

Unaudited Financial Statements for the Year Ended 31st December 2022**For****KNOT Offshore Partners UK LLC****Company Number: FC031286**
UK Establishment number: BR016352

FRIDAY



ACGXZØJV

A19

24/11/2023

#34

COMPANIES HOUSE

KNOT Offshore Partners UK LLC Unaudited Financial Statements as of and for the Year Ended December 31, 2022

Index to KNOT Offshore Partners UK LLC Unaudited Financial Statements as of and for the Year Ended December 31, 2022

KNOT Offshore Partners UK LLC unaudited Statement of Profit and Loss for the Years Ended December 31, 2022 and December 31, 2021	Page 3
KNOT Offshore Partners UK LLC unaudited Statement of Comprehensive Income for the Years Ended December 31, 2022 and December 31, 2021	Page 4
KNOT Offshore Partners UK LLC unaudited Statement of Financial Position as of December 31, 2022 and 2021	Page 5
KNOT Offshore Partners UK LLC unaudited Statement of Change in Equity for the Years Ended December 31, 2022 and December 31, 2021	Page 6
KNOT Offshore Partners UK LLC unaudited Notes to Financial Statements	Page 7

KNOT Offshore Partners UK LLC
Statement of Profit and Loss
For the Years Ended December 31, 2022 and December 31, 2021
(U.S. Dollars)

		Year Ended December 31,	Year Ended December 31,
	Notes	2022	2021
Revenue			
Rendering of services	2(j), 4, 5, 13	\$ 1,490,598	\$ 1,484,772
Total revenues		1,490,598	1,484,772
 General and administrative expenses	 13	 (1,406,318)	 (1,412,312)
Operating profit		84,280	72,460
 Finance income (expense):			
Dividend income	6(a)	84,500,000	42,338,699
Interest income	6(c)	30,595	—
Distributions paid	6(d)	(63,571,426)	—
Other finance expense	6(b)	(1,977)	(2,007)
Net gain (loss) on foreign currency transactions	2(b)	(37,122)	(24,348)
Total finance income / (expense)		20,920,070	42,312,344
 Profit (loss) before income taxes		 21,004,350	 42,384,804
Income tax benefit (expense)	12	(14,750)	(8,722)
 Profit for the Year		 \$ 20,989,600	 \$ 42,376,082

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

KNOT Offshore Partners UK LLC
Statement of Comprehensive Income
For the Years Ended December 31, 2022 and December 31, 2021
(U.S. Dollars)

	Notes	Year Ended December 31, 2022	Year Ended December 31, 2021
Profit for the Period		\$ 20,989,600	\$ 42,376,082
Other comprehensive income, net of tax		—	—
Comprehensive income		<u>20,989,600</u>	<u>42,376,082</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, 2022 and 2021
(U.S. Dollars)

		December 31,	
	Notes	2022	2021
Assets			
Current assets:			
Cash and cash equivalents	2(g)	\$ 3,485,677	\$ 2,940,202
Trade accounts receivable	2(c), 7(a)	381,023	397,069
Amount due from related parties	13(c)	716,385	298,690
Other current assets	7(b)	8,170	9,468
Total current assets		4,591,255	3,645,429
Investment in subsidiaries	2(d), 3, 8	326,400,000	326,400,000
Total assets		\$ 330,991,255	\$ 330,045,429
Equity and Liabilities			
Current liabilities:			
Trade accounts payable	9	\$ 227,548	\$ 256,818
Accrued expenses		5,000	5,000
Other taxes & social security costs		88,515	80,473
Income tax payable	12	14,750	8,722
Total current liabilities		335,813	351,013
Total liabilities		335,813	351,013
Equity:			
Share capital	11	267,001,000	267,001,000
Other paid-in equity		—	20,028,574
Retained earnings		63,654,442	42,664,842
Total equity		330,655,442	329,694,416
Total liabilities and equity		\$ 330,991,255	\$ 330,045,429

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

Approved by the Board of Directors on 26 October 2023 and signed on its behalf by:

DocuSigned by:

D72FCC00C432405...

Name: Derek Lowe
Title: Director

KNOT Offshore Partners UK LLC
Statements of Change in Equity
For the Years Ended December 31, 2022 and December 31, 2021
(U.S. Dollars)

<i>(U.S. Dollars in thousands)</i>	<u>Issued Capital</u>	<u>Other Paid-in Equity</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
At December 31, 2020	267,001,000	100,828,574	288,760	368,118,334
Cash distributions to KNOP	—	(80,800,000)	—	(80,800,000)
Profit for the year	—	—	42,376,082	42,376,082
At December 31, 2021	267,001,000	20,028,574	42,664,842	329,694,416
Cash distributions to KNOP	—	(20,028,574)	—	(20,028,574)
Profit for the year	—	—	20,989,600	20,989,600
At December 31, 2022	<u>267,001,000</u>	<u>—</u>	<u>63,654,442</u>	<u>330,655,442</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 the provisions of section 396 and the accounting principles within Schedule 4 to The Overseas Companies Regulations 2009/1801. The financial statements of the Company are not audited.

