



# THIRD POINT OFFSHORE INVESTORS LIMITED

## AUDITED REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2010

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# Chairman's Statement

I am pleased to present the fourth Annual Report for Third Point Offshore Investors ("the Company").

The Company was established as a closed-end investment company, registered and incorporated in Guernsey on 19 July 2007. The Company invests its assets in Third Point Offshore Master Fund L.P. (the "Master Partnership") via Third Point Offshore Fund, Ltd. (the "Master Fund"), which pursues an opportunistic investment approach based on a "bottom-up" fundamental value analysis.

For the year ended 31 December 2010, the Company's net asset value (the "NAV") appreciated approximately 35%, marking two consecutive years of strong performance. While investing in global markets continued to be perilous, the event driven approach employed by Third Point LLC (the "Investment Manager") produces ideas with paths to value realization that are successful regardless of the wider market environment. By dynamically allocating among corporate and mortgage credit, long and short equity, and risk arbitrage opportunities in various sectors, the Investment Manager generated positive returns for shareholders, and outperformed the S&P 500 Index with less volatility.

Throughout 2010, the Investment Manager closely monitored risk in the portfolio, as macro dislocations and uncertainty continued to create volatility in global markets. The Investment Manager remained focused on managing gross and net exposure levels and successfully avoided significant losses in any single position or strategy.

The Board continues to review discount-control mechanisms regularly. We were pleased to see the discount stabilize as a result of consecutive years of positive performance in the Master Fund, and anticipate further narrowing.

We believe in the importance of transparent communications with shareholders and aim to be responsive to your inquiries. To this end, the Company's website ([thirdpointpublic.com](http://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.

In corporate governance matters, the independent Board of Directors and Audit Committee have met regularly, and RBS Hoare Govett Limited remains in place as the Corporate Broker.

My fellow Directors and I take our responsibilities to you very seriously, and we remain committed to providing best in class services to our shareholders.

**Marc Antoine Autheman**

27 April 2011

# Directors' Report

The Directors submit their Report together with the Company's Statements of Assets and Liabilities, Statements of Operations, Statements of Changes in Net Assets, Statements of Cash Flows, and the related notes for the year ended 31 December 2010. These Statements and notes have been prepared properly, in accordance with accounting principles generally accepted in the United States of America, 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 and 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 initial issue of shares on listing amounted to approximately \$523 million. Following changes to the Listing Rules on 6 April 2010, the secondary listing became a standard listing.

The Company is a member of the Association of Investment Companies.

## 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 Shares of Third Point Offshore Fund, Ltd (the "Master Fund"), an exempted company formed under the laws of the Cayman Islands on 21 October 1996.

The Master Fund is a limited partner of Third Point Offshore Master Fund L.P. (the "Master Partnership"), an exempted limited partnership organized under the laws of the Cayman Islands, of which Third Point Advisors II L.L.C., an affiliate of the Investment Manager, is the general partner. Third Point LLC is the Investment Manager to the Company, the Master Fund and the Master Partnership. The Master Fund and the Master Partnership have the same investment objectives, investment strategies and investment restrictions.

The Master Fund and Master Partnership'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 Investment Manager's implementation of the Master Fund and Master Partnership's investment policy is the main driver of the Company's performance.

The Investment Manager'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 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 year are set out in the Statements of Operations on page 14. The Directors do not recommend the payment of a dividend (2009: \$nil).

**Share Capital**

Share Capital Conversions took place during the year ended 31 December 2010. A summary and the number of shares in issue at the year-end are 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 year and to the date of this report are as listed on page 5 of these Financial Statements.

**Directors' Interests**

Mr Targoff holds the position of Chief Operating Officer and General Counsel 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 year.

**Corporate Governance**

As a closed-ended investment company registered in Guernsey with a standard listing on the London Stock Exchange, 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 which includes that all non-independent Directors must stand for election each year. On 19 January 2010 the Guernsey Financial Services Commission published a consultation paper on a proposed Code of Corporate Governance (the "Guernsey Code") applicable for Guernsey. It is anticipated that the Guernsey Code will be published and implemented by the Company in 2011. 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 year 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.

## Directors' Report continued

### Corporate Governance – continued

As at year-end, all the Directors, except Mr Targoff, are considered by the Board to be independent of the Company's Investment Manager. Ordinarily the Board will include a representative of the Investment Manager.

The Board is responsible for establishing and maintaining the Company's system of internal controls and for maintaining and reviewing its effectiveness. The system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and as such can only provide reasonable, but not absolute, assurance against material misstatement or loss. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board uses a formal risk assessment matrix to identify and monitor business risks.

The Board considers on an ongoing basis the process for identifying, evaluating and managing any significant risks faced by the Company. The process includes reviewing reports from the Company Secretary on risk control and compliance, in conjunction with the Investment Manager's regular reports which cover investment performance.

The Board has contractually delegated to external parties various functions as listed below. The duties of investment management and administration are segregated. Each of the contracts entered into with the parties was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the control systems in operation as far as they relate to the affairs of the Company.

- Investment Management services are provided by Third Point LLC, a company authorised and regulated by the US Securities and Exchange Commission. The Investment Manager was appointed on 29 June 2007 and will continue to act as Investment Manager from year to year under the terms and conditions detailed in the Investment Management Agreement.
- On 31 December 2008, the Company appointed RBS Hoare Govett Limited as the Broker and Financial Adviser to the Company.
- Administration and company secretarial duties are performed by Northern Trust International Fund Administration Services (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission.
- Registrar and CREST agency functions are performed by Capita Registrars (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission.

The Board reviews regularly the performance of the services provided by these companies and does not currently intend to make any changes to the current arrangements.

