New York Stock Exchange composite transactions (in U.S. dollars):

	1999		1998	
	High $	**Low $**	High $	Low $
Class A Common Shares				
First quarter	**30**	**20 3/4**	39	27
Second quarter	**39**	**25 9/16**	44 3/4	35 1/16
Third quarter	**34**	**27 5/8**	41 5/16	22 1/2
Fourth quarter	**32 3/16**	**23 3/4**	32 5/8	19
Class B Common Shares				
First quarter	**29 7/8**	**22 1/4**	38 11/16	27
Second quarter	**38 3/4**	**26**	44 1/2	35
Third quarter	**34**	**28 7/16**	41 5/16	23
Fourth quarter	**32**	**24 1/4**	32 3/8	20 3/4

The Company paid cash dividends on its Class A and B common shares during the third and fourth quarters of 1999 at the quarterly rates of $0.30 per Class A share and $0.27 per Class B share, during the first and second quarters of 1999 and the third and fourth quarters of 1998 at the quarterly rates of $0.25 per Class A share and $0.22725 per Class B share, and during the first and second quarters of 1998 at the quarterly rates of $0.1925 per Class A share and $0.175 per Class B share.

The Company is party to certain credit facilities which restrict the Company's ability to pay dividends on its Class A and B common shares and which also impose debt/equity ratio, minimum shareholders' equity and other financial requirements which may restrict payment of dividends. The Company is in compliance with all of these restrictions. See Note 14(f) to the Financial Statements (Item 8 below), and "Certain Financial Requirements" in the Management's Discussion and Analysis (Item 7 below).

In addition, the terms of the Company's $7.25 convertible cumulative preferred shares contain restrictions on the payment of dividends on its Class A and B common shares if accrued dividends or the mandatory redemption of the preferred shares have not been paid. The Company is current in the payment of all amounts due on its preferred shares. See Note 12(a) to the Financial Statements.

The Islands of Bermuda where the Company is incorporated have no applicable governmental laws, decrees or regulations which restrict the export or import of capital or affect the payment of dividends or other distributions to non-resident holders of the Class A and B common shares of the Company or which subject United States holders to taxes.

At March 15, 2000, the number of record holders of the Class A and B common shares of the Company was approximately 1,600 and 300, respectively.

Item 6. **Selected Financial Data**

Year ended December 31,	**1999** **$000**	1998 $000	1997 $000	1996 $000	1995 $000
Revenue	**1,339,069**	1,266,533	1,157,461	868,726	500,735 [1]
Net earnings on Class A and Class B common shares before cumulative effect of change in accounting principle	**60,564**	54,265	27,773	15,032	91,659
	$	$	$	$	$
Net earnings per Class A and Class B common share before cumulative effect of change in accounting principle:					
Basic	**3.30**	3.34	2.07	1.20	8.27
Diluted	**3.27**	3.11	2.07	1.20	6.54
Cash dividends per Class A common share	**1.10**	0.885	0.77	0.77	0.77
Cash dividends per Class B common share	**0.9945**	0.8045	0.70	0.70	0.70
	$000	$000	$000	$000	$000
Total assets	**2,515,417**	2,314,455	2,126,100	2,026,220	1,711,360
Long-term obligations	**1,700,285**	1,510,278	1,365,565	1,270,288	1,091,142
Redeemable preferred shares	**15,000**	15,000	35,700	44,100	55,224
Shareholders' equity	**470,481**	459,555	387,578	386,626	341,621

(1) Does not include $100,000,000 gain on sale of ferry assets.

See notes to consolidated financial statements (Item 8).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

At December 31, 1999, SCL's cash balances totalled $103,763,000. Additionally, there were undrawn working capital bank lines amounting to approximately $72,000,000, of which $34,000,000 was undrawn under secured revolving credit facilities. Changes in the cash position over the last three years can be summarized as follows:

	1999 $000	1998 $000	1997 $000
Cash provided from operations, after interest	**110,606**	154,367	152,197
Proceeds from sale of fixed assets and other	**21,113**	6,868	15,140
Proceeds from issuance of long-term debt	**143,717**	157,009	225,537
Issuance of shares	**1,706**	48,049	423
Proceeds from issuance of senior notes	**110,611**	146,762	-
	387,753	513,055	393,297
Capital expenditures	**(158,423)**	(153,666)	(234,486)
Acquisitions and investments, net of cash acquired	**(159,206)**	(83,888)	(9,533)
Repayment of long-term debt	**(53,913)**	(53,234)	(57,875)
Debentures redeemed	**-**	(10,000)	(3,000)
Redemption of preferred shares	**-**	(36,497)	(8,400)
Dividends on shares	**(21,054)**	(18,715)	(24,441)
	(4,843)	157,055	55,562
Working capital facilities and redrawable loans drawn/(repaid)	**7,860**	(142,880)	(64,868)
Effect of exchange rate on cash	**(3,982)**	(88)	(3,014)
(Decrease) / increase in cash	**(965)**	14,087	(12,320)

In 1999, SCL had a positive cash flow from operations (after interest) of $110,606,000 (1998 - $154,367,000, 1997 - $152,197,000) and proceeds from the sale of fixed assets and others of $21,113,000 (1998 - $6,868,000, 1997 - $15,140,000), all of which were principally utilized to make loan repayments and fund capital expenditures, acquisitions and dividends, as was the case in 1998 and 1997. Cash flow from operations decreased in 1999 from 1998 mainly due to reduced earnings from container operations, an increase in net finance costs, and increased working capital and undistributed earnings of affiliates (including the Neptun Maritime investment), offset in part by increased earnings from passenger transport and leisure operations, including acquisitions in 1999 and 1998. Cash flow from operations increased in 1998 from 1997 mainly due to increased earnings from passenger transport, leisure and container operations, offset in part by increases in net finance costs and working capital requirements.

Proceeds from bank borrowings in 1999 amounted to approximately $144,000,000 (1998 - $157,000,000, 1997 - $225,000,000), of which $5,000,000 (1998 - $24,000,000, 1997 - $105,000,000) was drawn under loans secured by containers and related factory and depot assets, repayable mainly over five to ten years, $77,000,000 (1998 - $43,000,000, 1997 - $75,000,000) was drawn under loans secured by passenger transport assets, repayable over five to ten years, and $62,000,000 (1998 - $90,000,000, 1997 - $45,000,000) was drawn under term loans mainly secured by leisure and other assets and investments, repayable over five to seven years.

In 1999, the Company issued and sold at a discount $115,000,000 principal amount of unsecured 10$^{3}/_{4}$% senior notes due 2006, and 40,000 Class A common shares for $1,300,000 cash pursuant to an SEC registered shelf offering. In 1998, the Company issued and sold at par $150,000,000 principal amount of unsecured 7$^{7}/_{8}$% senior notes due 2008 and, in connection with the completion of the GE SeaCo joint venture, the Company issued and sold to General Electric Capital Corporation 391,200 Class A common shares of the Company for $10,000,000 cash, and 150,000 $7.25 convertible cumulative preferred shares for $15,000,000 cash. Also in 1998, the Company issued and sold 672,000 Class A common shares pursuant to an SEC registered shelf offering realizing cash proceeds of $23,000,000.

In 1998, the Company voluntarily redeemed all of its outstanding $1.4625 cumulative preferred shares, $2.10 cumulative preferred shares, series 1982, and $4.00 convertible cumulative preferred shares at an aggregate cash cost of $36,497,000. Substantially all of the convertible preferred shares were converted into Class A or B common shares of the Company. These 1998 redemptions resulted in preferred share dividend savings of $10,537,000 in 1998. On December 31, 1997, the Company voluntarily redeemed 460,000 $2.10 preferred shares at a cost of $6,900,000.

In 1999, SCL made capital expenditures totalling approximately $159,000,000 relating primarily to the purchase and improvement of passenger transport assets and leisure assets. The majority of these expenditures was financed from medium or long-term bank borrowings. Also in 1999, SCL purchased a 50% shareholding in Neptun Maritime Oyj for $102,800,000 which was funded initially through a bank bridging facility and later refinanced by the issue of the 10$^{3}/_{4}$% senior notes referred to above. SCL acquired in 1999 two hotels at a total price of $25,500,000, funded in part by a bank loan, and made 50% investments in two hotels and rail operations in Peru at an aggregate cost of $11,750,000.

Capital expenditures in 2000 are expected to be at a lower level than 1999. SCL management believes these will be adequately financed from debt and lease financings, operating cash flows and other sources. The purchase of two SeaCats referred to in Note 2(a) to the Financial Statements (Item 8 below) will be funded in substantial part by lease financings. The purchase of two hotels in Australia in March 2000 was financed in substantial part by a bank loan (see Note 20 to the Financial Statements). The Company filed an SEC registration statement in March 2000 for a shelf offering under Rule 415 of unsecured debt securities up to an aggregate principal amount of $300,000,000, including additional 10$^{3}/_{4}$% senior notes due 2006, but has no present plans to issue additional public debt.

Certain Financial Requirements

SCL is party to material credit/financing agreements described in Notes 7 and 8 to the Financial Statements which impose certain financial requirements.

One is a $239,600,000 revolving credit facility secured by container equipment and a hotel entered into in 1994 with a group of banks. This facility is the successor to substantially similar ones secured by containers which have been in place since 1982 and under which the revolving loan commitment period has been regularly extended, most recently in July 1999 to the present 2004 date. Consistent with past practice, management expects this date to be further extended, although no assurance can be given in this respect. The facility imposes financial covenants on SCL, including (i) a requirement to maintain a minimum consolidated tangible net worth, as defined (including preferred shares), (ii) a requirement not to exceed a specified leverage ratio, as defined, (iii) requirements to maintain a minimum debt service coverage ratio and minimum interest coverage ratios, as defined, (iv) a requirement that a minimum ratio of fixed assets employed in the container, passenger transport and related businesses to total fixed assets be maintained, (v) a requirement that SCL not suffer losses in any two consecutive years, and (vi) limitations on the payment of dividends, redemption of capital stock or subordinated indebtedness, and investments in third parties, which limitations are calculated by reference to the sum of a base amount, one-half of cumulative net earnings from 1992, and the net proceeds from certain capital stock offerings, less the cumulative amounts of certain restricted payments and repurchases of preferred shares and subordinated debt, and less certain investments in unrelated parties.

The $125,000,000 principal amount of unsecured 12$^{1}/_{2}$% senior subordinated debentures due 2004 contain convenants restricting (i) the incurrence by SCL of indebtedness unless SCL meets a minimum cash flow coverage ratio, as defined, (ii) the payment of dividends, redemption of capital stock or subordinated indebtedness, and investments in third parties (which restriction is similar to the equivalent one in the container facility described above), (iii) transactions between SCL and its affiliates unless they are on arm's-length terms, (iv) limitations on the ability of certain material subsidiaries of SCL to make payments to SCL, (v) the disposition of proceeds of asset sales by SCL, (vi) any lines of business that are not similar or related to SCL's existing businesses, and (vii) the ability of SCL to amalgamate, consolidate or merge with or into another entity or to dispose of its assets substantially as an entirety. If SCL fails to maintain a specified amount of consolidated tangible net worth, as defined, or if a change of control, as defined, of SCL occurs, SCL is obligated to make an offer to purchase 10% of the debentures at par in the case of the net worth test and 100% of the debentures at 101% of the principal amount in the case of a change of control.

The $100,000,000 principal amount of 9$^{1}/_{2}$% senior notes due 2003, $65,000,000 principal amount of 10$^{1}/_{2}$% senior notes due 2003, $150,000,000 principal amount of 7$^{7}/_{8}$% senior notes due 2008 and $115,000,000 principal amount of 10$^{3}/_{4}$% senior notes due 2006 (all unsecured obligations) contain restrictive covenants substantially the same as those in the 12$^{1}/_{2}$% debentures described above. In addition, the notes contain covenants restricting (i) incurrence by SCL of liens on its assets or property unless the notes are secured equally, subject to certain exceptions, and (ii) sale and leaseback transactions by SCL, subject also to certain exceptions.

