

# **THIRD POINT OFFSHORE INVESTORS LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the period from 19 June 2007 (date of incorporation) to 31 December 2007**

### **Chairman's Statement**

I am pleased to present the first annual report for Third Point Offshore Investors Limited (the "Company").

The Company was established as a closed-end investment company, to invest its assets in Third Point Offshore Fund, Ltd. (the "Master Fund"), which pursues an event-driven approach based on a "bottom-up" fundamentals analysis. It was registered and incorporated in Guernsey on 19 June 2007.

The Company's initial public offering consisted of three classes of shares denominated in US Dollar, Euro and Sterling shares in July 2007, and raised \$523 million from diverse, high-quality investors from around the world. Proceeds from this offer were deployed immediately into the Master Fund, and the Company was admitted to trading on the London Stock Exchange on 23 July 2007.

During the first two months of the Company's operation, the Net Asset Value ("NAV") across all classes of shares was negatively affected by turbulent market conditions. However by the period end the NAV had rebounded to approximately 98% of the initial offering price. If the Company had been able to invest into the Master Fund for the whole calendar year, the Master Fund would have delivered 16.9% net returns, surpassing the 15% net gains targeted for the Company.

As described in the Investment Manager's Review and in disclosures in the Master Fund's financial statements accompanying this annual report, the Investment Manager believes the Company is well positioned to deal with the liquidity and credit stresses in the current markets.

To assist in controlling the discount, on 18 December 2007, the Board of Directors authorised the Investment Manager to undertake an on-market share repurchase programme to purchase up to a total of 5% of the ordinary shares in issue.

Corporate governance for the Company is well-established. The Board of Directors has met quarterly as well as on an ad-hoc basis when issues have arisen and the Audit Committee has met also. The Company's website ([www.thirdpointpublic.com](http://www.thirdpointpublic.com)) publishes weekly NAV estimates, monthly NAV, a monthly shareholder report, a narrative quarterly letter from the Investment Manager, and other relevant information about the Company.

It is an honour to serve our investors. The Board of Directors takes our responsibilities to you very seriously, and we are committed to ensuring that through investment in the Master Fund and high standards of corporate governance and shareholder service, the Company will deliver performance for its shareholders.

Marc Antoine Autheman  
Chairman

4 April 2008

### **Directors' Report**

The Directors submit their Report together with the Company's Statement of Assets and Liabilities, Statement of Operations, Statement of Changes in Net Assets, Statement of Cash Flows, and the related notes for the period from 19 June 2007 to 31 December 2007, which have been prepared properly, in accordance with accounting principles generally accepted in the United States of America, and are in accordance with any relevant enactment for the time being in force; and are in agreement with the

accounting records.

### **The Company**

The Company was incorporated in Guernsey on 19 June 2007. The Company was admitted to a secondary listing (Chapter 14) on the Official List of the London Stock Exchange on 23 July 2007. The proceeds from the issue of shares on listing amounted to approximately \$523 million.

The Company has received consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance 1959 (as amended) to raise up to Euro 850 million by way of issue of shares. This consent was given under the Guernsey Financial Services Commission's ("GFSC") framework relating to Registered Closed-ended Investment Funds. Under this framework, neither the GFSC nor the States of Guernsey Policy Council have reviewed the Prospectus but instead have relied on specific warranties provided by the Guernsey licensed administrator of the Company. Neither the GFSC nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it.

### **Investment Objective and Policy**

The Company's investment objective is to provide its Shareholders with consistent long-term capital appreciation utilising the investment skills of Third Point LLC (the "Investment Manager") through investment of all of its capital (net of short term working capital requirements) in Class E and Class S Shares of Third Point Offshore Fund, Ltd (the "Master Fund"). The Master Fund's investment objective is to seek to generate consistent long-term capital appreciation, by using an Event Driven, bottom-up, fundamental approach to evaluate various types of securities throughout companies' capital structures. The Master Fund is managed by the Investment Manager and the Investment Manager's implementation of the Master Fund's investment policy is the main driver of the Company's performance.

The Master Fund's fundamental approach to investing begins with analysing a company's financial performance, its management and competitive advantages, its position within its industry and the overall economy. This analysis is performed on historical and current data with the ultimate goal of producing a set of projected financial results for the company. Once the projections are established, the Master Fund's Investment Manager compares the current valuation of the company in question relative to its historical valuation range, the valuation range of its peers and the overall market in general to determine whether the markets are mis-pricing the company. The Investment Manager ultimately invests in situations where it believes mis-pricing exists because this fundamental analysis indicates that such a disconnection will correct itself over the long term.

The Investment Manager's bottom-up approach attempts to identify individual companies that would make attractive investment targets based on their growth and profitability characteristics. This approach differs from a top-down methodology which first evaluates macro-economic, sector, industry or geographic factors to select the best sectors or industries for investment.

The Investment Manager seeks to identify Event Driven situations in which it can take either a long or short investment position where it can identify a near or long-term catalyst that would unlock value.

### **Results and Dividends**

The results for the period are set out in the Statement of Operations. The Directors do not recommend the payment of a dividend.

### **Share Capital**

A number of conversions between share classes occurred during the period, a summary and the number of shares in issue at the period end is disclosed in Note 6 to the Financial Statements.

### **Going Concern**

After making enquiries and given the nature of the Company and its investment, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing these financial statements

and after due consideration, the Directors consider that the Company is able to continue for the foreseeable future.

