THIRD POINT

THIRD POINT OFFSHORE INVESTORS LIMITED

ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2017

Contents

Chairman's Statement

I am pleased to present the Eleventh 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 globally and across the capital structure.

The Company's net asset value (the "NAV") appreciated approximately 19% and 18% for the U.S. Dollar and Sterling share classes, respectively, in 2017. Performance was driven primarily by gains in Third Point LLC's (the "Investment Manager") equity portfolio which accounted for the majority of the Master Fund's investment exposure during the year. The portfolio generated positive returns globally in each sector covered by the Manager's investment team including Healthcare, Financials, Industrials, Materials, Consumer, Energy, and Technology, Media, and Telecommunications. Strong security selection paired with favourable economic conditions due to synchronised global growth led to returns of +29% on average exposure for equities in the Master Fund. The Investment Manager also engaged in several new constructivist equity investments in 2017 that generated positive returns. Credit exposure remained modest for the Investment Manager in an asset class that is currently richly valued. The ability to allocate flexibly across the capital structure and among strategies to identify optimal value is an important characteristic of Third Point's investment approach.

My fellow Directors and I remain fully committed to ensuring that the Company is well positioned to deliver long-term value for shareholders. To that end, we have worked with the Investment Manager and several advisors to engage in new initiatives to improve the Company's rating whilst continuing to showcase the Manager's successful investment strategy. Following investor feedback, we are seeking a transfer to The Premium Listing segment of the Official List. We have also undertaken a review the Company's capital allocation policy and determined that the existing dividend policy is not delivering an attractive value proposition for existing or prospective investors. The Board plans to stop dividend payments and instead pursue an alternative means of future capital return, subject to Board guidance. We undertake these initiatives in the hope and expectation that the trading discount to NAV will shrink over time and will continue to monitor the situation. The Board is committed to optimising the Company's structure in a way that maximises value for, and protects the interests of, all Company shareholders.

We invite you to visit the recently launched Company website (www.thirdpointoffshore.com) for additional details on the new initiatives and enhanced communications related to the investment portfolio of the Master Fund. We believe in the importance of transparent communications and designed the new website to better serve shareholders. The site will continue to publish monthly NAVs, an improved monthly shareholder report, a narrative quarterly letter from the Investment Manager, and other relevant information about the Company.

With respect to corporate governance matters, the independent Board of Directors and Audit Committee have met regularly.

My fellow Directors and I are honoured to serve our shareholders.

Marc Antoine Autheman

25 April 2018

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 2017, "Audited Financial Statements". These Audited Financial Statements have been properly prepared, 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 and have been properly prepared in all material aspects.

The Company

The Company was incorporated in Guernsey on 19 June 2007 as an authorised closed-ended investment scheme 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 US$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 ("AIC").

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 organised 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 5 January 2018, an annual distribution was declared equivalent to 4% of the NAV of the Company in respect of the year to 31 December 2017, amounting to $0.81 per USD Share and £0.77 per GBP Share (31 December 2016: $0.71 per USD Share and £0.67 per GBP Share) and paid on 16 February 2018.

As mentioned on page 1, the Board is considering a cessation of all future dividend payments in favour of electing an alternative preferred mode of future capital returns.

Stated Capital

Share Capital Conversions took place during the year ended 31 December 2017. A summary and the number of shares in issue at the year end are disclosed in Note 6 to the Audited Financial Statements.

Key performance indicators ("KPI's")

At each Board meeting, the Board considers a number of performance measures to assess the Company's success in achieving its objectives. Below are the main KPI's which have been identified by the Board for determining the progress of the Company:

- Net asset value;
- Share price; and
- Ongoing charges.

Directors

The Directors of the Company during the year and to the date of this report are as listed on page 4 of these Audited Financial Statements.

Directors' Interests

Mr. Targoff holds the position of Chief Operating Officer, Partner 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.

Christopher Legge and Keith Dorrian held 4,500 and 2,500 U.S. Dollar shares respectively as at 31 December 2017 (31 December 2016: Christopher Legge and Keith Dorrian held 4,500 and 2,500 U.S. Dollar shares respectively). No other Directors held shares in the Company during the year.

Corporate Governance Policy

The Board has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance ("AIC Code") by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance.

The Board has determined that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders. The Company has complied with all the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

Directors' Report continued

Corporate Governance Policy – continued
The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company, being an externally advised investment company with no executive directors or employees. The Company has therefore not reported further in respect of these provisions.

The AIC Code provides a "comply or explain" code of corporate governance designed especially for the needs of investment companies. The AIC published the code of corporate governance and the Company has reviewed its compliance with these standards. The UK Financial Reporting Council ("FRC") has confirmed that so far as investment companies are concerned it considers that companies which comply with the AIC Code will be treated as meeting their obligations under the UK Corporate Governance Code ("The UK Code") and Section 9.8.6 of the Listing Rules. The AIC Code is publicly available at: https://www.theaic.co.uk/sites/default/files/hidden-files/AICCodeofCorporateGovernanceJUL16_0.pdf.

The Company does not have employees, hence no whistle-blowing policy is necessary. However, the Directors have satisfied themselves that the Company's service providers have appropriate whistle-blowing policies and procedures and confirmation has been sought from the service providers that nothing has arisen under those policies and procedures which should be brought to the attention of the Board. The UK Code is publicly available at: https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-April-2016.pdf.

The Code of Corporate Governance (the "Guernsey Code") provides a framework that applies to all entities licensed by the Guernsey Financial Services Commission ("GFSC") or which are registered or authorised as a collective investment scheme. Companies reporting against the UK Code or the AIC Code are deemed to comply with the Guernsey Code. It is the Company's policy to comply with the AIC Code.

The Board confirms that, throughout the period covered in the financial statements, the Company complied with the Guernsey Code issued by the GFSC, to the extent it was applicable based upon its legal and operating structure and its nature, scale and complexity.

Board Structure
The Board currently consists of five non-executive Directors. As the Chairman of the Board is an independent non-executive, the Board considers it unnecessary to appoint a senior independent Director.

Name	Position	Independent	Date Appointed
Marc Antoine Autheman	Non-Executive Chairman	Yes	21 June 2007
Keith Dorrian	Non-Executive Director	Yes	19 June 2007
Christopher Legge	Non-Executive Director	Yes	19 June 2007
Joshua L Targoff	Non-Executive Director	No	29 May 2009
Claire Whittet	Non-Executive Director	Yes	27 April 2017

As required by the AIC Code, every Director that has completed over nine years service on the Board must be subject to annual re-election by the Shareholders. Marc Antoine Autheman, Keith Dorrian and Christopher Legge who have served for over nine years on the Board will be required to offer themselves

Board Structure – continued

for election at the next Annual General Meeting ("AGM"). Directors may retire by rotation at every Annual General Meeting ("AGM") with the exception of Mr. J Targoff, who as the Chief Operating Officer, General Counsel and Partner of the Investment Manager, is not considered independent and will therefore be subject to annual re-election by Shareholders. All other Directors are considered by the Board to be independent of the Company's Investment Manager. Christopher Fish retired from the Board at the 2017 AGM, he was succeeded by Claire Whittet on 27 April 2017. Any Directors appointed to the Board since the previous AGM also retire and stand for re-election. The Independent Directors take the lead in any discussions relating to the appointment or re-appointment of Directors.

The Board meets at least four times a year and in addition there is regular contact between the Board, the Investment Manager and Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator" and "Company Secretary"). The Board requires to be supplied in a timely manner with information by the Investment Manager, the Administrator, the Company Secretary and other advisors in a form and of a quality appropriate to enable it to discharge its duties. The Board, excluding Mr. Targoff, regularly reviews the performance of the Investment Manager and the Master Fund to ensure that performance is satisfactory and in accordance with the terms and conditions of the relative appointments and Prospectus. It carries this review out through consideration of a number of objective and subjective criteria and through a review of the terms and conditions of the advisors' appointment with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Company's Shareholders.