In 1998, an SCL subsidiary completed a $350,000,000 container securitization facility, which increased and restructured a similar facility established in 1996. Under it, the SCL subsidiary issued a senior note and the Company issued an effectively subordinated note. The senior note requires the SCL subsidiary to maintain a minimum interest coverage ratio, as defined, and requires SCL to maintain a minimum cash flow coverage ratio, as defined. Failure to comply with these requirements will result in accelerated amortization, but not default, of the senior note. A change of control, as defined, of SCL will also accelerate the senior note. The subordinated note requires that SCL not exceed a specified leverage ratio, as defined. While no assurance can be given, management expects the term of the senior and subordinated notes under this securitization facility will be extended in 2000.

In May 1998, SCL issued a guaranty of 50% of GE SeaCo's obligations under a $200,000,000 revolving credit and term loan facility that GE SeaCo established with a syndicate of banks to finance the purchase of containers. The guaranty imposes no financial covenants on SCL, but does require it to subordinate its loans to GE SeaCo.

At December 31, 1999, SCL was in full compliance with all of the foregoing credit/financing agreements as well as less material ones to which it is a party. Although management believes that SCL's current operating plans will not be restricted by the various financial convenants described above, changes in economic or business conditions, results of operations or other factors may in the future result in circumstances in which the convenants restrict SCL's plans or business operations.

Leverage; Foreign Currency Fluctuations

At December 31, 1999, SCL's consolidated long-term indebtedness was $1,700,285,000 (1998 - $1,510,278,000, 1997 - $1,365,565,000) and its redeemable preferred shares and consolidated shareholders' equity totalled $485,481,000 (1998 - $474,555,000, 1997 - $423,278,000). Redeemable preferred shares amounted to $15,000,000 (1998 - $15,000,000, 1997 - $35,700,000). The terms of SCL's indebtedness described above permit SCL to incur substantial additional indebtedness from time to time. The degree to which SCL is highly leveraged may affect its ability to obtain additional financing in the future for working capital, capital expenditures, product and service development and general corporate purposes, to utilize cash flow from operations for purposes other than debt service, and to overcome seasonal or cyclical variations in its business. The ability of SCL to satisfy its obligations and to reduce its debt is dependent upon the future performance of SCL, which will be subject to prevailing economic conditions and to financial, business and other factors, including factors beyond the control of SCL.

The acquisition by SCL of new assets and properties, both for growth as well as for replacement, is capital intensive. The availability of new capital to finance these expenditures depends on prevailing market conditions and the acceptability of financing terms offered to SCL. Management believes that capital expected to be available under various lines of credit, financing agreements and other sources, and from dispositions of existing assets and properties, as well as cash generated from operations, should be sufficient to meet SCL's capital requirements for the foreseeable future. No assurance, however, can be given that financing will continue to be available, or available on attractive terms.

Approximately 70% of SCL's consolidated long-term indebtedness at December 31, 1999 (1998 - 70%, 1997 - 77%) accrued interest at rates that fluctuate with prevailing interest rates and, accordingly, increases in such rates may increase SCL's interest payment obligations. From time to time, SCL enters into hedging transactions with financial institutions in order to manage its floating interest rate exposure. See Item 7A - Quantitative and Qualitative Disclosures about Market Risk below.

Substantial portions of SCL's revenues and expenses are denominated in foreign currencies, especially the British pound sterling because a large part of SCL's passenger transport business operates in and around Great Britain and because certain corporate costs and selling, general and administrative expenses of SCL relate to its London offices. Fluctuations in the values of these currencies in U.S. dollar terms may affect SCL's financial condition and results of operations. The impact of these fluctuations is mitigated to the extent that SCL has both revenue and expenses denominated in the same currencies. If revenue and expense items become imbalanced, SCL may enter into forward foreign exchange contracts from time to time in order to hedge the imbalance. See Item 7A below.

Results of Operations (1999 compared to 1998, and 1998 compared to 1997)

Revenue

The revenue increases of $72,536,000 in 1999 and $109,072,000 in 1998 included an increase of $23,837,000 and a decrease of $341,000, respectively, from equity in the earnings/losses of unconsolidated companies. Of the remaining increase of $48,699,000 in 1999 and $109,413,000 in 1998, $62,130,000 and $84,668,000 related to passenger transport operations and $20,746,000 and $27,364,000 related to leisure operations, partly offset by reductions of $34,082,000 and $1,916,000 in container operations and $95,000 and $703,000 in other operations.

The increase in the equity in the earnings/losses of unconsolidated companies in 1999 ($23,837,000) included GE SeaCo and the 50% investments made in 1999 in Neptun Maritime Oyj, two hotels in Peru and the PeruRail operation (see Note 2(b) to the Financial Statements).

The passenger transport revenue increase of $62,130,000 in 1999 included $46,100,000 from Hoverspeed's cross-Channel services, including $15,000,000 from the new service between Newhaven and Dieppe and $33,200,000 from the Dover-Ostend service (which was not consolidated until July 1999; see Note 2(a)), and $17,300,000 from GNER (if adjusted for the adverse effect in 1999 of the strengthening of the U.S. dollar against the British pound, GNER revenue would have increased by $31,500,000). These increases were partly offset by reduced revenue from other passenger transport activities of $1,270,000 after taking account of revenue increases from the new Irish Sea services and from the recently acquired New York harbor services.

The passenger transport revenue increase in 1998 of $84,668,000 arose primarily from GNER operations ($57,000,000), the Irish Sea services ($12,000,000) and the Gothenburg-Frederikshavn service ($4,000,000) and port operations ($2,000,000).

The 1999 revenue increase of $20,746,000 from leisure operations included $22,919,000 relating to SCL's hotels and restaurants offset by reduced revenue of $2,173,000 from tourist train and cruise operations. The increase in hotel operations included $13,900,000 from Hotel Quinta do Lago and Lapa Palace Hotel (acquired in 1998) and Keswick Hall Hotel and Inn at Perry Cabin (acquired in 1999) with the balance mainly due to the North American and Italian properties, partly offset by the Copacabana Palace Hotel reflecting the devaluation of the Brazilian real.

The 1998 revenue increase of $27,364,000 from leisure operations included $21,062,000 relating to SCL's hotels and restaurants and $6,302,000 to tourist train and cruise operations. The increase in hotel operations included $19,548,000 from the Hôtel de la Cité (acquired in 1997), the Westcliff, Hotel Quinta do Lago and Lapa Palace Hotel (acquired in 1998) and $12,964,000 from the other properties, offset by $11,450,000 due to the absence of the revenue and $5,000,000 sale gain from the Lodge at Vail (sold in October 1997). The increase of $12,964,000 from the other hotels included $5,500,000 from the three Italian hotels and $4,000,000 from the Copacabana Palace Hotel, with the balance mainly due to the Windsor Court Hotel and La Samanna.

The container division decrease in 1999 of $34,082,000 partly reflected the method of accounting for the GE SeaCo joint venture which commenced on May 1, 1998. The rental revenue from the joint venture was net of costs incurred at the GE SeaCo level of $7,400,000 for the period. The balance of the decrease mainly related to leasing operations reflecting the effect of lower utilization and lease rates compared to 1998, partly offset by increased sales revenue from SCL's container manufacturing and depot facilities. In 1999, substantially all of the SCL fleet was on lease to GE SeaCo.

The container division decrease in 1998 of $1,916,000 reflected net costs incurred at the GE SeaCo level of $17,800,000 for the period, partly offset by $19,400,000 of sales, including to GE SeaCo, from SCL's container manufacturing and depot facilities. Previously such sales were not treated as revenue because SCL's container leasing activities were wholly owned. In 1998, substantially all of the SCL fleet was on lease to GE SeaCo for eight months of the year.

Revenue from other operations decreased by $95,000 in 1999 and by $703,000 in 1998, with the decrease in 1998 arising mainly from property-related activities.

Depreciation and Operating Expenses

Depreciation and operating expenses increased in the aggregate in 1999 by $74,508,000 (an increase as a percent of revenue from 73% to 75%) and in 1998 by $85,332,000 (an increase as a percent of revenue from 72% to 73%), of which an increase of $74,803,000 in 1999 and $57,839,000 in 1998 related to passenger transport operations. The 1999 increase in passenger transport operations primarily related to SCL's cross-Channel services ($46,000,000, including $13,700,000 from the Newhaven-Dieppe service and $27,700,000 from the Dover-Ostend service) and GNER ($19,300,000, including the beneficial effect of $12,000,000 due to the strengthening of the U.S. dollar against the British pound) together with $9,500,000 from other passenger transport activities. The 1998 increase in passenger transport operations primarily related to GNER ($42,000,000), the Irish Sea services ($8,000,000) and the Gothenburg-Frederikshavn service ($4,000,000).

Leisure expenses increased by $5,075,000 in 1999, of which $6,369,000 related to SCL's hotels and restaurants offset by a $1,294,000 decrease from tourist train and cruise operations. The increase in hotel and restaurant costs included $7,600,000 relating to Hotel Quinta do Lago and Lapa Palace Hotel (acquired in 1998) and Keswick Hall Hotel and Inn at Perry Cabin (acquired in 1999) together with the North American and Italian properties, partly offset by reduced costs from the other hotel properties, mainly the Copacabana Palace Hotel. Leisure expenses increased by $14,111,000 in 1998, of which $11,515,000 related to SCL's hotels and restaurants and $2,596,000 to tourist trains and cruises. The increase in hotel and restaurant costs included $11,785,000 for the Hôtel de la Cité, the Westcliff, Hotel Quinta do Lago and Lapa Palace Hotel, all recently acquired.

The 1999 decrease of $4,990,000 in container operations mainly related to reduced depreciation and operating costs on the container fleet, partly offset by increased costs from SCL's container manufacturing and depot facilities. The 1998 increase of $12,700,000 in container operations mainly related to increased costs from SCL's container manufacturing and depot facilities as a result of increased sales, including to GE SeaCo, partly offset by cost reductions on leasing operations.

Depreciation and operating expenses relating to other operations decreased by $380,000 in 1999 and increased by $682,000 in 1998.

Selling, General and Administrative Expenses

The decrease in these expenses of $11,041,000 in 1999 (a decrease as a percent of revenue from 14% to 12%) and $1,126,000 in 1998 (a decrease as a percent of revenue from 15% to 14%) included a decrease of $1,055,000 and an increase of

$9,930,000, respectively, relating to passenger transport operations, increases of $1,585,000 and $9,753,000, respectively, relating to leisure operations and decreases of $11,994,000 and $21,997,000, respectively, relating to container operations.

The overall decrease of $1,055,000 in passenger transport operations in 1999 included an increase of $5,900,000 relating to the Dover-Ostend and Newhaven-Dieppe services which was more than offset by reduced costs of other transport services, including GNER (mainly the effect of the strengthening of the U.S. dollar against the British pound). The increase of $9,930,000 in 1998 was primarily due to GNER ($7,200,000) and the Irish Sea services ($3,600,000), partly offset by costs recovered from Hoverspeed's English Channel joint venture.

The increase in leisure expenses of $1,585,000 in 1999 mainly related to the hotels acquired in 1998 and 1999 together with the North American and Italian hotels, partly offset by the Copacabana Palace Hotel. The increase of $9,753,000 in leisure expenses in 1998 included $5,628,000 for the Hôtel de la Cité, the Westcliff, Hotel Quinta do Lago and Lapa Palace Hotel, all recently acquired.