### **Directors**

The Directors of the Company during the period and to the date of this report are as listed on the inside back cover. In addition, at a board meeting held on 4 April 2008, Bruce Wilson was elected as the Investment Manager's representative to the board. This appointment is subject to regulatory notification.

### **Directors' Interests**

Mr Kelly held the position of President and Mr Kirby held the position of Chief Financial Officer of Third Point LLC.

Pursuant to an instrument of indemnity entered into between the Company and each Director, the Company has undertaken, subject to certain limitations, to indemnify each Director out of the assets and profits of the Company against all costs, charges, losses, damages, expenses and liabilities arising out of any claims made against them in connection with the performance of their duties as a Director of the Company.

The Directors hold no shares in the Company and held no shares during the period.

### **Corporate Governance**

As a closed-ended investment company registered in Guernsey, the Company is eligible for exemption from the requirements of the Combined Code (the "Code") issued by the Financial Reporting Council. The Board has however put in place a framework for corporate governance which it believes is suitable for an investment company of this size and nature and which enables the Company voluntarily to comply with the main requirements of the Code, which sets out principles of good governance and a code of best practice.

Arrangements in respect of corporate governance have therefore been made by the Board, which it believes are appropriate for the Company. Except as disclosed in the following paragraphs, the Company complied throughout the period since listing with the provisions of the Code. Since all the Directors are non-executive, the provisions of the Code in respect of Directors' remuneration are not relevant to the Company except in so far as they relate to non-executive Directors.

In view of its non-executive and independent nature, and the requirement of the Articles of Association that all the Directors who held office at the two preceding annual general meetings and did not retire shall retire from office, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by Code provision A.7.2, for a Senior Independent Director to be appointed as recommended by Code provision A.3.3, nor for there to be a Nomination Committee as recommended by Code provision A.4.1 or a Remuneration Committee as anticipated by Code provision B.1.5.

The Board, of which Mr. Autheman is Chairman, consists solely of non-executive Directors. As at the period end, all the Directors are considered by the Board to be independent of the Company's Manager. Ordinarily the board will include a representative of the Investment Manager. Mr Kelly left the Investment Manager's employ in October. On 4 April 2008 Mr Bruce Wilson, the Investment Manager's Chief Operating Officer, was appointed to succeed him in that role.

As at the period end, the Audit Committee is chaired by Mr Legge and operates within clearly defined terms of reference and comprises all the Directors except the Investment Manager's representative. Mr Legge will be available to attend each Annual General Meeting to respond to any shareholder questions on the activities of the Audit Committee. The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual and Interim Financial Statements, the system of internal controls, and the terms of the appointment of the auditor together with their remuneration.

It is also the forum through which the auditor's report to the Board of Directors. The objectivity of the auditors is reviewed by the Audit Committee which also reviews the terms under which the external

auditors are appointed to perform non-audit services. The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. There were no non-audit fees paid to Ernst and Young LLP during the period, as such the Audit Committee considers Ernst & Young LLP to be independent of the Company.

The Audit Committee has reviewed the need for an internal audit function. The Audit Committee has decided that the systems and procedures employed by the Investment Manager and the Administrator, including their internal audit functions, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

The table below sets out the number of Board and Audit Committee meetings held during the period from 19 June 2007 (date of incorporation) to 31 December 2007 and the number of meetings attended by each Director, who was a Director during the period.

	Scheduled Board Meetings Attended	Audit Committee Meetings Attended
Marc Autheman (Chairman)	3 of 3	1 of 1
Keith Dorrian	3 of 3	1 of 1
Christopher Fish	3 of 3	1 of 1
Christopher Legge	2 of 3	1 of 1
James Kelly*	0 of 2	N/A

\*Mr Kelly was not a member of the Audit Committee.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

#### **Relations with Shareholders**

The Board welcomes shareholders' views and places great importance on communication with its shareholders. The Board receives regular reports on the views of shareholders and the Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum for shareholders to meet and discuss issues with the Directors of the Company. The Investment Manager provides weekly estimates of NAV, a month-end NAV and a monthly and quarterly letter from the Investment Manager. These are published via RNS and are also available on the Company's website, [www.thirdpointpublic.com](http://www.thirdpointpublic.com).

#### **Significant Shareholdings**

As at 31 March 2008, the following had significant shareholdings in the Company:

Significant Shareholders	Total Shares held	% Holdings in class
US Dollar Shares		
Goldman Sachs Securities (Nominees) Limited	7,985,570	21.25
HSBC Client Holdings Nominee (UK) Limited	5,009,313	13.33
HSBC Global Custody Nominee (UK) Limited	3,799,094	10.11
Euroclear Nominees Limited	3,234,819	8.61

The Bank of New York Nominees Limited	3,233,700	8.60
Apollo Nominees Limited	3,067,827	8.16
Hanover Nominees Limited	2,715,000	7.22
Vidacos Nominees Limited	1,885,302	5.02
Chase Nominees Limited	1,401,500	3.73
Euro Shares		
Vidacos Nominees Limited	3,491,600	50.11
James Capel (Nominees) Limited	1,769,842	25.40
Apollo Nominees Limited	902,946	12.56
Sterling Shares		
James Capel (Nominees) Limited	973,294	38.00
BNY Clearing Nominees Limited	450,000	17.57
James Capel (Channel Islands) Nominees Limited	382,798	14.95
Apollo Nominees Limited	155,817	6.08
HSBC Global Custody Nominee (UK) Limited	105,950	4.14
Nutraco Nominees Limited	104,250	4.07
CAM Nominees Limited	78,139	3.05

Signed on behalf of the Board by:

Marc A Autheman  
Chairman

Christopher F L Legge  
Director

4 April 2008

## **Statement of Directors' Responsibilities in Respect of the Financial Statements**

The Directors are responsible for preparing the Financial Statements for each financial period which give a true and fair view of the state of affairs of the Company and of the net income or expense of the Company for that period and are in accordance with applicable laws.