New Directors will receive an induction from the Investment Manager on joining the Board, and all Directors undertake relevant training as necessary.

The Company has no executive directors or employees. All matters, including strategy, investment and dividend policies, gearing and corporate governance procedures are reserved for approval by the Board of Directors. The Board receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

Board Tenure and Succession Planning

The Board notes the AIC Code and UK Code suggest it would be good practice for all Directors to be offered for re-election at regular intervals subject to continued satisfactory performance. In accordance with the Company's articles of incorporation, the Independent Directors and Mr. Targoff (treated for the purposes of the AIC Code as a Non-Independent Director) may retire at each AGM (Principle 3 - AIC Code). The Company considers that putting forward all Independent Directors for re-election more frequently would not be in the best interests of Shareholders. As required by the AIC Code, every Director that has completed over nine years service on the Board must be subject to annual re-election by the Shareholders.

The Board believes that benefits to Shareholders arise from the Directors' long-term knowledge and experience of the Company and its management including their ongoing ability to independently review the performance of the Investment Manager. The Board have implemented a policy whereby a predesignated Director puts himself/herself up for re-election to the Board at each AGM. This policy is intended to address the balance of views and experience on the Board.

The Board takes the view that independence is not necessarily compromised by the length of tenure on the Board and experience can add significantly to the Board's strength.

Directors' Report continued

Board Tenure and Succession Planning – continued

The Directors undertake an annual evaluation of the Board's performance and continuing independence and during this evaluation (which includes a review of the diversity of experience within the Board to ensure that it remains appropriate) all Directors are asked to confirm their future intentions. The Board has robust procedures for the identification of prospective Non-Executive Director candidates, and as part of the selection process, due regard is paid to the recommendations for Board diversity, however, ability and experience will be the prime considerations.

Directors' Biographies

Marc Antoine Autheman

Marc Antoine Autheman, is a resident of France. He has over 39 years of experience in the public and private finance sectors. Mr. Autheman is currently Chairman of Euroclear S.A. and Chairman of Cube Infrastructure Fund. He worked in the French Treasury for ten years from 1978 to 1988, prior to joining the Minister of Finance's private office, Minister Beregovoy, as advisor for monetary and financial affairs between 1988 and 1993. From 1993 to 1997, he worked as Executive Director for France for the International Monetary Fund and the World Bank and chaired the audit committee of the World Bank during this time. From 1997 to 2004, he worked in a number of roles at Credit Agricole S.A. ("CASA"), mainly as CEO of Credit Agricole Indosuez. He holds Master's degrees in Law and Economics from the University of Paris.

Keith Dorrian

Keith Dorrian, is a Guernsey resident and has over 44 years' experience in the offshore finance industry. Joining Manufacturers Hanover in 1973 he moved to First National Bank of Chicago in 1984 where he was appointed Vice President and Company Secretary. In 1989 he joined ANZ Bank (Guernsey) where, as a Director of the Bank and Fund Management company, he was closely involved in the banking and fund management services of the Group. He took up the position of Manager Corporate Clients in Bank of Bermuda Guernsey in 2000 and was appointed local Head of Global Fund Services and Managing Director of the Guernsey Bank's Fund Administration company Management International (Guernsey) Limited in Guernsey in 2001, retiring on 31 December 2003. He is currently a member of the Guernsey Investment Fund Association, the Institute of Financial Services, the Institute of Directors and is a Director of a number of funds and fund management companies and holds the Institute of Directors Diploma in Company Direction. Mr. Dorrian was elected a Fellow of the Institute of Directors.

Christopher Fish (retired 21 June 2017)

Christopher Fish, is Guernsey resident and is a director of a UK listed fund as well as three Guernsey based financial companies. During the past 43 years he has held executive positions as a director of the Royal Bank of Canada (Channel Islands) Limited and as the Americas Offshore Head of Coutts where he was responsible for the Bahamas, Bermuda, Cayman and Uruguay offices. In 1997 he was appointed the Senior Client Partner for Coutts Offshore before taking up the position of Managing Director of Close International Private Banking in 1999 from where he retired in 2005.

Christopher Legge

Christopher Legge, is a Guernsey resident and worked for Ernst & Young in Guernsey from 1983 to 2003. Having joined the firm as an audit manager in 1983, he was appointed a partner in 1986 and managing partner in 1998. From 1990 to 1998, he was head of Audit and Accountancy and was responsible for the audits of a number of insurance, banking, investment fund and financial services clients. He also had responsibility for the firm's training, quality control and compliance functions. He was appointed managing partner of Ernst & Young for the Channel Islands region in 2000. Since his retirement from Ernst & Young in 2003, Mr. Legge has held a number of non-executive directorships in the financial sector. He is an FCA and holds a BA (Hons) in Economics from the University of Manchester.

Directors' Biographies – continued

Joshua L. Targoff

Joshua L. Targoff has been the Chief Operating Officer of the Investment Manager since May 2009. He joined as General Counsel in May 2008. Previously, Mr. Targoff was the General Counsel of the Investment Banking Division of Jefferies & Co. Mr. Targoff spent seven years doing M & A transactional work at Debevoise & Plimpton LLP. Mr. Targoff graduated with a J.D. from Yale Law School, and holds a B.A. from Brown University. In 2012, Mr. Targoff was made a Partner of the Investment Manager.

Claire Whittet (appointed 27 April 2017)

Claire Whittet is a Guernsey resident and has 40 years' experience in the banking industry. After gaining an MA in Geography from Edinburgh University, she joined the Bank of Scotland where she remained until moving to Guernsey in 1996. In the intervening period she was involved in a wide variety of credit transactions including commercial and corporate finance. She joined Bank of Bermuda in Guernsey becoming Global Head of Private Client Credit and moved to Rothschild Bank International as Director of Lending in 2003. She was latterly Co-Head and Managing Director and since May 2016 has been a Non-Executive Director of the bank. She is a Non-Executive Director of 5 other listed funds, is a Member of the Chartered Institute of Bankers in Scotland, the Insurance Institute and holds the Institute of Directors Diploma in Company Direction.

Meeting Attendance Records

The table below lists Directors' attendance at meetings during the year, to the date of this report.

	Scheduled Board Meetings Attended (max 5)	Audit Committee Meetings Attended (max 3)
Marc Antoine Autheman	5 of 5	3 of 3
Christopher Legge	5 of 5	3 of 3
Keith Dorrian	5 of 5	3 of 3
Christopher Fish [1]	2 of 3	1 of 1
Joshua L Targoff [2,3]	5 of 5	N/A
Claire Whittet [4]	3 of 3	2 of 2

[1] *Mr. Fish resigned from the Board of Directors on 21 June 2017.*

[2] *Mr. Targoff is not a member of the Audit Committee.*

[3] *Mr. Targoff does not attend Meetings as a Director where recommendations from the Investment Manager are under consideration.*

[4] *Ms. Whittet was appointed to the Board of Directors on 27 April 2017.*

Committees of the Board

The AIC Code requires the Company to appoint nomination, remuneration and management engagement committees. The Board has not deemed this necessary as, being comprised wholly of non-executive Directors, the whole Board considers these matters.

Following the "Women on Boards" review conducted by Lord Davies' of Abersoch in February 2011, the Board has examined Lord Davies' recommendations and noted that it was consistently reviewing its policy and future appointments to the Board would continue to be based on the individual's skills and experience regardless of gender. The Board now has a female director and therefore 20% diversity.

The Investment Manager has wide experience in managing and administering fund vehicles and has access to extensive investment management resources. The Board considers that the continued appointment of the Investment Manager on the terms agreed would be in the interests of the Company's Shareholders as a whole.

Directors' Report continued

Audit Committee
The Company's Audit Committee conducts formal meetings at least three times a year for the purpose, amongst others, of considering the appointment, independence, effectiveness of the audit and remuneration of the auditors and to review and recommend the annual statutory accounts and interim report to the Board of Directors. Full details of its functions and activities are set out in the Report of the Audit Committee on pages 19 to 23 of this Annual Report.