The decreased container expense of $11,944,000 in 1999 was mainly due to reduced costs from container leasing operations of $13,500,000 (primarily due to costs of SCL incurred in 1998 prior to commencement of the GE SeaCo joint venture). The decreased container expense of $21,997,000 in 1998 was mainly due to reduced costs in container leasing operations of $22,700,000 (primarily due to costs of the GE SeaCo joint venture previously incurred by SCL).

Other operations increased by $373,000 in 1999 and by $1,188,000 in 1998.

Net Finance Costs

The net finance cost increase of $6,049,000 in 1999 included the effect of increases in debt relating to the cost of passenger transport and leisure asset purchases in 1998 and 1999 and the issue of unsecured senior notes in both years, together with a decrease in interest and related income of $2,095,000 (including reduced foreign exchange gains of $1,120,000).

The net finance cost increase of $6,043,000 in 1998 included the effect of increases in debt incurred to finance container, passenger transport and leisure asset purchases in 1997 and 1998 and the issue of senior unsecured notes in 1998, partly offset by lower interest rates on existing floating rate debt and an increase in interest and related income of $2,257,000 (including increased foreign exchange gains of $3,468,000).

Taxes on Income

The income tax charges in 1999,1998 and 1997 related to subsidiaries in taxpaying jurisdictions. No income taxes are levied in Bermuda which is the Company's place of incorporation.

Net Earnings

Net earnings on common shares in 1999 (before the cumulative effect of change in accounting principle) were $6,299,000 higher than in 1998, and earnings before net finance costs increased by $9,069,000. The latter increase was made up of $7,564,000 from passenger transport operations and $15,359,000 from leisure activities, partly offset by reduced earnings from container operations of $13,746,000. The increased profitability of the passenger transport division in 1999 compared to 1998 mainly arose from the investment in Neptun Maritime Oyj, offset by reduced earnings on Hoverspeed's cross-Channel services and the Irish Sea routes. The leisure division improvement in 1999 was mainly due to better results from SCL's hotel activities including the hotels acquired in 1998 and 1999. The reduction from container operations in 1999 compared to 1998 was mainly due to the effect of lower utilization and average lease rates.

Net earnings on common shares in 1998 were $26,492,000 higher than in 1997, and earnings before net finance costs increased by $24,866,000. The latter increase would have been $31,316,000 if the 1997 earnings and sale gain from the Lodge at Vail were excluded, made up of $15,507,000 from passenger transport operations, $9,753,000 from leisure activities and $8,629,000 from container operations, partly offset by reduced earnings from other operations of $2,573,000. The increased profitability of the passenger transport division in 1998 compared to 1997 was mainly due to improvements of GNER and Hoverspeed (including earnings from Hoverspeed's English Channel joint venture). The leisure division improvement included $3,221,000 from tourist train and cruise operations, with the balance from the group's hotel and restaurant activities. The improvement from container operations in 1998 included the effect of the GE SeaCo joint venture operations.

Recent Accounting Pronouncements

SCL's adoption of recent accounting pronouncements is described in Note 1(n) to the Financial Statements.

Year 2000 Compliance

As previously reported, since 1997 SCL has been working to prepare its computer systems and embedded technologies for Y2K compliance and also with outside suppliers on resolving their Y2K issues. This program is now substantially complete and total costs incurred through December 31, 1999 ($2,700,000) were not material. To date, SCL has experienced no Y2K-related problems and believes that its systems and technologies and those of its suppliers should continue to function properly, although this cannot be guaranteed. SCL will continue to monitor the potential impact of Y2K issues. An issue of SCL or one or more of its suppliers or other organizations with which it conducts business that has not yet been identified or anticipated, or has been identified but not adequately addressed, may still adversely affect SCL's business, financial condition or results of operations.

Item 7A. **Quantitative and Qualitative Disclosures about Market Risk**

As noted under "Leverage; Foreign Currency Fluctuations" in the Management's Discussion and Analysis (Item 7 above), SCL is exposed to market risk from changes in interest rates and foreign currency exchange rates. These exposures are monitored and managed by SCL as part of its overall risk-management program which recognizes the unpredictability of financial markets and seeks to mitigate potentially material adverse effects on SCL's consolidated earnings. As part of this management, SCL enters into interest rate and foreign currency swap contracts and foreign currency forward exchange contracts from time to time. See Note 17 to the Financial Statements (Item 8 below). SCL does not use market risk sensitive financial instruments for trading purposes to any material degree.

The market risk relating to interest rates arises mainly from SCL's financing activities. SCL's earnings are affected by changes in interest rates on borrowings, principally based on U.S. dollar LIBOR, and on short-term cash investments. If interest rates increased by ten percent, with all other variables held constant, SCL's annual net finance costs would have increased by approximately $8,100,000 based on borrowings at December 31, 1999 (1998 - $7,000,000). Changes in interest rates also impact the fair value of SCL's fixed-rate debt. If interest rates increased by ten percent, with all other variables held constant, the fair value of SCL's fixed-rate debt would have decreased by approximately $23,000,000 based on amounts outstanding at December 31, 1999 (1998 - $13,000,000).

The market risk relating to foreign currencies arises from buying, selling and financing in currencies other than the U.S. dollar, principally U.K. sterling, European euro, Italian lire, Portuguese escudos and South African rand. Certain non-U.S. subsidiaries of SCL borrow in local foreign currencies, and SCL may enter into forward exchange contracts relating to purchases denominated in foreign currencies. During 1999, SCL entered into currency swap agreements converting $115,000,000 into euro 109,630,000 as a hedge against the euro-denominated investment in Neptun Maritime Oyj. If relevant foreign currency exchange rates decreased by ten percent against the U.S. dollar, with all other variables held constant, the fair value of these foreign currency financial instruments of SCL would have decreased by approximately $11,000,000 based on amounts outstanding at December 31, 1999 (1998 - $5,000,000).

Item 8. **Financial Statements and Supplementary Data**
Indepedent Auditors' Report

Deloitte & Touche

Deloitte & Touche LLP
Two World Financial Center
New York, New York 10281-1414

Telephone: (212) 436-2000
Facsimile: (212) 436-5000

Board of Directors and Shareholders
Sea Containers Ltd.
Hamilton, Bermuda

We have audited the accompanying consolidated balance sheets of Sea Containers Ltd. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedule listed in item 14. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Sea Containers Ltd. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As disclosed in footnote 1(n) to the consolidated financial statements, effective January 1, 1999, the Company adopted Statement of Position No. 98-5, Reporting on the Costs of Start-up Activities.

Deloitte & Touche LLP

March 9, 2000

Deloitte Touche Tohmatsu

Consolidated Balance Sheets

December 31,	1999 $000	1998 $000
Assets		
Cash	**103,763**	104,728
Accounts receivable, net of allowances of $22,114 and $17,591	**220,764**	223,037
Asset sale receivables	**29,952**	17,957
Advances on asset purchase contracts	**11,755**	15,273
Containers at cost, less accumulated depreciation of $462,390 and $424,346	**673,517**	743,157
Ships at cost, less accumulated depreciation of $103,032 and $87,785	**327,036**	252,220
Assets under capital leases	**15,458**	17,845
Real estate and other fixed assets at cost, less accumulated depreciation of $155,950 and $136,599	**729,369**	696,659
Inventories	**53,249**	44,613
Investments	**213,641**	67,468
Other assets	**136,913**	131,498
	2,515,417	2,314,455
Liabilities and Shareholders' Equity		
Working capital facilities	**43,755**	39,992
Accounts payable and accrued liabilities	**245,809**	258,898
Manufacturer accounts payable, notes payable, bank loans and other purchase obligations in respect of containers	**509,703**	506,562
Mortgage loans in respect of ships	**214,553**	165,841
Obligations under capital leases	**10,828**	15,961
Bank loans in respect of real estate and other fixed assets	**412,545**	383,129
Senior notes	**428,662**	315,000
Senior subordinated debentures	**123,994**	123,785
Deferred revenue and taxes	**33,652**	24,710
Minority interest	**6,435**	6,022
	2,029,936	1,839,900
Redeemable preferred shares:		
Preferred shares $.01 par value (15,000,000 shares authorized):		
Issued and outstanding:		
150,000 $7.25 convertible cumulative preferred shares (liquidation value of $100 per share)	**15,000**	15,000
Shareholders' equity:		
Class A common shares $.01 par value (60,000,000 shares authorized):		
Issued - 16,556,733 shares (1998 - 15,921,194)	**166**	159
Class B common shares $.01 par value (60,000,000 shares authorized):		
Issued - 14,706,225 shares (1998 - 15,282,790)	**147**	153
Paid-in capital	**319,816**	318,111
Retained earnings	**697,721**	669,429
Accumulated other comprehensive loss	**(156,108)**	(137,036)
Less: reduction due to class B common shares acquired with voting rights by subsidiaries - 12,900,500 shares at cost	**(391,261)**	(391,261)
Total shareholders' equity	**470,481**	459,555
Commitments	**-**	-
	2,515,417	2,314,455

See notes to consolidated financial statements.

Statements of Consolidated Operations

Year ended December 31,	1999 $000	1998 $000	1997 $000
Revenue	**1,339,069**	1,266,533	1,157,461
Expenses:			
Depreciation and amortization	**104,706**	106,203	103,623
Operating	**893,396**	817,391	734,639
Selling, general and administrative	**159,991**	171,032	172,158
Total expenses	**1,158,093**	1,094,626	1,010,420
Earnings from operations before net finance costs	**180,976**	171,907	147,041
Interest expense (net of capitalized interest)	**(119,019)**	(115,065)	(106,765)
Interest and related income	**4,697**	6,792	4,535
Net finance costs	**(114,322)**	(108,273)	(102,230)
Earnings before income taxes and cumulative effect of change in accounting principle	**66,654**	63,634	44,811
Provision for income taxes	**5,002**	4,950	2,793
Earnings before cumulative effect of change in accounting principle	**61,652**	58,684	42,018
Cumulative effect of change in accounting principle	**(12,306)**	-	-
Net earnings	**49,346**	58,684	42,018
Preferred share dividends	**1,088**	4,419	14,245
Net earnings on class A and class B common shares	**48,258**	54,265	27,773
	$	$	$
Earnings per class A and class B common share:			
Basic :			
Earnings before cumulative effect of change in accounting principle	**3.30**	3.34	2.07
Cumulative effect of change in accounting principle	**(0.67)**	-	-
Net earnings	**2.63**	3.34	2.07
Diluted :			
Earnings before cumulative effect of change in accounting principle	**3.27**	3.11	2.07
Cumulative effect of change in accounting principle	**(0.65)**	-	-
Net earnings	**2.62**	3.11	2.07
Dividends per class A common share	**1.10**	0.885	0.77
Dividends per class B common share	**0.9945**	0.8045	0.70

See notes to consolidated financial statements.

