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**Unaudited Financial Statements for the Year Ended 31<sup>st</sup> December 2014**

**For**

**KNOT Offshore Partners UK LLC**

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**KNOT Offshore Partners UK LLC Unaudited Financial Statements as of and for the Year Ended December 31, 2014**

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**KNOT Offshore Partners UK LLC**  
**Statement of Profit and Loss**  
For the Year Ended December 31, 2014 and the Period Ended December 31, 2013  
*(U S. Dollars)*

		Year Ended December 31,	Period from February 22 to December 31,
	Notes	2014	2013
<b>Revenue</b>			
Rendering of services	2(j), 4, 5, 14	\$ 1,774,857	\$ 1,273,381
<b>Total revenues</b>		1,774,857	1,273,381
 General and administrative expenses		 1,718,416	 1,257,052
<b>Operating profit</b>		<b>56,441</b>	<b>16,329</b>
 Finance income (expense)			
Interest expense	6(a)	(54)	(2,909)
Other finance expense	6(b)	(3,141)	(529)
Net gain (loss) on foreign currency transactions	2(b)	3,546	(1,784)
<b>Total finance expense</b>		<b>351</b>	<b>(5,222)</b>
 <b>Profit (loss) before income taxes</b>		 56,792	 11,107
Income tax benefit (expense)	13	(12,563)	(2,566)
 <b>Profit for the Period</b>		 <b>\$ 44,229</b>	 <b>\$ 8,541</b>

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

**KNOT Offshore Partners UK LLC**  
**Statement of Comprehensive Income**  
For the Year Ended December 31, 2014 and the Period Ended December 31, 2013  
*(U.S. Dollars)*

	Year Ended December 31,	Period from February 22 to December 31,
Notes	2014	2013
<b>Profit for the Period</b>	\$ 44,229	\$ 8,541
Other comprehensive income, net of tax	—	—
<b>Comprehensive income</b>	<u>44,229</u>	<u>8,541</u>

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

**KNOT Offshore Partners UK LLC**  
**Statement of Financial Position**  
**As of December 31, 2014 and 2013**  
**(U.S. Dollars)**

		December 31,	
	Notes	2014	2013
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	2(g), 7	\$ 150,472	\$ 107,514
Trade and other receivables	2(c), 8(a)	410,700	893,774
Amount due from related party	14(c)	1,219	—
Other current assets	8(b)	17,806	34,356
<b>Total current assets</b>		580,197	1,035,644
Investment in subsidiaries	2(d), 7, 9	270,128,574	270,128,574
<b>Total assets</b>		<b>\$ 270,708,771</b>	<b>\$ 271,164,218</b>
<b>Equity and Liabilities</b>			
<b>Current liabilities:</b>			
Trade accounts payable		\$ 280,658	\$ 409,627
Accrued expenses	10	57,000	96,479
Amount due to related parties	14(c)	140,884	451,899
Public duties payable		35,322	65,532
Income tax payable	13	12,563	2,566
<b>Total current liabilities</b>		526,427	1,026,103
<b>Total liabilities</b>		526,427	1,026,103
<b>Equity:</b>			
Share capital	12	1,000	1,000
Distribution from owner		270,128,574	270,128,574
Retained earnings		52,770	8,541
<b>Total equity</b>		270,182,344	270,138,115
<b>Total liabilities and equity</b>		<b>\$ 270,708,771</b>	<b>\$ 271,164,218</b>

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

Approved by the Board of Directors on 3<sup>rd</sup> December 2015 and signed on its behalf by



Name John Costain  
Title Director

**KNOT Offshore Partners UK LLC**  
**Statements of Change in Equity**  
For the Year Ended December 31, 2014 and the Period Ended December 31, 2013  
*(U.S. Dollars)*

<i>(U.S. Dollars in thousands)</i>	<b>Issued Capital</b>	<b>Other</b>	<b>Retained</b>	
	<b>(1)</b>	<b>Paid-in</b>	<b>Earnings</b>	<b>Total Equity</b>
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
<b>At December 31, 2013</b>	<b>1,000</b>	<b>270,128,574</b>	<b>8,541</b>	<b>270,138,115</b>
Profit for the year	—	—	44,229	44,229
<b>At December 31, 2014</b>	<b>1,000</b>	<b>270,128,574</b>	<b>52,770</b>	<b>270,182,344</b>

(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 Year Ended December 31, 2014 and Period Ended December 31, 2013  
*(U.S. Dollars)*

