Ship Finance International LTD
Form 6-K
December 02, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934
For the month of December 2014
Commission File Number: 001-32199

Ship Finance International Limited
(Translation of registrant's name into English)

Par-la-Ville Place
14 Par-la-Ville Road
Hamilton, HM 08, Bermuda
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F x Form 40-F ¨
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): .
Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): .
Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached hereto are the unaudited condensed interim financial statements and related Management's Discussion and Analysis of Financial Condition and Results of Operations of Ship Finance International Limited (the "Company") for the nine months ended September 30, 2014. Also, attached hereto as Exhibit 99.1 is a list of the Company's significant subsidiaries.

This report on Form 6-K is hereby incorporated by reference into the Company's Registration Statements on Form F-3 (Registration No. 333-170598) and on Form F-3 (Registration No. 333-191406), each filed with the U.S. Securities and Exchange Commission (the "SEC") on November 15, 2010 and September 26, 2013, respectively.

SHIP FINANCE INTERNATIONAL LIMITED

REPORT ON FORM 6-K FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
for the nine month periods ended September 30, 2014 and September 30, 2013
and the year ended December 31, 2013
(in thousands of $, except per share amounts)

	Nine months ended September 30,		Year ended December 31,
	2014	2013	2013
Operating revenues			
Direct financing lease interest income - related parties	34,566	42,502	55,385
Direct financing lease interest income - other	—	4,231	4,231
Finance lease service revenues - related parties	35,490	39,806	52,390
Finance lease service revenues - other	—	1,846	1,846
Profit sharing revenues - related parties	22,338	283	770
Time charter revenues - related parties	7,446	3,706	5,647
Time charter revenues - other	57,511	58,609	77,778
Bareboat charter revenues - related parties	13,235	13,713	18,324
Bareboat charter revenues - other	38,973	31,941	42,705
Voyage charter revenues - other	26,426	1,308	9,724
Other operating income	2,840	1,216	2,060
Total operating revenues	238,825	199,161	270,860
Gain on sale of assets and termination of charters	20,101	18,025	18,025
Operating expenses			
Ship operating expenses - related parties	37,454	41,678	54,916
Ship operating expenses - other	50,858	32,797	50,618
Depreciation	48,892	43,044	58,436
Administrative expenses - related parties	718	350	439
Administrative expenses - other	5,117	5,349	7,110
Total operating expenses	143,039	123,218	171,519
Net operating income	115,887	93,968	117,366
Non-operating income / (expense)			
Interest income - related parties, associated companies	18,166	14,681	19,575
Interest income - related parties, other	2,774	—	482
Interest income - other	9,413	7,274	10,023
Interest expense - other	(64,019)	(65,327)	(87,225)
Loss on repurchase of bonds	(21)	(1,177)	(1,218)
Other financial items, net	(7,547)	(623)	2,003
Net income before equity in earnings of associated companies	74,653	48,796	61,006
Equity in earnings of associated companies	23,025	22,108	28,200
Net income	97,678	70,904	89,206
Per share information:			
Basic earnings per share	$1.05	$0.80	$1.00
Diluted earnings per share	$0.98	$0.74	$0.99

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

Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the nine month periods ended September 30, 2014 and September 30, 2013
and the year ended December 31, 2013
(in thousands of $)

	Nine months ended September 30,		Year ended December 31,
	2014	2013	2013
Net income	97,678	70,904	89,206
Fair value adjustments to hedging financial instruments	8,822	32,558	41,827
Fair value adjustments to hedging financial instruments in associated companies	938	2,286	2,897
Reclassification into net income of previous fair value adjustments to hedging financial instruments	(5,196)	3,001	2,102
Fair value adjustments to available for sale securities	(688)	256	699
Other comprehensive (loss)/income	(52)	(43)	(58)
Other comprehensive income/(loss)	3,824	38,058	47,467
Comprehensive income	101,502	108,962	136,673

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

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Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
as at September 30, 2014 and December 31, 2013
(in thousands of $, except share data)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	32,623	58,641
Available for sale securities	62,299	76,925
Trade accounts receivable	2,242	8,362
Due from related parties	38,140	13,249
Other receivables	9,137	79,301
Inventories	6,797	6,607
Prepaid expenses and accrued income	4,769	3,971
Investment in direct financing and sales-type leases, current portion	44,558	45,148
Total current assets	200,565	292,204
Vessels and equipment, net	1,317,729	1,089,616
Newbuildings and vessel purchase deposits	103,837	126,008
Investment in direct financing and sales-type leases, long-term portion	828,842	858,260
Investment in associated companies	51,820	40,987
Loans to related parties - associated companies, long-term	472,518	530,715
Loans to related parties - others, long-term	44,816	48,847
Other long-term investments	2,994	1,235
Deferred charges	37,598	41,478
Financial instruments (long-term): at fair value	8,715	16,633
Total assets	3,069,434	3,045,983
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short term and current portion of long-term debt	319,684	389,888
Trade accounts payable	1,847	3,502
Due to related parties	6,050	13,965
Accrued expenses	12,750	13,832
Financial instruments (short-term): at fair value	1,187	5,705
Other current liabilities	5,818	5,548
Total current liabilities	347,336	432,440
Long-term liabilities		
Long-term debt	1,458,710	1,346,991
Financial instruments (long-term): at fair value	64,805	56,490
Other long-term liabilities	15,819	18,129
Total liabilities	1,886,670	1,854,050
Commitments and contingent liabilities		
Stockholders' equity		
Share capital ($1 par value; 125,000,000 shares authorized; 93,394,000 and 93,260,000 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively)	93,394	93,260
Additional paid-in capital	285,203	285,632

Contributed surplus	585,043	581,569
Accumulated other comprehensive loss	(31,965)	(34,851)
Accumulated other comprehensive loss - associated companies	(1,341)	(2,279)
Retained earnings	252,430	268,602
Total stockholders' equity	1,182,764	1,191,933
Total liabilities and stockholders' equity	3,069,434	3,045,983

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

Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the nine month periods ended September 30, 2014 and September 30, 2013
and the year ended December 31, 2013
(in thousands of $)

