

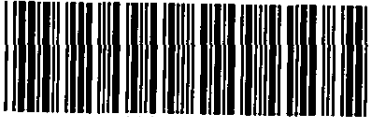
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Unaudited Financial Statements for the Period Ended 31st December 2013

For

KNOT Offshore Partners UK LLC

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KNOT Offshore Partners UK LLC Unaudited Financial Statements as of and for the Period Ended December 31, 2013

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KNOT Offshore Partners UK LLC
Statement of Profit and Loss
For the Period Ended December 31, 2013
(U S Dollars)

	Notes	<u>Period from February 22 to December 31, 2013</u>
Revenue		
Rendering of services	2(j), 4, 5, 14	\$ 1,273,381
Total revenues		<u>1,273,381</u>
General and administrative expenses		<u>1,257,052</u>
Operating profit		<u>16,329</u>
Finance income (expense)		
Interest expense	6(a)	(2,909)
Other finance expense	6(b)	(529)
Net gain (loss) on foreign currency transactions	2(b)	<u>(1,784)</u>
Total finance expense		<u>(5,222)</u>
Profit (loss) before income taxes		11,107
Income tax benefit (expense)	13	<u>(2,566)</u>
Profit for the Period		<u>\$ 8,541</u>

The accompanying notes are an integral part of these financial statements

KNOT Offshore Partners UK LLC
Statement of Comprehensive Income
For the Period Ended December 31, 2013
(U S Dollars)

	Notes	<u>Period ended December 31, 2013</u>
Profit for the Period		\$ 8,541
Other comprehensive income, net of tax		<u>—</u>
Comprehensive income		<u>8,541</u>

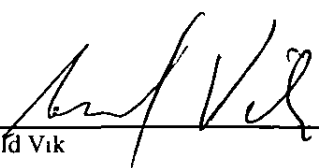
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KNOT Offshore Partners UK LLC
Statement of Financial Position
As of December 31, 2013
(U.S. Dollars)

	Notes	<u>December 31,</u> <u>2013</u>
Assets		
Current assets:		
Cash and cash equivalents	2(g), 7	\$ 107,514
Trade and other receivables	2(c), 8(a)	893,774
Other current assets	8(b)	<u>34,356</u>
Total current assets		1,035,644
Investment in subsidiaries	2(d), 7, 9	<u>270,128,574</u>
Total assets		<u><u>\$ 271,164,218</u></u>
Equity and Liabilities		
Current liabilities:		
Trade accounts payable		\$ 409,627
Accrued expenses	10	96,479
Amount due to related parties	14(c)	451,899
Public duties payable		65,532
Income tax payable	13	<u>2,566</u>
Total current liabilities		<u>1,026,103</u>
Total liabilities		<u>1,026,103</u>
Equity:		
Share capital	12	1,000
Distribution from owner		270,128,574
Retained earnings		8,541
Total equity		<u>270,138,115</u>
Total liabilities and equity		<u><u>\$ 271,164,218</u></u>

The accompanying notes are an integral part of these financial statements

Approved by the Board of Directors on 11 December 2014 and signed on its behalf by



 Name Arild Vik
 Title Director

KNOT Offshore Partners UK LLC
Statements of Change in Equity
For the Period Ended December 31, 2013
(U.S. Dollars)

<i>(U S Dollars in thousands)</i>	Issued Capital (1)	Other Paid-in Equity	Retained Earnings	Total Equity
As at February 22, 2013	1,000	—	—	1,000
Profit for the period	—	—	8,541	8,541
Distribution from owner	—	270,128,574	—	270,128,574
At December 31, 2013	<u>1,000</u>	<u>270,128,574</u>	<u>8,541</u>	<u>270,138,115</u>

(1) All shares have the same rights in KNOT Offshore Partners UK LLC (See NOTE 12 – Share capital)

The accompanying notes are an integral part of these financial statements

KNOT Offshore Partners UK LLC
Statement of Cash Flows
For the Period Ended December 31, 2013
(U.S. Dollars)

