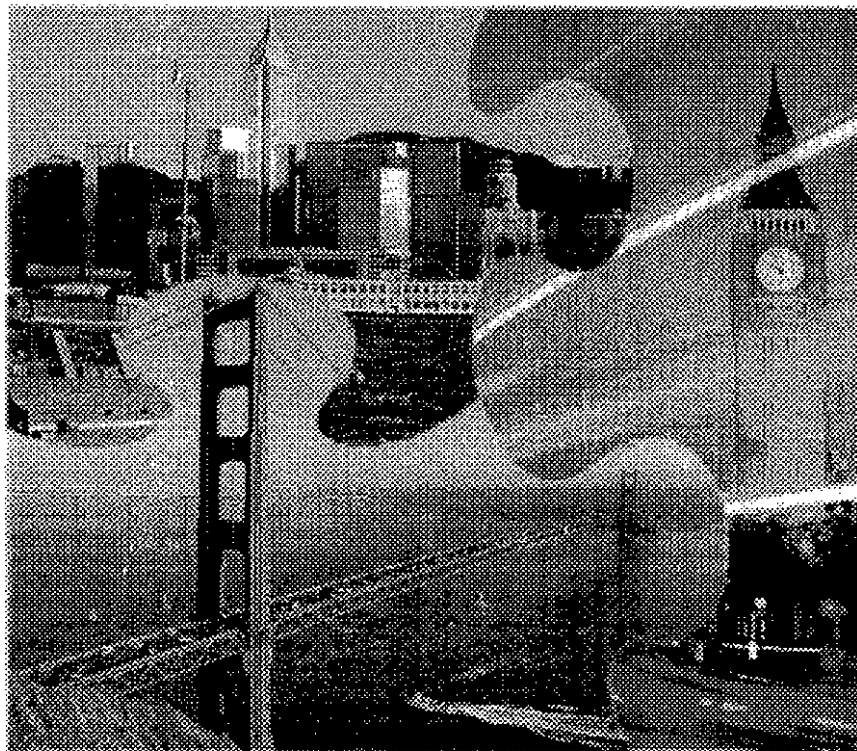


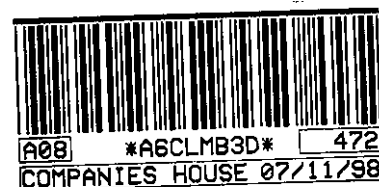
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PANTHEON INTERNATIONAL PARTICIPATIONS PLC