Statements of Consolidated Cash Flows

Year ended December 31,	**1999 $000**	1998 $000	1997 $000
Cash flows from operating activities:			
Net earnings on class A and class B common shares	**48,258**	54,265	27,773
Add non-cash effect of change in accounting principle	**12,306**	-	-
	60,564	54,265	27,773
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Preferred share dividends	**1,088**	4,419	14,245
Depreciation and amortization	**104,706**	106,203	103,623
Undistributed (earnings)/losses of affiliates and other non-cash items	**(20,477)**	2,558	(1,623)
Change in assets and liabilities net of effects from acquisition of subsidiaries:			
(Increase)/decrease in accounts receivable	**(11,990)**	(10,220)	11,874
Increase in inventories	**(8,327)**	(3,994)	(6,899)
(Decrease)/increase in accounts payable	**(14,958)**	1,136	3,204
Total adjustments	**50,042**	100,102	124,424
Net cash provided by operating activities	**110,606**	154,367	152,197
Cash flows from investing activities:			
Capital expenditures	**(158,423)**	(153,666)	(234,486)
Acquisitions and investments, net of cash acquired	**(159,206)**	(83,888)	(9,533)
Proceeds from sale of fixed assets and other	**21,113**	6,868	15,140
Net cash used in investing activities	**(296,516)**	(230,686)	(228,879)
Cash flows from financing activities:			
Issuance of common shares	**1,706**	33,049	423
Issuance of preferred shares	**-**	15,000	-
Issuance of long-term debt	**143,717**	157,009	225,537
Issuance of senior notes	**110,611**	146,762	-
Principal payments under long-term debt	**(53,913)**	(53,234)	(57,875)
Payment of preferred share dividends	**(1,088)**	(4,419)	(14,245)
Payment of common share dividends	**(19,966)**	(14,296)	(10,196)
Redemption of preferred shares	**-**	(36,497)	(8,400)
Redemption of debentures	**-**	(10,000)	(3,000)
	181,067	233,374	132,244
Working capital facilities and redrawable loans drawn/(repaid)	**7,860**	(142,880)	(64,868)
Net cash provided by financing activities	**188,927**	90,494	67,376
Total cash flows	**3,017**	14,175	(9,306)
Effect of exchange rate changes on cash	**(3,982)**	(88)	(3,014)
Net (decrease)/increase in cash	**(965)**	14,087	(12,320)
Cash at beginning of year	**104,728**	90,641	102,961
Cash at end of year	**103,763**	104,728	90,641

See notes to consolidated financial statements.

Statements of Consolidated Shareholders' Equity

	$4.00 Convertible Cumulative Preferred Shares $000	Class A Common Shares at Par Value $000	Class B Common Shares at Par Value $000	Paid-in Capital $000	Retained Earnings $000	Accumulated Other Comprehensive Income (Loss) $000	Common Shares Held by Subsidiaries $000	Total Comprehensive Income $000
Balance, January 1, 1997	109,650	113	150	175,748	611,883	(119,657)	(391,261)	
Issuance of class A common shares under dividend reinvestment plan	-	-	-	337	-	-	-	
Issuance of common shares under employee stock option plan	-	-	-	86	-	-	-	
Conversion of convertible preferred shares to common shares	-	-	-	87	-	-	-	
Dividends on common shares	-	-	-	-	(10,196)	-	-	
Comprehensive income:								
Net earnings on common shares for the year	-	-	-	-	27,773	-	-	27,773
Other comprehensive loss - translation adjustment for the year	-	-	-	-	-	(17,135)	-	(17,135)
								10,638
Balance, December 31, 1997	109,650	113	150	176,258	629,460	(136,792)	(391,261)	
Issuance of class A common shares under dividend reinvestment plan	-	-	-	274	-	-	-	
Issuance of common shares under employee stock option plan	-	-	-	221	-	-	-	
Issuance of class A common shares in public offering and private placement, net of issuance costs	-	11	-	32,543	-	-	-	
Redemption of convertible preferred shares	(797)	-	-	-	-	-	-	
Conversion of convertible preferred shares to common shares	(108,853)	28	10	108,815	-	-	-	
Conversion of class A and B common shares	-	7	(7)	-	-	-	-	
Dividends on common shares	-	-	-	-	(14,296)	-	-	
Comprehensive income:								
Net earnings on common shares for the year	-	-	-	-	54,265	-	-	54,265
Other comprehensive loss - translation adjustment for the year	-	-	-	-	-	(244)	-	(244)
								54,021
Balance, December 31, 1998	-	159	153	318,111	669,429	(137,036)	(391,261)	
Issuance of class A common shares under dividend reinvestment plan	-	-	-	314	-	-	-	
Issuance of common shares under employee stock option plan	-	-	-	89	-	-	-	
Issuance of class A common shares in public offering, net of issuance costs	-	1	-	1,302	-	-	-	
Conversion of class A and B common shares	-	6	(6)	-	-	-	-	
Dividends on common shares	-	-	-	-	(19,966)	-	-	
Comprehensive income:								
Net earnings on common shares for the year	-	-	-	-	48,258	-	-	48,258
Other comprehensive income - translation adjustment for the year	-	-	-	-	-	(19,072)	-	(19,072)
								29,186
Balance, December 31, 1999	-	166	147	319,816	697,721	(156,108)	(391,261)	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of Sea Containers Ltd. and all majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. Unconsolidated companies that are 20 to 50 percent owned are accounted for on an equity basis.

For purposes of these Notes, the "Company" refers to Sea Containers Ltd., "SCL" refers to Sea Containers Ltd. and its subsidiaries, and "GE SeaCo" refers to GE SeaCo SRL.

Certain items in 1998 and 1997 have been reclassified to conform with the current year's presentation. The reclassifications have no effect on net earnings as previously reported.

(b) Containers, ships, real estate and other fixed assets

Containers and ships are recorded at cost and, after allowance for salvage value, are depreciated over their estimated useful lives by the straight-line method. The estimated useful life and salvage value for containers are generally 20 years and 20 percent, and for ships generally 20 to 25 years and 15 to 5 percent.

Substantially all container assets are revenue-earning under operating leases. The financial statements reflect rentals as revenue.

When a gain on the sale of container or ship assets is recognized and payment is deferred, such gain is recorded after applying the present value to any receivables beyond one year's maturity.

Real estate, tourist trains and other fixed assets are recorded at cost and are depreciated over their estimated useful lives by the straight-line method. The depreciation rates on freehold buildings and tourist train assets range from 35 to 60 years and on machinery and other remaining assets from 5 to 25 years. Leasehold property is depreciated over the lease periods.

(c) Foreign currency translation

The translation adjustment included in accumulated other comprehensive income/(loss) represents principally the effect of changes in the rate of exchange at the beginning and end of each year in translating net assets, excluding certain intercompany liabilities, of foreign subsidiaries. No income taxes are provided on the translation adjustments as SCL management does not expect that such gains or losses will be realized.

(d) Other assets

Other assets include goodwill of $35,590,000 (1998 - $33,474,000) arising upon the purchase of subsidiaries which is written off over periods up to 40 years by the straight-line method.

(e) Revenue recognition

Revenues are recognized when a service is performed or a product is shipped. With respect to sales-type leases, a gain or loss is calculated in accordance with Statement No. 13 of the Financial Accounting Standards Board and included in revenue. Revenue also includes the equity in the earnings/(losses) of unconsolidated companies (see Note 2(b)).

(f) Government subsidy

Included in operating expenses is an amount received from the British government in respect of the passenger rail franchise. In 1999 this amounted to $36,000,000 (1998 - $69,000,000, 1997 - $95,000,000).

(g) Inventories

Inventories are valued at the lower of cost or market value under the first-in, first-out method.

(h) Earnings per share

Basic earnings per Class A and Class B common share for each year are computed by dividing net earnings on Class A and Class B common shares by the weighted average number of common shares outstanding (excluding voting shares owned by subsidiaries).

Diluted earnings per Class A and Class B common share for each year are computed by dividing net earnings reduced for the non-convertible preferred share dividend requirements by the sum of the weighted average number of common shares outstanding (excluding voting shares owned by subsidiaries), the weighted average number of shares reserved for conversion of outstanding convertible preferred shares (if dilutive) and the dilutive effect of stock options. Diluted earnings per Class A and Class B common share were the same as basic for 1997 as the conversion of convertible securities was antidilutive.

The number of shares used in computing basic and diluted earnings per share at December 31 was as follows (in thousands):

	1999	1998	1997
Basic	**18,334**	16,244	13,435
Diluted	**18,832**	18,384	17,243

(i) Capitalized interest

SCL capitalizes interest during the construction of assets. Interest has been capitalized in the amount of $1,928,000 in 1999 (1998 - $1,392,000, 1997 - $1,391,000).

(j) Interest and related income

Interest and related income includes foreign exchange gains of $2,959,000 in 1999 (1998 - $4,079,000, 1997 - $611,000). Also included is interest on receivables related to sales-type leases.

(k) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Stock-based compensation

Statement No. 123, Accounting for Stock-Based Compensation, of the Financial Accounting Standards Board encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. SCL has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Opinion No. 25, Accounting for Stock Issued to Employees, of the Accounting Principles Board and related interpretations. Accordingly, compensation cost for share options is measured as the excess, if any, of the quoted market price of the Company's shares at the date of the grant over the amount an employee must pay to acquire the shares. Compensation expense for stock appreciation rights is recorded annually based on the quoted market price of the Company's shares at the end of the period. See Note 13.

(m) Impairment of long-lived assets

Long-lived assets and certain identifiable intangible assets are reviewed by SCL whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In the event that an impairment seems likely, the fair value of the related asset is estimated, and SCL records a charge to income calculated by comparing the asset's carrying value to the estimated fair value.

(n) Recent accounting pronouncements

In 1998, SCL adopted Statement No. 130, Reporting Comprehensive Income, Statement No. 131, Disclosure about Segments of an Enterprise and Related Information, and Statement No. 132, Employers' Disclosures about Pensions and Other Post-retirement Benefits, all issued by the Financial Accounting Standards Board. Prior periods have been restated to conform to these statements. SCL's only component of other comprehensive income is the foreign currency translation adjustment.

In 1999, SCL adopted Statement of Position No. 98-5, Reporting on the Costs of Start-Up Activities, of the American Institute of Certified Public Accountants. This required SCL to write-off $12,306,000 in the first quarter of 1999 representing mainly deferred start-up costs of container manufacturing facilities and cruise operations which may no longer be carried forward under this statement.

In 2000, SCL plans to adopt Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, of the Financial Accounting Standards Board. It will require that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives will be recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings. It is expected that the adoption of this Statement will not have a material impact upon SCL's results of operations and financial position.

2. Acquisitions and investments

(a) Acquisitions

Effective July 1, 1999, SCL acquired the 50% interest in the joint venture company which it did not already own that operates the Dover-Ostend ferry service using two SeaCats on charter from Holyman Ltd. The purchase price was nominal, but the purchase agreement obligates SCL to acquire the two SeaCats at a cost of $25,800,000 each by April 2000.

On May 6, 1999, SCL acquired Ashley House Inc., owner of Keswick Hall Hotel near Charlottesville, Virginia, and Inn at Perry Cabin in St Michaels, Maryland. The $25,500,000 purchase price was paid in cash and funded in part by a bank loan to SCL.

On July 29, 1998, SCL acquired the Lapa Palace Hotel in Lisbon, Portugal, at a purchase price of $25,000,000 paid in cash and notes payable to the seller. On June 23, 1998, SCL acquired the Hotel Quinta do Lago near Faro, Portugal, at a purchase price of $27,000,000 paid in cash and notes payable to the seller.

On April 30, 1997, SCL acquired Hôtel de la Cité in Carcassonne, France. The purchase price of $6,000,000 was paid in cash and by assumption of existing debt.

All of the above acquisitions have been accounted for as purchases and, accordingly, the assets and liabilities of the acquired companies have been recorded at their fair value at the date of acquisition. The operating results of the acquired companies have been included in SCL's consolidated statements of operations from the effective dates of acquisition.

(b) Investments

Investments represent equity interests of 20 to 50 percent in any unconsolidated companies.

On September 21, 1999, SCL acquired a 50% interest in a joint venture company to which the Peruvian government awarded long-term concessions to operate the Southern and Machu Picchu lines of the state-owned railway system in Peru. SCL has been appointed manager of the concessions and rail services which operate under the name PeruRail. No payment was required to acquire the concessions other than the purchase of spare parts and office equipment of which SCL's share amounted to $1,750,000.

During the second quarter of 1999, SCL purchased a 50% interest in Neptun Maritime Oyj, a ferry company based in Finland and listed on the Helsinki Exchanges. The cash purchase price was $102,800,000 funded initially by a bank loan to SCL, which was refinanced by the issue of 10¾% senior notes due 2006 (see Note 8). The shareholders from whom SCL acquired this investment have the right to sell the balance of their shares in Neptun Maritime to SCL in April 2002, representing up to an additional 26% of shares outstanding, at a total price of approximately $41,000,000 payable at SCL's option in cash or Class A common shares of the Company.