		<u>2013</u>
Operating activities:	Notes	
Profit (loss) before income taxes		\$ 11,107
Adjustments to reconcile net income (loss) to cash provided by operating activities		
Decrease (increase) in trade and other receivables	2(c), 8(a)	(893,774)
Decrease (increase) in other current assets	8(b)	(34,356)
Increase (decrease) in trade and other payables		409,627
Increase (decrease) in amount due to related parties	14(c)	451,899
Increase (decrease) in accrued expenses	10	96,479
Increase (decrease) in public duties payable		65,532
Net cash from operating activities		<u>106,514</u>
Investing activities:		
Acquisition of a subsidiary	2(d), 7, 9	(270,128,574)
Net cash used in investing activities		<u>(270,128,574)</u>
Financing activities:		
Proceeds from owner		1,000
Contribution from owner		270,128,574
Net cash provided from (used in) financing activities		<u>270,129,574</u>
Net increase (decrease) in cash and cash equivalents		107,514
Cash and cash equivalents at the beginning of the period		—
Cash and cash equivalents at the end of the period	2(g), 7	<u><u>\$ 107,514</u></u>

The accompanying notes are an integral part of these financial statements

NOTE 1 Basis for the Preparation of the financial information

The financial statements of KNOT Offshore Partners UK LLC ("the Company") have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) that are in effect at 31, December 2013. The financial statements of the Company are not audited.

Since the Company has not previously prepared financial statements, the Company is a first-time adopter of IFRS. Thus, the Company presents its financial statements in accordance with IFRS 1.

These financial statements are prepared also in accordance with the provision of Schedule 4 to The Overseas Companies Regulations 2009, and section 402(b) of those regulations. The Company is exempted from preparing consolidated accounts since it is not required in IFRS.

The Company and its investments are consolidated in KNOP's consolidated financial statements. The consolidated financial statements of the Company's parent company, KNOT Offshore Partners LP ("KNOP"), is available on the website (www.knotoffshorepartners.com).

NOTE 2 Accounting Principles

(a) Reporting Entity

The Company was formed as a limited liability company under the laws of the Republic of the Marshall Islands on 22nd, February 2013 and is the management entity of Knutsen Shuttle Tankers AS and its subsidiaries, which are ship-owning entities. (See NOTE 3 – Subsidiaries). The Company is a wholly owned subsidiary of KNOP and provides KNOP with administrative services and subcontracts certain of those services to Knutsen NYK Offshore Tankers AS ("KNOT"), Knutsen OAS Shipping AS ("KOAS"), and Knutsen OAS(UK) Limited ("KOAS UK").

The parent entity of the Company, KNOP, is a master limited partnership listed on the New York Stock Exchange (NYSE), and owned 49% by public unitholders, 49% by KNOT, and 2% by KNOT Offshore Partners GP ("KNOT GP"). KNOT is owned 50% by TS Shipping Invest AS ("TSSI") and 50% by Nippon Yusen Kaisha ("NYK"). KNOT Management AS, a 100% owned subsidiary of KNOT, assumes responsibility for the commercial and technical management of the Vessels owned by KNOP Group.

(b) Reporting Currency

The financial statements are prepared in the reporting currency of U.S. Dollars. Transactions involving other currencies during the period are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. As of the statement of financial position date, monetary assets and liabilities that are denominated in currencies other than the U.S. Dollar are translated to reflect the year-end exchange rates. Resulting gains and losses are reflected separately in the accompanying statement of profit and loss.

(c) Trade Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company establishes provisions for doubtful accounts on a case-by-case basis when it is unlikely that required payments of specific amounts will occur. In establishing these provisions, the Company considers the financial condition of the customer as well as specific circumstances related to the receivable. Receivable amounts determined to be unrecoverable are written-off. There were no provisions as allowance for doubtful accounts or amounts written-off against the allowance for doubtful accounts as of December 31, 2013. The Company does not have any off-balance-sheet credit exposure related to its customers.

(d) Investment in subsidiaries and associated companies

Investments in subsidiaries are accounted for at cost. The investments are measured at the lower of its carrying amount and fair value less costs to sell. Dividends from a subsidiary, joint venture or an associate are recognized in profit and loss in the Company's financial statements when its right to receive the dividend is established.

