

STREAMLINE HEALTH SOLUTIONS INC.  
Form 10-K  
April 13, 2011

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**

**Form 10-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended January 31, 2011**
- 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: 0-28132**

**Streamline Health Solutions, Inc.**  
*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of incorporation or organization)*

**31-1455414**  
*(I.R.S. Employer Identification No.)*

**10200 Alliance Road, Suite 200**  
**Cincinnati, OH 45242-4716**  
*(Address of principal executive offices) (Zip Code)*

**(513) 794-7100**  
*(Registrant's telephone number, including area code)*

**Securities registered pursuant to Section 12 (b) of the Act:**

**Common Stock, \$.01 par value**  
*( Title of Class )*

**The NASDAQ Stock Market, Inc.**  
*(Name of exchange on which listed)*

**Securities registered pursuant to Section 12 (g) of the Act:**  
**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Edgar Filing: STREAMLINE HEALTH SOLUTIONS INC. - Form 10-K

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12h-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the voting stock held by nonaffiliates of the registrant, computed using the closing price as reported by The NASDAQ Stock Market, Inc. for the Registrant's Common Stock on July 31, 2010, was \$10,285,778.

The number of shares outstanding of the Registrant's Common Stock, \$.01 par value, as of April 13, 2011: 9,866,517.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Certain portions of the Registrant's Definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 25, 2011 are incorporated by reference into Part III of this Form 10-K to the extent stated herein. Except with respect to information specifically incorporated by reference in this Form 10-K, the Definitive Proxy Statement is not deemed to be filed as a part hereof.

---

## FORWARD-LOOKING STATEMENTS

In addition to historical information contained herein, this Annual Report on Form 10-K contains forward-looking statements relating to the Company's plans, strategies, expectations, intentions, etc. and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements contained herein are no guarantee of future performance and are subject to certain risks and uncertainties that are difficult to predict and actual results could differ materially from those reflected in the forward-looking statements. These risks and uncertainties include, but are not limited to, the impact of competitive products and pricing, product demand and market acceptance, new product development, key strategic alliances with vendors that resell the Company products, the ability of the Company to control costs, availability of products produced from third party vendors, the healthcare regulatory environment, potential changes in legislation, regulation and government funding affecting the healthcare industry, healthcare information systems budgets, availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems, fluctuations in operating results, effects of critical accounting policies and judgments, changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other similar entities, changes in economic, business and market conditions impacting the healthcare industry, the markets in which the Company operates and nationally, and the Company's ability to maintain compliance with the terms of its credit facilities, and other risk factors that might cause such differences including those discussed herein, including, but not limited to, discussions in the sections entitled Part I,

Item 1 Business, Item 1A Risk Factors, Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8 Financial Statements and Supplemental Data. In addition, other written or oral statements that constitute forward-looking statements may be made by or on behalf of the Company. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date thereof. The Registrant undertakes no obligation to publicly revise these forward-looking statements, to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in this and other documents Streamline Health Solutions, Inc. files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

## PART I

### Item 1. *Business*

#### Company Overview

Founded in 1989, Streamline Health Solutions, Inc. ( Streamline Health®, Streamline or the Company ) is a supplier of healthcare information technologies and services to healthcare organizations. We are focused on developing and licensing proprietary software solutions that increase efficiency, and reduce the cost of care by integrating multiple disparate systems, and improving the flow of information essential to the complete Electronic Health Record (EHR) used throughout the healthcare enterprise. The Company provides integrated tools and technologies including document workflow, document management, e-forms, connectivity, optical character recognition and business process integration. The Company's systems provide healthcare organizations with secure, convenient electronic access to many forms of patient information from many locations, and enhance larger existing transaction-centric hospital healthcare information systems. The Company sells its products and services in North America to remarketers, hospitals, clinical and ambulatory services through its direct sales force, and its reseller partnerships.

The cost inefficiencies of traditional paper-based medical records, and the ever-increasing cost of administering medical care decrease the operating margins of healthcare organizations. Streamline Health solutions integrate the customer's historical information systems with our document management and workflow applications to increase efficiency, decrease cost, and ultimately improve the timeliness and quality of information used in patient care. The Company's document management solutions provide access to a complete patient medical record, including the structured data, such as laboratory results; and related unstructured data, such as a doctor's hand written notes, consent forms, and outside correspondence. To complement and enhance our document management solutions, the Company's workflow-based services offer solutions to inefficient and labor-intensive healthcare

business processes throughout the revenue cycle, such as chart coding, abstracting and completion, remote physician referral order processing, pre-admission registration scanning and signature capture, financial screening, preoperative processing, Medicare/Medicaid audit, private-payer audit, mitigation processing, secondary billing services, explanation of benefits processing, release of information processing, human resource administration and supply chain management.

Based upon Streamline Health's experience in installing its systems, a typical 500 bed hospital can produce in excess of 500,000 pages of new patient information each month. Even with computerized admission, billing, laboratory and radiology systems, individual physician document retrieval requests can be as high as 100 documents per physician per day. The volume of medical images such as digitized slides, videos and photographs in the patient record are expanding as well. For many customers space is at a premium. The adoption of the Company's solutions can provide the ability to re-purpose the space traditionally used for warehousing paper medical records, into revenue generating patient care space. Thus, the ability to store and retrieve documents electronically, rather than storing voluminous paper records, decreases cost, increases revenue, and provides access on a timely basis. These are critical functionality features and benefits that the Company's products provide to customers.

The Company's software solutions are delivered either by purchased perpetual license which is installed locally in the customer's data center; or by subscription and accessed on our company-hosted software systems through a secured connection, which is a delivery method commonly referred to as software-as-a-service (SaaS) or cloud computing. The hosting center provides Streamline Health's complete suite of document management and workflow products, which customers can access and securely transmit data over a dedicated data communications line or virtual private network (VPN) via the internet. Streamline Health hosting services enable improved security, and accessibility to patient records at significant cost savings; with minimal up-front capital investment, maintenance, and support costs. In addition, the healthcare provider need not have knowledge of, expertise in, or control over the technology infrastructure in the hosting center that supports them. Hosted delivery systems allow customers to realize the benefits of our systems with an accelerated return on investment, and less economic risk.

The Company's success in providing valuable products to our customers that improve the flow of essential information and operational efficiency throughout the healthcare enterprise, have led to lower cost of care and significant return on the customer's investment. These successes have earned us customers that are among the most prestigious healthcare providers in the world including: UC Health (University of Cincinnati), Bronx Lebanon Hospital Center, University of California San Francisco, The Children's National Medical Center in Washington, DC, Albert Einstein Healthcare Network, Beth Israel Medical Center, New York Presbyterian Hospital, and Memorial Sloan-Kettering Cancer Center. In Canada we service Centre hospitalier de l'Université de Montréal, McGill University Health Centre, and L'Agence de la santé et des sociaux de Montreal, all via our distribution partner Telus Health.