	Nine months ended September 30, 2014	2013	Year ended December 31, 2013
Operating activities			
Net income	97,678	70,904	89,206
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	48,892	43,044	58,436
Amortization of deferred charges	8,210	8,002	11,305
Amortization of seller's credit	(1,432)	(1,492)	(1,983)
Equity in earnings of associated companies	(23,025)	(22,108)	(28,200)
Gain on sale of assets and termination of charters	(20,101)	(18,025)	(18,025)
Adjustment of derivatives to fair value recognized in net income	1,391	(2,051)	(7,950)
Loss on repurchase of bonds	21	1,177	1,218
Interest receivable in form of notes	(2,335)	(2,020)	(2,767)
Other	(142)	(2,680)	(1,396)
Changes in operating assets and liabilities			
Trade accounts receivable	6,120	(853)	(4,313)
Due from related parties	(6,463)	50,767	49,189
Other receivables	(8,952)	(3,677)	(740)
Inventories	(189)	(3,199)	(3,656)
Prepaid expenses and accrued income	(798)	(2,237)	(3,236)
Trade accounts payable	(1,655)	1,882	2,047
Accrued expenses	(1,687)	(1,929)	271
Other current liabilities	272	473	718
Net cash provided by operating activities	95,805	115,978	140,124
Investing activities			
Repayments from investments in direct financing and sales-type leases	32,880	39,886	51,220
Additions to newbuildings and vessel purchase deposits	(130,264)	(76,815)	(109,337)
Purchase of vessels	(190,899)	—	—
Proceeds from sales of vessels and termination of charters	116,842	40,366	83,583
Net amounts received from/ (paid to) associated companies	49,015	(109,704)	(81,308)
Proceeds of other long-term investments	50,000	—	—
Redemption/ (purchase) of available for sale securities	14,304	(9,668)	(18,140)
Net cash used in investing activities	(58,122)	(115,935)	(73,982)
Financing activities			
Shares issued, net of issuance costs	872	128,880	128,880
Payments in lieu of issuing shares for exercised share options	(1,196)	(448)	(448)
Repurchase of bonds	(75,262)	(252,277)	(254,132)
Proceeds from issuance of short-term and long-term debt	612,482	577,347	705,347

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Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the nine month periods ended September 30, 2014 and September 30, 2013
and the year ended December 31, 2013
(in thousands of $)

	Nine months ended September 30, 2014	2013	Year ended December 31, 2013
Repayments of short-term and long-term debt	(481,710)	(373,956)	(530,186)
Debt fees paid	(5,037)	(8,358)	(8,390)
Cash dividends paid	(113,850)	(72,742)	(109,114)
Net cash used in financing activities	(63,701)	(1,554)	(68,043)
Net change in cash and cash equivalents	(26,018)	(1,511)	(1,901)
Cash and cash equivalents at start of the period	58,641	60,542	60,542
Cash and cash equivalents at end of the period	32,623	59,031	58,641
Supplemental disclosure of cash flow information:			
Interest paid, net of capitalized interest	63,291	60,060	77,630

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

Ship Finance International Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
for the nine month periods ended September 30, 2014 and September 30, 2013
and the year ended December 31, 2013
(in thousands of $, except number of shares)

	Nine months ended September 30, 2014	2013	Year ended December 31, 2013
Number of shares outstanding			
At beginning of period	93,260,000	85,225,000	85,225,000
Shares issued	134,000	8,035,000	8,035,000
At end of period	93,394,000	93,260,000	93,260,000
Share capital			
At beginning of period	93,260	85,225	85,225
Shares issued	134	8,035	8,035
At end of period	93,394	93,260	93,260
Additional paid-in capital			
At beginning of period	285,632	144,258	144,258
Amortization of stock based compensation	29	181	220
Payments in lieu of issuing shares	(1,196)	(448)	(448)
Shares issued	738	120,880	120,880
Equity component of convertible bond issuance, net	—	20,722	20,722
At end of period	285,203	285,593	285,632
Contributed surplus			
At beginning of period	581,569	561,372	561,372
Amortization of deferred equity contributions	3,474	8,792	20,197
At end of period	585,043	570,164	581,569
Accumulated other comprehensive loss			
At beginning of period	(34,851)	(79,421)	(79,421)
(Gain)/loss on hedging financial instruments reclassified into earnings	(5,196)	3,001	2,102
Fair value adjustments to hedging financial instruments	8,822	32,558	41,827
Fair value adjustments to available for sale securities	(688)	256	699
Other comprehensive (loss)/ income	(52)	(43)	(58)
At end of period	(31,965)	(43,649)	(34,851)
Accumulated other comprehensive loss - associated companies			
At beginning of period	(2,279)	(5,176)	(5,176)
Fair value adjustment to hedging financial instruments	938	2,286	2,897
At end of period	(1,341)	(2,890)	(2,279)
Retained earnings			
At beginning of period	268,602	288,510	288,510
Net income	97,678	70,904	89,206
Dividends declared	(113,850)	(72,742)	(109,114)
At end of period	252,430	286,672	268,602
Total Stockholders' Equity	1,182,764	1,189,150	1,191,933

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

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SHIP FINANCE INTERNATIONAL LIMITED
Notes to the Unaudited Consolidated Financial Statements

1. INTERIM FINANCIAL DATA

The unaudited condensed interim financial statements of Ship Finance International Limited ("Ship Finance" or the "Company") have been prepared on the same basis as the Company's audited financial statements and, in the opinion of management, include all material adjustments, consisting only of normal recurring adjustments considered necessary in order to make the interim financial statements not misleading, in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The accompanying condensed interim unaudited financial statements should be read in conjunction with the annual financial statements and notes included in the Annual Report on Form 20-F for the year ended December 31, 2013. The results of operations for the interim period ended September 30, 2014 are not necessarily indicative of the results for the entire year ending December 31, 2014.

Basis of accounting

The condensed consolidated financial statements are prepared in accordance with US GAAP. The condensed consolidated financial statements include the assets and liabilities and results of operations of the Company and its subsidiaries including variable interest entities in which the Ship Finance is deemed to be the primary beneficiary. All inter-company balances and transactions have been eliminated on consolidation.

The condensed consolidated financial statements are prepared in accordance with the accounting policies described in the Company's Annual Report on Form 20-F for the year ended December 31, 2013.

New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity which is an amendment of the FASB Accounting Standards Codification, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360). ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. The amendments in this Update are effective for the Company for annual reporting periods beginning on or after December 15, 2014, including interim periods within that reporting period. Early adoption is permitted for any annual or interim period for which an entity's financial statements have not yet been previously issued or made available for issuance. The adoption of ASU 2014-08 is not expected to have a material impact on the Company's consolidated financial statements.