Directors' Duties and Responsibilities
The Directors have adopted a set of Reserved Powers, which establish the key purpose of the Board and detail its major duties. These duties cover the following areas of responsibility:

- Statutory obligations and public disclosure;
- Strategic matters and financial reporting;
- Board composition and accountability to Shareholders;
- Risk assessment and management, including reporting, compliance, monitoring, governance and control; and
- Other matters having material effects on the Company.

These Reserved Powers of the Board have been adopted by the Directors to clearly demonstrate the seriousness with which the Board takes its fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of its actions.

The Directors are responsible for the overall management and direction of the affairs of the Company. The Company has no Executive Directors or employees. The Company invests all of its assets in shares of the Master Fund and Third Point LLC acts as Investment Manager to the Master Fund and is responsible for the discretionary investment management of the Master Fund's investment portfolio under the terms of the Master Fund Prospectus.

Northern Trust International Fund Administration Services (Guernsey) Limited ("NT") acts as Administrator and Company Secretary and is responsible to the Board under the terms of the Administration Agreement. The Administrator is also responsible to the Board for ensuring compliance with the Rules and Regulations of The Companies (Guernsey) Law, London Stock Exchange listing requirements and observation of the Reserved Powers of the Board and in this respect the Board receives detailed quarterly reports.

The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that it complies with applicable rules and regulations of the Companies (Guernsey) Law, the GFSC and the London Stock Exchange. 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 in respect of legal action against its Directors on an ongoing basis and the Company has maintained appropriate Directors' Liability Insurance cover throughout the year.

The Board is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal Control and Financial Reporting
The Directors acknowledge that they are responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Internal control systems are designed to

Internal Control and Financial Reporting – continued
manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or loss.

The Directors review all controls including operations, compliance and risk management. The key procedures which have been established to provide internal control are:

- Investment advisory services are provided by the Investment Manager. The Board is responsible for setting the overall investment policy, ensuring compliance with the Company's Investment Strategy and monitors the action of the Investment Manager and Master Fund at regular Board meetings. The Board has also delegated administration and company secretarial services to NT; however it retains accountability for all functions it has delegated.

- The Board considers the process for identifying, evaluating and managing any significant risks faced by the Company on an on-going basis. It ensures that effective controls are in place to mitigate these risks and that a satisfactory compliance regime exists to ensure all local and international laws and regulations are upheld. Particular attention has been given to the effectiveness of controls to monitor liquidity risk, asset values, counterparty exposure and credit availability.

- The Board clearly define the duties and responsibilities of their agents and advisors and appointments are made by the Board after due and careful consideration. The Board monitors the ongoing performance of such agents and advisors.

- The Investment Manager and NT maintain their own systems of internal control, on which they report to the Board. The Company, in common with other investment companies, does not have an internal audit function. The Audit Committee has considered the need for an internal audit function, but because of the internal control systems in place at the Investment Manager and NT, has decided it appropriate to place reliance on their systems and internal control procedures.

- The systems are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows therefore that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

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.

Management of Principal Risks and Uncertainties
As noted in the Statement of Directors' Responsibilities in respect of the Audited Financial Statements, the Directors are required to provide a description of the principal risks and uncertainties facing the Company. The Directors have considered the risks and uncertainties facing the Company and have prepared and review regularly a risk matrix which documents the significant risks faced by the Company.

This process has been in place for the period under review and up to the date of approval of the Audited Financial Statements and is reviewed by the Board and is in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Directors' Report continued

Management of Principal Risks and Uncertainties – continued
This document considers the following information:

- Identifying and reporting changes in the risk environment;
- Identifying and reporting changes in the operational controls;
- Identifying and reporting on the effectiveness of controls and remediation of errors arising; and
- Reviewing the risks faced by the Company and the controls in place to address those risks.

The Directors have acknowledged they are responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness by focusing on four key areas:

- Consideration of the investment advisory services provided by the Investment Manager;
- Consideration of the process for identifying, evaluating and managing any significant risks faced by the Company on an ongoing basis;
- Clarity around the duties and responsibilities of the agents and advisors engaged by the Directors; and
- Reliance on the Investment Manager and Administrator maintaining their own systems of internal controls.

Further discussion on Internal Control is documented in the Directors' Report under "Internal Control and Financial Reporting".

The main risks and uncertainties that the Directors consider to apply to the Company are as follows:

- Underlying investment performance of the Master Fund. To mitigate this risk the Directors receive regular updates from the Investment Manager on the performance of the Master Fund. The Board reviews quarterly performance updates on the Master Fund and has access to the Investment Manager on any potential question raised.
- Concentration of Investor Base. The Directors receive quarterly investor reports from Jefferies International Limited (the "Corporate Broker") and there is regular communication between the Directors and Corporate Broker to identify potential significant changes in the Shareholder base.
- Discount/Premium to the NAV. The Investment Manager, Corporate Broker and, when considered necessary, the Board of Directors, maintain regular contact with the significant Shareholders in the Company. As part of the ongoing process to seek to narrow the discount to NAV per Share at which the Shares are traded, the Directors introduced an annual dividend policy and a share repurchase programme which is outlined in Note 6 on pages 38 to 40. Under the dividend policy it was anticipated that the Company would pay a cash dividend of 4-5% of NAV to the extent that the positive NAV performance of the Company would support such a dividend and absent other, exigent circumstances relating to the Investment Manager and/or otherwise. An annual distribution equivalent to 4% of the NAV of the Company in respect of the year to 31 December 2017 was declared on 5 January 2018 amounting to US$40,688,702 (31 December 2016: US$35,416,482) and paid on 16 February 2018. The Board monitors the discount/premium to the NAV on a regular basis and continually maintains regular contact with the Investment Manager when necessary. As mentioned on page 1, the Board is considering a cessation of all future dividend payments and introducing an alternative means of future capital return.

Management of Principal Risks and Uncertainties – continued

- Performance of the Investment Manager. The Directors review the performance of the Investment Manager on an annual basis and Board representatives conduct annual visits to the Investment Manager.

- Failure of appointed service providers to the Company. The Directors conduct a formal review of each service provider annually in addition to receiving regular updates from each service provider and ensuring that there is ongoing communication between the Board and the various service providers to the Company.

- Financial Risk. The Board employs independent administrators to prepare the Financial Statements of the Company and meets with the independent auditors at least twice a year to discuss all financial matters including the appropriateness of the accounting policies.

- Liquidity Risk. Shares of the Master Fund may be redeemed quarterly on 60 days' prior written notice or at other times with the consent of the Master Fund's Board of Directors in order to pay Company expenses. The majority of the investments held by the Master Fund are held in cash and securities with quoted prices available in active markets/exchanges.

- Cyber Security Risk. The Company is exposed to risk arising from a successful cyber-attack through its service providers. The Company requests of its service providers that they have appropriate safeguards in place to mitigate the risk of cyber-attacks (including minimising the adverse consequences arising from any such attack), that they provide regular updates to the Board on cyber security, and conduct ongoing monitoring of industry developments in this area. The Board is satisfied that the Company's service providers have the relevant controls in place to mitigate this risk.

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council in April 2016 ("The Code"), the Directors have assessed the prospects of the Company over the three year period to 31 December 2020. The Directors consider that three years is an appropriate period based on a review of the Company's investment horizon, anticipated cash flows, management arrangements as well as the liquidity of the Company's investment in the Master Fund.

The investment objective of the Company is to invest all of its investable capital, net of short-term working capital requirements, in Class E Shares of Master Fund. The Company's performance and operations therefore depend upon the performance of the Master Fund and the Directors in assessing the viability of the Company pay particular attention to the risks facing the Master Fund. The Investment Manager's Review on page 24 sets out details of the Company's financial performance, and outlook.

In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties as well as the internal control and financial reporting processes detailed above and in particular the underlying investment performance of the Master Fund and share price discount to NAV.