The Company operates primarily in one segment as a provider of health information technology solutions that improve healthcare processes and information flows within a healthcare facility.

Copies of documents filed by Streamline Health Solutions, Inc. with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, etc., and all amendments to those reports, if any, can be found at the web site [www.streamlinehealth.net](http://www.streamlinehealth.net) as soon as practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. Copies can be downloaded free of charge from the Streamline Health web site or directly from the Securities and Exchange Commission web site, <http://www.sec.gov/>. Also, copies of Streamline Health's annual report on Form 10-K will be made available, free of charge, upon written request to the Company. The Company's corporate office address is 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242.

All references to a fiscal year refer to the fiscal year commencing February 1 in that calendar year and ending on January 31 of the following year.

**Products**

Streamline Health's systems enable medical and administrative personnel to more efficiently capture, store, manage, route, retrieve and process vast amounts of clinical, financial, patient and other information. Applications

within these systems fulfill the administrative and regulatory needs of the Health Information Management, Patient Financial Services, Administration and other hospital departments. These systems have been specifically designed to integrate with any Clinical Information System through various means, including the proprietary software integration tool, STRM-IT. For example, the Company has integrated its solutions with selected systems from Telus Health (Oacis Electronic Medical Record), Siemens Medical Solutions USA Inc., Cerner Corporation, Eclipsys Corporation (merged with Allscripts Healthcare Solutions, Inc. in 2010), Epic Systems, Lawson Software, and GE Healthcare applications; thus enabling customers to use Streamline Health solutions without the expense of replacing entire software systems to gain the software functionality. By offering electronic access to all the patient information components of the medical record, this integration completes one of the most difficult tasks necessary to create a complete Electronic Health Record. Streamline Health's systems deliver enterprise-wide access to fully updated patient information, which historically was maintained on a variety of media, including paper, magnetic disk, optical disk, and microfilm.

Streamline Health's health information management, patient financial services, and administrative workflow solutions provide financial, administrative, and clinical benefits to the healthcare provider and facilitate more effective patient care. These benefits include:

- Easy to navigate, real-time computerized interfaces that are physician-oriented and can be used at the point of patient care

- Secured access to data under HIPAA standards to protect patient's healthcare information

- Enterprise-wide access to patient lifetime medical records, which assist in making informed clinical and financial decisions

- Reduced costs for administrative personnel due to increased workflow efficiency, as documents can be scanned, indexed, and routed within an organization to all users who need to process that information simultaneously, or in sequence as required

- Increased productivity through the elimination of file contention by providing multiple users simultaneous access to patient medical records

- Reduced costs and improved care through the reduction of unnecessary testing and admissions

- Improved cash flow through accelerated account receivable collections and reductions in technical denials (which occur when a third-party payer refuses payment because of the provider's inability to substantiate billing claims due to loss of portions or all of the patient record)

- Expedited treatment decisions, and fewer redundant tests as a result of timely access to complete information

- Fewer medical record errors by minimizing misfiled, lost and improperly completed records; and

- Increased security of patient information through improved controls on access to confidential data and the creation of audit trails that identify the persons who accessed or even tried to access such information.

Streamline Health's systems employ an open architecture that leverages enterprise technologies from Microsoft, Oracle and Sun Microsystems, and are designed to work within a healthcare enterprise. These systems include user interfaces designed specifically by Streamline Health for physicians, and other medical and administrative personnel in hospitals and integrated healthcare networks. Streamline Health's health information management workflow solutions

incorporate advanced features, including workflow and security features, which allow customers to restrict direct access to confidential patient information, secure Protected Health Information from unauthorized indirect access and have audit trail features.

Streamline Health has developed innovative application tool sets to enable users of existing Hospital Information System applications to have a common user interface on a universal workstation. Streamline Health has also developed its own document and workflow management middleware to efficiently provide the object-oriented business processes common to all of its applications, such as scanning/indexing, faxing/printing, data archiving migration, security and auditing. Through its application software, document management middleware, and its workflow, image and web-enabling tools, Streamline Health allows the seamless merging of medical records



department information and Patient Financial Services department back office functionality with existing clinical, billing and administrative information systems at the desktop.

**accessANYware™**

Streamline Health's core technology is a document management repository that provides enterprise access to a patient's document-based medical and financial records to better coordinate patient care. The accessANYware family of solutions work complementary to, and can be seamlessly integrated with existing transaction-centric clinical, financial and management information systems, allowing healthcare providers to aggressively move toward a true EHR. It allows authorized users to perform document searching, retrieval, viewing, processing, printing and faxing, as well as report generation—all from a single login. It also provides access to images such as digitized slides, videos and photographs. In addition, it provides the ability to store and retrieve document images of voluminous paper records on a timely basis at the desktop. By streamlining their process with accessANYware, healthcare organizations gain operational efficiencies that result in a positive impact on the bottom line.

The Company's fifth-generation accessANYware architecture, released in fiscal 2009, includes the consolidation of technology platforms onto the Microsoft.NET platform, and also the internationalization of the software to reach international markets. This internationalization specifically included French Canadian language capabilities as part of Streamline Health's agreements with customers in Canada. Development efforts continue on accessANYware releases 5.1 and later for introduction to U.S. based customers in fiscal 2011. Prior versions of accessANYware are still available for sale, and the Company continues to provide full product support for prior versions, as we anticipate several years before all existing accessANYware customers complete a transition to accessANYware 5.x products.

Major improvements within the fifth generation software:

STRM-IT and accessANYware are now one product

Within the one application many modules may be added on to fit customer needs, including selected functionality and workflows

Migration of platform from Java to Microsoft.NET

Patient worklist divided into filtering section and document grid

Role-based, LDAP compliant security function built in, makes for easier administration

Microsoft SQL Server Capable (Future)

Benefits of the new architecture:

Cutting-edge service oriented architecture

Enhanced database design better enforces database table relationships and constraints, prevents orphan records

Multi-entity, multi-timezone, and multi-language functionality

Provides for a higher level of integration with 3rd party applications

Customizable user interfaces, sorts, grouping, filtering, and workflow creation

Vastly improved product stability, which allows more cost-effective support & troubleshooting

Platform enables future expansion and easier integration with customer s existing systems

Shorter testing cycles

Faster time-to-market

Simplified installation

The accessANYware family of products includes:

accessANYware HIM is an enterprise wide, HIPAA and HITECH secure application that provides hospital organizations the ability to electronically store, search and retrieve medical records from any location within the facility, physician offices, off-site clinics and even from home. In addition, accessANYware HIM provides a complete chart deficiency management system that includes analysis, electronic signature and management reports all from a single login. accessANYware HIM allows the user to securely view the entire medical record from a visit view or a category-based longitudinal view of historical patient information.

accessANYware PFS is a HIPAA and HITECH secure application that allows any department of a healthcare organization the ability to store, retrieve and process document-centric information using a site-defined electronic folder hierarchy with a user-friendly interface. accessANYware PFS provides document management and workflow capabilities for a hospital organization's enterprise-wide departmental needs, such as Patient Financial Services, Business Office, Human Resources, Materials Management, and virtually any other department that has document intensive storage, retrieval and processing needs.