		<u>Year Ended December 31, 2014</u>	<u>Period from February 22 to December 31, 2013</u>
<b>Operating activities:</b>	<b>Notes</b>		
Profit (loss) before income taxes		\$ 56,792	\$ 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)	483,074	(893,774)
Decrease (increase) in other current assets	8(b)	16,549	(34,356)
Increase (decrease) in trade and other payables		(128,969)	409,627
Increase (decrease) in amount due to related parties	14(c)	(312,232)	451,899
Increase (decrease) in accrued expenses	10	(39,479)	96,479
Increase (decrease) in public duties payable		(30,211)	65,532
Paid income tax		(2,566)	—
<b>Net cash from operating activities</b>		<u>42,958</u>	<u>106,514</u>
<b>Investing activities:</b>			
Acquisition of a subsidiary	2(d), 7, 9	—	(270,128,574)
<b>Net cash used in investing activities</b>		<u>—</u>	<u>(270,128,574)</u>
<b>Financing activities:</b>			
Proceeds from owner		—	1,000
Contribution from owner		—	270,128,574
<b>Net cash provided from (used in) financing activities</b>		<u>—</u>	<u>270,129,574</u>
Net increase (decrease) in cash and cash equivalents		42,958	107,514
Cash and cash equivalents at the beginning of the period		107,514	—
<b>Cash and cash equivalents at the end of the period</b>	2(g), 7	<u><u>\$ 150,472</u></u>	<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 2014. The financial statements of the Company are not audited.

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 account 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](http://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 22<sup>nd</sup>, 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 60.5% by public unitholders, 37.5% by KNOT, and 2.0% by KNOT Offshore Partners GP LLC ("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, 2014. 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 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, 2014. 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 standards and interpretations not yet adopted**

#### **IFRS 9 Financial Instruments**

IFRS 9 will eventually replace IAS 39 *Financial Instruments: Recognition and Measurement*. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for

impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9. The amendment has no impact on the Group's financial position or performance as the Group does not apply hedge accounting.

### IFRS 15 Revenue from Contracts with Customers

The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). The Group expects to apply the amendment as of 1 January 2017.

### NOTE 3 Subsidiaries

The following table lists the Company's subsidiaries and their purpose as of December 31, 2014.

<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 14 AS	Norway	Owner of the <i>Hilda Knutsen</i>
Knutsen Shuttle Tankers 15 AS	Norway	Owner of the <i>Torill Knutsen</i>
KNOT Shuttle Tankers 20 AS	Norway	Owner of the <i>Dan Cisne</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, Knutsen Shuttle Tankers 14 AS, Knutsen Shuttle Tankers 15 AS, KNOT Shuttle Tankers 20 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 year ended December 31, 2014 and the period ended December 31, 2013.

<i>(U.S. Dollars)</i>	<b>Year Ended December 31, 2014</b>	<b>Period from February 22 to December 31, 2013</b>
KNOT Offshore Partners LP	\$ 1,774,857 100%	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, 2014 and the period ended December 31, 2013 are as follows

	Year Ended December 31,	Period from February 22 to December 31,
(U S Dollars )	2014	2013
Interest expense to KNOP	\$ —	\$ 2,909
Bank interest	38	—
Tax authority interest	16	—
Total interest cost	<u>\$ 54</u>	<u>\$ 2,909</u>

**(b) Other Finance Expense**

The following table presents the other finance expense for the year ended December 31, 2014 and the period ended December 31, 2013

	Year Ended December 31,	Period from February 22 to December 31,
(U S Dollars )	2014	2013
Bank fees, charges	\$ 1,761	\$ 529
Bank foreign exchange fees	1,380	—
Total other finance expense	<u>\$ 3,141</u>	<u>\$ 529</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, 2014 and 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.

	December 31,			
	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(U S Dollars)</i>				
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 150,472	\$ 150,472	107,514	107,514
Investment in subsidiaries	270,128,574	327,370,088	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 other assets and liabilities in the company and in KNOP.

#### (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, 2014 and 2013.

	December 31,	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)
	2014			
<i>(U S Dollars in thousands)</i>				
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 150,472	\$ 150,472	\$ —	\$ —
Investment in subsidiaries	270,128,574	327,370,088	—	—

	December 31,	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)
	2013			
<i>(U S Dollars in thousands)</i>				
<b>Financial assets:</b>				
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, 2014 and 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

(U S Dollars)	December 31,	
	2014	2013
Receivable from KNOP	410,700	\$ 893,774
Total other current assets	<u>410,700</u>	<u>\$ 893,774</u>

The amount is presented net of provisions for doubtful accounts. As of December 31, 2014, there was no provision for doubtful accounts.

