

KNOT Offshore Partners LP
Form 6-K
June 03, 2014
[Table of Contents](#)

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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014
Commission File Number: 001-35866

KNOT OFFSHORE PARTNERS LP
(Translation of registrant's name into English)

2 Queen's Cross,
Aberdeen, Aberdeenshire

United Kingdom

AB15 4YB

United Kingdom

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes ☐ No ☒.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ☐ No ☒.

Table of Contents

KNOT OFFSHORE PARTNERS LP

REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2014

Table of Contents

	Page
<u>Unaudited Condensed Consolidated and Combined Carve-Out Statements of Operations for the Three Months Ended March 31, 2014 and 2013</u>	3
<u>Unaudited Condensed Consolidated and Combined Carve-Out Statements of Comprehensive Income (Loss) for the Three Months Ended March 31, 2014 and 2013</u>	4
<u>Unaudited Condensed Consolidated and Combined Carve-Out Balance Sheets as of March 31, 2014 and December 31, 2013</u>	5
<u>Unaudited Condensed Consolidated and Combined Carve-Out Statements of Changes in Partners Capital/Owner's Equity for the Three Months Ended March 31, 2014 and 2013</u>	6
<u>Unaudited Condensed Consolidated and Combined Carve-Out Statements of Cash Flows for the Three Months Ended March 31, 2014 and 2013</u>	7
<u>Notes to Unaudited Condensed Consolidated and Combined Carve-Out Financial Statements</u>	8
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	33
<u>Forward-Looking Statements</u>	35
<u>Signatures</u>	37

Table of Contents**KNOT OFFSHORE PARTNERS LP****Unaudited Condensed Consolidated and Combined Carve-Out Statements of Operations**

For the Three Months Ended March 31, 2014 and 2013

(In US \$ thousands, except per unit amounts)

	Three Months Ended March 31,	
	2014	2013
Time charter and bareboat revenues	21,766	13,212
Loss of hire insurance recoveries		250
Other income	8	
Total revenues (note 4, 5 and 10)	21,774	13,462
Operating expenses: (note 10)		
Vessel operating expenses	4,597	2,780
Depreciation and amortization	6,780	5,340
General and administrative expenses	1,043	2,130
Total operating expenses	12,420	10,250
Operating income	9,354	3,212
Finance income (expense) (note 10):		
Interest income	1	6
Interest expense	(2,713)	(2,760)
Other finance expense	(221)	(1,156)
Realized and unrealized gain on derivative instruments (note 6)	46	347
Net gain (loss) on foreign currency transactions	(24)	127
Total finance expense	(2,911)	(3,436)
Income (loss) before income taxes	6,443	(224)
Income tax benefit (expense) (note 9)	(19)	(2,942)
Net income (loss)	6,424	(3,166)
General Partner's interest in net income (loss)	128	
Limited Partner's interest in net income (loss)	6,296	
Earnings per unit (note 12):		
Common unit (basic and diluted)	0.367	

Subordinated unit (basic and diluted)	0.368
General Partner unit (basic and diluted)	0.367

The accompanying notes are an integral part of the unaudited condensed consolidated and combined carve-out interim financial statements.

Table of Contents

KNOT OFFSHORE PARTNERS LP

Unaudited Condensed Consolidated and Combined Carve-Out Statements of Comprehensive Income (Loss)

For the Three Months Ended March 31, 2014 and 2013

(In US \$ thousands)

	Three Months Ended March 31,	
	2014	2013
Net income (loss)	6,424	(3,166)
Other comprehensive income, net of tax		
Comprehensive income (loss)	6,424	(3,166)

The accompanying notes are an integral part of the unaudited condensed consolidated and combined carve-out interim financial statements.

Table of Contents**KNOT OFFSHORE PARTNERS LP**

Unaudited Condensed Consolidated and Combined Carve-Out Balance Sheets

As of March 31, 2014 and December 31, 2013

(In US \$ thousands)

	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents (note 7)	25,338	28,836
Restricted cash (note 7)	1,456	458
Trade accounts receivable, less allowance for doubtful accounts of \$0 in March 31, 2014 and \$0 in December 31, 2013		
Amounts due from related parties (note 10)	191	77
Inventories	658	578
Derivative assets (note 6 and 7)		248
Other current assets	2,163	1,814
 Total current assets	 29,806	 32,011
Long-term assets:		
Vessels and equipment:		
Vessels	692,847	692,926
Less accumulated depreciation and amortization	(81,921)	(75,141)
 Net property, plant, and equipment	 610,926	 617,785
 Goodwill	 5,750	 5,750
Deferred debt issuance cost	1,731	2,010
Derivative assets (note 6 and 7)	3,641	2,617
 Total assets	 651,854	 660,173
 Liabilities and Partners' Capital/Owner's Equity		
Current liabilities:		
Trade accounts payable	936	1,107
Accrued expenses	2,705	2,642
Current installments of long-term debt (note 7 and 8)	29,494	29,269
Derivative liabilities (note 6 and 7)	2,800	2,124
Income taxes payable (note 9)	771	743