Streamline Health Integration Tools STRM-IT supports powerful image-enabling and workflow technology that allows healthcare users to immediately and simultaneously access any patient information, including multimedia and paper-based information, through their existing third-party clinical, HR administrative or billing applications. STRM-IT also supports direct, secure access to the entire patient chart and physician inbox via integration. As a result, any application across the entire enterprise can be image-enabled, including the Healthcare Information Systems, Patient Billing Systems, Clinical Data Repositories and others. When the Clinical Data Repository is image-enabled, users can access any piece of information on the same workstation and from the same screen display, including the point of patient care. This means users can view traditional electronic data and images simultaneously on the same screen without signing in and out of multiple applications.

### **FolderView**

FolderView complements the flagship solution, accessANYware, by providing capture/indexing of non-patient centric documents, storage in a historical repository, document search/viewing, reporting, auditing and optional modules for Patient Financial Services or Administrative Services applications. FolderView provides a complete departmental document management solution that addresses the content management needs of the full organization in one application. Each department can create a customized structure based on specific requirements, and integrate department specific workflows to enhance the solution. Significant features are multiple file type support, audio/video support, version control features, email and fax integration, and paperless markup capabilities.

### **Workflow Solutions**

The Company's departmental workflow-based solutions and services offer solutions to specific healthcare business processes within Health Information Management (HIM) and the revenue cycle. These solutions offer value to all of the constituents in the healthcare delivery process by enabling them to simultaneously access and utilize Streamline Health's advanced workflow applications to process information, on a real-time basis from virtually any location, including the physician's desktop, using web-based technology. Streamline Health's solutions integrate its own proprietary document management platform, application workflow modules, and image and web-enabling tools that allow for the seamless merger of back office functionality with existing Hospital Information Systems at the desktop. Customers can purchase or host the FolderView workflow, departmental workflows, or can consult the Company to design custom workflows based on their needs.

The Streamline Health departmental workflow solutions are:

Referral Order Workflow allows hospitals the ability to electronically manage their inbound physician referral orders through a workflow process from receipt through pre-registration, and ultimately indexing into a central electronic repository, accessANYware.

Chart Completion Workflow is a chart deficiency management workflow that provides management reporting along with providing analysts and clinicians the ability to remotely analyze, electronically sign and complete deficient records. In addition to a single login, Chart Completion Workflow delivers a single user interface and integrated database. Therefore, from a single system login, users with appropriate security have the ability to search and retrieve information regarding patients and cases (for chart analysis), view, print and fax patient documents, as well as analyze or complete deficient documents. The functions presented to the user vary with the user's security. For example, if the user is a clinician, they are presented with an inbox function that displays a list of incomplete charts (awaiting completion) and a list of linked patients assigned to them. The clinician then has the option to complete deficient charts or retrieve patient information via searching or by clicking on the linked patients within their inbox. This access may occur from any workstation within the facility, the physician's office, or some other remote site. With proper security, the user is able to view, print and fax patient information.

Coding Workflow provides workflow automation of the coding and abstracting process by allowing hospital personnel to electronically access documents to be coded and abstracted from remote locations, including the employee's home. It may also be integrated with third-party encoding or abstracting software, avoiding redundant data entry. Due to an acute shortage of available coding personnel, there currently exists a great demand for solutions to attract and retain qualified coders and to make the coding process more efficient.

Release of Information Workflow fulfills internal and external requests for patient information and allows for automatic invoicing capability. It also provides the ability to electronically search for, print, mail or fax information to third parties that request copies of patient records.

Financial Screening Workflow manages the rising number of self-pay accounts that healthcare providers are experiencing by forwarding the financial documents at the time of receipt to insurance specialists to expedite charity care program analysis.

Pre-Operative Workflow manages patient documents and reduces cancelled/rescheduled surgeries by proactively providing required document sets for the scheduled surgery facilitating those that are missing.

AuditACE helps reduce and/or eliminate default states (absent documents, missed document deadlines) and improve efficiency and productivity in managing the federal government's Recovery Audit Contractor program to minimize Medicare fraud and abuse.

### **Health Information Management Suites**

Streamline Health provides the opportunity to bundle solutions to provide value offerings to customers. Customers can purchase these bundled solutions based on their needs.

HIM Suite includes accessANYware Patient Folders, Chart Completion Workflow, Release of Information Workflow, Coding Workflow and Chart Tracking Workflow.

The PFS Suite includes accessANYware Non Patient Folders, and a choice of three among the following workflows: Referral Order Workflow, Pre-Operative Workflow, Financial Screening Workflow, and administrative workflows.

The Enterprise Suite is a full offering of Streamline Health solutions including the HIM Suite, the PFS Suite, and the Streamline Health Integration Tools (STRM-IT).

**Professional Services**

Streamline Health provides a full complement of professional services to implement and enhance its software applications. Streamline Health believes that high quality consulting and professional implementation services are important to attracting new customers and maintaining existing customer satisfaction. These services include implementation and training, project management, business process optimization, and custom software development. The implementation and training services include equipment and software installation, system integration and comprehensive training. The project management services include needs and cost/benefit analysis, hardware and software configuration and business process management.

## **Competition**

Several companies historically have dominated the Clinical Information System software market and several of these companies have either acquired, developed or are developing their own document management and workflow technologies. The industry is undergoing consolidation and realignment as companies position themselves to compete more effectively. Strategic alliances between vendors offering health information management workflow and document management technologies and vendors of other healthcare systems are increasing. Barriers to entry to this market include technological and application sophistication, the ability to offer a proven product, a well-established customer base and distribution channels, brand recognition, the ability to operate on a variety of operating systems and hardware platforms, the ability to integrate with pre-existing systems and capital for sustained development and marketing activities. Streamline Health believes that these barriers taken together represent a moderate to high level barrier to entry. Foreign competition has not been a significant factor in the market, to date.