In May, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The FASB and the International Accounting Standard Board ("IASB") initiated a joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards("IFRS"). To meet those objectives, the FASB is amending the FASB Accounting Standards Codification and creating a new Topic 606, Revenue from Contracts with Customers, and the IASB is issuing IFRS 15, Revenue from Contracts with Customers. The issuance of these documents completes the joint effort by the FASB and the IASB to meet those objectives and improve financial reporting by creating common revenue recognition guidance for US GAAP and IFRS. The amendments in this Update are effective for the Company for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The Company is currently considering the impact of these amendments on its consolidated financial statements.

2. GAIN ON SALE OF ASSETS AND TERMINATION OF CHARTERS

In March 2014, the Company agreed to a settlement of a claim relating to four Handysize dry bulk carriers which were redelivered in 2012, before the expiry of their charters. The total settlement amount is approximately $30 million, of which approximately $25.5 million was received in the period and the remaining balance is scheduled to be paid in the fourth quarter of 2014. The Company recorded gains of $20.1 million relating to amounts received in the nine months ended September 30, 2014.

3. AVAILABLE FOR SALE SECURITIES

Marketable securities held by the Company are debt securities considered to be available-for-sale securities.

(in thousands of $)	September 30, 2014	December 31, 2013
Amortized cost	61,719	75,657
Accumulated net unrealized gain	580	1,268
Carrying value	62,299	76,925

The Company's investment in marketable securities consists of investments in secured notes. The net unrealized accumulated gain on available-for-sale securities included in other comprehensive income as at September 30, 2014 was $0.6 million (December 31, 2013: net unrealized accumulated gain of $1.3 million).

4. VESSELS AND EQUIPMENT, NET

(in thousands of $)	September 30, 2014	December 31, 2013
Cost	1,637,611	1,360,605
Accumulated depreciation	(319,882)	(270,989)
Vessels and equipment, net	1,317,729	1,089,616

During the period, the Company took delivery of one newbuilding container vessel at an aggregate cost of $86.1 million. The Company also acquired nine second hand container vessels and two 2012- built Kamsarmax dry-bulk carriers at a total cost of $189.6 million during the period.

5. NEWBUILDINGS AND VESSEL PURCHASE DEPOSITS

During the period, the Company paid total installments of $127.3 million in relation to four 8,700 twenty-foot equivalent units (“TEU”) newbuilding container vessels, under construction in Korea. The first vessel was delivered in September, 2014 and the second in November, 2014.

In addition, the Company cancelled the three remaining 4,800 TEU newbuilding container vessels under construction in China due to excessive delays. The installments paid to the shipyard for the three cancellations were fully refunded together with interest by September 30, 2014.

6. INVESTMENTS IN DIRECT FINANCING AND SALES-TYPE LEASES

As at September 30, 2014, 20 of the Company's double-hull VLCCs and Suezmax tankers were chartered to Frontline Shipping Limited (“Frontline Shipping”) and Frontline Shipping II Limited (“Frontline Shipping II”) on long-term, fixed rate time charters which extend for various periods depending on the age of the vessels, ranging from approximately four to 13 years. Frontline Shipping and Frontline Shipping II are subsidiaries of Frontline Ltd. (“Frontline”), a related party, and the terms of the charters do not provide them with an option to terminate the charters before the end of their terms.

One of the Company's offshore supply vessels is chartered on a long-term bareboat charter to DESS Cyprus Limited, a wholly-owned subsidiary of Deep Sea Supply Plc., a related party. Another one of the Company's offshore supply vessels is chartered on a long term bareboat charter to Deep Sea Supply Shipowning II B.V., a wholly owned subsidiary of Deep Sea Supply BTG B.V., which is a joint venture owned 50% by Deep Sea Supply Plc. and 50% by BTG Pactual Oil & Gas Empreendimentos e Particapacoes S.A., or BTG Pactual. We refer to Deep Sea Supply Plc. and Deep Sea Supply BTG B.V. together as "Deep Sea". The terms of the charters provide the charterer with various call options to acquire the vessels at certain dates throughout the charters, which expire in 2020.
The above assets (22 vessels) of the Company were accounted for as direct financing leases, all of which are leased to related parties. The following lists the components of the investments in direct financing leases as at September 30, 2014.

(in thousands of $)	September 30, 2014	December 31, 2013
Total minimum lease payments to be received	1,385,284	1,490,111
Less: amounts representing estimated executory costs including profit thereon, included in total minimum lease payments	(396,972)	(432,463)
Net minimum lease payments receivable	988,312	1,057,648
Estimated residual values of leased property (un-guaranteed)	278,152	278,152
Less: unearned income	(283,331)	(318,910)
	983,133	1,016,890
Less: deferred deemed equity contribution	(102,902)	(106,377)
Less: unamortized gains	(6,831)	(7,105)
Total investment in direct financing and sales-type leases	873,400	903,408
Current portion	44,558	45,148
Long-term portion	828,842	858,260
	873,400	903,408

7. INVESTMENT IN ASSOCIATED COMPANIES

The Company has certain wholly-owned subsidiaries which are accounted for using the equity method, as it has been determined under ASC 810 that they are variable interest entities in which Ship Finance is not the primary beneficiary. At September 30, 2014, September 30, 2013 and December 31, 2013, the Company has the following participation in investments that are recorded using the equity method:

	September 30, 2014	September 30, 2013	December 31, 2013
SFL West Polaris Limited ("SFL West Polaris")	100.00 %	100.00 %	100.00 %
SFL Deepwater Ltd ("SFL Deepwater")	100.00 %	100.00 %	100.00 %
Bluelot Shipping Company Limited ("Bluelot")	—	100.00 %	100.00 %
SFL Corte Real Limited ("Corte Real")	—	100.00 %	100.00 %
SFL Hercules Ltd ("SFL Hercules")	100.00 %	100.00 %	100.00 %
SFL Linus Ltd ("SFL Linus")	100.00 %	100.00 %	100.00 %

Summarized balance sheet information of the Company's equity method investees is as follows:

	As of September 30, 2014						
(in thousands of $)	TOTAL	Bluelot	Corte Real	SFL West Polaris	SFL Deepwater	SFL Hercules	SFL Linus
Current assets	196,762	—	—	33,415	59,153	40,305	63,889
Non-current assets	1,785,730	—	—	433,691	404,489	405,729	541,821
Total assets	1,982,492	—	—	467,106	463,642	446,034	605,710
Current liabilities	180,933	—	—	38,567	51,622	29,008	61,736
Non-current liabilities	1,749,739	—	—	422,147	381,893	407,381	538,318
Total Liabilities	1,930,672	—	—	460,714	433,515	436,389	600,054
Total stockholders' equity	51,820	—	—	6,392	30,127	9,645	5,656

	As of December 31, 2013						
(in thousands of $)	TOTAL	Bluelot	Corte Real	SFL West Polaris	SFL Deepwater	SFL Hercules	SFL Linus
Current assets	205,916	9,780	9,857	34,412	94,981	56,886	—
Non-current assets	1,516,033	—	—	458,558	432,755	429,720	195,000
Total assets	1,721,949	9,780	9,857	492,970	527,736	486,606	195,000
Current liabilities	159,847	3,523	3,646	38,337	85,240	29,101	—
Non-current liabilities	1,521,115	—	—	451,384	418,554	453,860	197,317
Total Liabilities	1,680,962	3,523	3,646	489,721	503,794	482,961	197,317
Total stockholders' equity	40,987	6,257	6,211	3,249	23,942	3,645	(2,317)

Summarized statement of operations information of the Company's equity method investees is as follows:

	Nine months ended September 30, 2014						
(in thousands of $)	TOTAL	Bluelot	Corte Real	SFL West Polaris	SFL Deepwater	SFL Hercules	SFL Linus
Operating revenues	80,093	1,171	2,492	16,564	19,037	18,745	22,084
Net operating revenues	77,028	232	431	16,547	19,025	18,724	22,069
Net income/ (loss)	23,025	232	431	3,143	6,185	5,999	7,035

	Nine months ended September 30, 2013						
(in thousands of $)	TOTAL	Bluelot	Corte Real	SFL West Polaris	SFL Deepwater	SFL Hercules	SFL Linus
Operating revenues	94,339	14,775	14,818	18,017	39,414	7,315	—
Net operating revenues	68,053	1,687	1,687	17,997	39,391	7,291	—
Net income	22,108	1,687	1,687	1,791	15,245	1,698	—

	Year ended December 31, 2013						
(in thousands of $)	TOTAL	Bluelot	Corte Real	SFL West Polaris	SFL Deepwater	SFL Hercules	SFL Linus
Operating revenues	122,792	19,490	19,624	23,701	46,145	13,832	—
Net operating revenues	88,121	2,261	2,262	23,681	46,109	13,808	—
Net income	28,200	2,261	2,261	2,324	17,747	3,645	(38)

SFL West Polaris is a 100% owned subsidiary of Ship Finance, incorporated in 2008 for the purpose of holding an ultra-deepwater drillship and leasing that vessel to Seadrill Polaris Ltd. ("Seadrill Polaris"), a wholly-owned subsidiary of Seadrill Limited ("Seadrill") whose performance under the leasing arrangement is fully guaranteed by Seadrill. The vessel

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is chartered on a bareboat basis and the terms of the charter provide the charterer with various call options to acquire the vessel at certain dates throughout the charter. In addition, SFL West Polaris has a put option to sell the vessel to Seadrill Polaris at a fixed price at the end of the charter, which expires in 2023. Because the main asset of SFL West Polaris is the subject of a lease which includes both fixed price call options and a fixed price put option, it has been determined that this subsidiary of Ship Finance is a variable interest entity in which Ship Finance is not the primary beneficiary.
In December 2012, SFL West Polaris entered into a $420.0 million five year term loan and revolving credit facility, which was used in January 2013 to refinance the outstanding balance under a $700.0 million facility entered into in 2008, and for general corporate purposes. At September 30, 2014, the balance outstanding under this facility was $360.0 million. The Company guaranteed $94.0 million of this debt at September 30, 2014.

SFL Deepwater is a 100% owned subsidiary of Ship Finance, incorporated in 2008 for the purpose of holding two ultra-deepwater drilling rigs and leasing those rigs to Seadrill Deepwater Charterer Ltd. (“Seadrill Deepwater”) and Seadrill Offshore AS (“Seadrill Offshore”), two wholly-owned subsidiaries of Seadrill whose performances under the leasing arrangements are fully guaranteed by Seadrill. One of the rigs, West Hercules, was transferred from SFL Deepwater to SFL Hercules, a 100% owned subsidiary of Ship Finance, in June 2013 at the carrying value of the Investment in finance lease. The remaining rig, West Taurus, is chartered on a bareboat basis and the terms of the charter provide Seadrill Deepwater with various call options to acquire the rig at certain dates throughout the charter. In addition, there is an obligation for the charterer to purchase the rig at a fixed price at the end of the charter, which expires in 2023. Because the main asset of SFL Deepwater is the subject of a lease which includes both fixed price call options and a fixed price purchase obligation, it has been determined that this subsidiary of Ship Finance is a variable interest entity in which Ship Finance is not the primary beneficiary.

In October 2013, SFL Deepwater entered into a $390.0 million five year term loan and revolving credit facility, which was used in November 2013 to refinance the outstanding balance under a $1,400.0 million loan facility entered into in September 2008, and for general corporate purposes. At September 30, 2014, the balance outstanding under the new facility was $323.3 million. The Company guaranteed $90.0 million of this debt at September 30, 2014.

SFL Hercules is a 100% owned subsidiary of Ship Finance which was incorporated in January 2012 for the purpose of acquiring the ultra-deepwater drilling rig West Hercules from SFL Deepwater and carry on leasing the rig to Seadrill Offshore on the same terms as originally established under the lease by SFL Deepwater. The vessel is chartered on a bareboat basis and the performance of Seadrill Offshore under the leasing arrangement is fully guaranteed by Seadrill. The terms of the charter provide the charterer with various call options to acquire the vessel at certain dates throughout the charter. In addition, there is an obligation for the charterer to purchase the rig at a fixed price at the end of the charter, which expires in 2023. Because the main asset of SFL Hercules is the subject of a lease which includes both fixed price call options and a fixed price purchase obligation, it has been determined that this subsidiary of Ship Finance is a variable interest entity in which Ship Finance is not the primary beneficiary.