In preparing these Financial Statements the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements that are reasonable and prudent;
- ensure that applicable accounting standards have been followed subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with The Companies (Guernsey) Law, 1994. They are also responsible for the system of internal controls, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We confirm to the best of our knowledge:–

- this Annual Report and Financial Statements have been prepared in accordance with Accounting Principles Generally Accepted in the United States of America and give a true and fair view of the financial position of the Company;
- this Annual Report and Financial Statements includes information detailed in the Directors’ Report, the Investment Manager’s Review and Notes to the Financial Statements, which provides a fair review of the information required by:-
  - a) DTR 4.1.8 of the Disclosure and Transparency Rules (“DTR”) being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and
  - b) DTR 4.1.11 of the DTR, being an indication of important events that have occurred since the beginning of the financial year and the likely future development of the Company.

Signed on behalf of the Board by:

Marc A Autheman  
Chairman

Christopher F L Legge  
Director

4 April 2008

## Investment Manager’s Review

### Performance Summary\*

USD Class	31 December 2007	25 July 2007	% Change
Share Price	9.23	10.00	–7.70%
Net asset value per share	9.91	10.00	–0.90%
Premium/(discount)	–6.90%	0.00%	

EUR Class	31 December 2007	25 July 2007	% Change
Share Price	9.05	10.00	–9.50%
Net asset value per share	9.82	10.00	–1.80%
Premium/(discount)	–7.80%	0.00%	

GBP Class	31 December 2007	25 July 2007	% Change
Share Price	9.1	10.00	–9.00%
Net asset value per share	9.89	10.00	–1.10%
Premium/(discount)	–8.00%	0.00%	

\* For the period beginning 25 July 2007 (commencement of operations) to 31 December 2007.

### **Strategy Performance**

During the period from 25 July 2007 (commencement of operations) to 31 December 2007, the net asset value (“NAV”) of the Company’s shares declined by 0.9% in the USD share class, 1.8% in the EUR share class and 1.1% in the GBP share class.

These results reflect the challenging and volatile market environment that prevailed during much of the period. Conditions were particularly difficult in August, when NAV per share declined by 8%. Nearly all of that loss was recovered during the balance of the year, as the Master Fund adjusted its risk exposures to the rapidly changing market environment and found opportunities in new areas. Approaches used to improve performance included: increasing positions in sectors that seemed to have suffered undue price declines as a result of overall conditions, and therefore appeared to be undervalued; enlarging the Master Fund’s short positions in some sectors that continued to suffer declines; and expanding exposures to certain emerging markets and other areas that were not being affected by the overall market trends. The Investment Manager anticipates continued focus in these areas in 2008. As of 31 December 2007, the Master Fund’s five largest holdings were in Deutsche Borse AG, MasterCard Inc., Siemens AG, Reliance Capital Ltd. and Questar Corp.

### **Risk Outlook**

The principal risk to the Master Fund, and accordingly to the Company, is price risk with regard to the Master Fund’s investment portfolio. As of 31 December 2007, the Master Fund had gross equity exposure (the long exposure plus the short exposure of all equity positions) of 161% of assets under management (“AUM”). At times, the gross equity exposure of the Master Fund has been and will be substantially higher than that number. Net equity exposure at year-end was 60% of AUM. Net equity exposure is defined as the long exposure minus the short exposure of all equity positions, and can serve as a rough measure of the exposure to fluctuations in overall market levels. In addition to equities, the Master Fund also held positions in other asset classes, including fixed income and credit.

The investment portfolio of the Master Fund can be highly concentrated. At year-end the 10 largest individual long equity positions represented 35% of AUM. The distribution of exposures by country and market capitalization may vary considerably over time. The following charts show these distributions at year-end:

The Master Fund has limited exposure to counterparty, liquidity and cash flow risks. In the opinion of the Investment Manager, over 90% of the investment portfolio is highly liquid (i.e. it can be sold within a reasonable period of time without incurring a significant level of market impact). The Master Fund has counterparty credit exposure to its prime brokers arising from custody arrangements, but diversifies this risk by using four prime brokers. Additional counterparty credit exposure can arise from swap agreements or other contractual products. This exposure is also diversified, and is subject to mark-to-market collateralisation. Cash flow risk is limited, as the Master Fund has no financing arrangements other than margin loans and swaps, which are collateralised with liquid assets. Investor redemptions require 30 or 60 days’ advance notice, permitting an orderly liquidation of an appropriate portion of the Master Fund’s assets.