Streamline Health has many competitors including Clinical Information System vendors that are larger and more established and have substantially more resources than Streamline Health. In addition, information and document management companies serving other industries may enter the market. Suppliers and companies with whom Streamline Health may establish strategic alliances may also compete with Streamline Health. Such companies and vendors may either individually, or by forming alliances excluding Streamline Health, place bids for large agreements in competition with Streamline Health. A decision on the part of any of these competitors to focus additional resources in the image-enabling, workflow, and other markets addressed by Streamline Health could have a material adverse effect on Streamline Health.

Streamline Health believes that the principal competitive factors in its market are customer recommendations and references, company reputation, system reliability, system features and functionality (including ease of use), technological advancements, customer service and support, breadth and quality of the systems, the potential for enhancements and future compatible products, the effectiveness of marketing and sales efforts, price, and the size and perceived financial stability of the vendor. In addition, Streamline Health believes that the speed with which companies in its market can anticipate the evolving healthcare industry structure and identify unmet needs are important competitive factors. There can be no assurance that Streamline Health will be able to compete successfully in the future against existing or potential competitors.

Streamline Health believes that its principal competitors are: Cerner Corporation; Eclipsys Corporation; Hyland Software, Inc.; McKesson Inc.; MedPlus, Inc. (a subsidiary of Quest Diagnostics Incorporated); Perceptive Vision, Inc. (a subsidiary of Lexmark International, Inc.); Siemens Medical Solutions USA, Inc. (a subsidiary of Siemens AG); and SoftMed Systems, Inc., (a unit of 3M).

## **Healthcare Industry Trends impacting Streamline Health**

### ***Rapid Technological Change and Evolving Market***

The market for Streamline Health's systems and services is characterized by rapidly changing technologies, regulatory requirements, evolving industry standards and new product introductions and enhancements that may render existing solutions obsolete or less competitive. As a result, Streamline Health's position in the healthcare information technology market could change rapidly due to unforeseen changes in the features and functions of competing products, as well as the pricing models for such products. Streamline Health's future success will depend, in part, upon Streamline Health's ability to enhance its existing systems and services and to develop and introduce new systems and services to meet changing requirements. Streamline Health believes the demand for its health information document management and workflow solutions, which can supply document management capabilities to complement the data-centric elements of an EHR, will increase in future years.

**Changes and Consolidation in the Healthcare Industry**

Streamline Health derives substantially all of its revenues from providing hosted services, the licensing of software, providing professional services and maintenance services within the healthcare industry. Accordingly, the success of Streamline Health is dependent upon the regulatory and economic conditions in the healthcare industry.



Many healthcare providers are consolidating to establish integrated healthcare delivery networks to take advantage of economies of scale, greater marketing power and greater leverage in negotiating with vendors who supply the industry with the goods and services they require. The impact of such consolidations, Streamline Health believes, will benefit Streamline Health as more healthcare organizations investigate methods to streamline operations, including outsourcing non-core services to reduce costs and improve the quality of patient care through the use of information technology, especially in the paper intensive areas of Patient Medical Records, Patient Financial Services, and Administrative Services.

**The U.S. Healthcare System, U.S. Government Policy and Legislative Initiatives**

The mixed public-private healthcare system in the United States is the most expensive in the world, with healthcare costing more per person than in any other nation. Current spending on healthcare in the United States is estimated to be in excess of \$2.5 trillion dollars. According to the Department of Health and Human Services most recent statistics, a greater portion of gross domestic product (17.3%) is spent on healthcare in the U.S. than in any other major industrialized country in the world. The U.S. Department of Health and Human Services has projected that health care as a percentage of GDP to be 19.3% or \$4.5 trillion dollars by 2019. It is widely accepted that the current national system does not deliver an equivalent value for the overall dollars spent. Streamline Health believes its solutions can reduce healthcare costs for its customers, as has been demonstrated in return on investment studies performed by a number of customers which resulted in attractive payback periods.

In response to this projected growth in healthcare spending, the healthcare industry is undergoing significant change as regulatory measures imposed by governmental and private payers have created significant pressures on healthcare providers to control costs while improving the quality of patient care. At the same time, the healthcare delivery system is experiencing a shift from a highly fragmented group of non-allied healthcare providers to integrated healthcare networks, which combine all of the services, products and infrastructure necessary to address the needs of consumers. Healthcare providers are seeking to cut costs, increase productivity and revenue, while enhancing the quality of patient care through improved access to information throughout the entire hospital or integrated healthcare network. The increased use of health information technology can aid in creating a more efficient system for all stakeholders.

The American Recovery and Reinvestment Act of 2009 ( Stimulus Bill or ARRA ) was enacted by the United States Congress and signed into law by President Barack Obama on February 17, 2009. ARRA allocated approximately \$19 billion for health information technology investment to reduce direct spending for health benefits and improve overall efficiency and safety. The provision of the legislation that addresses health information technology specifically is known as the HITECH Act. The Company has not yet been able to measure any direct benefit from ARRA since its passage, and cannot be certain that we will be a direct financial beneficiary of any of its provisions. However, significant funds appear to remain unallocated, and full implementation remains in its infancy. Some highlights of the HITECH Act that may directly or indirectly impact Streamline Health are noted below:

Intends to modernize U.S. healthcare system with health information technology (HIT) investments to reduce cost and improve quality of patient care, focusing on preventable errors and inefficient paper billing systems

Goal of full deployment of EHR by 2014

\$19B investment in HITECH Provision includes \$40 thousand per physician in EHR adoption incentives beginning in 2011 payable through 2016

HIT extension programs for regional adoption via Regional Health Information Organizations (RHIO)

Funds earmarked to states to promote interoperable EHR s

Education programs to train clinicians in EHR s

Dramatically increase the number of HIT professionals (current shortage to meet aggressive EHR adoption plans)

Create HIT grant and loan programs

Accelerate construction of National Health Information Network (NHIN)

Published articles have proved it difficult to estimate the number of physician offices using electronic medical records. Surveys have reported as few as 15% of physicians using EHR and as high as 50%. However, the process of developing meaningful use as defined by HITECH, can depend on how the effectiveness of the system in place is measured. A Center for Disease Control (CDC) survey of doctors with EHR systems reported that 10% reported having a fully-functional system. Despite the enormous investments in electronic medical record technology to date, the majority of the patient records remain paper-based.

Streamline Health believes that the HIPAA (Health Insurance Portability and Accountability Act) regulation are an additional impetus for healthcare to embrace Streamline Health solutions as a means of ensuring compliance with federal regulations. Additionally, the healthcare industry is being strongly encouraged by many professional medical organizations to make greater use of information technology.

In 2007 the U.S. government required providers to move from the ICD-9 (International Statistical Classification of Diseases and Related Health Problems) to the significantly more complex ICD-10 scheme. This change, along with 745 new diagnosis groups, increases the need for more efficient and accurate medical coding to reduce reimbursement risk.