In May 2013, SFL Hercules entered into a $375.0 million secured term loan and revolving credit facility with a syndicate of banks. The facility was drawn in June 2013 and the proceeds were used to fund the acquisition of the ultra-deepwater drilling rig West Hercules, which was transferred from SFL Deepwater at the carrying value of its Investment in finance lease receivable. At September 30, 2014, the balance outstanding under this facility was $290.6 million. In addition, $50 million was available under the revolving part of the facility at September 30, 2014. The Company guaranteed $85.0 million of this debt at September 30, 2014.

SFL Linus is a 100% owned subsidiary of Ship Finance, acquired from North Atlantic Drilling Ltd ("NADL"), a related party, in 2013. SFL Linus holds a newbuilding harsh environment jack-up drilling rig which upon delivery in February 2014 was leased to North Atlantic Linus Charterer Ltd. ("North Atlantic Charterer"), fully guaranteed by its parent company NADL. The vessel is chartered on a bareboat basis and the terms of the charter provide the charterer with various call options to acquire the vessel at certain dates throughout the charter. In addition, SFL Linus has a put option to sell the vessel to North Atlantic Charterer at a fixed price at the end of the charter, which expires in 2029. Because the main asset of SFL Linus is the subject of a lease which includes both fixed price call options and a fixed price put option, it has been determined that this subsidiary of Ship Finance is a variable interest entity in which Ship Finance is not the primary beneficiary.

In October 2013, SFL Linus entered into a $475.0 million five year term loan and revolving credit facility to partly finance the acquisition of the rig. The facility was drawn when the rig was delivered to SFL Linus and the charter commenced in February 2014. At September 30, 2014, the balance outstanding under this facility was $463.1 million. The facility was fully guaranteed by Ship Finance until the rig commenced a sub-charter in May 2014. Thereafter, Ship Finance guarantees $90.0 million of the debt.

Bluelot and Corte Real are 100% owned subsidiaries of Ship Finance, each incorporated in 2010 for the purpose of leasing in a 13,800 TEU container vessel on a bareboat charter basis, respectively the CMA CGM Magellan and the CMA CGM Corte Real, and leasing the vessel out on a time-charter basis to CMA CGM. In November and December 2013, CMA CGM exercised its options to acquire the two vessel-owning entities, and the charter agreements were terminated in January and March 2014, respectively. Accordingly, the two $25 million investment loans, which were included in "Other receivables" at December 31, 2013, were repaid to the Company upon the termination of the charters. The business activities of Bluelot and Corte Real were discontinued upon the redelivery of their respective vessels to CMA CGM. Consequently, the subsidiaries ceased to be accounted for using the equity method and were consolidated from these dates.

SFL West Polaris, SFL Deepwater, SFL Hercules and SFL Linus have loan facilities for which Ship Finance provides limited guarantees, as indicated above. The loan facilities for SFL West Polaris, SFL Deepwater and SFL Hercules contain financial covenants, with which both Ship Finance and Seadrill must comply. As at September 30, 2014, Ship Finance and Seadrill were in compliance with all of the covenants under these long-term debt facilities. The SFL Linus loan facility contains financial covenants, with which both Ship Finance and NADL must comply. As at September 30, 2014, Ship Finance and NADL were in compliance with all of the covenants under this long-term debt facility.

8. SHORT-TERM AND LONG-TERM DEBT

(in thousands of $)	September 30, 2014	December 31, 2013
Long-term debt:		
NOK500 million senior unsecured floating rate bonds due 2014	—	71,854
3.75% senior unsecured convertible bonds due 2016	125,000	125,000
NOK600 million senior unsecured floating rate bonds due 2017	88,994	92,843
3.25% senior unsecured convertible bonds due 2018	350,000	350,000
NOK900 million senior unsecured floating rate bonds due 2019	138,781	—
U.S. dollar denominated floating rate debt (LIBOR plus margin) due through 2026	1,075,619	1,097,182
	1,778,394	1,736,879
Less: Current portion of long-term debt	(319,684)	(389,888)
	1,458,710	1,346,991

The outstanding debt as of September 30, 2014 is repayable as follows:

(in thousands of $)
Year ending December 31

2014 (remaining three months)	56,490
2015	275,368
2016	194,701
2017	194,552
2018	692,111
Thereafter	365,172
Total debt	1,778,394

The weighted average interest rate for floating rate debt denominated in U.S. dollars and Norwegian kroner ("NOK") was 4.46% per annum at September 30, 2014 (December 31, 2013: 4.86%). This rate takes into consideration the effect of related interest rate swaps. At September 30, 2014, the three month US Dollar London Interbank Offered Rate, or LIBOR, was 0.235% (December 31, 2013: 0.246%) and the Norwegian Interbank Offered Rate, or NIBOR, was 1.65% (December 31, 2013: 1.69%).

8.5% Senior Notes due 2013

On December 15, 2003, the Company issued $580.0 million of 8.5% Senior Notes which were subsequently redeemed in full on March 1, 2013. The Company recorded losses of $1.1 million on the repurchase of the notes in 2013. The redemption of the outstanding notes in 2013 was partly funded by the issue in January 2013 of $350 million 3.25% senior unsecured convertible bonds due 2018 (see below).

NOK500 million senior unsecured bonds due 2014

On October 7, 2010, the Company issued a senior unsecured bond loan totaling NOK500.0 million in the Norwegian credit market. The bonds bore a quarterly interest at NIBOR plus a margin and the remaining balance of NOK432.5 million was redeemed in full at their maturity date of April 7, 2014. The net amount outstanding at September 30, 2014, was NOKnil, equivalent to $nil (December 31, 2013: NOK436.5 million, equivalent to $71.9 million).

3.75% senior unsecured convertible bonds due 2016

On February 10, 2011, the Company issued a senior unsecured convertible bond loan totaling $125.0 million. Interest on the bonds is fixed at 3.75% per annum and is payable in cash semi-annually in arrears on February 10 and August 10. The bonds are convertible into Ship Finance International Limited common shares at any time up to 10 banking days prior to February 10, 2016. The conversion price at the time of issue was $27.05 per share, representing a 35% premium to the share price at the time. Since then, dividend distributions have reduced the conversion price to $18.95. The Company has the right to call the bonds after March 3, 2014, if the value of the shares underlying each bond exceeds, for a specified period of time, 130% of the principal amount of the bond.