Third Point LLC

4 April 2008

### **Independent Auditor’s Report**

to the Members of Third Point Offshore Investors Limited

We have audited the financial statements of Third Point Offshore Investors Limited for the period ended 31 December 2007 which comprise the Statement of Assets and Liabilities, Statement of Operations,

Statement of Changes in Net Assets, Statement of Cash Flows and related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 64 of The Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective Responsibilities of Directors and Auditors**

The directors' responsibilities for the preparation of the financial statements in accordance with applicable Guernsey law are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or internal inconsistencies with the financial statements. This other information comprises the Chairman's Statement, the Directors' Report, the Statement of Directors' Responsibilities in respect of the Financial Statements, the Investment Manager's Review and the Management and Administration page.

#### **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Standards Board. An audit includes examination on a test basis, of evidence relevant to the significant estimates and judgements made by the directors' in the preparation of the financial statements and whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanation necessary which we considered in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularities or error. In forming our opinion we evaluate the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view, in accordance with accounting principles generally accepted in the United States of America, of the state of the Company's affairs as at 31 December 2007, and of its loss for the period then ended and have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

Ernst & Young LLP  
Guernsey

4 April 2008

## **Statement of Assets and Liabilities**

As at 31 December 2007

(Stated in United States Dollars)

Assets

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\$



Investment in Third Point Offshore Fund, Ltd	521,772,222
Cash and bank balances	171,730
Other assets	384,192
Total assets	522,328,144
Liabilities	
Accrued expense and other liabilities	73,632
Directors' fees payable (Note 5)	74,087
Administration fee payable (Note 4)	40,876
Total liabilities	188,595
Net assets	522,139,549
Number of Ordinary Shares in issue (Note 6)	
US Dollar Shares	37,579,748
Euro Shares	6,967,429
Sterling Shares	2,561,258
Net asset value per Ordinary Share (Notes 9 and 11)	
US Dollar Shares	\$9.91
Euro Shares	€9.82
Sterling Shares	£9.89

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Signed on behalf of the Board by:

Marc A Autheman  
Chairman

Christopher F L Legge  
Director

4 April 2008

See accompanying notes.

## Statement of Operations

For the period from 19 June 2007 (date of incorporation) to 31 December 2007

(Stated in United States Dollars)	\$
Realised and unrealised gain/(loss) from investment transactions allocated from Master Fund	
Net realised gain from securities	13,206,562
Net change in unrealised loss on securities	(10,151,378)
Net gain from currencies	2,761,736
Total realised and unrealised gain from investment transactions allocated from Master Fund	5,816,920

Net investment loss allocated from Master Fund	
Interest income	3,932,293
Dividends, net of withholding taxes of \$518,874	1,104,782
Other income	1,253,393
Management fee	(4,318,149)
Interest expense	(2,943,602)
Stock borrow fees	(2,171,251)
Other expenses	(3,468,281)
Total net investment loss allocated from Master Fund	(6,610,815)
Company income	
Fixed deposit income	4,916
Total Company income	4,916
Company expenses	
Administration fee (Note 4)	(127,601)
Directors' fees (Note 5)	(158,603)
Other expenses	(145,771)
Expenses paid on behalf of Third Point Offshore Independent Voting Company Limited (Note 4)	(97,058)
Total Company expenses	(529,033)
Net investment loss	(7,134,932)
Net decrease in net assets resulting from operations	(1,318,012)

See accompanying notes.

## Statement of Changes in Net Assets

For the period from 19 June 2007 (date of incorporation) to 31 December 2007

(Stated in United States Dollars)	\$
Decrease in net assets resulting from operations	
Net realised gain from securities	13,206,562
Net change in unrealised loss on securities	(10,151,378)
Net gain from currencies	2,761,736
Net investment loss	(7,134,932)
Net decrease in net assets resulting from operations	(1,318,012)

Increase in net assets resulting from capital transactions	
US Dollar Shares issued	364,300,820
Euro Shares issued	117,397,501
Sterling Shares issued	41,759,240
	523,457,561
Net increase in net assets	522,139,549
Net assets at the beginning of the period	–
Net assets at the end of the period	522,139,549

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See accompanying notes.

## Statement of Cash Flows

For the period from 19 June 2007 (date of incorporation) to 31 December 2007

(Stated in United States Dollars)	\$
Cash flows from operating activities	
Net decrease in net assets resulting from operations	(1,318,012)
Adjustments to reconcile net decrease in net assets to net cash used in operating activities:	
Investment in Master Fund	(547,611,549)
Proceeds from redemptions from Master Fund	25,045,432
Net realised gain from securities allocated from Master Fund	(13,206,562)
Net change in unrealised loss on securities allocated from Master Fund	10,151,378
Net gain from currencies allocated from Master Fund	(2,761,736)
Net investment loss allocated from Master Fund	6,610,815
Increase in other assets	(384,192)
Increase in accrued expenses and other liabilities	73,632
Increase in Directors' fees payable	74,087
Increase in Administration fee payable	40,876
Net cash used in operating activities	(523,285,831)
Cash flows from financing activities	
Proceeds from issuance of shares	523,457,561
Net cash provided by financing activities	523,457,561
Net increase in cash	171,730

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Cash at the beginning of the period  
Cash at the end of the period

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–  
171,730

See accompanying notes.

## Notes to the Financial Statements

For the period from 19 June 2007 (date of incorporation) to 31 December 2007

### 1. The Company

Third Point Offshore Investors Limited (the “Company”) is a Registered Closed-ended investment company incorporated in Guernsey on 19 June 2007 for an unlimited period, with registration number 47161.