The Patient Protection and Affordable Care Act, and amended by the Health Care and Education and Reconciliation Act of 2010 (collectively the Affordable Care Act ) was signed into law by President Obama on March 23, 2010. The Affordable Care Act places substantial emphasis on the expansion health care coverage to a significant amount of the currently uninsured, and introduces a significant amount of new rules and regulations affecting the complete continuum of care. Provisions within the bill take effect at various dates from 2010 through 2014. Specifically, the implementation of the provisions in the Affordable Care Act may create new requirements for healthcare information technology, such as those offered by Streamline Health, such as audit compliance to combat waste, fraud and abuse. The Affordable Care Act, as passed, remains under congressional debate, and has had several legal suits brought against it in the Federal courts, challenging its constitutionality. The Company has not yet been able to measure any direct benefit from the Affordable Care Act since its passage, and cannot be certain that we will be a direct financial beneficiary of any of its provisions in the future.

### **Contracts Overview**

To supplement its direct sales force, the Company has remarketing agreements with large healthcare industry partners. A summary of these remarketing agreements are detailed below:

In 2002, Streamline Health entered into a five year Remarketing Agreement with IDX Information Systems Corporation, which was subsequently acquired by GE Healthcare, a unit of the General Electric Company in January 2006. Under the terms of the Remarketing Agreement, IDX/GE was granted a non-exclusive worldwide license to distribute all Streamline Health document workflow and document management software including accessANYware, Coding Workflow, and hosting services to its customers and prospective customers, as defined in the Remarketing Agreement. The Agreement has an automatic annual renewal provision and, after the initial five year term, which ended January 30, 2007, can be cancelled by IDX/GE upon 90 days written notice to the Company. This automatic annual renewal provision now extends the agreement through January 30, 2012.

During the fourth quarter of fiscal 2010, Streamline Health learned that GE Healthcare was shifting its organizational focus to upgrading its current clients to GE's latest version software to assist its customers in meeting meaningful use criteria under the HITECH act. Streamline Health's remarketing agreement with GE Healthcare remains in effect, however the impact on Streamline Health will most likely be a decline in net new sales opportunities from GE Healthcare. Streamline Health believes that the opportunity to sell into GE Healthcare's current client base that does not have Streamline Health products remains, as well as the continuing ability to sell additional products and services into the existing jointly owed client base through the remarketing agreement. Streamline Health expects all signed contracts or purchase orders with GE Healthcare to purchase proprietary software, application hosting services, professional services, and maintenance, to be fully honored.

In December 2007, Streamline Health entered into an agreement with Telus Health (formerly Emergis, Inc.), a large international telecommunications corporation based in Canada, in which Telus Health is integrating Streamline Health's accessANYware document management repository and document workflow applications into its Oacis (Open Architecture Clinical Information System) Electronic Health Record solution.

In June 2010, Streamline Health announced a referral marketing agreement with MRO Corp. of King of Prussia, PA, a leading provider of disclosure management applications and services for healthcare organizations. Through the agreement, MRO will refer Streamline Health document workflow and management solutions to its hospital and healthcare customers seeking to bridge the productivity gap between paper-based processes and transaction-based healthcare information systems. Streamline Health will refer MRO to its hospital and healthcare customers looking for disclosure management applications and services, such as ROI Online<sup>tm</sup>. Overall, this agreement expands penetration into new and existing markets for both organizations, and offers healthcare providers an opportunity to advance their facility's technology and processes with integrated solutions.

In February 2010, Streamline Health entered into a hosted services agreement to provide its Audit Integrity Manager Workflow solution, along with the option to buy additional custom workflows as needed, to Children's National Medical Center in Washington D.C. The solution expedites its third-party reimbursement and cash flow processes, and aid its compliance processes.

In April 2010, Streamline Health entered into a hosted services agreement with East Orange General Hospital in East Orange, NJ, to implement Streamline Health document workflow solutions integrated with GE Centricity<sup>®</sup> Enterprise clinical information solution. Through this integrated solution, East Orange General Hospital looks to enhance their health information management processes, boost productivity and ultimately, improve patient care.

In September 2010, Streamline Health announced that Saint Francis Hospital and Medical Center in Hartford, CT purchased a license to implement Streamline Health's accessANYware document workflow solutions to integrate with GE Healthcare's Centricity<sup>®</sup>. Through this integrated solution, Saint Francis Hospital and Medical Center looks to increase productivity, improve processes, and enhance the flow of information across the healthcare enterprise, helping to enable a higher quality of patient care. Saint Francis plans to deploy Streamline Health's enterprise software license in their clinical, patient financial services and administrative areas, while installing the solution at their local data center facility. Saint Francis Hospital and Medical Center is the third largest hospital in Connecticut and the largest Catholic hospital in New England.

In November 2010 we entered into a contract with a Texas based hospital system for BPM services to implement Referral Order Workflow (ROW). This solution will provide an automated means of capturing and referring physician orders while routing to the hospital's scheduling office, and linking the orders to the patient's medical record within Streamline Health's enterprise document management repository.

In December 2010, Streamline Health announced that we have entered into an agreement with a leading Canadian healthcare system that will integrate Streamline Health's document workflow solutions into its existing enterprise clinical information system at an additional healthcare facility to enable complete real-time electronic patient medical records.

Also in December 2010, Streamline Health Solutions announced that one of the largest faith-based, nonprofit healthcare delivery systems in the United States, will implement Streamline Health's Suite of Health Information Management document workflow solutions at one of its affiliate acute-care hospitals that has served Texas for more than 20 years. The hospital will integrate Streamline Health solutions into its EpicCare<sup>®</sup> medical record management system to enhance business processes, improving employee productivity, and promoting improved patient outcomes.

In fiscal 2010, the Company had revenues of \$1,778,000 or 10% of total revenues from Texas Health Resources, and \$5,873,000 or 33% from GE Healthcare (remarketing partner). No other customers contributed more than 10% of total revenues in fiscal 2010.

### **Signed Agreements Backlog**

Streamline Health enters into master agreements with its customers that specify the scope of the system to be installed and/or services to be provided by Streamline Health, as well as the agreed upon aggregate price and the timetable for implementation. The master agreement typically provides that Streamline Health will deliver the system in phases, thereby allowing the customer flexibility in the timing of its receipt of systems and to make adjustments that may arise based upon changes in technology or changes in customer needs. The master agreement also allows the customer to request additional components as the installation progresses, which additions are then separately negotiated as to price and terms. Historically, customers have ultimately purchased systems and services in addition to those originally contemplated by the master agreement, although there can be no assurance that this trend will continue in the future.