(e) Current assets/current liabilities

Current assets are valued at the lower of historical and market value in the statement of financial position. Current liabilities are in the same manner valued at the higher of cost and market value. This principle is not used for current items in foreign currency, which is valued at the rate of exchange at the year-end.

(f) Income tax

The tax expense in the income statement includes both tax payable and changes in deferred tax. Deferred tax is calculated at 23.10% on the basis of temporary differences between accounting and tax values and tax loss carried forward at the year end. Tax increasing and tax reducing temporary differences which reverse or may be reversed in the same period are assessed and netted.

(g) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdraft. The cash flow statement is presented using the indirect method.

(h) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company does not have any commitments or contingencies as of December 31, 2013. See Note 15 – Commitments and Contingencies.

(i) Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- **Level 1 Inputs** Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- **Level 2 Inputs** Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- **Level 3 Inputs** Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

(j) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment and excluding taxes or duty.

(k) New Accounting Standard to be Implemented

Approved IFRSs and IFRICs with future effective dates

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IAS 19 Employee Benefits

The amendment introduces the option to recognise contributions from employees or third parties as a reduction in the service cost in the same period in which they are payable if, and only if, they are linked solely to the employee's service rendered in that period.

IAS 27 Separate Financial Statements

As a consequence of the issuance of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, the IASB has amended IAS 27. IAS 27 now only deals with accounting in the separate financial statements. The title of the standard is amended accordingly. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2014.

IAS 28 Investment in Associates and Joint Ventures

As a consequence of the new standards IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates* has been renamed IAS 28 *Investment in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2014.

IAS 32 Financial Instruments – Presentation

IAS 32 is amended in order to clarify the meaning of "currently has a legally enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are effective for annual periods beginning on or after 1 January 2014.

IAS 36 Impairment of Assets

IAS 36 is amended to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments are issued to align the disclosure requirements in IAS 36 with the IASB's original intention when consequential amendments to IAS 36 were made as a result of the issuance of IFRS 13 *Fair Value Measurement*. The amendments are effective for annual periods beginning on or after 1 January 2014.

IAS 39 Financial Instruments. Recognition and Measurement

IAS 39 is amended to provide relief from discontinuing hedge accounting when a derivative designated as a hedging instrument is novated to provide clearing with a central counterparty as a result of law or other regulation, when certain criteria are met. These amendments are effective for annual periods beginning on or after 1 January 2014.

IFRS 9 Financial Instruments. Classification and Measurement

IFRS 9, as issued, reflects the two first phases of IASB's work on the replacement of IAS 39, which are classification and measurement of financial assets and financial liabilities and hedge accounting. Third and last phase of this project will address amortised cost measurement and impairment of financial assets. The mandatory effective date of IFRS 9 has tentatively been set to 1 January 2018. The IASB have decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion.

The Group will evaluate potential effects of IFRS 9 as soon as the final standard, including all phases, is issued.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In accordance with IFRS 10, an investor controls another entity when it is exposed, or has rights, to variable returns from its involvement with the other entity, and has the ability to affect those returns through its power over the entity. Within the EU/EEA area, IFRS 10 is effective for annual periods starting on or after 1 January 2014.

Amendments to IFRS 10, IAS 27 and IFRS 12 related to Investment Entities

Amendments to IFRS 10 imply that enterprises defined as investment entities no longer shall consolidate their subsidiaries, with one exception – subsidiaries that provide investment related services to the investment entity shall be consolidated. Other investments in subsidiaries, joint ventures and associates shall be recognised at fair value through profit and loss. Investment entities are required to recognise all subsidiaries at fair value through profit and loss pursuant to IFRS 10, and present the separate financial statements as their only financial statements. The disclosure requirements are extended. The amendments are effective for annual periods beginning on or after 1 January 2014.

IFRS 11 Joint Arrangements

This standard replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. All entities meeting the definition of a joint venture must be accounted for using the equity method. Within the EU/EEA area, IFRS 11 is effective for annual periods beginning on or after 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 applies for enterprises with interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 replaces the disclosure requirements that were previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. A number of new disclosures are also required. Within the EU/EEA area, IFRS 12 is effective for annual periods beginning on or after 1 January 2014.