In common with most investment companies, the Company does not have an internal audit function. All of the Company's administration functions are delegated to the Investment Manager and Administrator, which have their own internal audit and risk assessment functions.

At 31 December 2010, 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 external auditor together with their remuneration.

The Audit Committee is the forum through which the auditor reports to the Board of Directors. The objectivity of the auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor is 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 auditor, with particular regard to non-audit fees. There were no non-audit fees paid to Ernst & Young LLP during the year. The Audit Committee considers Ernst & Young LLP to be independent of the Company. In addition, Ernst & Young LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

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 the internal audit functions, provided 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.

|                | Scheduled Board<br>Meetings<br>Attended | Audit Committee<br>Meetings<br>Attended |
|----------------|-----------------------------------------|-----------------------------------------|
| Marc Autheman  | 4 of 4                                  | 3 of 3                                  |
| Chris Legge    | 3 of 4                                  | 3 of 3                                  |
| Chris Fish     | 4 of 4                                  | 3 of 3                                  |
| Keith Dorrian  | 4 of 4                                  | 3 of 3                                  |
| Joshua Targoff | 4 of 4                                  | N/A                                     |

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.

### Board Performance

The Board and Audit Committee undertake a formal annual evaluation of their own performance and that of their committees and individual Directors. In order to review their effectiveness, the Board and Audit Committee carry out a process of formal self-appraisal. The Directors and Committee consider how the Board and Audit Committee functions as a whole and also review the individual performance of its members. This process is conducted by the respective Chairman reviewing individually with each of the Directors and members of the Committee their performance, contribution and commitment to the Company. The performance of the Chairman is evaluated by the other independent Directors. The Directors have included a Directors' Remuneration Report on page 8 of this document.

### 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 third Annual General Meeting was held on 27 May 2010 with all proposed resolutions being passed unanimously by the Shareholders. The Company publishes weekly estimates of NAV, a month-end NAV as well as a monthly shareholder report and a narrative quarterly letter from the Investment Manager. These are published via Regulatory News Service and are also available on the Company's website, [www.thirdpointpublic.com](http://www.thirdpointpublic.com).

# Directors' Report continued

## Relations with Shareholders – continued

### Significant Shareholdings

As at 13 April 2011, the following had significant shareholdings in the Company:

|                                                     | Total Shares Held | % Holdings in Class |
|-----------------------------------------------------|-------------------|---------------------|
| <b>Significant Shareholders</b>                     |                   |                     |
| <b>US Dollar Shares</b>                             |                   |                     |
| Goldman Sachs Securities (Nominees) Limited         | 12,035,552        | 28.09%              |
| HSBC Global Custody Nominee (UK) Limited            | 9,962,787         | 23.25%              |
| Vidacos Nominees Limited                            | 4,305,932         | 10.05%              |
| Pershing Nominees Limited                           | 2,234,062         | 5.21%               |
| State Street Nominees Limited                       | 2,074,500         | 4.84%               |
| J P Morgan Clearing Corporation                     | 1,541,129         | 3.60%               |
| <b>Euro Shares</b>                                  |                   |                     |
| Bank of New York Nominees Limited                   | 1,902,528         | 59.22%              |
| Aurora Nominees Limited                             | 925,760           | 28.82%              |
| Vidacos Nominees Limited                            | 122,875           | 3.82%               |
| James Capel (Channel Islands) Nominees Limited      | 111,533           | 3.47%               |
| <b>Sterling Shares</b>                              |                   |                     |
| James Capel (Nominees) Limited                      | 1,274,320         | 54.50%              |
| James Capel (Channel Islands) Nominees Limited      | 502,110           | 21.47%              |
| HSBC Global Custody Nominee (UK)                    | 171,558           | 7.34%               |
| Corporate Services (TD Waterhouse) Nominees Limited | 81,583            | 3.49%               |

Signed on behalf of the Board by:

**Marc A Autheman**

Chairman

**Christopher F L Legge**

Director

27 April 2011

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

The Directors are responsible for preparing the Financial Statements in accordance with applicable Guernsey Law and generally accepted accounting principles. Guernsey Company Law requires the Directors to prepare 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.

In preparing these Audited Financial Statements the Directors should:–

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether 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, 2008. 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.

The Directors confirm to the best of their knowledge:–

- there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's Auditor is aware of that information.
- this Audited Report and Audited 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 Audited Report and Audited 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
  - a) 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

27 April 2011

# Directors' Remuneration Report

## Introduction

The Board has prepared this report as part of its framework for corporate governance which, as described in the Directors' Report, enables the Company voluntarily to comply with the main requirements of the Combined Code on Corporate Governance published by the Financial Reporting Council, although as a closed-ended investment company registered in Guernsey and with a standard listing on the London Stock Exchange, the Company is eligible for exemption from the requirements of the Code.

An ordinary resolution for the approval of this report will be put to the shareholders at the forthcoming Annual General Meeting.

## Remuneration policy

All Directors are non-executive and a Remuneration Committee has not been established. The Board as a whole considers matters relating to the Directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors' remuneration.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate directors of a quality required to run the Company successfully. The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities, as is the Chairman of the Audit Committee. The policy is to review fee rates periodically, although such a review will not necessarily result in any changes to the rates, and account is taken of fees paid to directors of comparable companies.

There are no long term incentive schemes provided by the Company and no performance fees are paid to Directors.

No Director has a service contract with the Company but each of the Directors is appointed by a letter of appointment which sets out the main terms of their appointment. Directors were appointed for an initial term of three years on 19 June 2007. During the year the Directors were appointed for a further term by the Board. There are no set notice periods and a Director may resign by notice in writing to the Board at any time. Director appointments can also be terminated in accordance with the Articles. Should shareholders vote against a Director standing for re-election, the Director affected will not be entitled to any compensation.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No other remuneration or compensation was paid or payable by the Company during the year to any of the Directors apart from the reimbursement of allowable expenses.