The Directors acknowledge the two year notice period of the Investment Manager serving notice under the Management Agreement. To mitigate against this risk, the Directors meet regularly with the Investment Manager to review the Company's performance, and closely monitor the relationship with the Investment Manager. The Directors confirm their belief that the Company will remain viable for the period to 31 December 2020.

Directors' Report continued

Going Concern
During 2017, the Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The Directors believe that the Company is well placed to manage its business risks successfully, having taken into account the current economic outlook.

The Directors, having considered the above risks and reviewed ongoing budgeted expenses, have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due.

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 Audited Financial Statements. The Master Fund Shares are liquid and can be converted to cash to meet liabilities as they fall due. After due consideration, the Directors consider that the Company is able to continue for the foreseeable future.

Significant Events During The Year
There were no significant events during the year.

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. Shareholders who wish to communicate with the Board should, in the first instance contact the Administrator, whose contact details can be found on the Company's website. At the AGM the Company provides a forum for shareholders to meet and discuss issues with the Directors of the Company. The tenth AGM was held on 21 June 2017 with all proposed resolutions being passed by the Shareholders.

International Tax Reporting
For the purposes of the US Foreign Account Tax Compliance Act, the Company is registered with the US Internal Revenue Services ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI"), received a Global Intermediary Identification Number and can be found on the IRS FFI list.

The Common Reporting Standard ("CRS") is a global standard for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development ("OECD"), which has been adopted by Guernsey and which came into effect on 1 January 2016.

The Board has taken the necessary action to ensure that the company is compliant with Guernsey regulations and guidance in this regard.

Criminal Finances Act 2017
In respect of the UK Criminal Finances Act 2017 which has introduced a new corporate criminal offence ("CCO") of 'failing to take reasonable steps to prevent the facilitation of tax evasion', the Board confirms that it is committed to zero tolerance towards the criminal facilitation of tax evasion.

The Board also keeps under review developments involving other social and environmental issues, such as Modern and General Data Protection Regulation ("GDPR"), and will report on those to the extent they are considered relevant to the Company's operations.

Significant Shareholdings

As at 17 April 2018, the Company have been notified that the following had significant shareholdings in excess of 5% in the Company:

Significant Shareholders	Total Shares Held	% Holdings in Class
US Dollar Shares		
Vidacos Nominees Limited	10,840,054	22.85%
Goldman Sachs Securities (Nominees) Limited	6,934,840	14.62%
Chase Nominees Limited	4,897,347	10.32%
Smith & Willamson Nominees Limited	2,425,991	5.11%
Sterling Shares		
Vidacos Nominees Limited	391,468	18.98%
Nortrust Nominees Limited	250,430	12.14%
Alliance Trust Savings Nominees	194,677	9.44%
Hargreaves Lansdown (Nominees)	133,321	6.75%
HSBC Global Custody Nominee (UK)	115,705	5.61%
The Bank of New York (OCS) Nominees Limited	107,586	5.22%

The Directors confirm to the best of their knowledge:

- there is no relevant audit information of which the Company's Auditor is unaware of, and each Director has taken steps he/she ought to have taken as a Director to make himself/herself aware of any relevant information and to establish that the Company's Auditor is aware of that Information;
- these Annual 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;
- these Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the Shareholder to assess the Company's performance, business model and strategy; and

Directors' Report continued

Significant Shareholdings – continued

- these Annual Report and Audited Financial Statements include information detailed in the Directors' Report, the Investment Manager's Review and Notes to the Audited Financial Statements, which provide 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 ending of the financial year and the likely future development of the Company.

Signed on behalf of the Board by:

Marc Antoine Autheman
Chairman

Christopher Legge
Director

25 April 2018

Disclosure of Directorships in Public Listed Companies

The following summarises the Directors' directorships in public companies:

Company Name	Exchange
Christopher Legge	
Ashmore Global Opportunities Limited	London
John Laing Environmental Assets Group Limited	London
NB Distressed Debt Investment Fund Limited	London
Sherborne Investors (Guernsey) B Limited	London
Sherborne Investors (Guernsey) C Limited	London
TwentyFour Select Monthly Income Fund Limited	London
Keith Dorrian	
AB Alternative Strategies PCC Limited	Channel Islands
AB International Fund PCC Limited	Channel Islands
IIAB PCC Limited	Channel Islands
MasterCapital Fund Limited	Ireland
Claire Whittet	
BH Macro Limited	London
Eurocastle Investment Limited	Euronext
International Public Partners Limited	London
Riverstone Energy Limited	London
TwentyFour Select Monthly Income Fund Limited	London

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

The Directors are responsible for preparing the Audited Financial Statements in accordance with applicable Guernsey Law and accounting principles generally accepted in the United States of America. 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 year.

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 the applicable accounting standards have been followed subject to any material departures disclosed and explained in the Audited Financial Statements; and
- prepare the Audited 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 Audited 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 have responsibility to confirm that:

- there is no relevant audit information of which the Company's Auditor is unaware of, 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;
- these Annual 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;
- these Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide information necessary for the Shareholder to assess the Company's performance, business model and strategy; and
- these Annual Report and Audited Financial Statements include information detailed in the Directors' Report, the Investment Manager's Review and Notes to the Audited Financial Statements, which provide 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 ending of the financial year and the likely future development of the Company.

Marc Antoine Autheman
Chairman

Christopher Legge
Director

25 April 2018

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 to comply with the main requirements of the UK Corporate Governance Code published by the Financial Reporting Council.

An ordinary resolution for the approval of this report will be put to the Shareholders at the forthcoming AGM.

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. 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, 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' Remuneration Report continued

Directors' fees

The fees payable by the Company in respect of each of the Directors who served during 2017 and 2016, were as follows:

	2017*	2016
	£	£
Marc Antoine Autheman (Chairman)	63,000	60,000
Christopher F L Legge (Audit Committee Chairman)	46,000	44,000
Keith Dorrian	38,000	36,000
Christopher N Fish **	19,000	36,000
Claire Whittet ***	25,806	–
Joshua L Targoff ****	–	–
Total	**191,806**	**176,000**
USD equivalent	US$276,211	US$228,783

** Due to the inflationary rise since the last directory fee increase on 6 June 2014, director fees increased with effect from 1 January 2017.*
*** Mr. Fish resigned from the Board of Directors on 21 June 2017.*
**** Ms. Whittet was appointed to the Board of Directors on 27 April 2017.*
***** As a non-independent Director and as a Partner of the Investment Manager Joshua L Targoff waived his Directors' fee.*

Performance table
The table shown on page 24 details the share price returns over the year.

Signed on behalf of the Board by:

Marc Antoine Autheman
Chairman

Christopher F L Legge
Director

25 April 2018

Report of the Audit Committee

On the following pages, we present the Audit Committee (the "Committee") Report for the year ended 31 December 2017, setting out the Committee's structure and composition, principal duties and key activities during the year. As in previous years, the Committee has reviewed the Company's financial reporting, the independence and effectiveness of the independent auditor and the internal control and risk management systems of service providers.

The Board is satisfied that for the year under review and thereafter the Committee has recent and relevant commercial and financial knowledge sufficient to satisfy the provisions of The Code.

Structure and Composition
The Committee is chaired by Christopher Legge and its other members are Marc Antoine Autheman, Keith Dorrian and Claire Whittet. The Committee operates within clearly defined terms of reference and comprises all the Directors except the Investment Manager's representative.

The Committee Terms of Reference indicates that appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, and thereafter annually, provided that the Director whose appointment is being considered remains an Independent Director for the period of extension.

Name of Audit Committee Member	Date of Appointment to Audit Committee	Next Date for Review
Chris Legge	19 June 2007	– 17 April 2013 * – 18 April 2016 – April 2019
Marc-Antoine Autheman	21 June 2007	– 17 April 2013 * – 18 April 2016 – April 2019
Keith Dorrian	19 June 2007	– 17 April 2013 * – 18 April 2016 – April 2018
Claire Whittet **	27 April 2017	– April 2020

** Date specific tenure introduced on 17 April 2013.*
*** Ms. Whittet was appointed to the Board of Directors on 27 April 2017.*

The Committee conducts formal meetings at least three times a year. The table on page 7 sets out the number of Committee meetings held during the year ended 31 December 2017 and the number of such meetings attended by each Committee member. The independent auditor is invited to attend those meetings at which the annual and interim reports are considered. The independent auditor and the Committee will meet together without representatives of either the Administrator or Investment Manager being present if either considers this to be necessary.