Edgar Filing: KNOT Offshore Partners LP - Form 6-K

Contract liabilities	1,518	1,518
Prepaid charter and deferred revenue	4,413	4,471
Amounts due to related parties (note 10)	93	163
 Total current liabilities	 42,730	 42,037
Long-term liabilities:		
Long-term debt, excluding current installments (note 7 and 8)	302,737	310,359
Derivative liabilities (note 6 and 7)		
Contract liabilities	12,414	12,793
Deferred tax liabilities (note 9)	2,166	2,141
Long term debt from related parties	10,612	10,349
Other long-term liabilities	460	567
 Total liabilities	 371,119	 378,246
Commitments and contingencies (note 11)		
Equity:		
Partners' capital:		
Common unitholders	168,189	168,773
Subordinated unitholders	107,273	107,857
General partner interest	5,273	5,297
 Total Partners' capital	 280,735	 281,927
 Total liabilities and equity	 651,854	 660,173

The accompanying notes are an integral part of the unaudited condensed consolidated and combined carve-out interim financial statements.

Table of Contents**KNOT OFFSHORE PARTNERS LP**

Unaudited Condensed Consolidated and Combined Carve-Out Statements of Changes in Partners' Capital /

Owner's Equity for the Three Months Ended March 31, 2014 and 2013

(In US \$ thousands)

	Owner's Invested Equity	Partners' Common Units	Capital Subordinated Units	General Partner	Accumulated Other Comprehensive Income (Loss)	Total Partners' Capital/Owner's Equity
Combined carve-out balance at December 31, 2012	97,194					97,194
Combined carve-out net loss	(3,166)					(3,166)
Other comprehensive income						
Movement in invested equity	19,341					19,341
Combined carve-out balance at March 31, 2013	113,369					113,369

	Owner's Invested Equity	Partners' Common Units	Capital Subordinated Units	General Partner	Accumulated Other Comprehensive Income (Loss)	Total Partners' Capital/Owner's Equity
Combined carve-out balance at December 31, 2012	97,194					97,194
Combined carve-out net loss (Jan 1 to April 15, 2013)	(3,538)					(3,538)
Movement in invested equity	10,882					10,882
Combined carve-out balance at April 15, 2013	104,538					104,538
Elimination of equity not transferred to the Partnership (Note 2)	27,792					27,792
Allocation of Partnership capital to unitholders	(132,330)		127,141	5,189		
Proceeds from IPO net of underwriters discount (Note 3)		168,313				168,313
Cash distribution to KNOT			(21,954)			(21,954)
Offering cost (Note 3)		(2,201)				(2,201)
Post initial public offering net income		9,106	9,125	371		18,602
Other comprehensive income						

Edgar Filing: KNOT Offshore Partners LP - Form 6-K

Cash distributions	(6,445)	(6,455)	(263)	(13,163)
Consolidated balance at December 31, 2013	168,773	107,857	5,297	281,927
Net income	3,143	3,153	128	6,424
Other comprehensive income				
Cash distributions (1)	(3,727)	(3,737)	(152)	(7,616)
Consolidated balance at March 31, 2014	168,189	107,273	5,273	280,735

The accompanying notes are an integral part of the unaudited condensed consolidated and combined carve-out interim financial statements.

- (1) This includes cash distributions to holders of the incentive distribution rights (IDRs) for the three months ended March 31, 2014 of \$0.01 million.

Table of Contents**KNOT OFFSHORE PARTNERS LP**

Unaudited Condensed Consolidated and Combined Carve-Out Statements of Cash Flows

For the Three Months Ended March 31, 2014 and 2013

(In US \$ thousands)

	Three Months Ended March 31,	
	2014	2013
Cash flows provided by operating activities:		
Net income (loss)	6,424	(3,166)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	6,780	5,340
Amortization of contract intangibles / liabilities	(379)	(379)
Amortization of deferred debt issuance cost	279	246
Income tax expense	19	2,942
Unrealized gain on derivative instruments	(99)	(1,462)
Unrealized loss (gain) on foreign currency transactions	44	(620)
Other items	(74)	(107)
Changes in operating assets and liabilities:		
Decrease (increase) in trade accounts receivable		99
Decrease (increase) in inventories	(80)	51
Decrease (increase) in other current assets	(349)	1,268
Decrease (increase) in amounts due from related parties	(114)	(1,837)
Increase (decrease) in trade accounts payable	(171)	3
Increase (decrease) in payable to related parties	(70)	7,261
Increase (decrease) in accrued expenses	63	(157)
Increase (decrease) prepaid revenue	(58)	(3,573)
Net cash provided by operating activities	12,215	5,909
Cash flows from investing activities:		
Additions to vessel and equipment	80	
Net cash used in investing activities	80	
Cash flows from financing activities:		
Accumulated interest expense on long term debt from related parties	263	
Repayment of long-term debt	(7,397)	(7,342)
Payments of debt issuance cost		(56)
Payables to related parties		(14,594)
Contributions from / distribution to owner, net		