At January 31, 2011, Streamline Health has master agreements and purchase orders from remarketing partners for systems and related services (excluding support and maintenance, and transaction-based revenues for the application-hosting services) that have not been delivered, and or installed. These systems and services are expected to be delivered over the next several years. In addition, the Company's master agreements also generally provide for a limited initial maintenance period and require the customer to subscribe for maintenance and support services on a monthly, quarterly, or annual basis. Maintenance and support revenues are expected to increase in future periods.

The commencement of revenue recognition varies depending on the size and complexity of the system, the implementation schedule requested by the customer and usage by customers of the application-hosting services. Therefore, it is difficult for the Company to accurately predict the revenue it expects to achieve in any particular period. The Company's master agreements generally provide that the customer may terminate its agreement upon a material breach by Streamline Health, or may delay certain aspects of the installation. There can be no assurance that a customer will not cancel all or any portion of a master agreement or delay installations. A termination or installation delay of one or more phases of an agreement, or the failure of Streamline Health to procure additional agreements, could have a material adverse effect on Streamline Health's business, financial condition, and results of operations. The Company does not have a history of contract cancellations; however delays are sometimes experienced in the course of the contract and are accounted for accordingly.

See also ITEM 7, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Backlog, for an explanation of the current year backlog compared with the prior year backlog.

### **License fees**

The Company incorporates software licensed from various vendors into its proprietary software. In addition, third-party, stand-alone software is required to operate Streamline Health's proprietary software. The Company licenses these software products, and pays the required license fees when such software is delivered to customers.

### **Employees**

As of January 31, 2011, Streamline Health had 92 full-time employees, a net decrease of 5 during the fiscal year. The Company utilizes independent contractors to supplement its staff, as needed. None of the Company's employees are represented by a labor union or subject to a collective bargaining agreement. The Company has never experienced a work stoppage and believes that its employee relations are good.

### **Key Personnel**

Streamline Health's success depends, to a significant degree, on its management, sales and technical personnel. Streamline Health must recruit, motivate and retain highly skilled managers, sales force, consulting and technical personnel, including application programmers, database specialists, consultants and system architects skilled in the technical environments in which Streamline Health's systems operate. Competition for such technical expertise is intense.

The failure to attract and retain qualified personnel could have a material adverse impact on the Company.



## **Regulatory Matters**

The U.S. Department of Health and Human Services (HHS) asked the Institute of Medicine of the National Academy of Sciences to design a standardized model of an electronic health record, in a move that may help spur nationwide acceptance of EHRs. The impact of such a change, if implemented by HHS, on current Streamline Health systems and services is unknown at this time. However, Streamline Health believes that its systems are sufficiently flexible to accommodate changing regulatory requirements. Patient privacy is of utmost concern, as evidenced by current HIPAA regulations. Streamline Health's systems enable a healthcare organization to lock down Protected Health Information, as defined by HIPAA, by preventing unauthorized access and providing audit trails for every occurrence of access to PHI.

### **Regulations Relating to Confidentiality**

Federal and state laws regulate the confidentiality of patient records and the circumstances under which such records may be released. These regulations govern both the disclosure and use of Protected Health Information (PHI). Regulations governing electronic health data privacy are continuing to evolve. The Health Insurance Portability and Accountability Act (HIPAA) of 1996, enacted August 22, 1996, is designed to improve the efficiency of healthcare by standardizing the interchange of specified electronic data, and to protect the security and confidentiality of PHI. The legislation requires that covered entities comply with national standards for certain types of electronic health information transactions and the data elements used in such transactions, and adopt policies and practices to ensure the integrity and confidentiality of PHI.

Regulations adopted pursuant to HIPAA include rules addressing several areas. The Privacy Rule also extended the scope of enforcement to PHI residing on non-electronic media, such as paper, as well as to email, oral and written communications. Streamline Health cannot predict the potential impact of new or revised regulations that have not yet been released or made final, or any other regulations that might be adopted. Congress may adopt legislation that may change, override, conflict with, or preempt the currently issued regulations. Additionally, legislation governing the dissemination of patient health information is also from time to time proposed and debated at the state level. These laws or regulations, when adopted, could restrict the ability of customers to obtain, use, or disseminate PHI. Streamline Health believes that the features and architecture of Streamline Health's systems are such that it currently supports or should be able to make the necessary modifications to its products, if required, to ensure support of the HIPAA regulations, and other legislation or regulations.

However, if the regulations are unduly restrictive, this could cause delays in the delivery of new versions of software and adversely affect the licensing of Streamline Health's software. Overall, Streamline Health believes the HIPAA regulations will continue to stimulate healthcare organizations to purchase computer-based EHR systems that automate the collection, use, and disclosure of PHI, while maintaining appropriate security and audit controls over the information. However, there can be no assurance that an increase in the purchase of new systems or additional use of Streamline Health software and services will occur. The Company has not yet been able to measure any direct benefit from HIPAA regulations, and cannot be certain that we will be a direct financial beneficiary of any of its provisions in the future.

### **Limited Protection of Proprietary Technology**

The success of Streamline Health depends on the protection of its intellectual property rights relating to its proprietary technology. Streamline Health relies on a combination of confidentiality, nondisclosure, license, employment agreements, trade secret laws, copyrights, and restrictions on the disclosure of its intellectual property. Notwithstanding these precautions, others may copy, reverse engineer or design independently, technology similar to Streamline Health's products. It may be necessary to litigate to enforce or defend Streamline Health's proprietary

technology or to determine the validity of the intellectual property rights of others. Streamline Health could also be required to defend itself against claims made by third parties for intellectual property right infringement. Any litigation, could be successful or unsuccessful, may result in substantial cost and require significant attention by management and technical personnel.

## **Item 1A Risk Factors**

See also, PART I, ITEM 1, BUSINESS.

The following is a list of risk factors that affect the Company. They are not listed in any particular order or relative importance and no inferences should be given to the listing order. In addition, risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company, its financial condition and/or operating results.

### **The variability of the Company's quarterly operating results can be significant.**

The Company's operating results have fluctuated from quarter to quarter in the past, and the Company may experience continued fluctuations in the future. Future revenues and operating results may vary significantly from quarter-to-quarter as a result of a number of factors, many of which are outside the control of the Company. These factors include: the relatively large size of customer agreements; unpredictability in the number and timing of system sales and sales of applications hosting services; length of the sales cycle; delays in installations; changes in customers financial condition or budgets; increased competition; the development and introduction of new products and services; the loss of significant customers or remarketing partners; changes in government regulations, particularly as to the healthcare industry; the size and growth of the overall healthcare information technology markets; any liability and other claims that may be asserted against the Company; the Company's ability to attract and retain qualified personnel; national and local general economic and market conditions; and other factors referenced or incorporated by reference in this Form 10-K and any other filings by the Company with the Securities and Exchange Commission.