### Directors' fees

The Company's Articles limit the fees payable to each Director to £30,000 (£35,000 for the Chairman of the Company's Audit Committee and £50,000 for the Chairman) or such higher amounts as may be approved by ordinary resolution of Shareholders. The Directors propose increasing their fees for the year ending 31 December 2011 to £33,000 (£40,000 for the Chairman of the Company's Audit Committee and £55,000 for the Chairman) and a resolution approving this increase will be put to the shareholders at the AGM.

The fees payable by the Company in respect of each of the Directors who served during 2010 and 2009, were as follows:

|                                                  | 2010<br>£ | 2009<br>£ |
|--------------------------------------------------|-----------|-----------|
| Marc A Autheman (Chairman)                       | 50,000    | 50,000    |
| Christopher F L Legge (Audit Committee Chairman) | 35,000    | 35,000    |
| Keith Dorrian                                    | 30,000    | 30,000    |
| Christopher N Fish                               | 30,000    | 30,000    |
| Joshua L Targoff*                                | –         | –         |

\* Joshua L Targoff waived his fee.

### Performance graphs

The table shown on page 10 detail the share price returns over the year.

Signed on behalf of the Board by:

**Marc A Autheman**  
Chairman

**Christopher F L Legge**  
Director

27 April 2011

# Investment Manager's Review

## Performance summary\*

| USD Class                 | 31-Dec-10 | 31-Dec-09 | % Change |
|---------------------------|-----------|-----------|----------|
| Share Price               | 9.73      | 6.75      | 44.1%    |
| Net asset value per share | 11.71     | 8.59      | 36.3%    |
| Premium/(discount)        | (16.9%)   | (21.4%)   |          |
| EUR Class                 | 31-Dec-10 | 31-Dec-09 | % Change |
| Share Price               | 9.30      | 6.38      | 45.8%    |
| Net asset value per share | 11.29     | 8.38      | 34.7%    |
| Premium/(discount)        | (17.6%)   | (23.9%)   |          |
| GBP Class                 | 31-Dec-10 | 31-Dec-09 | % Change |
| Share Price               | 9.31      | 6.68      | 39.4%    |
| Net asset value per share | 11.19     | 8.23      | 36.0%    |
| Premium/(discount)        | (16.8%)   | (18.8%)   |          |

\*For the period beginning 1 January 2010 to 31 December 2010

## Strategy Performance

For the year ended 31 December 2010, the net asset value per share increased by 36.3% in the U.S. Dollar class, 34.7% in the Euro class, and 36.0% in the Sterling class.

The Master Partnership's event-driven investing strategy seeks to produce steady high yield-like returns via credit and risk arbitrage strategies and larger absolute returns via various long/short equity and distressed debt strategies. In 2010, this strategy allowed the Investment Manager to find opportunities in volatile global markets, while minimizing losses. Throughout the first four months of the year, the Investment Manager was encouraged by signs of a recovery in the United States, signalled by increases in employment and economic activity. Equity positions contributed significantly to profits, and the Master Partnership had a moderately high exposure to the equity markets. In May, after the macro-driven market correction and amid concerns of volatility resulting from increased government regulation, the Investment Manager reduced gross and net exposure by selling more volatile equity stocks and drastically reducing European exposure. The Investment Manager also made the decision to exit positions in industries such as health care, where US government intervention remained likely. At the same time, the Investment Manager seized the opportunity to add to specific risk arbitrage and credit positions, as well as short positions in government regulated industries. The decision to bring down exposures continued through the remainder of the second quarter, as the Investment Manager sold out of most equity positions that lacked definitive hard catalysts. As exposures reached their lowest levels since March 2009, the Investment Manager also initiated a number of asymmetrical trades in the third quarter to hedge against extraordinary global events. Despite concern about the economic environment, the Investment Manager retained high conviction in the remaining portfolio, especially in mortgage and post reorganization equity positions. The Investment Manager remained alert for opportunities to redeploy capital in the rapidly changing landscape, and began to do so in the fourth quarter. The Investment Manager's expectation that specific emerging markets will demonstrate continued growth resulted in equity positions in multi-national companies with exposure to these countries. The Investment Manager also initiated positions in companies where potential near term corporate activity was expected to extract embedded value. While credit opportunities diminished, the Investment Manager was still able to identify opportunities in specific sectors and performing credit names with hard catalysts.

At 31 December 2010, the Master Partnership's top five holdings were in gold, Delphi Corp., Chrysler, Potash Corp. and Lyondell.

### Strategy and Risk Outlook

The principal risk to the Master Partnership, and accordingly to the Company, is price risk with regard to its investment portfolio. As of December 31, 2010, the Master Partnership had gross investments market value (the fair value of all long and short positions) of \$3.09 billion, representing 121% of net asset value (NAV). Net investments at year-end were 95% of NAV. Net assets represent the excess value of long positions over short positions, and can serve as a rough measure of exposure to fluctuations in overall market levels.

The investment portfolio of the Master Partnership can be highly concentrated.

#### Position Concentration (% of NAV)

|       | Top 10 | Top 20 |
|-------|--------|--------|
| Long  | 34%    | 52%    |
| Short | 14%    | 17%    |

Exposures can also be concentrated by region. The following chart shows those allocations at year-end:

#### Geographic Exposure (% of NAV)

|          | Long | Short | Net |
|----------|------|-------|-----|
| Americas | 91%  | (7%)  | 84% |
| EMEA     | 27%  | (11%) | 16% |
| Asia     | 2%   | (1%)  | 1%  |

The Master Partnership has limited exposure to credit, liquidity and cash flow risks. The Master Partnership holds approximately 97% of its investment portfolio in liquid Level 1 and Level 2 assets (refer to Note 2 of Master Partnership's audited financial statements). The Master Partnership has credit exposure to its prime brokers arising from custody arrangements, but diversifies this risk by using seven prime brokers, all of which are well capitalized. Additional credit exposure can arise from swap agreements. This exposure is also diversified, and is subject to mark-to-market collateralization. Please refer to Note 8 and Note 9 of the Master Partnership's audited financial statements.