IFRIC Interpretation 21 Levies

IFRIC 21 is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Interpretation includes guidance illustrating how the Interpretation should be applied.

Annual Improvements 2010 – 2012

IASBs annual improvements project 2010 – 2012 includes amendments to a number of standards.

IFRS 2 Share-based Payment

Performance condition and service condition are defined in order to clarify various issues, including the following:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service

- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 *Business Combinations*

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 *Financial Instruments*

IFRS 8 *Operating Segments*

Operating segments may be combined/aggregated if aggregation is consistent with the core principle of the standard, if the segments have similar economic characteristics and if they are similar in other qualitative respects. If they are combined, the entity must disclose the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

IFRS 8 *Operating Segments*

The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IFRS 13 *Fair Value Measurement*

The IASB clarified that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

The amendment to IAS 16 35(a) and IAS 38 80(a) clarifies that revaluation can be performed, as follows:

- Adjust the gross carrying amount of the asset to market value

Or

- Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value

The IASB also clarified that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount of the asset (i.e., gross carrying amount – accumulated depreciation/amortisation = carrying amount). The amendment to IAS 16 35(b) and IAS 38 80(b) clarifies that the accumulated depreciation/amortisation is eliminated so that the gross carrying amount and carrying amount equal the market value.

IAS 24 *Related Party Disclosures*

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements 2011 – 2013

IASB's annual improvements project 2011 – 2013 includes amendments to a number of standards.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

An entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements

IFRS 3 *Business Combinations*

The amendment clarifies that

- Joint arrangements are outside the scope of IFRS 3, not just joint ventures
- The scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 *Fair Value Measurement*

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts

IAS 40 *Investment Property*

The amendment clarifies the interrelationship between IFRS 3 *Business Combinations* and IAS 40 when property shall be classified as investment property or owner-occupied property. The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property. IFRS 3 is used to determine if the transaction is the purchase of an asset or a business combination. The amendment to IAS 40 does not help to differentiate if an acquisition is a purchase of a business or a purchase of an asset.

NOTE 3 Subsidiaries

The following table lists the Company's subsidiaries and their purpose as of December 31, 2013

<u>Company Name</u>	<u>Jurisdiction of Formation</u>	<u>Purpose</u>
KNOT Shuttle Tankers AS	Norway	Holding company
KNOT Shuttle Tankers 12 AS	Norway	Majority owner of Knutsen Shuttle Tankers XII KS
KNOT Shuttle Tankers 17 AS	Norway	Owner of the <i>Bodil Knutsen</i>
KNOT Shuttle Tankers 18 AS	Norway	Owner of the <i>Windsor Knutsen</i>
Knutsen Shuttle Tankers 13 AS	Norway	Owner of the <i>Carmen Knutsen</i>
Knutsen Shuttle Tankers XII KS	Norway	Owner of the <i>Fortaleza Knutsen</i> and the <i>Recife Knutsen</i>
Knutsen Shuttle Tankers XII AS	Norway	General partner of Knutsen Shuttle Tankers XII KS

The Company's only direct subsidiary is KNOT Shuttle Tankers AS ("KST"). KST owns 100% share of KNOT Shuttle Tankers 12 AS, KNOT Shuttle Tankers 17 AS, KNOT Shuttle Tankers 18 AS, Knutsen Shuttle Tankers 13 AS, and Knutsen Shuttle Tankers XII AS. Knutsen Shuttle Tankers XII KS is owned 90% by KNOT Shuttle Tankers 12 AS and 10% by Knutsen Shuttle Tankers XII AS.

NOTE 4 Significant Risks and Uncertainties Including Business and Credit Concentrations

The Company is a 100% owned subsidiary of KNOP and the Company's revenue is earned by providing administrative services to KNOP.