Principal Duties
The role of the Committee includes:

- monitoring the integrity of the published financial statements of the Company;

Report of the Audit Committee continued

Principal Duties – continued

- keeping under review the consistency and appropriateness of accounting policies on a year to year basis. Satisfying itself that the annual accounts, the interim statement of financial results and any other major financial statements issued by the Company follow generally accounting principles generally accepted in the United States of America and give a true and fair view of the Company and any associated undertakings' affairs; matters raised by the external auditors about any aspect of the accounts or, of the Company's control and audit procedures, are appropriately considered and, if necessary, brought to the attention of the Board, for resolution;

- monitoring and reviewing the quality and effectiveness of the independent auditors and their independence;

- considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's independent auditor;

- monitoring and reviewing the internal control and risk management systems of the service providers; and

- considering at least once a year whether there is a need for an internal audit function.

The complete details of the Committee's formal duties and responsibilities are set out in the Committee's terms of reference, which can be obtained from the Company's website.

Independent Auditor

The Committee is also the forum through which the independent auditor (the "auditor") reports to the Board of Directors. The objectivity of the auditor is reviewed by the Committee which also reviews the terms under which the 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. The Committee has established pre-approval policies and procedures for the engagement of Ernst & Young LLP to provide non-audit services.

Ernst & Young LLP has been the independent auditor from the date of the initial listing on the London Stock Exchange.

The audit fees proposed by the auditors each year are reviewed by the Committee taking into account the Company's structure, operations and other requirements during the year and the Committee makes recommendations to the Board.

There were no non-audit fees paid to Ernst and Young LLP during the year other than in respect of the interim review of the Company's condensed accounts to 30 June 2017. The Committee considers Ernst & Young LLP to be independent of the Company. The Committee also met with the external auditors without the Investment Manager or Administrator being present so as to provide a forum to raise any matters of concern in confidence.

Evaluations or Assessments Made During the Year

The following sections discuss the assessments made by the Committee during the year:

Significant Areas of Focus for the Financial Statements'

The Committee's review of the interim and annual financial statements focused on the following area:

Evaluations or Assessments Made During the Year – continued

Significant Areas of Focus for the Financial Statements' – continued

The Company's investment in the Master Fund represents substantially all the net assets of the Company and as such is the biggest factor in relation to the accuracy of the Financial Statements. The holding in the Master Fund has been confirmed with the Company's Administrator and the Master Fund. This investment has been valued in accordance with the Accounting Policies set out in Note 3 to the Audited Financial Statements. The Committee has reviewed the Financial Statements of the Master Fund and their Accounting Policies and determined the fair value of the investment as at 31 December 2017 is reasonable. The Financial Statements of the Master Fund for the year ended 31 December 2017 were audited by Ernst & Young who issued an unmodified audit opinion dated 16 March 2018.

Effectiveness of the Audit

The Committee had formal meetings with Ernst & Young LLP during the course of the year: 1) before the start of the audit to discuss formal planning, discuss any potential issues and agree the scope that will be covered and 2) after the audit work was concluded to discuss any significant matters such as those stated on the previous page.

The Board considered the effectiveness and independence of Ernst & Young LLP by using a number of measures, including but not limited to:

- the audit plan presented to them before the start of the audit;
- the audit results report including where appropriate, explanation for any variations from the original plan;
- changes to audit personnel;
- the auditor's own internal procedures to identify threats to independence;
- feedback from both the Investment Manager and the Administrator; and
- the Committee obtains confirmation from Ernst & Young LLP on their independence as additional comfort for the Committee.

Further to the above, at the point of substantial conclusion of the 2017 audit, the Committee performed a specific evaluation of the performance of the independent auditor. This is supported by the results of questionnaires completed by the Committee covering areas such as quality of audit team, business understanding, audit approach and management. This questionnaire was part of the process by which the Committee assessed the effectiveness of the audit.

There were no adverse findings from this evaluation.

The outsourcing of any non-audit services such as interim review, tax compliance, tax structuring, private letter rulings, accounting advice, quarterly reviews and disclosure are normally permitted but should be pre-approved by the Committee, or two non-executive Directors.

The annual budget for both the audit and non-audit related services was presented to the Committee for pre-approval.

Report of the Audit Committee continued

Audit fees and Safeguards on Non-Audit Services
The tables below summarise the remuneration payable by the Company to Ernst & Young LLP during the years ended 31 December 2017 and 31 December 2016.

	31 December 2017 US$	31 December 2016 US$
Interim review		
Ernst & Young LLP	51,639	51,008
Annual audit – the Company		
Ernst & Young LLP	40,583	39,045
Total Fees	**92,222**	**90,053**
Annual audit – Third Point Offshore Independent Voting Company Limited		
Ernst & Young LLP	8,928	8,590

The independence of Ernst & Young LLP is in the Committee's opinion not compromised by Ernst & Young performing the interim review.

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

The Committee has requested and received SOC1 or equivalent reports such as service provider assessment reports from the Investment Manager, the Company's Administrator and Master Fund's Administrators to enable it to fulfil its duties under its terms of reference. Representatives of the auditors, Investment Manager and the Administrator attend the meetings as a matter of practice and presentations are made by those attendees as and when required.

The Committee also attended the Investment Manager's operational due diligence presentation in February 2018.

Conclusion and Recommendation
After reviewing various reports such as the operational and risk management framework and performance reports from management, liaising where necessary with Ernst & Young LLP, and assessing the significant areas of focus for financial statement issues listed on pages 20 and 21, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures).

The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

The Independent Auditor reported to the Committee that no material misstatements were found in the course of its work. Furthermore, both the Investment Manager and the Administrator confirmed to the Committee that they were not aware of any material misstatements including matters relating to presentation. The Committee confirms that it is satisfied that the Independent Auditor has fulfilled its responsibilities with diligence and professional scepticism.

Report of the Audit Committee continued

Conclusion and Recommendation – continued

Consequent to the review process on the effectiveness of the independent audit and the review of audit services, the Committee has recommended that Ernst & Young LLP be reappointed for the coming financial year.

For any questions on the activities of the Committee not addressed in the foregoing, a member of the Committee remains available to attend each AGM to respond to such questions.

The Company is not required to apply this EU Directive as they are not an EU Public Interest Entity ("PIE"), due to being incorporated in Guernsey. However, the Audit Partner rotates every 5 years and the Company will consider putting the audit out to tender every ten years. This will be considered further when the audit partner rotates off the engagement at the conclusion of the 31 December 2017 audit. The Committee will formulate a policy in respect to audit tendering and rotation at the appropriate time.

Christopher Legge
Audit Committee Chairman

25 April 2018

Investment Manager's Review

Performance Summary[1]

USD Class	31-December-2017	31-December-2016	% Return[2]
Share Price	17.29	14.38	25.1%
Net asset value per share	20.25	17.63	18.9%
Premium/(discount)	(14.6%)	(18.4%)	

GBP Class	31-December-2017	31-December-2016	% Return[2]
Share Price	15.80	14.15	16.4%
Net asset value per share	19.21	16.84	18.1%
Premium/(discount)	(17.8%)	(16.0%)	

[1] *For the period 1 January 2017 to 31 December 2017.*

[2] *Calculation includes dividends paid up to the year ended 31 December 2017.*

Strategy Performance

For the twelve months ended 31 December 2017, the net asset value per share performance was 18.9% and 18.1% in the U.S. Dollar and Sterling share classes, respectively.