# 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 year ended 31 December 2010 which comprise the Statement of Assets and Liabilities, Statements of operations, Statement of Changes in Net Assets, Statement of Cash Flows, and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and accounting principles generally accepted in the United States.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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 auditor's 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

As explained more fully in the Directors' Responsibilities for the Accounts set out on page 7 of the Directors Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010, and of its results for the period then ended;
- have been properly prepared in accordance with accounting principles generally accepted in the United States; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

**Michael Bane**

for and on behalf of

**Ernst & Young LLP**

Guernsey, Channel Islands

27 April 2011

# Statements of Assets and Liabilities

| (Stated in United States Dollars)                           | As at<br>31 December 2010<br>\$ | As at<br>31 December 2009<br>\$ |
|-------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>Assets</b>                                               |                                 |                                 |
| Investment in Third Point Offshore Fund, Ltd, at fair value | 591,072,669                     | 437,872,156                     |
| Cash                                                        | 103,053                         | 217,552                         |
| Other assets                                                | 90,114                          | –                               |
| <b>Total assets</b>                                         | <b>591,265,836</b>              | <b>438,089,708</b>              |
| <b>Liabilities</b>                                          |                                 |                                 |
| Accrued expenses and other liabilities                      | 189,894                         | 169,964                         |
| Directors' fees payable (Note 5)                            | 59,867                          | 81,318                          |
| Administration fee payable (Note 4)                         | 45,511                          | 38,355                          |
| <b>Total liabilities</b>                                    | <b>295,272</b>                  | <b>289,637</b>                  |
| <b>Net assets</b>                                           | <b>590,970,564</b>              | <b>437,800,071</b>              |
| <b>Number of Ordinary Shares in issue (Note 6)</b>          |                                 |                                 |
| US Dollar Shares                                            | 43,136,919                      | 43,322,671                      |
| Euro Shares                                                 | 3,239,025                       | 3,395,448                       |
| Sterling Shares                                             | 2,124,148                       | 1,860,398                       |
| <b>Net asset value per Ordinary Share (Notes 8 and 10)</b>  |                                 |                                 |
| US Dollar Shares                                            | \$11.71                         | \$8.59                          |
| Euro Shares                                                 | €11.29                          | €8.38                           |
| Sterling Shares                                             | £11.19                          | £8.23                           |
| <b>Number of Ordinary B Shares in issue (Note 6)</b>        |                                 |                                 |
| US Dollar Shares                                            | 28,757,954                      | 28,881,791                      |
| Euro Shares                                                 | 2,159,348                       | 2,263,631                       |
| Sterling Shares                                             | 1,416,103                       | 1,240,268                       |

Approved by the Board of Directors on 27 April 2011 and signed on its behalf by:

**Marc A Autheman**  
Chairman

**Christopher F L Legge**  
Director

*See accompanying notes and attached audited financial statements of  
Third Point Offshore Funds Ltd, and Third Point Offshore Master Fund L.P.*

# Statements of Operations

|                                                                                                                  | For the year ended<br>31 December 2010 | For the year ended<br>31 December 2009 |
|------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| (Stated in United States Dollars)                                                                                | \$                                     | \$                                     |
| <b>Realised and unrealised gain/(loss) from investment transactions allocated from Master Fund</b>               |                                        |                                        |
| Net realised gain/(loss) from securities, commodities, derivative contracts and foreign currency translations    | 52,714,202                             | (54,643,516)                           |
| Net change in unrealised gain on securities, commodities, derivative contracts and foreign currency translations | 105,408,590                            | 198,837,718                            |
| Net gain from currencies                                                                                         | 2,884,835                              | 974,303                                |
| <b>Total net realised and unrealised gain from investment transactions allocated from Master Fund</b>            | <b>161,007,627</b>                     | <b>145,168,505</b>                     |
| <b>Net investment loss allocated from Master Fund</b>                                                            |                                        |                                        |
| Interest income                                                                                                  | 25,987,906                             | 19,767,891                             |
| Dividends, net of withholding taxes of \$1,099,734 (2009: \$1,290,221)                                           | 2,626,115                              | 4,865,221                              |
| Other income                                                                                                     | 77,033                                 | 617,053                                |
| Stock borrow fees                                                                                                | (2,399,841)                            | (14,548,352)                           |
| Incentive allocation                                                                                             | (17,587,386)                           | (14,147,571)                           |
| Management fee                                                                                                   | (9,643,873)                            | (6,976,640)                            |
| Dividends on securities sold, not yet purchased                                                                  | (830,440)                              | (1,202,433)                            |
| Interest expense                                                                                                 | (768,330)                              | (360,137)                              |
| Other expenses                                                                                                   | (4,405,200)                            | (2,964,171)                            |
| <b>Total net investment loss allocated from Master Fund</b>                                                      | <b>(6,944,016)</b>                     | <b>(14,949,139)</b>                    |
| <b>Company income</b>                                                                                            |                                        |                                        |
| Fixed deposit income                                                                                             | 99                                     | –                                      |
| <b>Total Company income</b>                                                                                      | <b>99</b>                              | <b>–</b>                               |
| <b>Company expenses</b>                                                                                          |                                        |                                        |
| Administration fee (Note 4)                                                                                      | (133,419)                              | (139,468)                              |
| Directors' fees (Note 5)                                                                                         | (224,444)                              | (297,941)                              |
| Audit fees                                                                                                       | (35,313)                               | (91,224)                               |
| Other expenses                                                                                                   | (403,228)                              | (615,517)                              |
| Expenses paid on behalf of Third Point Offshore Independent Voting Company Limited (Note 4)                      | (96,813)                               | (131,800)                              |
| <b>Total Company expenses</b>                                                                                    | <b>(893,217)</b>                       | <b>(1,275,950)</b>                     |
| <b>Net loss</b>                                                                                                  | <b>(7,837,134)</b>                     | <b>(16,225,089)</b>                    |
| <b>Net increase in net assets resulting from operations</b>                                                      | <b>153,170,493</b>                     | <b>128,943,416</b>                     |

See accompanying notes and attached audited financial statements of Third Point Offshore Fund Ltd, and Third Point Offshore Master Fund L.P.