### **The Company's sales have been concentrated in a small number of customers.**

The Company's revenues have been concentrated in a relatively small number of large customers, and the Company has historically derived a substantial percentage of its total revenues from a few customers. There can be no assurance that a customer will not cancel all or any portion of a master agreement or delay installations. A termination or installation delay of one or more phases of an agreement, or the failure of Streamline Health to procure additional agreements, could have a material adverse effect on Streamline Health's business, financial condition, and results of operations.

### **In addition to direct sales, the Company relies on third party remarketing alliances for a substantial portion of its revenues.**

The Company seeks to expand its distribution channels by creating remarketing alliances with third parties who are engaged in the sale of healthcare information systems, medical records management and outsourcing, and other healthcare information technology and patient care solutions. GE Healthcare and Telus Health, the Company's major remarketing partners, could choose to discontinue reselling Streamline Health products, and significant customers could elect to discontinue using the Company's products. The Company needs to ensure that it expands its distribution channels to reduce the reliance on a single major reseller.

### **If we are unable to maintain and grow the Company's remarketing relationship with GE Healthcare or enter into new remarketing agreements, or similar alliances, failure to do so could be materially adverse to the growth of our base business.**

In the fourth quarter of fiscal 2010, Streamline Health learned of planned organizational changes by GE Healthcare which could adversely affect Streamline Health's core technology's sales. If Streamline Health's existing remarketing

agreement with GE Healthcare is terminated, or fails to generate future new business, or the Company is unable to enter other agreements with leading healthcare service providers; the Company may be unable to maintain or increase market presence. GE may have multiple relationships with other third-parties and GE may not regard the Company as significant to GE's business. GE Healthcare may pursue relationships with our competitors or develop or

a	1,137	1,550	
Interest expense			(22,067) (21,635) (96,247)
Amortisation of deferred charges			(1,500) (1,415) (7,131)
Gain on sale of associate			- - 4,064
Other financial items			(710) 9 (2,111)
Impairment adjustment to investment			- (463) -
Mark to Market of Derivatives			6,176 335 (4,408)
Taxes			- - -
Net income			34,559 61,226 131,175
Basic earnings per share (\$)			0.44 0.77 1.66
Weighted average number of shares			79,225,000 79,225,000 79,125,000
Common shares outstanding			79,225,000 79,225,000 79,125,000

(1) 'Full year 2011' includes the \$106 million compensation received from Frontline.

(2) Frontline prepaid \$50 million in profit share in December 2011. Remaining threshold before additional profit share will accrue is \$50 million.

(3) Four of our subsidiaries, related to five of our units, were accounted for as 'Investment in associate' during the quarter. The contribution from these subsidiaries is reflected in our consolidated Income Statement as a combination of 'Results in associate' and 'Interest income from associates and long term investments'.

SHIP FINANCE INTERNATIONAL LIMITED  
THIRD QUARTER 2012 REPORT (UNAUDITED)

BALANCE SHEET (in thousands of \$)	Sep, 30 2012	Jun, 30 2012	Dec 31, 2011 (audited)
<b>ASSETS</b>			
Short term			
Cash and cash equivalents	66,818	100,788	94,915
Available for sale securities	40,359	39,664	23,324
Amount due from related parties	41,195	30,451	9,775
Other current assets	72,988	73,562	64,749
Long term			
Newbuildings and vessel deposits	73,780	61,965	123,750
Vessels and equipment, net	960,400	973,982	896,830
Investment in finance leases	1,116,191	1,135,736	1,159,900
Investment in associate(1)	219,907	203,588	169,838
Amount due from related parties- Long term(1)	235,163	248,775	274,184
Deferred charges	22,943	24,327	25,723
Other long-term assets	52,259	51,252	53,140
<b>Total assets</b>	<b>2,902,003</b>	<b>2,944,090</b>	<b>2,896,128</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Short term			
Short term and current portion of long term interest bearing debt	220,051	209,378	150,342
Other current liabilities	20,622	18,315	19,385
Amount due to related parties	7,495	6,704	4,421
Long term			
Long term interest bearing debt	1,630,480	1,689,905	1,760,122
Other long term liabilities	113,975	112,327	104,767
Stockholders' equity(2)	909,380	907,461	857,091
<b>Total liabilities and stockholders' equity</b>	<b>2,902,003</b>	<b>2,944,090</b>	<b>2,896,128</b>

(1) Four of our subsidiaries, related to five of our units, were accounted for as 'Investments in associate' at quarter end. Our investment is a combination of equity classified as 'Investment in associate' and intercompany loans classified as 'Amount due from related parties, long term'.

(2) As of September 30, 2012, 'Stockholders' equity' excludes \$156.9 million of deferred equity which is being recognized over time. In connection with the initial and subsequent acquisitions of vessels from Frontline, Ship Finance has accounted for the difference between the historical cost of the vessels and the net investment in the lease as a deferred equity contribution. This deferred equity contribution is shown as a reduction in the net investment in finance leases in the balance sheet. This results from the related party nature of both the transfer of the vessel and the subsequent charter. This deferred equity is amortized to 'Stockholders' equity' in line with the charter payments received from Frontline.



SHIP FINANCE INTERNATIONAL LIMITED  
THIRD QUARTER 2012 REPORT (UNAUDITED)

STATEMENT OF CASHFLOWS (in thousands of \$)	Three months ended		Full year
	Sep, 30	Jun, 30	2011
	2012	2012	(audited)
<b>OPERATING ACTIVITIES</b>			
Net income	34,559	61,226	131,175
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortisation	14,419	14,288	54,243
Impairment adjustment to investment	-	463	-
Adjustment of financial derivatives to market value	(6,176 )	(335 )	4,408
Gain on sale of assets and termination of charters	(1,923 )	(21,704 )	(8,468 )
Gain on sale of associate	-	-	(4,064 )
Result in associate	(10,669 )	(11,219 )	(50,902 )
Stock based compensation	126	170	1,408
Gain on re-purchase of Company Bonds	-	(49 )	(521 )
Other	(714 )	(657 )	(571 )
Change in operating assets and liabilities	(9,530 )	(24,312 )	36,953
Net cash provided by operating activities	20,092	17,871	163,661
<b>INVESTING ACTIVITIES</b>			
Repayment of investments in finance leases	14,324	14,471	204,874
Restricted cash released/(placed)	-	-	5,601
Proceeds from sale of vessel/new buildings	11,096	(1,883 )	71,461
Net investment in newbuildings and vessel deposits	(11,815 )	(11,419 )	(156,223 )
Purchase of vessels	-	-	(151,562 )
Cash arising from sale of associate	-	-	37,048
Cash received from /(Investment in) associates(1)	14,387	14,163	56,702
Other assets / investments	-	678	(73,763 )
Net cash (used in) provided by investing activities	27,992	16,010	(5,862 )
<b>FINANCING ACTIVITIES</b>			
Proceeds from long and short term debt	4,600	24,948	408,592
Expenses paid in connection with securing finance	(116 )	(204 )	(17,822 )
Repayment of long and short term debt	(56,302 )	(36,306 )	(394,747 )
Re-purchase of Company bonds	-	(764 )	(23,230 )
Cash settlement of derivatives	-	-	-
Cash received from share issue	685	-	-
Payments in lieu of issuing shares for exercised share options	(23 )	(1,455 )	-
Cash dividends paid	(30,898 )	(30,898 )	(122,644 )
Net cash provided by (used in) financing activities	(82,054 )	(44,679 )	(149,851 )
Net (decrease) increase in cash and cash equivalents	(33,970 )	(10,798 )	7,948
Cash and cash equivalents at start of period	100,788	111,586	86,967
Cash and cash equivalents at end of period	66,818	100,788	94,915