Third Point capitalised on favourable equity market conditions in 2017 by allocating an average of 65% of exposure to the asset class. While gains were generated by all investment strategies, the majority of returns were attributable to equities investments across sectors and geographies. Returns were driven by strong stock selection in event-driven situations, several constructivist investments, successful short selling efforts, and maintaining a well-balanced portfolio across sectors. Within equities, core investments in Healthcare, Consumer, Industrials, and Financials contributed meaningfully to positive performance. Modest Corporate, Structured, and Sovereign Credit portfolios also added to gains for the year.

Risk Outlook

Risk management remains a key consideration in Third Point LLC's ("the Investment Manager") investment decision process. Investment analysis is augmented by a robust proprietary risk management tools and procedures. The Investment Manager entered 2018 with a constructive view on the investment portfolio and market environment. However, the Investment Manager remains focused on macroeconomic and market risks including the shifting dynamics between global growth and inflation. The Investment Manager will continue to invest in compelling investment opportunities in both long and short equity positions and expects credit exposure to remain modest in the current environment. The Investment Manager will adjust portfolio exposures to changing market conditions and macroeconomic data.

At 31 December 2017, exposure in the Investment Manager's portfolio across four funds and three managed accounts was as follows Relates to the Third Point Offshore Master Fund L.P[1]:

	Long	Short	Net
Equities	102.4%	(26.1%)	76.3%
Credit	16.1%	(3.7%)	12.4%
Other	14.7%	(1.7%)	13.0%

Net equity exposure is defined as the long exposure minus the short exposure of all equity positions (including long/short, arbitrage, and other strategies), and can serve as a rough measure of the exposure to fluctuations in overall market levels. The Investment Manager continues to closely monitor the liquidity of the portfolio, and is comfortable that the current composition is aligned with the redemption terms of the Fund.

Third Point LLC

25 April 2018

(1) Relates to the Third Point Offshore Master Fund L.P.

Independent Auditor's Report

to the members of Third Point Offshore Investors Limited

Opinion

We have audited the financial statements of Third Point Offshore Investors Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of Assets and Liabilities, the Statement of Operations, the Statement of Changes in Net Assets, the Statement of Cash Flows and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and accounting principles generally accepted in the United States of America.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its results for the year then ended;
- have been properly prepared in accordance with accounting principles generally accepted in the United States of America; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of report

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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 9 to 11 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 12 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;

Independent Auditor's Report continued

to the members of Third Point Offshore Investors Limited

- the directors' statement set out on page 12 in the annual report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 11 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Investment Valuation • Investment Existence and Ownership
Audit scope	• We performed an audit of the complete financial information of the Company for the year ended 31 December 2017. • Procedures were performed on the audit team's behalf by EY New York, under our instruction and supervision, in respect of the Company's share of the Master Fund's income and expenses as reported in the Statement of Operations on page 32.
Materiality	• Overall materiality of US$20.3 million which represents 2% of net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of investments (US$1,014m, PY comparative US$879m) Refer to the Report of the Audit Committee (page 19 to 23); Accounting policies (page 36) The investments held are measured at fair value through profit or loss, and their fair value is determined by reference to the published NAV per share of the investee fund, as	Our response comprised of substantive audit testing of investment valuation, including: • Agreeing the valuation per share of the Company's investments in the investee fund to the NAV per share of the investee fund published by its independent Administrator; and	We confirmed there were no matters identified during our audit work on valuation of investments that we wanted to bring to the attention of the Audit Committee.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
calculated by its independent Administrator. The valuation risk considers the risk of an error in the application of the published NAV per share, obtained from the independent Administrator of the investee fund, when calculating the fair value of the Company's investments, as well as the effect on valuation of any gating/ suspension of redemptions by the investee fund.	• Agreeing the valuation per share of the Company's investments in the investee fund to the NAV per share of the investee fund per its audited financial statements for the year ended 31 December 2017, which were approved on 16 March 2018. • Reviewing the subscriptions and redemptions schedule of the investee fund around the year-end date to assess the liquidity of the Company's investments in the investee fund	
Investment existence and ownership (US$1,014m, PY comparative US$879m) Refer to the Report of the Audit Committee (page 19 to 23); Accounting policies (page 36) Risk that the investments presented in the financial statements do not exist or the Company does not have the rights to cash flows derived from them. Failure to obtain good title exposes the Company to significant risk of loss.	Our response comprised performance of substantive audit testing of investment existence and ownership including: • Obtaining a confirmation, as at 31 December 2017, of the Company's holdings in the investee fund into which the Company invests, from the independent Administrator of the investee fund, and agreeing it to the accounting records of the Company; and • Obtaining contracts/ supporting documentation for additions and disposals of holdings in the investee fund that took place during the year ended 31 December 2017, and agreeing the details to the accounting records of the Company.	We confirmed there were no matters identified during our audit work on existence and ownership of investments that we wanted to bring to the attention of the Audit Committee.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope. Taken together, this enables us to form an opinion on the financial statements.

Independent Auditor's Report continued

to the members of Third Point Offshore Investors Limited

An overview of the scope of our audit – continued

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

"Materiality" is the magnitude of omissions or misstatements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be US$20.3 million (2016: US$17.6 million), which is approximately 2% (2016: 2%) of net assets. We believe that net assets provides us with an appropriate basis for audit materiality as it is a key published performance measure and is a key metric used by management in assessing and reporting on overall performance.

During the course of our audit, we reassessed initial materiality and noted no matters leading us to amend the basis of materiality (2% of net assets).

Performance materiality

"Performance materiality" is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely US$15.2 million (2016: US$13.2 million). We have set performance materiality at this percentage because we have considered the likelihood of misstatements to be low. We have considered both quantitative and qualitative factors when determining the expected level of detected misstatements and setting the performance materiality at this level.

Reporting threshold

The reporting threshold is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$1.02 million (2016: US$0.88 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 24, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 13 –** the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 19 to 23 –** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 3 to 4 –** the parts of the directors' statement relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report continued

to the members of Third Point Offshore Investors Limited

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Christopher James Matthews FCA
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
25 April 2018

Notes:

1. The maintenance and integrity of Third Point Offshore Investors Limited's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statements of Assets and Liabilities

(Stated in United States Dollars)	As at 31 December 2017 US$	As at 31 December 2016 US$
Assets		
Investment in Third Point Offshore Fund Ltd at fair value (Cost: US$435,246,919 31 December 2016: US$451,424,093)	1,014,421,855	879,180,943
Cash	16,816	88,845
Redemption receivable	156,500	132,000
Other assets	19,171	16,782
Total assets	**1,014,614,342**	**879,418,570**
Liabilities		
Accrued expenses and other liabilities	171,480	118,217
Directors' fees payable (Note 5)	–	70,549
Administration fee payable (Note 4)	50,261	43,858
Total liabilities	**221,741**	**232,624**
Net assets	**1,014,392,601**	**879,185,946**
Number of Ordinary Shares in issue (Note 6)		
US Dollar Shares	47,403,915	47,500,847
Sterling Shares	2,093,352	2,014,842
Net asset value per Ordinary Share (Notes 8 and 11)		
US Dollar Shares	$20.25	$17.63
Sterling Shares	£19.21	£16.84
Number of Ordinary B Shares in issue (Note 6)		
US Dollar Shares	31,602,630	31,667,254
Sterling Shares	1,395,582	1,343,242

The financial statements on pages 31 to 43 were approved by the Board of Directors on 25 April 2018 and signed on its behalf by:

Marc Antoine Autheman
Chairman

Christopher Legge
Director

See accompanying notes and attached Audited Financial Statements of Third Point Offshore Fund Ltd. and Third Point Offshore Master Fund L.P.