NOK600 million senior unsecured bonds due 2017

On October 19, 2012, the Company issued a senior unsecured bond loan totaling NOK600 million in the Norwegian credit market. The bonds bear quarterly interest at NIBOR plus a margin and are redeemable in full on October 19, 2017. The bonds may, in their entirety, be redeemed at the Company's option from April 19, 2017, upon giving bondholders at least 30 business days notice and paying 100.5% of par value plus accrued interest. Subsequent to their issue, the Company purchased bonds with principal amounts totaling NOK36.0 million in 2013, which were being held as treasury bonds. In April 2014, the Company sold NOK8.0 million of the bonds being held as treasury bonds. At September 30, 2014, the net amount of NOK572.0 million was outstanding, equivalent to $89.0 million (December 31, 2013: NOK564 million, equivalent to $92.8 million).

3.25% senior unsecured convertible bonds due 2018

On January 30, 2013, the Company issued a senior unsecured convertible bond loan totaling $350.0 million. Interest on the bonds is fixed at 3.25% per annum and is payable in cash quarterly in arrears on February 1, May 1, August 1 and November 1. The bonds are convertible into Ship Finance International Limited common shares at any time up to 10 banking days prior to February 1, 2018. The conversion price at the time of issue was $21.945 per share, representing a 33% premium to the share price at the time. Since then, dividend distributions have reduced the conversion price to $19.141. In conjunction with the bond issue, the Company loaned up to 6,060,606 of its common shares to an affiliate of one of the underwriters of the issue, in order to assist investors in the bonds to hedge their position. The shares that were lent by the Company were borrowed from Hemen Holding Ltd., the largest shareholder of the Company for a one-time loan fee of $1.0 million.

As required by ASC 470-20 "Debt with conversion and other options", the Company calculated the equity component of the convertible bond taking into account both the fair value of the conversion option and the fair value of the share lending arrangement. The equity component was valued at $20.7 million in 2013 and this amount was recorded as "Additional paid-in capital", with a corresponding adjustment to "Deferred charges" which are amortized to "Interest expense" over the appropriate period. The amortization of this item amounted to $3.1 million for the nine months ended September 30, 2014.

NOK900 million senior unsecured bonds due 2019

On March 19, 2014, the Company issued a senior unsecured bond loan totaling NOK900 million in the Norwegian credit market. The bonds bear quarterly interest at NIBOR plus a margin and are redeemable in full on March 19, 2019. The bonds may, in their entirety, be redeemed at the Company's option from September 19, 2018, upon giving bondholders at least 30 business days notice and paying 100.5% of par value plus accrued interest. Subsequent to their issue, the Company purchased bonds with principal amounts totaling NOK8.0 million during the nine months ended September 30, 2014. At September 30, 2014, the net amount of NOK892 million was outstanding, equivalent to $138.8 million (December 31, 2013: NOKnil, equivalent to $nil).

$210 million secured term loan facility

In April 2006, five wholly-owned subsidiaries of the Company entered into a $210.0 million secured term loan facility with a syndicate of banks to partly fund the acquisition of five new container vessels. The terms of the loan were initially linked to long-term charters of the vessels, and the Company did not provide a corporate guarantee for the facility. In April 2012, those long-term charters were terminated and the terms of the loan agreement were amended. Although the facility continues without recourse to the Company, as part of the amended agreement the Company now guarantees that revenues received by the vessel-owning subsidiaries will achieve certain minimum levels. This performance guarantee has been reduced to a maximum amount of $6.5 million in aggregate as of September 30, 2014. The facility bears interest at LIBOR plus a margin and has a term of twelve years from the date of drawdown for each vessel. The net amount outstanding at September 30, 2014, was $172.3 million (December 31, 2013: $174.8 million).

$149 million secured term loan facility

In August 2007, five wholly-owned subsidiaries of the Company entered into a $148.9 million secured term loan facility with a syndicate of banks. The proceeds of the facility were used to partly fund the acquisition of five new offshore supply vessels, which served as the security for this facility. One of the vessels was sold in January 2008 and the loan facility was left secured by the remaining four vessels. The Company provided a limited corporate guarantee for this facility, which bore interest at LIBOR plus a margin and had a term of seven years. The facility expired during the current period and all amounts outstanding under the facility have been repaid as at September 30, 2014. The repayment of the outstanding debt was partly funded by the new loan facility entered into in August 2014 of $101.4 million (see below). The net amount outstanding at September 30, 2014, was $nil (December 31, 2013: $73.9 million).

$77 million secured term loan facility
In January 2008, two wholly-owned subsidiaries of the Company entered into a $77.0 million secured term loan facility with a syndicate of banks. The proceeds of the facility were used to partly fund the acquisition of two offshore supply vessels, which served as the security for this facility. The Company provided a limited corporate guarantee for this facility, which bore interest at LIBOR plus a margin and had a term of seven years. All amounts outstanding under the facility have been prepaid and the facility cancelled as at September 30, 2014. The prepayment of the outstanding debt was partly funded by the new loan facility entered into in August 2014 of $101.4 million (see below). The net amount outstanding at September 30, 2014, was $nil (December 31, 2013: $39.1 million).
$30 million secured revolving credit facility
In February 2008, a wholly-owned subsidiary of the Company entered into a $30.0 million secured revolving credit facility with a bank. The proceeds of the facility were used to partly fund the acquisition of a 1,700 TEU container vessel, which also serves as security for this facility. The facility bears interest at LIBOR plus a margin and has a term of seven years. At September 30, 2014, the available amount under the facility was fully drawn. The net amount outstanding at September 30, 2014 was $3.0 million (December 31, 2013: $5.0 million).
$49 million secured term loan and revolving credit facility
In March 2008, two wholly-owned subsidiaries of the Company entered into a $49.0 million secured term loan and revolving credit facility with a bank. The proceeds of the facility were used to partly fund the acquisition of two newbuilding chemical tankers, which also serve as the security for this facility. The Company has provided a limited corporate guarantee for this facility, which bears interest at LIBOR plus a margin and has a term of ten years. At September 30, 2014, the available amount under the revolving part of the facility was $1.9 million. The net amount outstanding at September 30, 2014, was $27.6 million (December 31, 2013: $25.6 million).