On March 31, 1999, SCL acquired for $10,000,000 a 50% interest in a joint venture company that bought two hotels in Peru, the Hotel Monasterio del Cusco and the Machu Picchu Sanctuary Lodge. SCL is managing these properties.

As previously reported, the GE SeaCo joint venture between SCL and General Electric Capital Corporation relating to marine container leasing began operations with effect from May 1, 1998. SCL contributed approximately $12,300,000 of GE SeaCo's initial equity capital of approximately $27,500,000, and provided 30% of the initial $35,000,000 principal amount of loans to GE SeaCo from the joint venture partners.

3. Real estate and other fixed assets

The major classes of real estate and other fixed assets are as follows:

Year ending December 31,	1999 $000	1998 $000
Freehold and leased land and buildings	**626,938**	588,702
Machinery and equipment	**161,861**	155,324
Fixtures, fittings and office equipment	**96,520**	89,232
	885,319	833,258
Less: accumulated depreciation	**155,950**	136,599
	729,369	696,659

4. Asset sale receivables

Asset sale receivables of $29,952,000 at December 31, 1999, at present value discounted at an average rate of 8.39 percent per annum, are collectible as follows:

Year ending December 31,	$000
2000	13,113
2001	7,560
2002	3,479
2003	1,475
2004	2,189
2005 and thereafter	2,136
	29,952

5. Capital leases

The following is an analysis of assets leased under capital leases by major classes:

Year ending December 31,	1999 $000	1998 $000
Containers	**8,819**	12,940
Machinery and equipment	**10,594**	10,855
Real estate and other fixed assets	**16,895**	14,386
	36,308	38,181
Less: accumulated depreciation	**20,850**	20,336
	15,458	17,845

Notes to Consolidated Financial Statements *continued*

The following is a schedule of future minimum lease payments under capital leases together with the present value of the minimum lease payments at December 31, 1999:

Year ending December 31,	$000
2000	3,887
2001	2,473
2002	2,312
2003	2,118
2004	1,363
2005 and thereafter	554
Minimum lease payments	12,707
Less: amount of interest contained in above payments (1)	1,879
Present value of minimum lease payments	10,828

(1) The amount of interest deducted from minimum lease payments to arrive at the present value is the interest contained in each of the leases.

6. Working capital facilities

Working capital facilities at December 31 are comprised of the following, all repayable within one year:

	1999	1998
	$000	$000
Working capital facility secured on certain assets, with an interest rate of 6.50 and 8.00 percent, respectively	**362**	2,060
Unsecured working capital facilities, with a weighted average interest rate of 7.40 and 7.20 percent, respectively	**43,393**	37,932
	43,755	39,992

There are additional working capital lines of credit, currently in place but not drawn, amounting to $72,000,000 (1998 - $140,000,000), of which $34,000,000 (1998 - $88,000,000) is undrawn under secured revolving credit facilities (see Note 7).

7. Long-term debt

Long-term debt at December 31 consists of the following:

	1999	1998
	$000	$000
Container purchase notes and bank loans payable over periods of 5 to 10 years, with a weighted average interest rate of 7.24 and 6.25 percent, respectively	**509,703**	506,562
Ship mortgage loans payable over periods of 5 to 10 years, with a weighted average interest rate of 6.04 and 7.05 percent, respectively	**214,553**	165,841
Loans from banks secured by real estate and other fixed assets payable over periods of 2 to 14 years, with a weighted average interest rate of 6.46 and 7.24 percent, respectively	**412,545**	383,129
	1,136,801	1,055,532

Most containers are secured to financial institutions as collateral for debt obligations. The ship mortgage loans are secured by first or second mortgages on the vessels and are shown net of cash totalling $1,122,500 (1998 - $5,400,000) which is held as security for, or otherwise allocated to, repayment of obligations in respect of certain cargoships.

Included in long-term debt is a revolving credit facility with a group of banks amounting to $239,600,000 secured by container equipment and a hotel. SCL may borrow on a revolving basis until October 25, 2004 and must repay the balance outstanding at that date. Interest on the facility ranges from 1.25 to 1.70 percent over LIBOR. At December 31, 1999, $193,546,000 (1998 - $186,500,000) was outstanding under this facility.

Also included in long-term debt is a $350,000,000 securitization facility with a ten-year term secured by container equipment. An SCL subsidiary issued a senior note in the principal amount of $291,700,000 which is non-recourse to the Company and its other subsidiaries, bears interest only until October 20, 2001 and thereafter amortizes over eight years. The Company has issued an effectively subordinated $58,300,000 revolving credit note for the balance of the facility. The overall interest rate is approximately 0.85 to 1.04 percent over LIBOR. At December 31, 1999, $350,000,000 (1998 - $291,700,000) was outstanding under this facility.

The following is a summary of the aggregate maturities of long-term debt at December 31, 1999:

Year ending December 31,	$000
2000	104,020
2001	120,569
2002	120,176
2003	100,924
2004	343,346
2005 and thereafter	347,766
	1,136,801

At December 31, 1999 and 1998, SCL was in full compliance with the requirements of the credit/financing agreements evidencing its long-term debt, and the carrying value of the long-term debt was approximately its fair value.

In addition, a syndicate of banks has provided GE SeaCo with a $200,000,000 credit facility to fund new container purchases guaranteed 50% by the Company and 50% by General Electric Capital Corporation. At December 31, 1999, GE SeaCo had borrowed $128,800,000 (1998 - $52,000,000) under this facility. Also SCL has guaranteed a $7,500,000 bank loan to Charleston Center LLC, owner of Charleston Place Hotel, in which SCL owns a minority interest.

8. Senior notes and subordinated debentures

(a) 9 1/2% senior notes due 2003

The aggregate principal amount of these notes is $100,000,000 and they bear interest at 9 1/2% per annum, payable semi-annually. They are redeemable, in whole or in part, at the option of the Company at a price of 102.375 percent of the principal amount, declining to 100 percent of the principal amount on and after July 1, 2000. The notes may also be redeemed by the Company in the event of certain tax law changes. The notes have no sinking fund requirement and come due on July 1, 2003. In the event a change in control of the Company occurs, it is obligated to make an offer to purchase the notes at a price of 101 percent of the principal amount. The fair value of these notes as of December 31, 1999 was approximately $95,000,000 (1998 - $103,000,000) based upon available market quotes.

(b) 10 1/2% senior notes due 2003

The aggregate principal amount of these notes is $65,000,000 and they bear interest at 10 1/2% per annum, payable semi-annually. They are redeemable, in whole or in part, at the option of the Company at an initial price of 105.25 percent of the principal amount commencing on July 1, 2000, and thereafter declining to 100 percent of the principal amount on and after July 1, 2002. The notes may also be redeemed by the Company in the event of certain tax law changes. The notes have no sinking fund requirement and come due on July 1, 2003. In the event a change in control of the Company occurs, it is obligated to make an offer to purchase the notes at a price of 101 percent of the principal amount. The fair value of these notes as of December 31, 1999 was approximately $62,000,000 (1998 - $69,000,000) based upon available market quotes.

(c) 10 3/4% senior notes due 2006

On October 18, 1999, the Company issued and sold an aggregate principal amount of $115,000,000 of these notes at a discount to yield 11% per annum. They bear interest (accruing from the date of issue) at 10 3/4% per annum, payable semi-annually. They are redeemable, in whole or in part, at the option of the Company, at an initial price of 105.375 percent of the principal amount at October 15, 2003, declining to 100 percent of the principal amount on and after October 15, 2005. The notes may also be redeemed by the Company in the event of certain tax law changes. The notes have no sinking fund requirement and come due on October 15, 2006. In the event a change in control of the Company occurs, it is obligated to make an offer to purchase the notes at a price of 101 percent of the principal amount. The fair value of these notes on December 31, 1999 was approximately $114,000,000 based upon available market quotes.

(d) 7 7/8% senior notes due 2008

On February 19, 1998, the Company issued and sold an aggregate principal amount of $150,000,000 of these notes at par. They bear interest at 7 7/8% per annum, payable semi-annually. They are redeemable, in whole or in part, at the option of the Company at an initial price of 103.938 percent of the principal amount commencing on February 15, 2003, and thereafter declining to 100 percent of the principal amount on and after February 15, 2005. The notes may also be redeemed by the Company in the event of certain tax law changes. The notes have no sinking fund requirement and come due on February 15, 2008. In the event a change in control of the Company occurs, it is obligated to make an offer to purchase the notes at a price of 101 percent of the principal amount. The fair value of these notes at December 31, 1999 was approximately $131,000,000 (1998 - $144,000,000) based upon available market quotes.

(e) 12 1/2% senior subordinated debentures due 2004

The aggregate principal amount of these debentures is $125,000,000 and they bear interest at 12 1/2% per annum, payable semi-annually. The Company issued these debentures in two tranches. The first tranche ($100,000,000 principal amount designated series A) was sold at a discount while the second ($25,000,000 principal amount designated series B) was sold at a premium, both of which are being amortized over the life of the debentures. The effective annual interest rate on the total principal amount is 12.75%. The debentures are subordinated to all existing and future superior indebtedness, but rank senior to certain subordinated indebtedness, and are redeemable, in whole or in part, at the option of the Company at a price of 106.25 percent of the principal amount, declining to 100 percent of the principal amount on and after December 1, 2001. The debentures may also be redeemed by the Company in the event of certain tax law changes. The debentures have no sinking fund requirement and come due on December 1, 2004. In the event a change in control of the Company occurs, it is obligated to make an offer to purchase the debentures at a price of 101 percent of the principal amount. The fair value of these debentures as of December 31, 1999 was approximately $128,000,000 (1998 - $137,000,000) based upon available market quotes.

(f) 10 1/4% subordinated debentures due 1998

These debentures came due in accordance with their terms on September 1, 1998 and were paid on that date at par.

9. Pension plans

SCL has pension plans covering substantially all of its employees. The significant plans are three defined benefit plans in which the benefits are based primarily on years of service and employee compensation near retirement. It is SCL's policy to fund its plans in accordance with applicable laws and income tax regulations. Plan assets consist primarily of common stocks, common trust funds, government securities and corporate debt securities held through separate trustee-administered funds.

The significant weighted-average assumptions for these plans during 1999, 1998 and 1997 consisted of the following:

	1999	1998	1997
	%	%	%
Discount rate (1)	**6.0**	5.5	7.0
Assumed rates of compensation increases	**3.5**	3.5	4.5
Expected long-term rate of return on plan assets	**6.5**	6.5	8.0

(1) Represents the essentially risk-free rate of return at the end of the year in the country in which the assets are held.