Statements of Operations

(Stated in United States Dollars)	For the year ended 31 December 2017 US$	For the year ended 31 December 2016 US$
Realised and unrealised gain from investment transactions allocated from Master Fund		
Net realised gain from securities, derivative contracts and foreign currency translations	111,085,131	18,699,871
Net change in unrealised gain on securities, derivative contracts and foreign currency translations	107,642,579	29,019,101
Net (loss)/gain from currencies allocated from Master Fund	(45,804)	879,489
Total net realised and unrealised gain from investment transactions allocated from Master Fund	**218,681,906**	**48,598,461**
Net investment loss allocated from Master Fund		
Interest income	18,377,507	19,186,554
Dividends, net of withholding taxes of US$1,919,445 (31 December 2016: US$2,264,844)	5,327,309	6,307,813
Other income	566,339	333,666
Incentive allocation (Note 2)	(41,956,498)	(6,384,420)
Stock borrow fees	(126,485)	(419,877)
Investment Management fee	(19,197,634)	(16,996,235)
Dividends on securities sold, not yet purchased	(2,227,379)	(768,064)
Interest expense	(1,255,149)	(2,500,010)
Other expenses	(6,276,501)	(2,896,563)
Total net investment loss allocated from Master Fund	**(46,768,491)**	**(4,137,136)**
Company expenses		
Administration fee (Note 4)	(178,848)	(159,895)
Directors' fees (Note 5)	(276,211)	(228,783)
Other fees	(746,242)	(700,217)
Expenses paid on behalf of Third Point Offshore Independent		
Voting Company Limited[1] (Note 4)	(88,977)	(97,229)
Total Company expenses	**(1,290,278)**	**(1,186,124)**
Net loss	(48,058,769)	(5,323,260)
Net increase in net assets resulting from operations	**170,623,137**	**43,275,201**

[1] *Third Point Offshore Independent Voting Company Limited consists of Director Fees, Audit Fee and General Expenses.*

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

(Stated in United States Dollars)	For the year ended 31 December 2017 US$	For the year ended 31 December 2016 US$
Increase in net assets resulting from operations		
Net realised gain from securities, commodities, derivative contracts and foreign currency translations allocated from Master Fund	111,085,131	18,699,871
Net change in unrealised gain on securities, derivative contracts and foreign currency translations allocated from Master Fund	107,642,579	29,019,101
Net (loss)/gain from currencies allocated from Master Fund	(45,804)	879,489
Total net investment (loss)/gain allocated from Master Fund	(46,768,491)	(4,137,136)
Total Company expenses	(1,290,278)	(1,186,124)
Net increase in net assets resulting from operations	**170,623,137**	**43,275,201**
Decrease in net assets resulting from capital share transactions		
Dividend distribution	(35,416,482)	–
Net assets at the beginning of the year	879,185,946	835,910,745
Net assets at the end of the year	**1,014,392,601**	**879,185,946**

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

(Stated in United States Dollars)	For the year ended 31 December 2017 US$	For the year ended 31 December 2016 US$
Cash flows from operating activities		
Operating expenses	(719,865)	(682,827)
Directors' fees	(346,760)	(224,883)
Administration fee	(172,445)	(156,931)
Third Point Offshore Independent Voting Company Limited[1]	(88,977)	(97,229)
Redemption from Master Fund	36,672,500	1,151,700
Cash inflow/(outflow) from operating activities	**35,344,453**	**(10,170)**
Cash flows from financing activities		
Dividend distribution	(35,416,482)	–
Net decrease in cash	**(72,029)**	**(10,170)**
Cash at the beginning of the year	**88,845**	**99,015**
Cash at the end of the year	**16,816**	**88,845**

[1] *Third Point Offshore Independent Voting Company Limited consists of Director Fees, Audit Fee and General Expenses.*

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 2017

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.

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. Third Point Offshore Master Fund L.P. (the "Master Partnership") invests all of its investable assets in a corresponding open-end investment company having the same investment objective as the Master Partnership.

The Master Fund is a limited partner of the Master Partnership, an exempted limited partnership organised 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 share the same investment objective, strategies and restrictions as described above.

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 Annual Report and Audited Financial Statements.

Investment Manager

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 annum of the Company's share of the Master Fund's NAV (the "NAV") and a general partner incentive allocation of 20% 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 US$41,956,498 (31 December 2016: US$6,384,420) of incentive fees for the year ended 31 December 2017.

3. Significant Accounting Policies

Basis of Presentation

These Audited Financial Statements have been prepared in accordance with relevant accounting principles generally accepted in the United States of America ("US GAAP"). The functional and presentation currency of the Company is United States Dollars.

Notes to the Audited Financial Statements
(continued)
For the year ended 31 December 2017

3. Significant Accounting Policies (continued)
Management has determined that the Company is an investment company in conformity with US GAAP. Therefore the Company follows the accounting and reporting guidance for investment companies in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, Financial Services – Investment Companies ("ASC 946").

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

Cash and Cash Equivalents
Cash in the Statements of Assets and Liabilities and for the Statement of Cash Flows comprises cash at bank and on hand. Usually this is short term cash that settles between 0-3 months.

Valuation of Investments
The Company records its investment in the Master Fund at fair value. Fair values are generally determined utilising the NAV provided by, or on behalf of, the underlying Investment Managers of each investment fund. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820 "Fair Value Measurement", fair value is defined as the price 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 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 NAV of the Company's investment in the Master Fund reflects its fair value. At 31 December 2017, the Company's US Dollar and Sterling shares represented 12.83% and 0.73% (31 December 2016: 12.26% and 0.61%) respectively of the Master Fund's NAV.

The Company has adopted ASU 2015-07, Disclosures for Investments in Certain Entities that calculate NAV per Share (or its equivalent) ("ASU 201-07"), in which certain investments measured at fair value using the NAV per share method (or its equivalent) as a practical expedient are not required to be categorised in the fair value hierarchy. Accordingly the Company has not levelled applicable positions.

Uncertainty in Income Tax
ASC Topic 740 "Income Taxes" 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 the technical merits of the position. Tax positions deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the year of determination. Management has evaluated the implications of ASC 740 and has determined that it has not had a material impact on these Audited 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 Audited Financial Statements in conformity with US GAAP 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 material estimates in respect of the Audited Financial Statements.

3. Significant Accounting Policies (continued)

Foreign Exchange

Investment securities and other assets and liabilities denominated in foreign currencies are translated into United States 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 Statements of Operations.

Recent accounting pronouncements

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 (ASU 2016-01) "*Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*." ASU 2016-01 amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments. ASU 2016-01 is effective for annual reporting periods, and interim periods within those years beginning after 15 December 2017. We do not expect that this standard will have a material effect 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 by way of management fees and 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 (the "Administrator") and Corporate Secretary.

The Administrator is paid fees based on the NAV of the Company, payable quarterly in arrears. The fee is at a rate of 0.02% of the NAV of the Company for the first £500 million of NAV and a rate of 0.015% 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 company secretarial and compliance activities.

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.

Total Administrator expenses during the year amounted to US$178,848 with US$50,261 outstanding (31 December 2016: US$159,895 with US$43,858 outstanding).

Notes to the Audited Financial Statements

(continued)

For the year ended 31 December 2017

4. Material Agreements (continued)

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 advisors 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. The expense paid by the Company on behalf of VoteCo during the year is outlined in the Statement of Operations on page 32 and amounted to US$88,977 (31 December 2016: US$97,229). As at 31 December 2017 expenses accrued by the Company on behalf of VoteCo amounted to US$16,679 (31 December 2016: US$24,243).

5. Directors' Fees

The Chairman is entitled to a fee of £63,000 per annum. All other independent Directors are entitled to receive £38,000 per annum with the exception of Mr. Legge who receives £46,000 per annum as the audit committee chairman. 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. The Directors' fees during the year amounted to US$276,211 with US$nil outstanding (31 December 2016: US$228,783 with US$70,549 outstanding).

6. Stated 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. The Shares may be divided into at least two classes denominated in US Dollar and Sterling.

The Company has issued approximately 40% of the aggregate voting rights of the Company to VoteCo in the form of B Shares. The B Shares are unlisted and except for an entitlement to receive a fixed annual dividend at a rate of 0.0000001 pence (Sterling) do not carry any other economic interests and at all times will represent approximately 40% of the aggregate issued capital of the Company. The Articles of Incorporation provide that the ratio of issued US Dollar B Shares to Sterling B Shares shall at all times approximate as closely as possible the ratio of issued US Dollar Shares to Sterling Shares in the Company.