$43 million secured term loan facility
In February 2010, a wholly-owned subsidiary of the Company entered into a $42.6 million secured term loan facility with a bank, secured against a Suezmax tanker. The facility bears interest at LIBOR plus a margin and has a term of approximately five years. The net amount outstanding at September 30, 2014, was $29.8 million (December 31, 2013: $32.0 million).
$725 million secured term loan and revolving credit facility
In March 2010, the Company entered into a $725.0 million secured term loan and revolving credit facility with a syndicate of banks that was secured by 26 vessels chartered to Frontline. Nine of these vessels were sold during 2011, 2012 and 2013 and the facility is secured against the remaining 17 vessels at September 30, 2014. The facility bears interest at LIBOR plus a margin and is repayable over a term of five years. At September 30, 2014, the available amount under the revolving part of the facility was $48.7 million. The net amount outstanding at September 30, 2014, was $187.9 million (December 31, 2013: $158.8 million).
$43 million secured term loan facility
In March 2010, a wholly-owned subsidiary of the Company entered into a $42.6 million secured term loan facility with a bank, secured against a Suezmax tanker. The facility bears interest at LIBOR plus a margin and has a term of five years. The net amount outstanding at September 30, 2014, was $29.8 million (December 31, 2013: $32.0 million).
$54 million secured term loan facility
In November 2010, two wholly-owned subsidiaries of the Company entered into a $53.7 million secured term loan facility with a bank, secured by two Supramax drybulk carriers. The Company has provided a limited corporate guarantee for this facility, which bears interest at LIBOR plus a margin and has a term of eight years. The net amount outstanding at September 30, 2014, was $39.0 million (December 31, 2013: $42.0 million).

$95 million secured term loan and revolving credit facility

In February 2011, a wholly-owned subsidiary of the Company entered into a $95.0 million secured term loan and revolving credit facility with a bank, secured by a jack-up drilling rig. The facility bears interest at LIBOR plus a margin and has a term of seven years. At September 30, 2014, the available amount under the revolving part of the facility was $20.0 million. The net amount outstanding at September 30, 2014, was $40.0 million (December 31, 2013: $47.5 million).

$75 million secured term loan facility

In March 2011, three wholly-owned subsidiaries of the Company entered into a $75.4 million secured term loan facility with a bank, secured by three newbuilding Supramax drybulk carriers, two of which were delivered in 2011 and one which was delivered in 2012. The Company has provided a limited corporate guarantee for this facility, which bears interest at LIBOR plus a margin and has a term of approximately eight years. The net amount outstanding at September 30, 2014, was $58.1 million (December 31, 2013: $62.5 million).

$171 million secured term loan facility

In May 2011, eight wholly-owned subsidiaries of the Company entered into a $171.0 million secured loan facility with a syndicate of banks. The facility is supported by China Export & Credit Insurance Corporation, or SINOSURE, who has provided an insurance policy in favour of the banks for part of the outstanding loan. The facility is secured by a 1,700 TEU container vessel, and seven Handysize drybulk carriers. The facility bears interest at LIBOR plus a margin and has a term of approximately ten years from delivery of each vessel. The net amount outstanding at September 30, 2014, was $137.3 million (December 31, 2013: $146.3 million).

$55 million secured securities financing agreement

In June 2011, the Company entered into a $55.0 million securities financing agreement with a bank. The facility may be used to fund up to 50% of the acquisition cost of securities we may acquire from time to time. The facility bears interest at US Federal funds rate plus a margin and will be secured against the relevant securities. The facility had not been utilized as at September 30, 2014. The amount available under this facility at September 30, 2014, was $19.7 million (December 31, 2013: $28.2 million).

$167 million secured term loan and revolving credit facility

In July 2011, five wholly-owned subsidiaries entered into a $166.8 million secured term loan and revolving credit facility agreement with a syndicate of banks. The proceeds of the facility were used to refinance a facility which matured in June 2012. The facility bears interest at LIBOR plus a margin, has a term of six years from drawdown and was secured against five VLCCs. Two of the VLCCs were sold in 2013 and the facility is now secured against the three remaining VLCCs. At September 30, 2014, the available amount under the revolving part of the facility was fully drawn. The net amount outstanding at September 30, 2014, was $75.1 million (December 31, 2013: $74.5 million).

$184 million secured term loan facility

In March 2012, four wholly-owned subsidiaries of the Company entered into a $184.0 million secured term loan facility with a bank, secured by four newbuilding container vessels. The facility bore interest at LIBOR plus a margin and had a term of approximately twelve years from delivery of each vessel. The facility was for both pre- and post-delivery financing. Two of the newbuilding contracts were cancelled in December 2013 and February 2014, respectively. The two remaining newbuilding contracts were cancelled in April and May 2014, respectively, and all amounts outstanding under the facility have been prepaid and the facility cancelled as at June 30, 2014. The net amount outstanding at September 30, 2014, was $nil (December 31, 2013: $64.4 million).

$53 million secured term loan facility
In November 2012, two wholly-owned subsidiaries of the Company entered into a $53.2 million secured term loan facility with a bank, secured against two car carriers. The facility bears interest at LIBOR plus a margin and has a term of approximately five years. The net amount outstanding at September 30, 2014 was $45.4 million (December 31, 2013: $48.8 million).
$70 million secured term loan facility
In June 2013, the Company entered into a $70.0 million secured term loan facility with a syndicate of banks in order to partly finance the pre-delivery costs of the harsh-environment jack-up drilling rig West Linus, secured against the newbuilding contract for the rig. The facility bore an interest at LIBOR plus a margin and was repayable upon delivery of the rig which occurred on February 18, 2014. The facility was repaid with the proceeds from the $475.0 million five year post-delivery term loan and revolving credit facility which SFL Linus entered into in October 2013. The net amount outstanding at September 30, 2014, was $nil (December 31, 2013: $70.0 million).
$45 million secured term loan facility and revolving credit facility
In June 2014, seven wholly-owned subsidiaries of the Company entered into a $45.0 million secured term loan and revolving credit facility with a bank. The facility is secured by seven 4,100 TEU container vessels. The facility bears interest at LIBOR plus a margin and has a term of approximately five years from drawdown. At June 30, 2014, the available amount under the revolving part of the facility was fully drawn. The net amount outstanding at September 30, 2014, was $45.0 million (December 31, 2013: $nil).
$101 million secured term loan facility
In August 2014, six wholly-owned subsidiaries of the Company entered into a $101.4 million secured term loan facility with a syndicate of banks. The facility is secured by six offshore supply vessels. The facility bears interest at LIBOR plus a margin and has a term of approximately five years. The Company has provided a limited corporate guarantee for this facility. The net amount outstanding at September 30, 2014, was $101.4 million (December 31, 2013: $nil).