The changes in the benefit obligation, the plan assets and the funded status for the three plans during the years ended December 31, 1999 and 1998 were as follows :

	1999	1998
	$000	$000
Change in benefit obligation:		
Benefit obligation at beginning of year	**134,835**	114,508
Service cost	**3,757**	3,531
Interest cost	**7,138**	8,023
Plan participants' contributions	**1,620**	1,313
Actuarial gain	**12,568**	11,456
Benefits paid	**(5,383)**	(4,690)
Foreign currency translation	**(4,183)**	694
Benefit obligation at end of year	**150,352**	134,835
Change in plan assets:		
Fair value of plan assets at beginning of year	**139,320**	122,067
Actual return on plan assets	**36,737**	15,159
Employer contributions	**4,037**	4,731
Plan participants' contributions	**1,620**	1,313
Benefits paid	**(5,383)**	(4,690)
Foreign currency translation	**(4,425)**	740
Fair value of plan assets at end of year	**171,906**	139,320
Funded status	**21,554**	4,485
Unrecognized net actuarial gain	**(16,335)**	(1,056)
Unrecognized prior service cost	**1,799**	2,241
Unrecognized transition amount	**541**	608
Prepaid benefit cost	**7,559**	6,278

Notes to Consolidated Financial Statements *continued*

The components of net periodic benefit cost during 1999, 1998 and 1997 consisted of the following:

	1999 $000	1998 $000	1997 $000
Service cost	**3,757**	3,531	3,027
Interest cost on projected benefit obligation	**7,138**	8,023	7,293
Expected return on assets	**(8,879)**	(9,879)	(8,562)
Net amortization and deferrals	**543**	418	430
Net periodic benefit cost	**2,559**	2,093	2,188

While SCL operates its present passenger rail franchise in Britain, it is responsible for providing pension benefits for the relevant employees who participate in a plan covering many franchises. SCL's projected benefit obligation, accumulated benefit obligation and fair value of plan assets under this pension plan were $163,840,000, $157,841,000 and $286,087,000, respectively, as of December 31, 1999. SCL's net periodic benefit cost under this pension plan for 1999 was $4,265,000. These amounts are excluded from the amounts disclosed above relating to three significant defined benefit plans.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for another pension plan with accumulated benefit obligations in excess of plan assets were $24,437,000, $23,247,000 and $20,763,000, respectively, as of December 31, 1998.

10. Income taxes

Income taxes provided by SCL relate principally to its foreign subsidiaries as pre-tax income is primarily foreign. The provision for income taxes consisted of the following:

	Year ended December 31, 1999			Year ended December 31, 1998			Year ended December 31, 1997		
	Current $000	**Deferred $000**	**Total $000**	Current $000	Deferred $000	Total $000	Current $000	Deferred $000	Total $000
United States	**2,472**	**500**	**2,972**	1,068	-	1,068	764	-	764
Other foreign	**2,877**	**(847)**	**2,030**	2,816	1,066	3,882	1,650	379	2,029
	5,349	**(347)**	**5,002**	3,884	1,066	4,950	2,414	379	2,793

The net deferred tax liabilities recognized in the consolidated balance sheets at December 31, 1999 and 1998 are comprised of the following:

	1999 $000	1998 $000
Gross deferred tax assets (operating loss carry forwards)	**35,317**	24,567
Less: Valuation allowance	**(13,536)**	(10,892)
Net deferred tax assets	**21,781**	13,675
Deferred tax liabilities	**(28,636)**	(21,002)
Net deferred tax liabilities	**(6,855)**	(7,327)

The gross deferred tax assets relate primarily to tax loss carry forwards. The deferred tax liabilities are temporary differences substantially caused by tax depreciation in excess of book depreciation.

The difference in the effective tax rate and the U.S. statutory rate (35%) results principally from different tax rates in other jurisdictions and from earnings outside the U.S. that are not subject to taxation.

11. Supplemental cash flow information

Year ended December 31,	**1999**	1998	1997
	$000	$000	$000
Cash paid for:			
Interest	**116,336**	110,307	107,407
Income taxes	**2,620**	3,498	1,797

Non-cash investing and financing activities:
In conjunction with the acquisitions in 1999, 1998 and 1997 (see Note 2(a)), liabilities were assumed as follows:

Year ended December 31,	**1999**	1998	1997
	$000	$000	$000
Fair value of assets acquired	**27,319**	57,936	8,562
Cash paid	**(25,036)**	(49,016)	(594)
Liabilities assumed	**2,283**	8,920	7,968

12. Redeemable preferred shares

Out of authorized preferred shares, 300,000 have been reserved for issuance as series A junior participating preferred shares upon exercise of preferred share purchase rights held by class A and B common shareholders (see Note 14(c)).

(a) $7.25 convertible cumulative preferred shares

These preferred shares were issued on May 6, 1998. They are convertible at the option of the holder at any time, unless previously redeemed, into class B common shares of the Company at a conversion price of $31.34 per share (equivalent to a conversion rate of approximately 3.19 class B common shares for each preferred share), subject to adjustment under certain conditions. They provide for cumulative dividends at the annual rate of $7.25 per share payable quarterly and are redeemable at the option of the Company, in whole or in part, at any time at a per share redemption price of $102.90 during the 12 months beginning May 6, 2001, $101.45 during the 12 months beginning May 6, 2002, and thereafter at $100.00 per share. Any preferred shares outstanding on May 6, 2005 must be redeemed at $100.00 per share plus any accrued and unpaid dividends.

(b) $1.4625 cumulative preferred shares and $2.10 cumulative preferred shares, series 1982

The Company redeemed all of these outstanding preferred shares for cash at $15 per share on May 29, 1998, plus accrued and unpaid dividends to the redemption date.

13. Employee stock option and stock appreciation rights plans

Under the Company's 1997 stock option plan, options to purchase up to 500,000 Class A or B common shares may be awarded to employees of SCL at fair market value at the date of grant. Options are exercisable three years after award and must be exercised ten years from the date of grant. At December 31, 1999, 112,000 Class A common shares were reserved for issuance pursuant to options awarded to 20 persons. The 1986 stock option plan of the Company terminated in 1996. At December 31, 1999, 22,000 Class A common shares and 10,000 class B common shares were reserved for issuance pursuant to options awarded to six persons.

No charges or credits are made to income with respect to options awarded or exercised under the plans since all options to employees are awarded at market value at date of grant. Transactions under the plans have been as follows:

Year ended December 31, 1999	Shares	Option Price
Outstanding at beginning of period	**89,834**	**$4.50 - $28.00**
Granted	**62,000**	**$30.00**
Terminated	-	
Exercised	**(7,834)**	**$4.50 - $17.50**
Outstanding at end of period	**144,000**	**$16.00 - $30.00**
Exercisable at end of period	**32,000**	**$16.00 - $21.75**

Year ended December 31, 1998	Shares	Option Price
Outstanding at beginning of period	59,724	$4.50 - $21.75
Granted	50,000	$25.125 - $28.00
Terminated	-	
Exercised	(19,890)	$4.50 - $17.50
Outstanding at end of period	89,834	$4.50 - $28.00
Exercisable at end of period	39,834	$4.50 - $21.75

Year ended December 31, 1997	Shares	Option Price
Outstanding at beginning of period	67,724	$1.00 - $21.75
Granted	-	
Terminated	-	
Exercised	(8,000)	$1.00 - $17.50
Outstanding at end of period	59,724	$4.50 - $21.75
Exercisable at end of period	59,724	$4.50 - $21.75

The options outstanding at December 31, 1999 were as follows:

Dates of Grant	Dates of Expiration	Number of Shares	Average Option Price
January 30, 1991 to August 20, 1999	January 29, 2001 to August 19, 2009	144.000	$25.98

There is no material effect of the options granted after the effective date of Statement No. 123, Accounting for Stock-Based Compensation, of the Financial Accounting Standards Board. Accordingly, disclosure of pro forma information is not required.

The 1991 stock appreciation rights plan of the Company, as amended, provides that SCL may grant to its employees stock appreciation rights ("SARs") with respect to up to an aggregate of 600,000 Class A common shares. SARs entitle the holder to a cash amount equal in value to the excess of the fair market value of the common shares at the time of exercise of the SARs over the fair market value of the common shares at the time the SARs were granted. SARs become exercisable three years after grant and must be exercised ten years from the date of grant. At December 31, 1999, 153,100 SARs (1998 - 156,100, 1997 - 269,200) were outstanding. In 1999, a net charge to income arising from SARs amounted to $nil (1998 - $893,000, 1997 - $3,274,000).

14. Shareholders' equity

(a) $4.00 convertible cumulative preferred shares

On June 2, 1998, the Company called for redemption all of its outstanding $4.00 convertible cumulative preferred shares, including dividends accrued and unpaid to the redemption date. Holders of substantially all of the preferred shares elected to convert them prior to the redemption date into class A or class B common shares of the Company in accordance with the terms of the preferred shares. This redemption and the effect of the conversion have been accounted for as at June 30, 1998.

(b) Dual common share capitalization

Effective June 23, 1992, following shareholder approval, the existing common shares of the Company were classified as class B common shares, each of which is convertible at any time into one class A common share of the Company. Cash dividends on the class A common shares must be at least 10 percent higher than any cash dividends on the class B common shares. In general, holders of class A and class B common shares vote together as a single class, with holders of class B shares having one vote per share and holders of class A shares having one-tenth of one vote per share. In all other substantial respects, the class A and B shares are the same.

(c) Shareholder rights agreement

The Company has in place a shareholder rights agreement, as amended and restated as of June 1, 1998, which will be implemented not earlier than the tenth day following the first to occur of (i) the public announcement of the acquisition by a person (other than a subsidiary of the Company) of shares carrying 20% or more of the total voting rights which may be cast at any general meeting of the Company and (ii) the commencement or announcement of a tender offer or exchange offer by a person for shares carrying 30% or more of the total voting rights which may be cast at any general meeting of the Company. At that time, the rights detach from the class A and class B common shares, and the holders of the rights will be entitled to purchase, for each right held, one two-hundredth of a series A junior participating preferred share of the Company at an exercise price of $180 (the "Purchase Price") for each one two-hundredth of such junior preferred share, subject to adjustment in certain events. From and after the date on which any person acquires beneficial ownership of shares carrying 20% or more of the total voting rights which may be cast at any general meeting of the Company, each holder of a right (other than the acquiring person) will be entitled upon exercise to receive, at the then current Purchase Price and in lieu of the junior preferred shares, that number of class A or class B common shares (depending on whether the right was previously attached to a class A or B share) having a market value of twice the Purchase Price. If the Company is acquired or 50% or more of its consolidated assets or earning power is sold, each holder of a right will be entitled to receive, upon exercise at the then current Purchase Price, that amount of common equity of the acquiring company which at the time of such transaction would have a market value of two times the Purchase Price. The rights will expire on June 19, 2008 but may be redeemed at a price of $0.025 per right at any time prior to the tenth day following the date on which a person acquires beneficial ownership of shares carrying 20% or more of the total voting rights which may be cast at any general meeting of the Company.

(d) Reserved shares

At December 31, 1999, in addition to the 532,000 common shares reserved for options granted or available under the 1986 and 1997 stock option plans (see Note 13), a further 478,622 class B common shares were reserved for issuance upon conversion of the $7.25 convertible cumulative preferred shares.

(e) Acquired shares

A total of 12,900,500 Class B common shares were owned by certain SCL subsidiaries at December 31, 1999. Under applicable law, these shares are outstanding and may be voted by the subsidiaries, although in computing earnings per share these shares are treated as a reduction to outstanding shares.

(f) Certain restrictions on payment of dividends

SCL is party to certain credit agreements which restrict the payment of dividends and the purchase of common shares. Under these agreements, approximately $65,000,000 was available at December 31, 1999 (1998 - $63,000,000) for the payment of cash dividends and the purchase of shares.

15. Rental income under operating leases and charters

The following are the minimum future rentals at December 31, 1999 under operating leases of containers and leases of property and other fixed assets:

Year ending December 31,	$000
2000	84,741
2001	74,549
2002	64,947
2003	57,030
2004	49,614
2005 and thereafter	116,266
	447,147

Of the total above, related party rental payments due from GE SeaCo amounted to $378,684,000 (1998 - $691,252,000).

16. Commitments

Outstanding contracts to purchase fixed assets were approximately $116,000,000 at December 31, 1999 (1998 - $74,000,000).

Future rental payments under operating leases in respect of equipment rentals and leased premises are payable as follows:

Year ending December 31,	$000
2000	334,864
2001	347,263
2002	340,123
2003	85,096
2004	2,769
2005 and thereafter	16,207
	1,126,322

Of the total above, $1,070,638,000 relates to rental payments by the present passenger rail franchise in respect of leases of rolling stock and access charges for railway infrastructure. These commitments are payable only while the franchise continues.