	US Dollar Shares	Sterling Shares
Number of Ordinary Shares		
Shares issued 1 January 2017	47,500,847	2,014,842
Shares Converted		
Total shares transferred to share class during the year	117,861	173,879
Total shares transferred out of share class during the year	(214,793)	(95,369)
Shares in issue at end of year	**47,403,915**	**2,093,352**

6. Stated Capital (continued)

	US Dollar Shares US$	Sterling Shares US$
Stated Capital Account		
Stated capital account at 1 January 2017	366,489,735	36,253,516
Shares Converted		
Total share value transferred to share class during the year	2,237,077	4,006,744
Total share value transferred out of share class during the year	(4,027,503)	(2,257,836)
Stated Capital account at end of year	**364,699,309**	**38,002,424**

	US Dollar Shares	Sterling Shares
Number of Ordinary B Shares		
Shares in issue as at 1 January 2017	31,667,254	1,343,242
Shares Converted		
Total shares transferred to share class during the year	78,572	115,920
Total shares transferred out of share class during the year	(143,196)	(63,580)
Shares in issue at end of year	**31,602,630**	**1,395,582**

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. Expenses which relate to the Company as a whole rather than specific classes are allocated to each class in the proportion that its NAV bears to the Company as a whole.

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, 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, 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 2017

6. Stated 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% of each class of Shares in issue at the AGM on 21 June 2017, and they intend to seek annual renewal of this authority from Shareholders. The Directors propose to utilise this share repurchase authority by introducing a new mechanism that will enhance future capital return. Pursuant to the Director's share repurchase authority, the Company, through the Master Fund, commenced a share repurchase program in December 2007. The Shares are being held by the Master Partnership. The Master Partnership'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. The Master Partnership has an ownership of 11.88% of the USD shares outstanding at 30 December 2017 (31 December 2016: 11.87%). In addition, 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.

At 31 December 2017 and 31 December 2016 the Master Partnership held the following Shares in the Company in the after-market:

31 December 2017	Currency	Number of Shares	Cost	Average Cost per Share
US Dollar Shares	USD	5,879,753	US$65,025,532	US$11.06

31 December 2016	Currency	Number of Shares	Cost	Average Cost per Share
US Dollar Shares	USD	5,879,753	US$65,025,532	US$11.06

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 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 on the following terms:

(1) the right of conversion is exercisable by the said holder giving to the Company or its authorised agent at least 10 business days notice;

(2) the notice shall specify the number and Currency Class to be converted from and the Currency Class of Ordinary Shares into which they are to be converted; and

(3) the notice shall be submitted either through submission of the relevant instruction mechanism or through the return of the relevant Ordinary Share Certificate.

Upon conversion a corresponding number of B Shares will be converted in a similar manner.

If the aggregate NAV 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 2017 other investment funds owned by or affiliated with the Investment Manager owned 5,630,444 (31 December 2016: 5,630,444) US Dollar Shares in the Company. Refer to Note 4 and Note 5 for additional Related Party Transaction disclosures.

10. Significant Events

There were no significant events during the year.

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 year end and other performance information derived from the Audited Financial Statements.

	US Dollar Shares 31 December 2017 US$	Sterling Shares 31 December 2017 £
Per Share Operating Performance		
Net Asset Value beginning of the year	**17.63**	**16.84**
Income from Operations		
Net realised and unrealised gain from investment transactions allocated from Master Fund [1]	4.29	3.91
Net loss	(0.96)	(0.87)
Total Return from Operations	**3.33**	**3.04**
Distribution Paid	(0.71)	(0.67)
Net Asset Value, end of the year	**20.25**	**19.21**
Total return before incentive fee allocated from Master Fund	23.65%	22.92%
Incentive allocation from Master Fund	(4.76%)	(4.87%)
Total return after incentive fee allocated from Master Fund	**18.89%**	**18.05%**

[1] *Includes foreign currency translation of profit/(loss) with respect to Sterling share class.*

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 2017 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 2017

11. Financial Highlights (continued)

	US Dollar Shares 31 December 2016 US$	Sterling Shares 31 December 2016 £
Per Share Operating Performance		
Net Asset Value beginning of the year	**16.62**	**15.95**
Income from Operations		
Net realised and unrealised gain from investment transactions allocated from Master Fund [1]	1.12	0.98
Net loss	(0.11)	(0.09)
Total Return from Operations	**1.01**	**0.89**
Net Asset Value, end of the year	**17.63**	**16.84**
Total return before incentive fee allocation from Master Fund	6.81%	6.29%
Incentive fee allocation from Master Fund	(0.73%)	(0.71%)
Total return after incentive fee allocation from Master Fund	**6.08%**	**5.58%**

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 2016 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 31 December 2017 US$	Sterling Shares 31 December 2017 £
Supplemental data		
Net Asset Value, end of the year	**960,047,757**	**40,204,316**
Average Net Asset Value, for the year [2]	**896,450,229**	**39,106,196**
Ratio to average net assets		
Operating expenses [3]	(3.21%)	(3.22%)
Incentive fee allocated from Master Fund	(4.45%)	(4.33%)
Total operating expense [3]	(7.66%)	(7.55%)
Net loss	**(5.09%)**	**(5.00%)**

11. Financial Highlights (continued)

	US Dollar Shares 31 December 2016 US$	Sterling Shares 31 December 2016 £
Supplemental data		
Net Asset Value, end of the year	**837,302,043**	**33,930,578**
Average Net Asset Value, for the year [2]	**809,147,678**	**29,903,025**
Ratio to average net assets		
Operating expenses [3]	(2.91%)	(2.93%)
Incentive fee allocated from Master Fund	(0.76%)	(0.64%)
Total operating expense [3]	(3.67%)	(3.57%)
Net loss	**(0.63%)**	**(0.51%)**

[1] *Includes foreign currency translation of profit/(loss) with respect to Sterling share class.*
[2] *Average Net Asset Value for the year is calculated based on published monthly estimates of NAV.*
[3] *Operating expenses are Company expenses together with operating expenses allocated from the Master Fund.*

12. Ongoing Charge Calculation

Ongoing charges for the year ended 31 December 2017 and 31 December 2016 have been prepared in accordance with the AIC recommended methodology. Performance fees were charged to the Master Fund. In line with AIC guidance, an Ongoing Charge has been disclosed both including and excluding performance fees. The Ongoing charges for year ended 31 December 2017 and 31 December 2016 excluding performance fees and including performance fees are based on Company expenses and allocated Master Fund expenses outlined below.

(excluding performance fees)	31 December 2017	31 December 2016
US Dollar Shares	2.85%	2.30%
Sterling Shares	2.94%	2.32%

(including performance fees)	31 December 2017	31 December 2016
US Dollar Shares	7.30%	3.05%
Sterling Shares	7.27%	2.95%

13. Subsequent Events

On 5 January 2018, an annual distribution was declared, equivalent to 4% of the NAV of the Company in respect of the year to 31 December 2017, amounting to $0.81 per USD Share and £0.77 per GBP Share (31 December 2016: $0.71 per USD Share and £0.67 per GBP Share) and paid on 16 February 2018.

Following investor feedback, we are seeking a transfer to The Premium Listing segment of the Official List.

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Management and Administration

Directors

Marc Antoine Autheman (Chairman)*
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Keith Dorrian*
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Christopher Fish*[1]
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Christopher Legge*
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Claire Whittet*[2]
PO Box 255, Trafalgar Court, Les Banques,
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* *These Directors are independent.*
[1] *Retired 21 June 2017.*
[2] *Appointed 27 April 2017.*

Investment Manager

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Administrator and Company Secretary

Northern Trust International Fund
Administration Services (Guernsey) Limited,
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Registrar and CREST Service Provider

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