##### (b) Other Current Assets

Other current assets consist of the following

(U S Dollars)	December 31,	
	2014	2013
Refund of value added tax	\$ 7,979	\$ 24,529
Other receivable	9,827	9,827
Total other current assets	<u>\$ 17,806</u>	<u>\$ 34,356</u>

#### NOTE 9 Investments in Subsidiaries

The following table presents the Company's investment in subsidiaries as of December 31, 2014

	Share /Company capital	Voting share held by the Company	Number of share	Face value	Equity at 31 12 2014	Book value of investment in the Company
	(Norwegian Krone)	(Norwegian Krone)		(Norwegian Krone)	(Norwegian Krone)	(U S Dollars )
KNOT Shuttle Tankers AS	85,067,327	100%	2,400	35,444	245,168,310	\$ 270,128,574
KNOT Shuttle Tankers 12 AS	132,000	100%	2,400	55	295,975,069	—
KNOT Shuttle Tankers 17 AS	132,000	100%	2,400	55	235,530,306	—
KNOT Shuttle Tankers 18 AS	132,000	100%	2,400	55	264,825,635	—
Knutsen Shuttle Tankers 13 AS	200,000	100%	100	2,000	112,821,713	—
Knutsen Shuttle Tankers 14 AS	200,000	100%	100	2,000	275,771,329	—
Knutsen Shuttle Tankers 15 AS	200,000	100%	100	2,000	289,463,645	—
KNOT Shuttle Tankers 20 AS	10,000,000	100%	100	100,000	173,365,802	—
Knutsen Shuttle Tankers XII KS	408,306,880	100%	100	4,083,069	202,794,773	—
Knutsen Shuttle Tankers XII AS	500,000	100%	100	5,000	46,165,274	—

## NOTE 10 Accrued Expenses

The following table presents accrued expenses as of December 31, 2014 and 2013

(U S Dollars)	December 31,	
	2014	2013
Operating expenses	\$ 57,000	\$ 96,479
Total accrued expenses	<u>\$ 57,000</u>	<u>\$ 96,479</u>

## NOTE 11 Long-Term Debt

The Company does not have any long-term debt as of December 31, 2014 and 2013

## NOTE 12 Share Capital

Share capital of the Company consists of the following

(U S Dollars)						
Owner	Share Capital	the Company's Number of share	Percentage of share held by KNOP	Face value	Equity at 31.12.2014	
KNOT Offshore Partners LP	1,000	1,100	100%	0.9	270,182,344	

## NOTE 13 Income Tax

### Components of Current and Deferred Tax Expense

(U S Dollars)	Year ended December 31,	
	2014	2013
Income (loss) before income taxes	56,792	11,107
Income tax expense (benefit)	12,563	2,566
Effective tax rate	21.49%	23.10%

The effective tax rate is equal to UK tax rate of 21.49% (2013: 23.10%). The income tax expense of USD 12,563 is current and there is no deferred portion as of December 31, 2014.

## 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 year ended December 31, 2014 and the period ended December 31, 2013 are as follows:

	Year Ended December 31, <u>2014</u>	Period from February 22 to December 31, <u>2013</u>
<i>(U S Dollars)</i>		
<b>Statement of Profit and Loss:</b>		
<i>Rendering of services</i>		
General administration service fee charged to KNOP (1)	1,774,857	1,273,381
<i>General and administrative expenses</i>		
Administration fee from KNOT (2)	525,564	277,862
Administration fee from KOAS (3)	424,697	392,544
Administration fee from KOAS UK (4)	151,234	111,428
<i>Finance expense</i>		
Interest expense charged from KNOP (5)	—	(2,909)
Total	<u>\$ 673,362</u>	<u>\$ 488,638</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 pension expenses for Mr Vik as of December 31, 2014 The Company has paid directors' fees of \$10,000 each for Richard Beyer and Andrew Beveridge as of December 31, 2014

***(c) Amounts Due from (to) Related Parties***

Balances with related parties consisted of the following

	At December 31,	
	<u>2014</u>	<u>2013</u>
<i>(U S Dollars)</i>		
<b>Balance Sheets:</b>		
Trading balances due to KOAS UK	\$ 55,462	\$ 53,800
Trading balances due to KNOP	85,422	398,099
Amount due to related parties	<u>\$ 140,884</u>	<u>\$ 451,899</u>
Trading balances due from KNOT GP	\$ 1,219	\$ —
Amount due from related parties	<u>\$ 1,219</u>	<u>\$ —</u>

Amounts due from (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, KOAS UK, and due from KNOT GP.

**NOTE 15 Commitments and Contingencies**

As of December 31, 2014 and 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.