The Company does not prepare consolidated accounts since it is not required by the Regulations (section 402a).

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 22 February 2013 and is the management entity of KNOT Shuttle Tankers AS ("KST") 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 69.5% by public unitholders, 28.4% by KNOT, and 2.1% by KNOT Offshore Partners GP LLC ("KNOT GP") at 31 December 2022. KNOT is owned 50% by TS Shipping Invest AS ("TSSI") and 50% by Nippon Yusen Kabushiki 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 US Dollars. Transactions involving other currencies during the period are converted into US 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 US 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 regarding allowance for doubtful accounts or amounts written-off against the allowance for doubtful accounts as of December 31, 2022. 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 their 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 are 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 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 bank and on hand and short-term deposits with a maturity of three months or less.

(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, 2022. See Note 14 – Commitments and Contingencies.

(i) Fair Value Measurements

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. 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.

(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.

NOTE 3 Subsidiaries

The following is the Company's only direct subsidiary, and its purpose, as of December 31, 2022.

<u>Company Name</u>	<u>Jurisdiction of Formation</u>	<u>Purpose</u>
KNOT Shuttle Tankers AS ("KST")	Norway	Holding company

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 largely 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, 2022 and December 31, 2021.

<i>(U.S. Dollars)</i>	Year Ended December 31, 2022		Year Ended December 31, 2021	
KNOT Offshore Partners LP	\$	1,488,498	99.86%	\$ 1,482,672 99.86%

NOTE 5 Segment Information

The Company has not presented segment information as the Company's operation is largely administrative services to KNOP.

NOTE 6 Finance Income (Expense)***(a) Dividend Income***

Dividend income from the company's subsidiary as reported in the statement of profit and loss for the year ended December 31, 2022 and year ended December 31, 2021 is as follows:

<i>(U.S. Dollars)</i>	Year Ended December 31, 2022	Year Ended December 31, 2021
KNOT Shuttle Tankers AS	\$ 84,500,000	\$ 42,338,699
 Dividend income	 \$ 84,500,000	 \$ 42,338,699

In 2021, the company received cash dividends of \$ 77,467,273 from KNOT Shuttle Tankers AS ("KST"), of which \$ 35,128,574 was credited to its investment in KST other equity and \$ 42,338 699 was credited to dividend income in the statement of profit and loss.

(b) Other Finance Expense

The following table presents the other finance expense for the year ended December 31, 2022 and year ended December 31, 2021:

<i>(U.S. Dollars)</i>	Year Ended December 31, 2022	Year Ended December 31, 2021
Bank charges and foreign exchange fees	\$ 1,977	\$ 2,007
 Total other finance expense	 \$ 1,977	 \$ 2,007

(c) Interest Income

The total interest income as reported in the statement of profit and loss for the year ended December 31, 2022 and year ended December 31, 2021 is as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
(U.S. Dollars)		
Bank Interest	\$ 30,595	\$ —
Total interest income	<u>\$ 30,595</u>	<u>\$ —</u>

(d) Cash distributions

Cash distributions paid to KNOP during the year totalled \$ 83,600,000 of which \$ 20,028,574 was offset against other paid-in equity. The balance, as reported in the statement of profit and loss for the year ended December 31, 2022 and year ended December 31, 2021 is as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
(U.S. Dollars)		
Cash distributions to KNOP	\$ 63,571,426	\$ —
Total cash distributions	<u>\$ 63,571,426</u>	<u>\$ —</u>

NOTE 7 Trade Accounts Receivable and Other Current Assets

(a) Trade Accounts Receivable

Trade accounts receivable consist of the following:

	December 31, 2022	December 31, 2021
(U.S. Dollars)		
KNOP (KNOT Offshore Partners LP)	\$ 380,498	\$ 396,544
KST (KNOT Shuttle Tankers AS)	525	525
Total trade accounts receivable	<u>\$ 381,023</u>	<u>\$ 397,069</u>

(b) Other Current Assets

Other current assets consist of the following:

	December 31, 2022	December 31, 2021
(U.S. Dollars)		
Refund of value added tax	\$ 4,367	\$ 5,665
Other receivable	3,803	3,803
Total other current assets	<u>\$ 8,170</u>	<u>\$ 9,468</u>

NOTE 8 Investment in Subsidiaries

The following is the Company's investment in its direct subsidiary as of December 31, 2022, and 2021.