The following table presents revenues and percentage of combined revenues for customers that accounted for more than 10% of the combined revenues during the period ended December 31, 2013

<u>(U S Dollars)</u>	<u>2013</u>	
KNOT Offshore Partners LP	\$ 1,273,381	100 %

NOTE 5 Segment Information

The Company has not presented segment information as the Company's operation is only administrative service to KNOP

NOTE 6 Finance Income (Expense)

(a) Interest Expense

A reconciliation of total interest cost to interest expense as reported in the statement of profit and loss for the period ended December 31, 2013 is as follows

<i>(U S Dollars)</i>	<u>2013</u>
Interest expense to KNOP	<u>\$ 2,909</u>
Total interest cost	<u><u>\$ 2,909</u></u>

(b) Other Finance Expense

The following table presents the other finance expense for the period ended December 31, 2013

<i>(U S Dollars)</i>	<u>2013</u>
Bank fees, charges	<u>\$ 529</u>
Total other finance expense	<u><u>\$ 529</u></u>

NOTE 7 Fair Value Measurements

(a) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 2013. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Those fair value measurements maximize the use of observable inputs.

<i>(U S Dollars)</i>	<u>December 31, 2013</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 107,514	\$ 107,514
Investment in subsidiaries	270,128,574	491,307,791

The carrying amounts shown in the table above are included in the Company's statement of financial positions under the indicated captions. The carrying value of trade accounts receivable, trade accounts payable and receivables/payables to related parties approximate their fair value. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- *Cash and cash equivalents* The fair value of the Company's cash balances approximates the carrying amounts due to the current nature of the amounts.
- *Investment in subsidiaries* The fair value of the Company's investment approximates the market capitalization of KNOP, less working capital of the Company.

(b) Fair Value Hierarchy

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value or for which fair value is required to be disclosed) as of December 31, 2013

		Fair Value Measurements at Reporting Date Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	December 31, 2013			
<i>(U S Dollars in thousands)</i>				
Financial assets:				
Cash and cash equivalents	\$ 107,514	\$ 107,514	\$ —	\$ —
Investment in subsidiaries	270,128,574	491,307,791	—	—

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2 or Level 3 as of December 31, 2013.

The Company has financial assets that expose it to stock market fluctuation. The possible maximum loss due to such risk that the Company would incur if the fair value of the financial asset drops significantly would be the sum of the carrying value of cash and cash equivalents, restricted cash, and investment in subsidiaries.

NOTE 8 Trade Accounts Receivables and Other Current Asset**(a) Trade Accounts Receivables**

Trade accounts receivable consist of the following

	December 31, 2013
<i>(U S Dollars)</i>	
Receivable from KNOP	\$ 893,774
Total other current assets	\$ 893,774

The amount is presented net of provisions for doubtful accounts. As of December 31, 2013, there was no provision for doubtful accounts.

(b) Other Current Assets

Other current assets consist of the following

	December 31, 2013
<i>(U S Dollars)</i>	
Refund of value added tax	\$ 24,529
Other receivable	9,827
Total other current assets	\$ 34,356

NOTE 9 Investments in Subsidiaries

The following table presents the Company's investment in subsidiaries as of December 31, 2013

<i>(U S Dollars)</i>	Total Share/company's capital	Voting share held by the Company	Number of share	Face value	Equity at 31 12 2013	Book value in the Company
KNOT Shuttle Tankers AS	85,067,327	100%	2,400	35,444	249,535,202	\$ 270,128,574
KNOT Shuttle Tankers 12 AS	23,453	100%	2,400	9 8	20,471,995	—
KNOT Shuttle Tankers 17 AS	22,952	100%	2,400	9 6	71,383,382	—
KNOT Shuttle Tankers 18 AS	22,952	100%	2,400	9 6	72,404,724	—
Knutsen Shuttle Tankers 13 AS	36,071	100%	100	361	57,588,228	—
Knutsen Shuttle Tankers XII KS	86,671,650	100%	100	866,717	46,382,026	—
Knutsen Shuttle Tankers XII AS	88,689	100%	100	887	2,548,536	—

NOTE 10 Accrued Expenses

The following table presents accrued expenses as of December 31, 2013

<i>(U S Dollars)</i>	2013
Operating expenses	\$ 96,479
Total accrued expenses	\$ 96,479