Where the agreements provide for rental payments calculated on a factor varying with interest rates, the factors applicable to the interest rates ruling at December 31, 1999 have been used. Rental expense for the year ended December 31, 1999 amounted to $229,233,000 (1998 - $262,504,000, 1997 - $254,403,000).

17. Financial instruments with off-balance sheet risk and concentrations of credit risk

(a) Interest rate and currency swap agreements

SCL has outstanding two interest rate swap agreements under which U.S. dollar fixed-rate debt has been effectively converted to floating U.S. dollar rate debt. At December 31, 1999, the aggregate notional amount of the two swap agreements was approximately $20,400,000, both maturing in the first quarter of 2001. The approximate cost to SCL to terminate these agreements at December 31, 1999 would not have been material.

On November 3, 1999, SCL entered into four interest rate and currency swap agreements converting $115,000,000 into euro 109,630,000 (equivalent to $109,900,000 at December 31, 1999) as a hedge against the euro-denominated investment in Neptun Maritime Oyj. At the date of entering into the agreements, $57,500,000 was swapped into fixed interest payments at rates averaging 9.06 percent per annum and $57,500,000 was swapped into floating interest payments with an average spread of 4.00 percent above EURIBOR. One of the agreements matures on October 15, 2004, with the other three maturing on October 16, 2006. At these dates, SCL will repay euro 47,678,000 and euro 61,952,000, respectively. The fair value of these agreements at December 31, 1999 was $111,700,000.

The above agreements are not held for trading purposes and SCL has no current intention to terminate the agreements. At December 31, 1999, SCL believes that there was no significant credit risk of non-performance by counterparties.

b) Off-balance sheet risk

From time to time, SCL utilizes foreign currency forward contracts to reduce exposure to exchange rate risks primarily associated with SCL's international transactions. These contracts establish the exchange rates at which SCL will purchase or sell at a future date the contracted amount of currencies for specified foreign currencies. SCL utilizes forward contracts which are short-term in nature and receives or pays the difference between the contracted forward rate and the exchange rate at the settlement date. No contracts were outstanding at December 31, 1999. At December 31, 1998, there were two contracts outstanding relating to the forward purchase of Italian lire in respect of the purchase of ferry assets. The contract amount of the foreign currency at December 31, 1998 was approximately $54,029,000 and the fair value of the foreign currency at that date approximated $53,000,000.

(c) Concentration of credit risk

Concentration of credit risk with respect to trade receivables is limited because of the large number of customers comprising SCL's customer base and their dispersion across different businesses and geographic areas. Also, SCL routinely assesses the financial strength of its customers.

18. Information concerning financial reporting for segments and operations in different geographical areas

SCL's business activities are grouped into three main reporting segments. The first is the operation of passenger and vehicle transport services using ferries and trains and the services which support these transport activities. Ferries operate between Great Britain and France, Belgium, Ireland and the Isle of Man and in Scandinavia and New York harbor, trains operate in Britain and three ports are also located in Britain. This business is referred to as "Passenger transport operations". The second is the ownership and/or management of hotels and other leisure activities. Hotels are located in the United States, the Caribbean, Europe, southern Africa, Brazil, Peru, Australia and the South Pacific, tourist trains operate in Europe, Southeast Asia, Australia and Peru, restaurants are located in London and New York, and a cruiseship operates in Myanmar. This business is referred to as "Leisure operations". The third is leasing of cargo containers (principally through the GE SeaCo joint venture) to liner ship operators, road and rail operators, forwarders and exporters located throughout the world and the services which support these activities, including the manufacture and repair of container equipment. This business is referred to as "Container operations". "Other operations" includes SCL's real estate development, perishable commodity production and trading, and publishing activities. Transactions between reportable segments are not material. The main factor SCL uses to identify its three main segments is the similarity of the products and services provided.

Financial information regarding these business segments is as follows overleaf:

Notes to Consolidated Financial Statements *continued*

Year ended December 31,	1999 $000	1998 $000	1997 $000
Revenue:			
Passenger transport operations	**918,636**	837,324	754,048
Leisure operations	**252,882**	230,883	203,716
Container operations	**154,853**	185,533	186,201
Other operations	**12,698**	12,793	13,496
	1,339,069	1,266,533	1,157,461
Depreciation and amortization:			
Passenger transport operations	**28,774**	27,252	24,123
Leisure operations	**13,405**	14,437	13,427
Container operations	**61,265**	63,312	64,976
Other operations	**1,262**	1,202	1,097
	104,706	106,203	103,623
Earnings from operations before net finance costs:			
Passenger transport operations	**69,486**	61,919	46,412
Leisure operations	**64,804**	49,465	46,162
Container operations	**61,639**	75,386	66,757
Other operations	**150**	76	1,234
	196,079	186,846	160,565
Corporate costs	**(15,103)**	(14,939)	(13,524)
	180,976	171,907	147,041
Net finance costs (1)	**(114,322)**	(108,273)	(102,230)
Earnings before income taxes and cumulative effect of change in accounting principle	**66,654**	63,634	44,811
Provision for income taxes	**5,002**	4,950	2,793
Net earnings before cumulative effect of change in accounting principle	**61,652**	58,684	42,018
Preferred share dividends	**1,088**	4,419	14,245
Net earnings on class A and class B common shares before cumulative effect of change in accounting principle	**60,564**	54,265	27,773
Identifiable assets:			
Passenger transport operations	**836,432**	622,803	576,940
Leisure operations	**661,865**	602,485	495,963
Container operations	**958,892**	1,027,147	997,601
Other operations	**58,228**	62,020	55,596
	2,515,417	2,314,455	2,126,100
Capital expenditure:			
Passenger transport operations	**106,434**	66,884	80,719
Leisure operations	**46,749**	47,056	50,187
Container operations	**3,333**	31,325	101,884
Other operations	**1,907**	8,401	1,696
	158,423	153,666	234,486

(1) Net of capitalized interest and interest and related income.

Non-U.S. domestic operations accounted for more than 93 percent of revenue and 89 percent of earnings before net finance costs in 1999 (1998 - 95 percent and 91 percent, 1997 - 94 percent and 85 percent). Containers are regularly moving between countries in international commerce over hundreds of trade routes. SCL has no knowledge of, or control over, the movement of containers under lease or the location of leased containers at any moment in time. Based on container leases in force at December 31, 1999, containers may touch ports in more than 100 different countries worldwide. It is therefore impossible to assign revenues or earnings of container operations by geographical areas.

Passenger transport operations and identifiable assets are mainly carried on and held in Europe, principally in and around Great Britain. Leisure operations are spread throughout the world with no one country representing more than 10 percent of the revenue or identifiable assets.

19. Related party transactions

For the year ended December 31, 1999 and the eight months ended December 31, 1998 (see Note 2(b)), GE SeaCo paid SCL net amounts of $69,906,000 (1998 - $71,702,000) under the lease and management agreements relating to SCL-owned containers provided to the joint venture, $32,278,000 (1998 - $19,677,000) under the services agreement with GE SeaCo by which SCL provides management and administration services to the joint venture, $17,600,000 (1998 - $19,152,000) in connection with purchases of containers from SCL's factories, use of SCL's depots for container repair and storage services and employment of an SCL containership to reposition containers, and $584,000 (1998 - $30,000) of interest on loans from SCL.

20. Subsequent event (unaudited)

On March 24, 2000, SCL acquired the Observatory and Lilianfels Hotels in Australia for an aggregate purchase price of approximately $42,000,000. The purchase has been substantially financed by a bank loan.

Summary of quarterly earnings (unaudited)

		Quarter ended			
	Total $000	December 31 $000	September 30 $000	June 30 $000	March 31 $000
1999					
Revenue:					
Passenger transport operations	918,636	222,305	292,844	223,233	180,254
Leisure operations	252,882	66,967	65,248	70,441	50,226
Container operations	154,853	36,888	35,566	40,015	42,384
Other operations	12,698	4,268	2,010	3,352	3,068
	1,339,069	330,428	395,668	337,041	275,932
Earnings/(losses) before net finance costs:					
Passenger transport operations	69,486	4,198	37,169	23,263	4,856
Leisure operations	64,804	19,889	17,166	18,380	9,369
Container operations	61,639	14,810	13,838	15,497	17,494
Other operations	150	708	(603)	370	(325)
	196,079	39,605	67,570	57,510	31,394
Corporate costs	(15,103)	(3,766)	(3,676)	(3,798)	(3,863)
Net finance costs	(114,322)	(27,451)	(29,478)	(29,514)	(27,879)
Earnings/(losses) before tax and cumulative effect of change in accounting principle	66,654	8,388	34,416	24,198	(348)
Provision for/(benefit from) income taxes	5,002	152	8,297	753	(4,200)
Net earnings before cumulative effect of change in accounting principle	61,652	8,236	26,119	23,445	3,852
Preferred share dividends	1,088	272	272	272	272
Net earnings on class A and class B common shares before cumulative effect of change in accounting principle	60,564	7,964	25,847	23,173	3,580
Cumulative effect of change in accounting principle	(12,306)	-	-	-	(12,306)
Net earnings/(losses) on class A and class B common shares	48,258	7,964	25,847	23,173	(8,726)
	$	$	$	$	$
Net earnings/(losses) per class A and class B common share:					
Basic:					
Net earnings before cumulative effect of change in accounting principle	3.30	0.43	1.41	1.27	0.20
Cumulative effect of change in accounting principle	(0.67)	-	-	-	(0.68)
Net earnings/(losses)	2.63	0.43	1.41	1.27	(0.48)
Diluted:					
Net earnings before cumulative effect of change in accounting principle	3.27	0.44	1.39	1.25	0.20
Cumulative effect of change in accounting principle	(0.65)	-	-	-	(0.68)
Net earnings/(losses)	2.62	0.44	1.39	1.25	(0.48)

Summary of quarterly earnings (unaudited)

	Total $000	Quarter ended December 31 $000	September 30 $000	June 30 $000	March 31 $000
1998					
Revenue:					
Passenger transport operations	837,324	236,982	223,807	211,670	164,865
Leisure operations	230,883	62,100	59,832	63,942	45,009
Container operations	185,533	44,591	45,655	47,066	48,221
Other operations	12,793	3,082	3,081	3,409	3,221
	1,266,533	346,755	332,375	326,087	261,316
Earnings/(losses) before net finance costs:					
Passenger transport operations	61,919	11,215	27,586	16,915	6,203
Leisure operations	49,465	14,899	11,324	14,132	9,110
Container operations	75,386	20,980	19,540	17,940	16,926
Other operations	76	53	(62)	241	(156)
	186,846	47,147	58,388	49,228	32,083
Corporate costs	(14,939)	(4,055)	(3,657)	(3,620)	(3,607)
Net finance costs	(108,273)	(26,779)	(26,822)	(27,161)	(27,511)
Earnings before income taxes	63,634	16,313	27,909	18,447	965
Provision for/(benefit from) income taxes	4,950	400	6,850	500	(2,800)
Net earnings	58,684	15,913	21,059	17,947	3,765
Preferred share dividends	4,419	272	276	588	3,283
Net earnings on class A and class B common shares	54,265	15,641	20,783	17,359	482
	$	$	$	$	$
Net earnings per class A and class B common share:					
Basic	3.34	0.85	1.14	1.19	0.04
Diluted	3.11	0.85	1.12	0.95	0.04

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Part III

Item 10. **Directors and Executive Officers of the Registrant**

Directors

Information regarding directors may be found in the Company's Proxy Statement for the 2000 annual general meeting under the caption "Election of Directors". It is substantially the same information as that included in Item 10 of the Form 10-K filed with the Securities and Exchange Commission.