The Company was admitted to a Secondary Listing (Chapter 14) on the Official List of the London Stock Exchange on 23 July 2007. As a consequence of the Secondary Listing, the Company is not required to comply with the additional requirements under Chapters 6 to 13 inclusive and the provisions of Chapter 15 of the Listing Rules. However, the Company intends to comply with the Listing Principles set out in Chapter 7 of the Listing Rules which would otherwise apply to an investment company such as the Company if it were to obtain a ‘primary’ listing on the Official List. The Company is not, however, subject to such Listing Principles and will not be required to comply with them.

The Company offers multiple classes of Ordinary Shares, which differ in terms of currency of issue. To date, Ordinary Shares have been issued in US Dollar, Euro and Sterling.

### 2. Organisation

#### Investment Objective and Policy

The Company’s investment objective is to provide its Shareholders with consistent long-term capital appreciation utilising the investment skills of Third Point LLC (the “Investment Manager”) through investment of all of its capital (net of short term working capital requirements) in Class E and Class S Shares of Third Point Offshore Fund, Ltd (the “Master Fund”). The Master Fund’s investment objective is to seek to generate consistent long-term capital appreciation, by using an Event Driven, bottom-up, fundamental approach to evaluate various types of securities throughout companies’ capital structures. The Master Fund is managed by the Investment Manager and the Investment Manager’s implementation of the Master Fund’s investment policy is the main driver of the Company’s performance.

The Master Fund’s fundamental approach to investing begins with analysing a company’s financial performance, its management and competitive advantages, its position within its industry and the overall economy. This analysis is performed on historical and current data with the ultimate goal of producing a set of projected financial results for the company. Once the projections are established, the Master Fund’s Investment Manager compares the current valuation of the company in question relative to its historical valuation range, the valuation range of its peers and the overall market in general to determine whether the markets are mis-pricing the company. The Investment Manager ultimately invests in situations where it believes mis-pricing exists because this fundamental analysis indicates that such a disconnection will correct itself over the long term.

The Investment Manager’s bottom-up approach attempts to identify individual companies that would make attractive investment targets based on their growth and profitability characteristics. This approach differs from a top-down methodology which first evaluates macro-economic, sector, industry or geographic factors to select the best sectors or industries for investment.

The Investment Manager seeks to identify Event Driven situations in which it can take either a long or short investment position where it can identify a near or long-term catalyst that would unlock value.

#### Master Fund

The Master Fund is an exempt company formed under the laws of the Cayman Islands on 21 October 1996. The investment objective of the Master Fund is to generate consistent long-term capital appreciation by using an Event Driven, bottom-up, fundamental approach to evaluate various types of securities throughout companies' capital structures. By investing in the Master Fund's Class E and Class S shares (Class S shares being designated for "Special Investments" as described in the Company's Registration Document) the Company aims to generate a target return of 15 per cent. per annum net of all costs and expenses, although there can be no guarantee that this will be achieved.

The Financial Statements of the Master Fund should be read alongside the Company's Financial Statements.

#### Investment Manager

Third Point LLC (the "Investment Manager") is the investment manager of the Company and of the Master Fund. The Investment Manager is a limited liability company formed on 28 October 1996 under the laws of the State of Delaware and is responsible for the management and investment of the Company's assets on a discretionary basis in pursuit of the Company's investment objective, subject to the control of the Company's Board and certain borrowing and leveraging restrictions.

The Company does not pay the Investment Manager for its services as the Investment Manager is paid a management fee of 2 per cent. per annum of the Master Fund's NAV and an incentive fee of 20 per cent. of the Master Fund's NAV growth, subject to a high water mark and related adjustments, by the Master Fund.

#### Directors

The Directors are responsible for the determination of the investment policy of the Company and have overall responsibility for the Company's activities. The Directors, all of whom are non-executive, are listed at the end of this document.

#### Corporate Governance

The Directors recognise the importance of sound corporate governance and the Board is committed to complying, and currently complies, with the corporate governance obligations which apply to Guernsey registered companies and, where possible, the Board intends to adopt best practice. This may involve the Company having regard to the Code of Corporate Governance produced by the Association of Investment Companies and the Combined Code, where appropriate.

The Company does not comply with the Combined Code since there is no published corporate governance regime equivalent to the Combined Code in Guernsey. The Directors acknowledge this non-compliance and will comply with the Combined Code to the extent that they consider it appropriate having regard to the Company's size, stage of development and resources.

The Directors have adopted a code of directors' dealings in shares equivalent to the Model Code. The Board are responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors.

The Company has adopted a policy that the composition of the Board of Directors be at all times such that (i) a majority of the Directors are independent of the Investment Manager; (ii) the Chairman of the Board of Directors is free from any conflicts of interest and be independent of the Investment Manager; and (iii) no more than one director, partner, employee or professional adviser to the Investment Manager or any company in the same group as the Investment Manager may be a Director of the Company at any one time.

#### Board Committees

The Company has established an audit committee with formally delegated duties and responsibilities. This committee will meet for the purpose, amongst others, of considering the Company's accounting and financial reporting processes, the integrity and audits of the Company's financial statements, the

Company's compliance with legal and regulatory requirements, the qualifications, performance and independence of the auditors and of any third party providing valuations for the Company's investments, the remuneration of the auditors, to discuss and agree with the external auditors the nature and scope of the audit and to keep under review the scope, results and cost effectiveness of the audit.

The Audit Committee consists of Independent Directors and comprises Mr. Autheman, Mr. Dorrian, Mr. Fish and Mr. Legge. Mr. Legge is the Chairman of the audit committee.