NOTE 11 Long-Term Debt

The Company does not have any long-term debt as of December 31, 2013

NOTE 12 Share Capital

Share capital of the Company consists of the following

<i>(U S Dollars)</i>	Owner	Share Capital	Number of share	Percentage of share held by owner	Face value	Equity at 31 12 2013
	KNOT Offshore Partners LP	1,000	1,100	100%	0 9	270,138,460

NOTE 13 Income Tax

Components of Current and Deferred Tax Expense

<i>(U S Dollars)</i>	Year ended December 31, 2013
Income (loss) before income taxes	11,107
Income tax expense (benefit)	2,566
Effective tax rate	23 10%

The effective tax rate is equal to UK tax rate of 23 10% The income tax expense of USD 2,566 is current and there is no deferred portion as of December 31, 2013

NOTE 14 Related Party Transactions

(a) Related Parties

The Company has charged KNOP for administrative services, and this constitutes its only source of income

The Company has been charged by KNOP, KNOT, KOAS and KOAS UK for administrative services and finance fees. The amounts of such income and expenses included in statement of profit and loss for the period ended December 31, 2013 is as follows

<i>(U S Dollars)</i>	<u>2013</u>
Statement of Profit and Loss:	
<i>Rendering of services</i>	
General administration service fee charged to KNOP (1)	1,273,381
<i>General and administrative expenses</i>	
Administration fee from KNOT (2)	277,862
Administration fee from KOAS (3)	392,544
Administration fee from KOAS UK (4)	111,428
<i>Finance expense</i>	
Interest expense charged from KNOP (5)	<u>2,909</u>
Total	<u><u>\$ 488,638</u></u>

- (1) *General administration service fee charged to KNOP* The Company provides KNOP with administrative services
- (2) *Administration fee from KNOT* The Company subcontracts certain of the administrative services provided under administrative agreement to KNOT
- (3) *Administration fee from KOAS* The Company subcontracts certain of the administrative services provided under administrative agreement to KOAS
- (4) *Administration fee from KOAS UK* The Company subcontracts certain of the administrative services provided under administrative agreement to KOAS UK
- (5) *Interest expense charged from KNOP* The Company is invoiced interest expense for outstanding borrowing to KNOP. Interest expense has been allocated based upon the allocated payables to owners and affiliates and the historical interest rates charged

(b) Transactions with Management and Directors

In connection with the IPO of KNOP, the Company entered into an employment agreement with Arild Vik dated March 28, 2013 and effective on April 28, 2013. Arild Vik serves as the Company's Chief Executive Officer and Chief Financial Officer. His annualized base salary is 200,000 British Pounds. In addition, the employment agreement also provides for a discretionary annual bonus (as determined by the board of directors of the Company), the reimbursement of relocation expenses to the United Kingdom (up to a maximum of 30,000 British Pounds), payment by the Company of housing costs in London, participation in other employment benefits in which other senior executives of the Partnership participate, 60 working days of paid vacation per year (plus public holidays), and up to 13 weeks of paid sick leave per year. An accrual of \$47,000 has been made to cover insurance and pension expenses for Mr. Vik for 2013. The Company has accrued directors' fee of \$10,000 for Richard Beyer, and has paid \$8,603 to Andrew Beveridge as of December 31, 2013.

(c) Amounts Due to Related Parties

Balances with related parties consisted of the following

<i>(U S Dollars)</i>	<u>At December 31, 2013</u>
Balance Sheets:	
Trading balances due to KOAS UK	\$ 53,800
Trading balances due to KNOP	<u>398,099</u>
Amount due to related parties	<u><u>\$ 451,899</u></u>

Amounts due to related parties are unsecured and intended to be settled in the ordinary course of business. They primarily relate to administrative service and other payables due to KNOP and KOAS UK. The Company does not have any amount due from related parties at the end of December, 31, 2013.

NOTE 15 Commitments and Contingencies

As of December 31, 2013, the Company does not have any asset that is pledged as security or held as guarantee for any obligation, and is not involved in any legal litigation or settlement that could adversely affect financial position, results of profit and loss, or cash flows.