Executive Officers

The executive officers of the Company are as follows:

Name, Age	Position
James B. Sherwood, 66	President since 1974
David G. Benson, 56	Senior Vice President - Passenger Transport since 1997
Daniel J. O'Sullivan, 61	Senior Vice President - Finance and Chief Financial Officer since 1997
Simon M.C. Sherwood, 39	Senior Vice President - Leisure since 1997
Robert S. Ward, 61	Senior Vice President - Containers since 1986
James A. Beveridge, 51	Vice President - Administration and Property since 1997
John D. Campbell, 57	Vice President - Bermuda since 1990
Christopher W.M. Garnett, 54	Vice President - Rail since 1997
Edwin S. Hetherington, 50	Vice President, General Counsel and Secretary since 1997
Nicholas J. Novasic, 48	Vice President - Funding, North America since 1987
Michael V. Scawn, 60	Vice President - Funding since 1981
James G. Struthers, 36	Vice President - Controller since 1999
Stephen O. Whittam, 59	Vice President - Management Information Systems since 1984

The principal occupation of each person during the last five years is shown in the table except as follows. Messrs. Benson and Simon Sherwood were Vice Presidents from 1992 and 1991, respectively. Mr. O'Sullivan was Senior Vice President - Finance and Treasurer from 1986. Mr. Beveridge was Group Finance Director of MEPC Plc, a property company listed on the London Stock Exchange. Before joining SCL in 1995, Mr. Garnett was Commercial Director of Eurotunnel Plc in charge of sales and marketing. Mr. Hetherington was General Counsel and Secretary of the Company from 1984. Mr. Struthers was Finance Director of Eurostar (UK) Ltd., operator of the high speed passenger train services between Britain and Continental Europe and, until mid-1997, was the Group Financial Controller of SCL.

Mr. Simon Sherwood is the stepson of Mr. James Sherwood.

Item 11. **Executive Compensation**

Information regarding executive compensation may be found in the Company's Proxy Statement for the 2000 annual general meeting under the captions "Election of Directors -- Executive Compensation", "-- Pension Plans", "-- 1997 Stock Option Plan", "-- 1986 Stock Option Plan" and "-- 1991 Stock Appreciation Rights Plan". It is substantially the same information as that included in Item 11 of the Form 10-K filed with the Securities and Exchange Commission.

Item 12. **Security Ownership of Certain Beneficial Owners and Management**

Information regarding security ownership may be found in the Company's Proxy Statement for the 2000 annual general meeting under the caption "Shareholding Information". It is a summary of the information included in Item 12 of the Form 10-K filed with the Securities and Exchange Commission.

Item 13. **Certain Relationships and Related Transactions**

Information regarding these relationships and transactions may be found in the Company's Proxy Statement for the 2000 annual general meeting under the caption "Election of Directors -- Other Agreements". It is substantially the same information as that included in Item 13 of the Form 10-K filed with the Securities and Exchange Commission.

Part IV

Item 14. **Exhibits, Financial Statement Schedules, and Reports on Form 8-K**

(a) Documents filed as a part of this report.

1. Financial Statements.
   The Financial Statements are included in Item 8 above.

2. Financial Statement Schedules and Exhibits.
   The applicable Financial Statement Schedule and Exhibits are included only in the Form 10-K filed with the Securities and Exchange Commission.

3. Reports on Form 8-K.
   No report on Form 8-K was filed during the fourth quarter of 1999.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 29, 2000

Sea Containers Ltd.

By: /s/ J.B. Sherwood
James B. Sherwood
President
(Principal Executive Officer)

By: /s/ D.J. O'Sullivan
Daniel J. O'Sullivan
Senior Vice President - Finance
and Chief Financial Officer
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Dated: March 29, 2000

Signature	Title
/s/ J.D. Campbell John D. Campbell	Director
/s/ I. Hilton Ian Hilton	Director
/s/ W.M. Grindrod W. Murray Grindrod	Director
/s/ R.M. Riggs Robert M. Riggs	Director
/s/ P. J.R. Schlee Philip J.R. Schlee	Director
/s/ C.N.C. Sherwood Charles N.C. Sherwood	Director
/s/ J.B. Sherwood James B. Sherwood	Director
/s/ M.J.L. Stracey Michael J.L. Stracey	Director

Principal subsidiaries and other investments

Bermuda

The Marine Container Insurance Co. Ltd.
Sea Containers House Ltd.
Sea Containers Holdings Ltd.
Sea Containers Properties Ltd.
Sea Containers SPC Ltd.
Orient-Express Hotels Ltd.
Leisure Holdings Asia Ltd.
Hamilton, Bermuda

United Kingdom and Isle of Man

Sea Containers Ferries Ltd.
Sea Containers Ports Ltd.
Sea Containers Chartering Ltd.
Sea Containers Services Ltd.
Sea Containers Property Services Ltd.
Fairways and Swinford (Travel) Ltd.
Silja Holdings Ltd.
The Illustrated London News
Orient-Express Services Ltd.
Venice Simplon-Orient-Express Ltd.
Northern Belle Ltd.
Collection Venice Simplon-Orient-Express Ltd.
Harry's Bar Ltd.
London, England

Folkestone Properties Ltd.
Folkestone, England

Heysham Port Ltd.
Heysham, England

Newhaven Port & Properties Ltd.
Newhaven, England

Hart, Fenton & Co. Ltd.
Portsmouth, England

Hoverspeed Ltd.
Dover, England

Sea Containers Ferries Scotland Ltd.
Stranraer, Scotland

The Isle of Man Steam Packet Company Ltd.
Isle of Man

Yorkshire Marine Containers Ltd.
Beverley, Yorkshire, England

Great North Eastern Railway Ltd.
York, England

Continental Europe

Sea Containers Estonia OU
Tallinn, Estonia

Silja Line Oyj
Helsinki, Finland

Société de la Cité S.A.
Carcassonne, France

Sea Containers Italia S.r.l.
Genoa, Italy

Hotel Cipriani S.p.A.
Venice, Italy

Alberghiera Fiesolana S.p.A.
Florence, Italy

Società Gestione Esercizi S.p.A.
Portofino, Italy

Hotelapa Investimento Hoteleiro S.A.
Lisbon, Portugal

Island Hotel (Madeira) Ltd.
Madeira, Portugal

Grampiam Investimentos Hoteleiros S.A.
Faro, Portugal

SeaCat AB
Gothenburg, Sweden

U.S.A.

Sea Containers America Inc.
New York, New York and Washington D.C.

Orient-Express Hotels Inc.
'21' Club Inc.
SeaStreak America Inc.
New York, New York

Charleston Marine Containers Inc.
Charleston Container Shops Inc.
Charleston Place Holdings Inc.
Charleston, South Carolina

SeaCo Texas Properties Inc.
Houston Marine Containers Inc.
Houston, Texas

Sea Containers West Inc.
San Francisco, California

Windsor Court Hotel L.P.
New Orleans, Louisiana

Keswick Hall Inc.
Montecello, Virginia

Inn at Perry Cabin Corp.
St. Michaels, Maryland

Far East

Sea Containers Asia Ltd.
Hong Kong

Sea Containers Asia Pte. Ltd.
Pacifica Ship Management Pte. Ltd.
Eastern and Oriental Express Ltd.
Singapore

Myanmar Hotels and Cruises Ltd.
Myanmar

Australia

Sea Containers Australia Ltd.
Observatory Hotel Pty. Ltd..
Sydney, Australia

Lilianfels Blue Mountains Pty. Ltd.
Katoomba, Australia

Heritage Train Company Pty. Ltd.
Brisbane, Australia

International Reefer Services Pty. Ltd.
Melbourne, Australia

Caribbean and Latin America

GE SeaCo SRL
Bridgetown, Barbados

Société Hôtelière de Baie Longue S.A.
St. Martin, French West Indies

Paulista Containers Maritimos Ltda.
Santos, Brazil

Sea Containers Brasil Ltda.
Companhia Hoteis Palace.
Rio de Janeiro, Brazil

Brasiluvas Agricola Ltda.
Juazseiro, Bahia, Brazil

Perú OEH S.A.
PeruRail S.A.
Lima, Peru

Africa

Eighty Westcliff (Pty.) Ltd.
Johannesburg, South Africa

Mount Nelson Hotel Ltd.
Cape Town, South Africa

Société Bananière de Motobé S.A.
Motobé, Ivory Coast

Gametrackers (Botswana) Pty. Ltd.
Gaborone, Botswana

Shareholder and investor information

Registered office
Sea Containers Ltd.
41 Cedar Avenue
P.O. Box HM 1179
Hamilton HM EX
Bermuda
Tel: (441) 295-2244
Fax: (441) 292-8666

Correspondence
Sea Containers Services Ltd.
Sea Containers House
20 Upper Ground
London SE1 9PF
England
Tel: (44) 020 7805 5000
Fax: (44) 020 7805 5900

Internet address
http://www.seacontainers.com

Stock exchange listings
Sea Containers Ltd. Class A and Class B common shares are listed on the New York, Pacific and London Stock Exchanges.
On the U.S. exchanges the trading symbols are SCRA and SCRB.

Share transfer agent and registrar
Fleet National Bank
c/o EquiServe L.P.
P.O. Box 8040
Boston, Massachusetts 02266-8040
Tel: (800) 730-4001
Fax: (781) 828-8813
Internet: http://www.equiserve.com

Shareholders are encouraged to contact the Transfer Agent directly regarding any change in certificate registration, change of mailing address, lost or stolen certificates, replacement of dividend checks, consolidation of multiple accounts, elimination of duplicate mailings, replacement of Form 1099-DIV and related shareholder service matters.

Co-registrar of shares
The Bank of Bermuda
6 Front Street
Hamilton HM 11
Bermuda

Auditors
Deloitte & Touche LLP
Two World Financial Center
New York, New York 10281

SCRA Listed NYSE
THE NEW YORK STOCK EXCHANGE

Annual general meeting
The annual general meeting of shareholders will be held at the '21' Club, 21 West 52nd Street, New York, New York on June 6, 2000 at 2.00 p.m.

Shareholder information
Copies of SEC Form 10-K annual reports, SEC Form 10-Q quarterly reports and other published financial information may be obtained upon request to:
Sea Containers America Inc.
1155 Avenue of the Americas
New York, New York 10036
Tel: (212) 302-5066
Fax: (212) 302-5073

Investor relations
Shareholders, securities analysts, portfolio managers and representatives of financial institutions seeking financial information may contact:
William W. Galvin III
The Galvin Partnership
67 Mason Street
Greenwich, Connecticut 06830
Tel: (203) 618-9800
Fax: (203) 618-1010
E-mail: wwgalvin@galvinpartners.com

Dividend reinvestment and share purchase plan
Sea Containers Ltd. offers this plan to owners of its common shares as a convenient and economical method of investing their cash dividends in Class A common shares at a discount from the market price and without payment of any brokerage commission or service charge. A common shareholder under the plan may also make optional cash deposits to purchase Class A common shares at market price without payment of commissions or other charges. For further information about the plan, please contact the share transfer agent and registrar, EquiServe L.P., at the address at left.

Opposite: A 40ft. GE SeaCo high cube refrigerated container leaves the factory near Shanghai, China. China now produces most of the world's standard dry cargo and refrigerated containers because their prices are the lowest and there is strong demand for the units to carry Chinese exports, allowing the containers to go onto lease right out of the factory. GE SeaCo is the world's largest lessor of refrigerated containers, having a fleet of 90,000 Units.

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Sea Containers Ltd.
41 Cedar Avenue
P.O.Box HM 1179
Hamilton HM EX
Bermuda

Tel: (441) 295-2244
Fax: (441) 292-8666

Correspondence:
Sea Containers Services Ltd.
Sea Containers House
20 Upper Ground
London SE1 9PF

Tel: (44) 020 7805 5000
Fax: (44) 020 7805 5900
www.seacontainers.com

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