The Company has not established separate remuneration or nomination committees as the Directors are satisfied that any relevant issues can be properly considered by the Board.

### **3. Significant Accounting Policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial position.

#### **Basis of Accounting**

The accompanying Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America, The Companies (Guernsey) Law, 1994 and the principal documents. The functional and presentational currency of the Company is United States Dollars. The following are the significant accounting policies adopted by the Company:

#### **Basis of Presentation**

The financial statements have been prepared under the historical cost convention adjusted to take into account the revaluation of investments.

#### **Valuation of Investments**

The value of the Company's investment in the Master Fund reflects the net asset value of the Company's shares, as at 31 December 2007. At 31 December 2007, the Company's US Dollar, Euro and Sterling shares represents 10.83%, 2.90% and 1.46% respectively of the Master Fund's net asset value. 7.99%, 7.96% and 8.35% of the Company's investment in the Master Fund is in Class S Shares the balance being invested into Class E Shares. The valuation of securities held by the Master Fund is discussed in the notes to the Master Fund's Financial Statements. The Net Asset Value of the Company's shares in the Master Fund reflects their fair value.

#### **Income and Expenses**

The Company records its proportionate share of the Master Fund's income, expenses and realised and unrealised gains and losses on a monthly basis. In addition, the Company accrues its own income and expenses.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Share Issue Expenses**

Share issue expenses of approximately US\$17.3 million were borne by the Investment Manager. Where the Company's Investment Management Agreement is terminated on certain grounds during the period ending on 23 July 2014 a proportion of such issue expenses will be reimbursed to the Investment Manager. The Directors consider the likelihood of this liability crystallising as remote and hence no provision has been made within the accounts. The Directors confirm there are no other contingent liabilities that require disclosure or provision.

#### **Leverage**

The Company does not intend to employ permanent leverage, however, it may borrow up to 15 per cent. of its NAV for share buy-backs and to satisfy working capital requirements.

#### Foreign Exchange

Investment securities and other assets and liabilities denominated in foreign currencies are translated into US Dollars using exchange rates at the reporting date. Purchases and sales of investment and income and expense items denominated in foreign currencies are translated into United States Dollars at the date of such transaction.

All currency gains and losses are included in the Statement of Operations.

#### **4. Material Agreements**

##### Management and Incentive fees

On 29 June 2007, the Company entered into a management agreement with the Investment Manager to appoint the Investment Manager to invest the Company's assets in pursuit of the Company's investment objectives and policies. As disclosed in Note 2 the Investment Manager is remunerated by the Master Fund.

##### Administration fees

Under the terms of an Administration Agreement dated 29 June 2007, the Company appointed Northern Trust International Fund Administration Services (Guernsey) Limited as Administrator and Corporate Secretary.

The Administrator is paid fees based on the net asset value (the "NAV") of the Company, payable quarterly in arrears. The fee is at a rate of 2 basis points of the NAV of the Company for the first £500 million of NAV and a rate of 1.5 basis points for any NAV above £500 million. This fee is subject to a minimum of £4,250 per month.

The Administrator is also entitled to an annual corporate governance fee of £30,000 with regard for its corporate secretarial and compliance activities.

A one-off set-up fee of £25,000 was charged to the Company by the Administrator.

In addition, the Administrator is entitled to be reimbursed out-of-pocket expenses incurred in the course of carrying out its duties, and may charge additional fees for certain other services.

##### Support and Custody Agreement

The Company has entered into an agreement with Third Point Offshore Independent Voting Company Limited ("VoteCo") whereby, in return for the services provided by VoteCo, the Company will provide VoteCo with funds from time to time in order to enable VoteCo to meet its obligations as they fall due. Under this agreement, the Company has also agreed to pay all the expenses of VoteCo, including the fees of the directors of VoteCo, the fees of all advisers engaged by the directors of VoteCo and premiums for directors and officers insurance. The Company has also agreed to indemnify the directors of VoteCo in respect of all liabilities that they may incur in their capacity as directors of VoteCo.

#### **5. Directors' Fees**

The Chairman is entitled to a fee of £50,000 per annum and the Chairman of the Audit committee to a fee of £35,000 per annum. All other independent Directors are entitled to receive £30,000 per annum. Mr. Kelly Mr. Kirby and Mr. Wilson have waived their fees. The Directors are also entitled to be reimbursed for expenses properly incurred in the performance of their duties as Director.

#### **6. Share Capital**

The Company was incorporated with the authority to issue an unlimited number of Ordinary Shares with no par value and an unlimited number of Ordinary B Shares ("B Shares") of no par value. All B Shares are to be unlisted and held at all times by Third Point Offshore Independent Voting Company Limited ("VoteCo"). The Shares may be divided into at least three classes denominated in US Dollar, Euro and Sterling. At incorporation, two shares were issued to the subscribers to the Memorandum of Association. These shares were later transferred to subscribers in the Offer.

The Company has issued approximately 40 per cent. of the aggregate voting rights of the Company to VoteCo in the form of B Shares. The B Shares are unlisted, do not carry any economic interest and at all times will represent approximately 40 per cent. of the aggregate issued capital of the Company. The

Articles provide that the ratio of issued US Dollar B Shares to Euro B Shares to Sterling B Shares shall at all times approximate as close as possible the ratio of issued US Dollar Shares to Euro Shares to Sterling Shares.