- (1) Four of our subsidiaries, related to five of our units, were accounted for as 'Investments in associate' during the quarter. The 'Cash received from/ (Investment in) associates' is only a part of the contribution from these subsidiaries. The balance is recorded as 'Interest income from associates and long term investments' and reflected in the Company's Income Statement.



SUBSIDIARIES ACCOUNTED FOR AS INVESTMENT IN ASSOCIATES  
THIRD QUARTER 2012 (UNAUDITED)

Please note that full preliminary accounts for SFL West Polaris Limited (West Polaris), SFL Deepwater Ltd (West Hercules and West Taurus), Bluelot Shipping Company Ltd. (CMA CGM Magellan), and Corte Real Ltd (CMA CGM Corte Real) are available from the Company's website: [www.shipfinance.org](http://www.shipfinance.org).

Selected income statement data for the three months ended September 30, 2012

(in thousands of \$)	SFL West Polaris Limited	SFL Deepwater Ltd	CMA CGM Magellan/ Corte Real(1)	Total
Charter revenues - finance lease	31,444	47,731	-	79,175
Revenues classified as Repayment of investment in finance leases	(21,401 )	(30,572 )	-	(51,973 )
Charter revenues - operating lease			9,719	9,719
Total operating expenses	-	(7 )	(8,569 )	(8,576 )
Interest expense, related party(2)	(1,632 )	(3,263 )	-	(4,895 )
Interest expense, other	(5,759 )	(6,956 )	-	(12,715 )
Other items	(60 )	(6 )	-	(66 )
Net income(3)	2,592	6,927	1,150	10,669

- (1) "CMA CGM Magellan / Corte Real" represents the combined financial figures from the two companies leasing the container vessels CMA CGM Magellan and CMA CGM Corte Real.
- (2) 'Interest expense, related party' from these subsidiaries appears in the Company's consolidated income statement as 'Interest income from associate and long term investments'.
- (3) 'Net income' from these subsidiaries appears in the Company's consolidated income statement as 'Results in associate'.

Selected balance sheet data as of September 30, 2012

(in thousands of \$)	SFL West Polaris Limited	SFL Deepwater Ltd	CMA CGM Magellan/ Corte Real(1)	Total
Cash and cash equivalents	-	-	376	376
Investment in finance leases	548,000	1,151,455	-	1,699,455
Other assets	10,955	19,915	6,440	37,310
Total assets	558,955	1,171,370	6,816	1,737,141
Short term and current portion of long term interest bearing debt	411,521	120,229	-	531,750
Other current liabilities	4,413	6,827	-	11,240
Long term interest bearing debt	-	731,084	-	731,084
Long term loans from shareholders, net	71,456	163,707	-	235,163
Other long term liabilities	545	7,452	-	7,997
Stockholders equity(2)	71,020	142,071	6,816	219,907
Total liabilities and stockholders' equity	558,955	1,171,370	6,816	1,737,141

- (1) "CMA CGM Magellan / Corte Real" represents the combined financial figures from the two companies leasing the container vessels CMA CGM Magellan and CMA CGM Corte Real.
- (2) 'Stockholder's equity' from these subsidiaries appears in the Company's consolidated balance sheet as 'Investment in associate'.

APPENDIX 1: RECONCILIATION OF NET INCOME TO EBITDA  
THIRD QUARTER 2012 (UNAUDITED)

EBITDA (in thousands of \$)	Three months ended		Full year
	Sep, 30 2012	Jun, 30 2012	2011
Net income	34,559	61,226	131,175
<b>Add:</b>			
Mark to Market of Derivatives	(6,176 )	(335 )	4,408
Other financial items	710	(9 )	2,111
Amortisation of deferred charges	1,500	1,415	7,131
Interest expense	22,067	21,635	96,247
Interest income, other(1)	(17 )	(26 )	(188 )
Interest income from associates	(4,894 )	(4,895 )	(19,575 )
Results in associate	(10,669 )	(11,219 )	(50,902 )
Depreciation	13,583	13,533	49,929
Cash sweep income(2)	2,858	(2,858 )	-
Long-term investment impairment charge	-	463	-
Gain on sale of assets and termination of charters	(1,923 )	(21,704 )	(8,468 )
Gain on sale of associate	-	-	(4,064 )
Revenues classified as Repayment of investment in finance leases	14,612	14,754	205,910
Compensation payments on Frontline charters	-	-	(106,000 )
Other reconciling items	(1,290 )	(998 )	(2,633 )
<b>Investment in associate:</b>			
Charter revenues - finance lease	79,175	78,159	365,294
Charter revenues - operating lease	9,719	9,869	28,607
Total operating expenses	(8,576 )	(8,732 )	(25,199 )
<b>EBITDA(3)</b>	<b>145,238</b>	<b>150,279</b>	<b>673,783</b>

(1) Interest income excludes interest income generated from financial investments.

(2) Reversal of the cash sweep in respect of the five VLCC vessels chartered to Frontline Shipping II Limited which was previously recorded in the second quarter is adjusted in the period the income originally was reported, for comparison purposes.

(3) 'EBITDA' is not a US-GAAP figure. It is defined as aggregate charter hire from all our 100% owned assets and revenues from financial investments, less vessel operating expenses and general & administrative expenses.

SIGNATURES

Pursuant to the requirements 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.

SHIP FINANCE INTERNATIONAL LIMITED

Date: December 18, 2012

By:	/s/ Ole B. Hjertaker
Name	Ole B. Hjertaker
Title	Chief Executive Officer Ship Finance Management AS (Principal Executive Officer)