# Statements of Changes in Net Assets

|                                                                                                                                             | For the year ended<br>31 December 2010 | For the year ended<br>31 December 2009 |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| (Stated in United States Dollars)                                                                                                           | \$                                     | \$                                     |
| <b>Increase in net assets resulting from operations</b>                                                                                     |                                        |                                        |
| Net realised gain/(loss) from securities, commodities, derivative contracts and foreign currency translations allocated from Master Fund    | 52,714,202                             | (54,643,516)                           |
| Net change in unrealised gain on securities, commodities, derivative contracts and foreign currency translations allocated from Master Fund | 105,408,590                            | 198,837,718                            |
| Net gain from currencies allocated from Master Fund                                                                                         | 2,884,835                              | 974,303                                |
| Total net investment loss allocated from Master Fund                                                                                        | (6,944,016)                            | (14,949,139)                           |
| Total Company income                                                                                                                        | 99                                     | –                                      |
| Total Company expenses                                                                                                                      | (893,217)                              | (1,275,950)                            |
| <b>Net increase in net assets resulting from operations</b>                                                                                 | <b>153,170,493</b>                     | <b>128,943,416</b>                     |
| <b>Net assets at the beginning of the year</b>                                                                                              | <b>437,800,071</b>                     | <b>308,856,655</b>                     |
| <b>Net assets at the end of the year</b>                                                                                                    | <b>590,970,564</b>                     | <b>437,800,071</b>                     |

*See accompanying notes and attached audited financial statements of Third Point Offshore Fund Ltd, and Third Point Offshore Master Fund L.P.*

# Statements of Cash Flows

|                                                                                                                         | For the year ended<br>31 December 2010 | For the year ended<br>31 December 2009 |
|-------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| (Stated in United States Dollars)                                                                                       | \$                                     | \$                                     |
| <b>Cash flows from operating activities</b>                                                                             |                                        |                                        |
| Net increase in net assets resulting from operations                                                                    | 153,170,493                            | 128,943,416                            |
| Adjustments to reconcile net increase in net assets to<br>net cash provided by/(used in) operating activities:          |                                        |                                        |
| Investment in Master Fund                                                                                               | 863,098                                | 1,047,502                              |
| Net realised (gain)/loss from securities, commodities, derivative contracts<br>and foreign currency translations        | (52,714,202)                           | 54,643,516                             |
| Net change in net unrealised gain on securities, commodities,<br>derivative contracts and foreign currency translations | (105,408,590)                          | (198,837,718)                          |
| Net gain from currencies allocated from Master Fund                                                                     | (2,884,835)                            | (974,303)                              |
| Net investment loss allocated from Master Fund                                                                          | 6,944,016                              | 14,949,139                             |
| (Increase)/Decrease in other assets                                                                                     | (90,114)                               | 202,179                                |
| Increase in accrued expenses and other liabilities                                                                      | 19,930                                 | 132,109                                |
| (Decrease)/Increase in directors' fees payable                                                                          | (21,451)                               | 4,604                                  |
| Increase in administration fee payable                                                                                  | 7,156                                  | 4,966                                  |
| <b>Net cash provided (used in)/by operating activities</b>                                                              | <b>(114,499)</b>                       | <b>115,410</b>                         |
| <br>Net (decrease)/increase in cash                                                                                     | <br>(114,499)                          | <br>115,410                            |
| Cash at the beginning of the year                                                                                       | 217,552                                | 102,142                                |
| Cash at the end of the year                                                                                             | 103,053                                | 217,552                                |

*See accompanying notes and attached audited financial statements of  
Third Point Offshore Fund Ltd, and Third Point Offshore Master Fund L.P.*

# Notes to the Audited Financial Statements

For the year ended 31 December 2010

## 1. The Company

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

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 the Investment Manager, through investment of all of its capital (net of short-term working capital requirements) in Class E shares of Third Point Offshore Fund, Ltd, (the “Master Fund”), an exempted company formed under the laws of the Cayman Islands on 21 October 1996. 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 is a limited partner of Third Point Offshore Master Fund L.P. (the “Master Partnership”), an exempted limited partnership organized under the laws of the Cayman Islands, of which Third Point Advisors II L.L.C., an affiliate of the Investment Manager, is the general partner. Third Point LLC is the Investment Manager to the Company, the Master Fund and the Master Partnership. The Master Partnership and the Master Fund share the same investment objective, strategies and restrictions.

The Audited Financial Statements of the Master Fund and the Audited Financial Statements of the Master Partnership, should be read alongside the Company’s Audited Report and Financial Statements.