	US Dollar Shares	Euro Shares	Sterling Shares
Number of Ordinary Shares			
Shares issued 19 July 2007	36,430,082	8,571,781	2,044,251
Shares converted			
21 September 2007, based on			
31 August 2007 NAV	1,559,200	(1,330,817)	124,330
Shares converted			
19 October 2007, based on			
30 September 2007 NAV	40,466	(28,535)	–
Shares converted			
24 December 2007, based on			
30 November 2007 NAV	(450,000)	(245,000)	392,677
In issue at end of period	37,579,748	6,967,429	2,561,258
<hr/>			
Shares held by Master Fund at end of the period	100,000	111,000	–
	US Dollar Shares	Euro Shares	Sterling Shares
Number of Ordinary B Shares			
Shares issued 19 July 2007	24,286,722	5,714,521	1,362,834
Shares converted			
21 September 2007, based on			
31 August 2007 NAV	1,039,467	(887,212)	82,887
Shares converted			
19 October 2007, based on			
30 September 2007 NAV	26,978	(19,024)	–
Shares converted			
24 December 2007, based on			
30 November 2007 NAV	(300,000)	(163,334)	261,785
In issue at end of period	25,053,167	4,644,951	1,707,506

#### Share Classes

In respect of each class of Shares a separate class account has been established in the books of the Company. An amount equal to the aggregate proceeds of issue of each Share Class has been credited to the relevant class account. Any increase or decrease in the net asset value of the Master Fund, as calculated by the Master Fund, is allocated to the relevant class account in the Company according to the number of shares held by each class. Each class account is allocated those costs, expenses, losses, dividends, profits, gains and income which the Directors determine in their sole discretion relate to a particular class.

#### Voting Rights

Ordinary Shares carry the right to vote at general meetings of the Company and to receive any dividends, attributable to the Ordinary Shares as a class, declared by the Company and, in a winding-up will be entitled to receive, by way of capital, any surplus assets of the Company attributable to the Ordinary Shares as a class in proportion to their holdings remaining after settlement of any outstanding liabilities of the Company. B Shares also carry the right to vote at general meetings of the Company but carry no rights to



distribution of profits or in the winding-up of the Company.

As prescribed in the Company's Articles of Association, each Shareholder present at general meetings of the Company shall, upon a show of hands, have one vote. Upon a poll, each Shareholder shall, in the case of a separate class meeting, have one vote in respect of each Share or B Share held and, in the case of a general meeting of all Shareholders, have one vote in respect of of each US Dollar Share or US Dollar B Share held, one and a half votes in respect of each Euro Share or Euro B Share held and two votes in respect of each Sterling Share or Sterling B Share held. Fluctuations in currency rates will not affect the relative voting rights applicable to the Shares and B Shares. In addition all of the Company's Shareholders have the right to vote on all material changes to the Company's investment policy.

#### Repurchase of Shares and Discount Control

The Directors have been granted authority to purchase in the market up to 14.99 per cent. of each class of Shares in issue immediately following Admission, and they intend to seek annual renewal of this authority from Shareholders. The Directors propose to utilise this share repurchase authority to address any imbalance between the supply of and demand for Shares.

The Company, the Master Fund, the Investment Manager and its affiliates have the ability to purchase Shares in the after-market at any time the Shares trade at a discount to NAV. In addition, each of the Company, the Master Fund and the Investment Manager will consider commencing a share buy-back programme if the Shares should trade at or below 95 per cent. of NAV. The Company has commenced a buy-back programme of up to 5 per cent. of the shares in issue, which will be held by the Master Fund.

Shares purchased by the Company may be resold at a premium to NAV, cancelled or held in treasury.

At 31 December 2007 the Master Fund had purchased the following Shares in the after-market:

	Number of Shares	Cost \$	Average Cost per Share \$
US Dollar Shares	100,000	903,000	9.03
Euro Shares	111,000	999,000	9.00
Sterling Shares	—	—	—

As of 25 February 2008 the Master Fund has increased its holding through the share buy-back programme to 550,000 US Dollar shares and 1,511,000 Euro shares.

The Master Fund has financed the shares purchased through the buy-back programme by margin loans at prevailing US Prime Broker rates, plus a mark-up. The loan is secured against the shares held by the Master Fund.

#### Further issue of Shares

Under the Articles, the Directors have the power to issue further shares on a non-pre-emptive basis. If the Directors issue further Shares, the issue price will not be less than the then-prevailing estimated weekly NAV per Share of the relevant class of Shares.

#### Dividends

The Master Fund has not previously paid dividends to its investors and does not expect to do so in the future. Therefore, the Directors of the Company do not expect to declare any dividends. This does not prevent the Directors of the Company from declaring a dividend at any time in the future if the Directors consider payment of a dividend to be appropriate in the circumstances. If the Directors declare a dividend, such dividend will be paid on a per class basis.

#### Share Conversion Scheme

The Company's Articles of Association incorporate provisions to enable shareholders of any one Class of Ordinary Shares to convert all or part of their holding into any other Currency Class of Ordinary Shares on

a monthly basis (commencing in August 2007). Upon conversion a corresponding number of B Shares will be converted in a similar manner.

If the aggregate Net Asset Value of any Currency Class at any month-end falls below the equivalent of US\$50 million, the Shares of that Class may be converted compulsorily into Shares of the Currency Class with the greatest aggregate value in US Dollar terms at the time. Each conversion will be based on Net Asset Value (Note 9) of the share classes to be converted.