	Jurisdiction of formation	Percentage of shares held by the Company	Number of shares	Book value of investment	
				December 31,	
				2022	2021
KNOT Shuttle Tankers AS-share capital	Norway	100%	3,000	\$ 326,400,000	\$ 326,400,000
				<u>\$ 326,400,000</u>	<u>\$ 326,400,000</u>

NOTE 9 Trade Accounts Payable

Trade accounts payable consist of the following:

	December 31,	
	2022	2021
<i>(U.S. Dollars)</i>		
Payable to KNOT Management AS	\$ 39,509	\$ 36,891
Payable to KOAS (Knutsen OAS Shipping AS)	165,317	192,969
Payable to KOAS UK (Knutsen OAS UK Ltd)	22,612	26,781
Payable to non-related parties	110	177
Total trade accounts payable	<u>\$ 227,548</u>	<u>\$ 256,818</u>

NOTE 10 Long-Term Debt

The Company does not have any long-term debt as of December 31, 2022 and 2021.

NOTE 11 Share Capital

Share capital of the Company consists of the following:

(U.S. Dollars)

Owner	Share Capital	Number of units	Percentage of share held by KNOP	Equity at 31.12.2022
KNOT Offshore Partners LP	267,001,000	2,560	100%	330,655,442

NOTE 12 Income Tax**Components of Current and Deferred Tax Expense**

<i>(U.S. Dollars)</i>	Year ended December 31, 2022	Year ended December 31, 2021
Income before income taxes	21,004,350	42,384,804
Income tax expense at standard UK tax rate of 19% (2021: 19%)	3,990,827	8,053,113
Effect of:		
Income not taxable	(16,055,000)	(8,044,353)
Expenses not deductible	12,078,954	-
Amounts not recognised	(31)	(38)
Tax charge for the year	14,750	8,722
Prior year re-allocation from HMRC	-	-
Tax charge in statement of profit and loss	<u>\$ 14,750</u>	<u>\$ 8,722</u>

NOTE 13 Related Party Transactions**(a) Related Parties transactions in profit and loss statement.**

The Company has charged KNOP for administrative services, and this constitutes 99.86% of earned income (See NOTE 4). The remaining balance of earned income relates to strategic services provided to KST (KNOT Shuttle Tankers AS).

The Company has been charged by KNOT, KOAS and KOAS UK for administrative services. These amounts, and the KNOP income, along with dividends received and distributions paid, all included in the statement of profit and loss for the year ended December 31, 2022 and the year ended December 31, 2021 are as follows :

<i>(U.S. Dollars)</i>	Year Ended December 31, 2022	Year Ended December 31, 2021
Statement of Profit and Loss:		
<i>Finance income:</i>		
Dividend from subsidiary, KST	84,500,000	42,338,699
<i>Finance expense:</i>		
Cash distributions to KNOP	63,571,426	—
<i>Rendering of services:</i>		
General administration service fee charged to KNOP (1)	1,488,498	1,482,672
<i>General and administrative expenses:</i>		
Administration fee from KNOT (2)	139,243	80,825
Administration fee from KOAS (2)	698,585	779,932
Administration fee from KOAS UK (2)	76,167	77,838

- (1) *General administration service fee charged to KNOP:* The Company provides KNOP with administrative services.
- (2) *Administration fee from KNOT/KOAS/KOAS UK:* The Company subcontracts certain of the administrative services provided under administrative agreement to KNOT/KOAS/KOAS UK.

(b) Transactions with Management and Directors

Gary Chapman was appointed on 1 June 2019 to serve as the Company's Chief Executive Officer and Chief Financial Officer. His annualized base salary is paid in British Pounds. Together with directors' fees paid to the other directors, Andrew Beveridge and Richard Beyer, total directors' remuneration paid by the Company in the year ended December 31, 2022 was \$ 331,311.

Gary Chapman resigned as CEO/CFO on 13 September 2023, and was replaced by Derek Lowe, who was appointed on the same day.

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

Balances with related parties consisted of the following:

(U.S. Dollars)	At December 31,	
	2022	2021
Balance Sheets:		
Inter-co balances due from KNOP/KST	\$ 716,385	\$ 298,690
Amount due from related parties	<u>\$ 716,385</u>	<u>\$ 298,690</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 receivables due from KNOP.

NOTE 14 Commitments and Contingencies

As of December 31, 2022 and 2021, 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.