### Investment Manager

The Investment Manager is the investment manager of the Company, the Master Fund and the Master Partnership. The Investment Manager is a Limited Liability Company formed on 28 October 1996 under the laws of the State of Delaware. The Investment Manager was appointed on 27 June 2007 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 Company’s share of the Master Fund’s net asset value (the “NAV”) and a general partner incentive allocation of 20 per cent of the Master Fund’s NAV growth (“Full Incentive Fee”) invested in the Master Partnership, subject to certain conditions and related adjustments, by the Master Fund. If a particular series invested in the Master Fund depreciates during any fiscal year and during subsequent years there is a profit attributable to such series, the series must recover an amount equal to 2.5 times the amount of depreciation in the prior years before the Investment Manager is entitled to the Full Incentive Fee. Until this occurs, the series will be subject to a reduced incentive fee equal to half of the Full Incentive Fee. The Company was allocated \$17,587,387 (2009: \$14,147,571) of incentive fees for the year ended 31 December 2010.

# Notes to the Audited Financial Statements

## continued

For the year ended 31 December 2010

### 3. Significant Accounting Policies

#### Basis of Accounting

These Financial Statements have been prepared in accordance with relevant accounting principles generally accepted in the United States of America. The functional and presentational currency of the Company is United States Dollars.

The following are the significant accounting policies adopted by the Company:

#### Cash and Cash Equivalents

Cash in the Statement of Assets and Liabilities comprises cash at bank and on hand or short-term deposits with original maturity of three months or less.

#### Valuation of Investments

The Company has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 "Fair Value Measurements and Disclosures" (previously referred to as the Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). In accordance with ASC 820, fair value is defined as the price that the Company would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security. For further information refer to the Master Partnership's audited financial statements.

The Company has adopted the requirements of ASC 820-10-35 as they relate to FSP FAS 157-4 "Determining Fair Value When the Volume and Level of Activity or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly". FSP FAS 157-4 emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique used, the objective of a fair value measurement remains the same that the fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. The adoption did not have a material impact on our financial statements.

The Company records its investment in the Master Fund at fair value. The valuation of securities held by the Master Partnership, which the Master Fund directly invests in, is discussed in the notes to the Master Partnership's Audited Financial Statements. The net asset value of the Company's investment in the Master Fund reflects its fair value. At 31 December 2010, the Company's US Dollar, Euro and Sterling shares represented 21.58%, 2.09% and 1.58% (2009: 29.14%, 3.19% and 1.93%) respectively of the Master Fund's net asset value.

#### Uncertainty in Income Tax

The Company has adopted ASC 740 "Accounting for Uncertainty in Income Taxes" (previously referred to as FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes"). ASC 740 provides guidance for how uncertain tax positions should be recognised, measured, presented and disclosed in the Financial Statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority based on technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the year of determination. Management have evaluated the implications of ASC 740 and have determined that it has not had a material impact on these Financial Statements.

#### Subsequent Events

The Company has adopted ASC 855-10 "Subsequent Events" (previously referred to as the Statement of Financial Accounting Standards No. 165 "Subsequent Events"). ASC 855-10 defines subsequent events as "events or transactions that occur after the balance sheet date but before financial statements are issued

or are available to be issued.” Subsequent events are either recognised or nonrecognised. There are no subsequent events on the date of issue that will impact on the Financial Statements.

#### **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 interest income, to the extent it is expected to be collected, and other expenses.

#### **Use of Estimates**

The preparation of financial statements in conformity with relevant accounting principles generally accepted in the United States of America may require 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. Other than what is underlying in the Master Fund and the Master Partnership, the Company does not use any estimates in the respect of amounts material to the financial statements.

#### **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 investments and income and expense items denominated in foreign currencies are translated into United States Dollars at the date of such transaction. All foreign currency translation gains and losses are included in the Statement of Operations.

#### **Recent Accounting Pronouncements**

In January 2010, the FASB issued FASB issued Accounting Standards Update (“ASU”) 2010-06 “Fair Value of Disclosures”. ASU 2010-06 requires additional disclosures regarding significant transfers in and out of Levels 1 and 2 of fair value measurements, including a description of the reasons for the transfers. Further, this ASU requires additional disclosures for the activity in Level 3 fair value measurements, requiring presentation of information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We are currently evaluating the impact of ASU 2010-06, however, we do not expect the adoption of this ASU to have a material impact on our financial statements.

### **4. Material Agreements**

#### **Management and Incentive fees**

The Investment Manager was appointed by the Company to invest its 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 for management fees and the Master Partnership for incentive fees.

#### **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 for its corporate secretarial and compliance activities.

# Notes to the Audited Financial Statements

## continued

For the year ended 31 December 2010

### 4. Material Agreements (continued)

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. The amount charged by the Administrator during the year amounted to US\$133,419 (2009: US\$139,468) (outstanding US\$45,511 (2009: US\$38,355)).

### Related Party

The Company has entered into a support and custody 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 (see also Note 6).

### 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. Targoff has waived his fees. The Directors are also entitled to be reimbursed for expenses properly incurred in the performance of their duties as Director. Directors' fees during the year amounted to US\$224,444 (2009: US\$297,941) (outstanding US\$59,867 (2009: US\$81,318)).

### 6. Share Capital

The Company was incorporated with the authority to issue an unlimited number of Ordinary Shares (the "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 VoteCo. The Shares may be divided into at least three classes denominated in US Dollar, Euro and Sterling.