$20 million secured term loan facility
In September 2014, two wholly-owned subsidiaries of the Company entered into a $20.0 million secured term loan facility with a bank. The facility is secured by two 5,800 TEU container vessels. The facility bears interest at LIBOR plus a margin and has a term of five years from drawdown. The net amount outstanding at September 30, 2014, was $20.0 million(December 31, 2013: $nil).
$128 million secured term loan facility
In September 2014, two wholly-owned subsidiaries of the Company entered into a $127.5 million secured term loan facility with a bank. The facility is secured by two 8,700 TEU newbuilding container vessels, one of which had been delivered by September 30, 2014. The facility bears interest at LIBOR plus a margin and has a term of seven years from drawdown. The Company has provided a limited corporate guarantee for this facility. The net amount outstanding at September 30, 2014, was $63.8 million (December 31, 2013: $nil).

The aggregate book value of assets pledged as security against borrowings at September 30, 2014, was $2,102 million (December 31, 2013: $1,994 million).

Agreements related to long-term debt provide limitations on the amount of total borrowings and secured debt, and acceleration of payment under certain circumstances, including failure to satisfy certain financial covenants. As of September 30, 2014, the Company is in compliance with all of the covenants under its long-term debt facilities.

The $101.4 million secured term loan facility entered into in August 2014 contains certain financial covenants on Deep Sea Supply Plc and Deep Sea Supply BTG B.V. As at September 30, 2014, Deep Sea Supply Plc. and Deep Sea Supply BTG B.V. were in compliance with all covenants under the loan agreement.

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9. FINANCIAL INSTRUMENTS

In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates and exchange rates. The Company has a portfolio of swaps which swap floating rate interest to fixed rate, and which also fix the Norwegian kroner to US dollar exchange rate applicable to the interest payable and principal repayment on the NOK denominated bonds due 2017 and 2019. From a financial perspective, these swaps hedge interest rate and exchange rate exposure. The counterparties to such contracts are Nordea Bank Finland Plc, ABN AMRO Bank N.V., BNP Paribas, NIBC Bank N.V., Scotiabank Europe Plc, Skandinaviska Enskilda Banken AB (publ), ING Bank N.V., Lloyds Banking Group Plc, Credit Agricole Corporate and Investment Bank, Danske Bank A/S and Swedbank AB (publ). Credit risk exists to the extent that the counterparties are unable to perform under the contracts, but this risk is considered remote as the counterparties are all banks which have provided the Company with loans to which the swaps relate.

The following table presents the fair values of the Company's derivative instruments that were designated as cash flow hedges and qualified as part of a hedging relationship, and those that were not designated:

(in thousands of $)	September 30, 2014	December 31, 2013
Designated derivative instruments - Assets:		
Interest rate swaps	994	6,565
Cross currency interest rate swaps	—	—
Non-designated derivative instruments - Assets:		
Interest rate swaps	7,721	10,068
Cross currency interest rate swaps	—	—
Total derivative instruments - non-current assets	8,715	16,633

(in thousands of $)	September 30, 2014	December 31, 2013
Designated derivative instruments -short-term liabilities:		
Interest rate swaps	898	2,279
Cross currency interest rate swaps	—	3,358
Non-designated derivative instruments -short-term liabilities:		
Interest rate swaps	289	—
Cross currency interest rate swaps	—	68
Total derivative instruments - short-term liabilities	1,187	5,705

(in thousands of $)	September 30, 2014	December 31, 2013
Designated derivative instruments - long-term liabilities:		
Interest rate swaps	37,503	44,006
Cross currency interest rate swaps	24,959	8,915
Non-designated derivative instruments - long-term liabilities:		
Interest rate swaps	1,501	3,183
Cross currency interest rate swaps	842	386
Total derivative instruments - long-term liabilities	64,805	56,490

Interest rate risk management

The Company manages its debt portfolio with interest rate swap agreements denominated in U.S. dollars and Norwegian kroner to achieve an overall desired position of fixed and floating interest rates. At September 30, 2014, the Company and its consolidated subsidiaries had entered into interest rate swap transactions, involving the payment of fixed rates in exchange for LIBOR or NIBOR, as summarized below. The summary includes all swap transactions, most of which are hedges against specific loans.

(in thousands of $)

Notional Principal as at September 30, 2014	Inception date	Maturity date	Fixed interest rate	
$145,263 (reducing to $122,632)	March 2010	March 2015	1.96% - 2.22%	
$35,034 (reducing to $24,794)	March 2008	August 2018	4.05% - 4.15%	
$39,025 (reducing to $23,394)	April 2011	December 2018	2.13% - 2.80%	
$58,119 (reducing to $34,044)	May 2011	January 2019	0.80% - 2.58%	
$100,000 (remaining at $100,000)	August 2011	August 2021	2.50% - 2.93%	
$172,316 (reducing to $153,804)	April 2012	May 2019	6.00%	
$173,267 (reducing to $79,733)	May 2012	August 2022	1.76% - 1.85%	
$105,436 (equivalent to NOK600 million)	October 2012	October 2017	5.92% - 6.23%	*
$45,442 (reducing to $32,142)	February 2013	December 2017	0.81% - 0.82%	
$100,000 (remaining at $100,000)	March 2013	April 2023	1.85% - 1.97%	
$151,008 (equivalent to NOK900 million)	March 2014	March 2019	6.03%	*

* These swaps relate to the NOK600 million and NOK900 million senior unsecured bonds due 2017 and 2019 respectively, and the fixed interest rates paid are exchanged for the NIBOR plus the margin on the bonds. For the remaining swaps the fixed interest rate paid is exchanged for LIBOR, excluding margin on the underlying loans.

As at September 30, 2014, the total notional principal amount subject to such swap agreements was $1,124.9 million (December 31, 2013: $1,188.0 million).

Foreign currency risk management

The Company has entered into currency swap transactions, involving the payment of U.S. dollars in exchange for Norwegian kroner, which are designated as hedges against the NOK600 million senior unsecured bonds due 2017 and NOK900 million senior unsecured bonds due 2019.

Principal Receivable	Principal Payable	Inception date	Maturity date
NOK600 million	$105.4 million		