## 7. Share Premium

	US Dollar Shares US\$	Euro Shares US\$ Equivalent	Sterling Shares US\$ Equivalent	Total US\$
Proceeds of Ordinary Shares issued 19 July 2007	364,300,820	117,397,501	41,759,240	523,457,561
Transfer to Distributable Reserve	(364,300,820)	(117,397,501)	(41,759,240)	(523,457,561)
Balance at end of period	–	–	–	–

As agreed on 25 June 2007 by a written special resolution, the Company proposed (subject to the approval of the Court in Guernsey) to reduce the share premium account arising on the issue of Shares, thereby creating a distributable reserve. This resolution was approved by the Royal Court of Guernsey on 5 October 2007.

## 8. Taxation

The Fund is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

## 9. Publication and Calculation of Net Asset Value

The Net Asset Value (“NAV”) of the Company is equal to the value of its total assets less its total liabilities. The NAV per Share of each class is calculated by dividing the net asset value of the relevant class account by the number of Shares of the relevant class in issue on that day.

The Company intends to publish the NAV per Share for each class of Shares as calculated by the Administrator based in part on information provided by the Master Fund, monthly in arrears, as at each month-end, within twenty business days. Weekly estimates of NAV per share will in normal circumstances be published within three business days.

## 10. Related Party Transactions

At 31 December 2007 other investment funds owned by or affiliated with Third Point LLC owned 300,000 US Dollar shares in the Company.

In addition to the shares purchased by both the Master Fund through the share buy-back programme, as disclosed in Note 6 as well as by other funds affiliated with Third Point LLC, the Master Fund also owns an additional 3,451,370 US Dollar Shares as at 31 December 2007. These shares are held by the Master Fund in connection with the deferred incentive fee agreement with Third Point LLC through which Third Point LLC elected to make a deemed investment in the Company, as disclosed in Note 4 to the Master Fund financial statements.

## 11. Financial Highlights

The following tables include selected data for a single Ordinary Share of each of the Ordinary Share classes in issue at the period and other performance information derived from the Financial Statements.

The per share amounts and ratios which are shown reflect the income and expenses of the Company for each class of Ordinary Share.

	US Dollar Shares \$	Euro Shares €	Sterling Shares £
Proceeds from Ordinary Shares issued during the period			
Issue price of Ordinary Shares	10.00	10.00	10.00
Income from investment operations			
Realised and unrealised gain/(loss) from investment transactions allocated from Master Fund (note 2)	0.04	(0.04)	(0.01)
Net investment income	(0.13)	(0.14)	(0.12)
Total from investment operations	(0.09)	(0.18)	(0.11)
Net Asset Value, end of the period	9.91	9.82	9.89

Total from investment operations reflects the net return for an investment made at the beginning of the period and is calculated as the change in the NAV per Ordinary Share during the period ended 31 December 2007 and is not annualised. An individual Shareholder's return may vary from these returns based on the timing of their purchases and sales of shares on the market.

	US Dollar Shares \$	Euro Shares €	Sterling Shares £
Supplemental data			
Net Asset Value, end of the period	372,155,013	68,395,070	25,336,477
Average Net Asset Value, for the period (note 3)	355,062,815	69,687,232	21,457,757
Ratio to average net assets			
Operating expenses (note 1)	(2.70%)	(2.64%)	(2.74%)
Net investment loss	(1.43%)	(1.40%)	(1.46%)

Notes:

1. Operating expenses are Company expenses together with operating expenses allocated from the Master fund. Operating expense and net investment loss are not annualised.
2. Includes foreign currency retranslation profit (loss) with respect to Euro and Sterling share classes.
3. Average Net Asset Value for the period is calculated based on published weekly estimates of NAV.

## Management and Administration

### Directors

Marc A Autheman (Chairman)\*  
(appointed 21 June 2007)  
Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

Keith Dorrian\*  
(appointed 19 June 2007)  
Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,

Channel Islands, GY1 3QL.

Christopher N Fish\*  
(appointed 19 June 2007)  
Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

Christopher F L Legge\*  
(appointed 19 June 2007)  
Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

James P Kelly  
(appointed 19 June 2007 and removed 13 November 2007)  
Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

Robert P Kirby  
(appointed 7 January 2008 and resigned 10 January 2008)  
Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

Bruce I Wilson  
(appointed 4 April 2008)\*\*  
Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

\* These Directors are independent.  
\*\*. Subject to regulatory notification.  
(All Directors are non-executive)

**Registered Office**

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Channel Islands, GY1 3QL.

**Investment Manager**

Third Point LLC  
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United States of America.

**Auditors**

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**Legal Advisors (UK Law)**

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**Legal Advisors (US Law)**

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United States of America.

**Registrar and CREST Service Provider**

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Channel Islands, GY1 1WO.

**Administrator and Secretary**

Northern Trust International Fund Administration Services (Guernsey) Limited,  
Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

**Legal Advisors (Guernsey Law)**

Ozannes Advocates  
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Channel Islands, GY1 4HP.

**Receiving Agent**

Capita Registrars  
The Registry,  
34 Beckenham Road,  
Beckenham, Kent, BR3 4TU.  
United Kingdom.

The full Annual Report and Financial Statements of the Company together with those of the Master Fund will be mailed to shareholders shortly and a copy will be posted on the Company's website [www.thirdpointpublic.com](http://www.thirdpointpublic.com)