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 of Association 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 in the Company.

|                                                             | US Dollar<br>Shares | Euro<br>Shares   | Sterling<br>Shares |
|-------------------------------------------------------------|---------------------|------------------|--------------------|
| <b>Number of Ordinary Shares</b>                            |                     |                  |                    |
| Shares issued 1 January 2010                                | 43,322,671          | 3,395,448        | 1,860,398          |
| Shares converted                                            |                     |                  |                    |
| Total shares transferred to share class during the year     | 356,223             | 115,562          | 321,678            |
| Total shares transferred out of share class during the year | (541,975)           | (271,985)        | (57,928)           |
| <b>Shares in issue at end of year</b>                       | <b>43,136,919</b>   | <b>3,239,025</b> | <b>2,124,148</b>   |

|                                                                  | US Dollar<br>Shares<br>\$ | Euro<br>Shares<br>\$ | Sterling<br>Shares<br>\$ |
|------------------------------------------------------------------|---------------------------|----------------------|--------------------------|
| <b>Share Capital Account</b>                                     |                           |                      |                          |
| Share capital account at 1 January 2010                          | 372,315,501               | 40,762,041           | 24,722,529               |
| Shares converted                                                 |                           |                      |                          |
| Total share value transferred to share class during the year     | 3,596,458                 | 1,450,713            | 5,042,217                |
| Total share value transferred out of share class during the year | (5,701,414)               | (3,533,540)          | (854,436)                |
| Accumulated surplus                                              | 134,847,107               | 10,190,829           | 8,132,559                |
| <b>Share capital account at end of year</b>                      | <b>505,057,652</b>        | <b>48,870,043</b>    | <b>37,042,869</b>        |
|                                                                  | US Dollar<br>Shares       | Euro<br>Shares       | Sterling<br>Shares       |
| <b>Number of Ordinary B Shares</b>                               |                           |                      |                          |
| Shares in issue as at 1 January 2010                             | 28,881,791                | 2,263,631            | 1,240,268                |
| Shares converted                                                 |                           |                      |                          |
| Total shares transferred to share class during the year          | 237,482                   | 77,041               | 214,453                  |
| Total shares transferred out of share class during the year      | (361,319)                 | (181,324)            | (38,618)                 |
| <b>Shares in issue at end of year</b>                            | <b>28,757,954</b>         | <b>2,159,348</b>     | <b>1,416,103</b>         |

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 NAV 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 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.

# Notes to the Audited Financial Statements

## continued

For the year ended 31 December 2010

### 6. Share Capital (continued)

#### Repurchase of Shares and Discount Control

The Directors of the Company were granted authority to purchase in the market up to 14.99 per cent. of each class of Shares in issue at the Annual General Meeting on 27 May 2010, 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 purchase programme if the Shares should trade at or below 95 per cent. of NAV. The Master Fund on behalf of the Company completed an on-market share purchase of up to 5% of the Shares in issue in April 2009. The Shares are being held by the Master Fund. The Master Fund's gains or losses and implied financing costs related to the shares purchased through the share purchase programme are entirely allocated to the Company's investment in the Master Fund. Due to subsequent share exchanges amongst the currency share classes and the Master Fund's share exchange of all Euro shares to US Dollar, the Master Partnership has an ownership of 5.78% (2009: 5.77%) of the Shares outstanding at 31 December 2010.

At 31 December 2010 and 31 December 2009, the Master Fund had held the following Shares in the Company in the after-market:

|                  | Currency | Number of<br>Shares | Cost       | Average Cost<br>per Share |
|------------------|----------|---------------------|------------|---------------------------|
| US Dollar Shares | USD      | 2,805,000           | 28,348,717 | \$10.11                   |

#### 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.

#### 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 Share 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 NAV (Note 8) of the share classes to be converted.

### 7. Taxation

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

## 8. Calculation of Net Asset Value

The 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 NAV of the relevant class account by the number of Ordinary Shares of the relevant class in issue on that day.

## 9. Related Party Transactions

At 31 December 2010 other investment funds owned by or affiliated with the Investment Manager owned 1,045,742 (2009: 1,045,742) US Dollar Shares in the Company.

In addition to the Shares purchased by both the Master Fund through the share purchase programme, as disclosed in Note 6, as well as by other funds affiliated with the Investment Manager, the Master Fund also owns an additional 4,584,432 (2009: 4,570,735) US Dollar Shares as at 31 December 2010. These Shares are held by the Master Fund in connection with the deferred incentive fee agreement with the Investment Manager through which the Investment Manager elected to make a deemed Investment in the Company, as disclosed in Note 4 to the Master Fund's Audited Financial Statements.

## 10. 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 end and other performance information derived from the audited Financial Statements.

|                                                                                                       | US Dollar<br>Shares<br>31 December 2010<br>\$ | Euro<br>Shares<br>31 December 2010<br>€ | Sterling<br>Shares<br>31 December 2010<br>£ |
|-------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------|---------------------------------------------|
| <b>Per Share Operating Performance</b>                                                                |                                               |                                         |                                             |
| <b>Net Asset Value beginning of the year</b>                                                          | <b>8.59</b>                                   | <b>8.38</b>                             | <b>8.23</b>                                 |
| <b>Income from Operations</b>                                                                         |                                               |                                         |                                             |
| Net realised and unrealised loss from investment translations allocated from Master Fund <sup>2</sup> | 3.29                                          | 3.07                                    | 3.12                                        |
| Net gain                                                                                              | (0.17)                                        | (0.16)                                  | (0.16)                                      |
| <b>Total return from operations</b>                                                                   | <b>3.12</b>                                   | <b>2.91</b>                             | <b>2.96</b>                                 |
| <b>Net Asset Value, end of the year</b>                                                               | <b>11.71</b>                                  | <b>11.29</b>                            | <b>11.19</b>                                |
| Total return before incentive fee allocated from Master Fund                                          | 40.63%                                        | 38.56%                                  | 39.96%                                      |
| Incentive allocation from Master Fund                                                                 | (4.31%)                                       | (3.83%)                                 | (3.99%)                                     |
| <b>Total return after incentive fee allocated from Master Fund</b>                                    | <b>36.32%</b>                                 | <b>34.73%</b>                           | <b>35.97%</b>                               |

Total return from operations reflects the net return for an investment made at the beginning of the year and is calculated as the change in the NAV per Ordinary Share during the year ended 31 December 2010 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.

# Notes to the Audited Financial Statements

continued

For the year ended 31 December 2010

## 10. Financial Highlights (continued)

|                                                                                                       | US Dollar<br>Shares<br>31 December 2009<br>\$ | Euro<br>Shares<br>31 December 2009<br>€ | Sterling<br>Shares<br>31 December 2009<br>£ |
|-------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------|---------------------------------------------|
| <b>Per Share Operating Performance</b>                                                                |                                               |                                         |                                             |
| Net Asset Value beginning of the year                                                                 | 6.12                                          | 5.95                                    | 5.85                                        |
| Net realised and unrealised loss from investment transactions allocated from Master Fund <sup>2</sup> | 2.77                                          | 2.73                                    | 2.69                                        |
| Net gain                                                                                              | (0.30)                                        | (0.30)                                  | (0.31)                                      |
| Total return from operations                                                                          | 2.47                                          | 2.43                                    | 2.38                                        |
| Net Asset Value, end of the year                                                                      | 8.59                                          | 8.38                                    | 8.23                                        |
| Total return before incentive fee allocation from Master Fund                                         | 44.94%                                        | 45.54%                                  | 45.50%                                      |
| Incentive fee allocation from Master Fund                                                             | (4.58%)                                       | (4.70%)                                 | (4.82%)                                     |
| Total return after incentive fee allocation from Master Fund                                          | 40.36%                                        | 40.84%                                  | 40.68%                                      |

Total return from operations reflects the net return for an investment made at the beginning of the year and is calculated as the change in the NAV per Ordinary Share during the year ended 31 December 2009 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<br>Shares<br>31 December 2010<br>\$ | Euro<br>Shares<br>31 December 2010<br>€ | Sterling<br>Shares<br>31 December 2010<br>£ |
|----------------------------------------------------|-----------------------------------------------|-----------------------------------------|---------------------------------------------|
| <b>Supplemental data</b>                           |                                               |                                         |                                             |
| Net Asset Value, end of the year                   | 505,057,654                                   | 36,571,161                              | 23,760,659                                  |
| Average Net Asset Value, for the year <sup>3</sup> | 435,183,762                                   | 32,726,249                              | 18,372,820                                  |
| <b>Ratio to average net assets</b>                 |                                               |                                         |                                             |
| Operating expenses <sup>1</sup>                    | (3.73%)                                       | (3.74%)                                 | (3.74%)                                     |
| Incentive fee allocated from Master Fund           | (3.46%)                                       | (3.47%)                                 | (3.57%)                                     |
| Total operating expense <sup>1</sup>               | (7.19%)                                       | (7.21%)                                 | (7.31%)                                     |
| Net loss <sup>1</sup>                              | (1.54%)                                       | (1.56%)                                 | (1.67%)                                     |

|                                                    | US Dollar<br>Shares<br>31 December 2009<br>\$ | Euro<br>Shares<br>31 December 2009<br>€ | Sterling<br>Shares<br>31 December 2009<br>£ |
|----------------------------------------------------|-----------------------------------------------|-----------------------------------------|---------------------------------------------|
| <b>Supplemental data</b>                           |                                               |                                         |                                             |
| Net Asset Value, end of the year                   | 372,315,501                                   | 28,445,248                              | 15,308,067                                  |
| Average Net Asset Value, for the year <sup>3</sup> | 287,689,979                                   | 28,778,064                              | 15,520,267                                  |
| <b>Ratio to average net assets</b>                 |                                               |                                         |                                             |
| Operating expenses <sup>1</sup>                    | (7.72%)                                       | (7.85%)                                 | (8.27%)                                     |
| Incentive fee allocated from Master Fund           | (4.12%)                                       | (3.47%)                                 | (3.82%)                                     |
| Total operating expense <sup>1</sup>               | (11.84%)                                      | (11.32%)                                | (12.09%)                                    |
| Net loss <sup>1</sup>                              | (4.62%)                                       | (4.25%)                                 | (5.07%)                                     |

<sup>1</sup> Operating expenses are Company expenses together with operating expenses allocated from the Master Fund.

<sup>2</sup> Includes foreign currency retranslation of profit/(loss) with respect to Euro and Sterling share classes.

<sup>3</sup> Average Net Asset Value for the year is calculated based on published weekly estimates of NAV.

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# Management and Administration

## Directors

### **Marc A Autheman (Chairman)\***

Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

### **Keith Dorrian\***

Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

### **Christopher N Fish\***

Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

## Investment Manager

Third Point LLC  
18th Floor, 390 Park Avenue,  
New York, NY 10022.  
United States of America.

## Auditors

Ernst & Young LLP  
PO Box 9, Royal Chambers  
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St Peter Port, Guernsey,  
Channel Islands, GY1 4AF.

## Legal Advisors (UK Law)

Herbert Smith LLP  
Exchange House, Primrose Street,  
London, EC2A 2HS.  
United Kingdom.

## Legal Advisors (US Law)

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825 Eighth Avenue, Worldwide Plaza,  
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United States of America.

## Registrar and CREST Service Provider

Capita Registrars (Guernsey) Limited  
2nd Floor, No.1 Le Truchot,  
St Peter Port, Guernsey,  
Channel Islands, GY1 1WO.

### **Christopher F L Legge\***

Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

### **Joshua L Targoff**

Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

*\*These Directors are independent.  
(All Directors are non-executive.)*

## Registered Office

Trafalgar Court, Les Banques,  
St Peter Port, Guernsey,  
Channel Islands, GY1 3QL.

## 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  
PO Box 186, Le Marchant Street,  
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Channel Islands, GY1 4HP.

## Receiving Agent

Capita Registrars  
The Registry,  
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United Kingdom.

## Corporate Broker

RBS Hoare Govett Limited  
250 Bishopsgate  
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