REPORT AND ACCOUNTS 1998

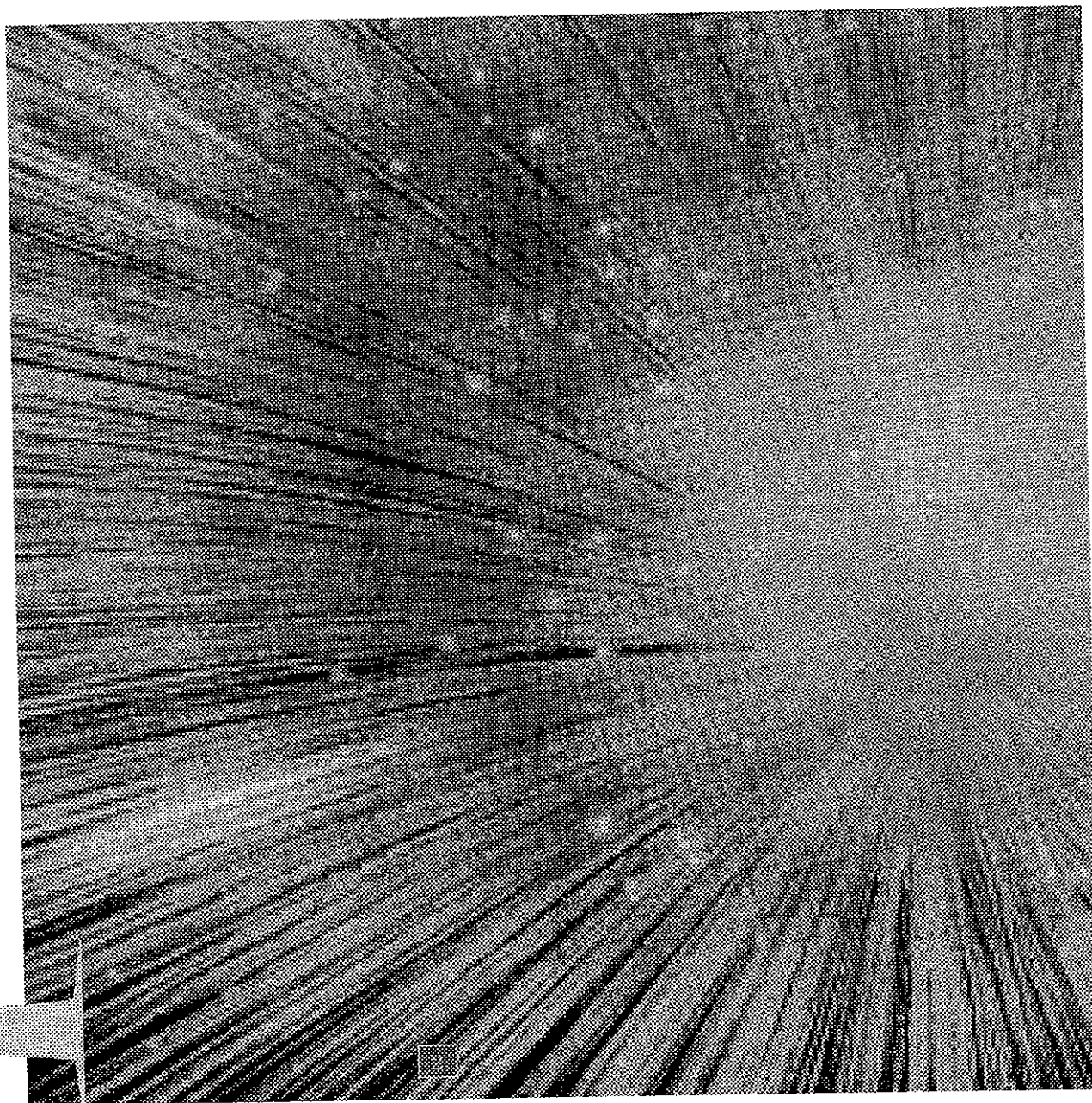


PANTHEON
—PRIVATE EQUITY SPECIALISTS—

MANAGED BY THE PANTHEON GROUP



Selecting the private equity from the global



best funds market

C O N T E N T S

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SHAREHOLDERS

INVESTMENT OBJECTIVE

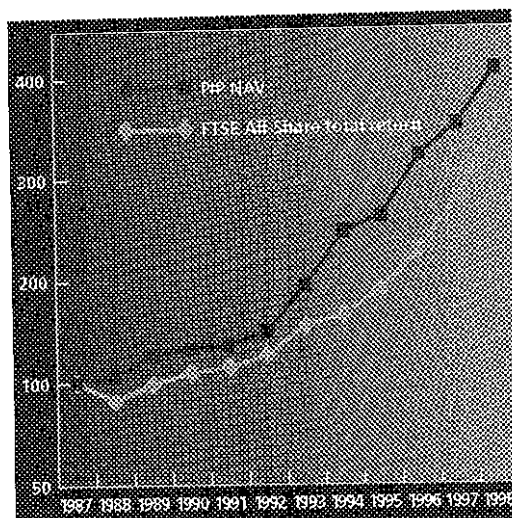
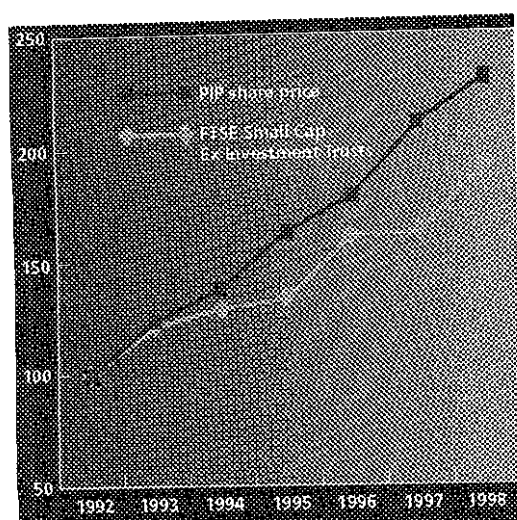
The primary investment objective of the Company is to maximise capital growth by investing in funds specialising in unquoted investments, acquiring unquoted portfolios and participating directly in private placements.

	30 June 1998	30 June 1997	% Change
Total Net Assets (£000's)	131,322	116,782	+12.5
Net Asset Value Per Share	368.6p	328.4p	+12.2
Return Per Share	42.8p	31.1p	+37.8
Market Price Per Share	294.5p	270.0p	+9.1
Market Price Per Warrant	94.5p	66.0p	+43.2
Discount To Net Asset Value	20.1%	17.8%	

SUMMARY OF RESULTS

Year ended 30 June	Total Assets less Current Liabilities	Available for Ordinary Shareholders	Return per Share	Dividend per Share	Net Asset Value per Share	Middle Market Price
1988	12,361	12,361	0.98p	1.0p	102.5p	75.0p
1989	35,316	16,690	2.08p	2.0p	120.9p	95.0p
1990	39,323	20,216	1.60p	2.5p	126.7p	80.5p
1991	40,690	21,032	1.51p	2.5p	129.1p	86.5p
1992	33,849	21,349	3.01p	2.5p	139.7p	93.5p
1993	38,341	30,841	1.16p	0.5p	195.5p	172.5p
1994	60,397	47,363	0.88p	0.5p	239.6p	176.5p
1995	86,918	86,918	3.91p	2.3p	255.1p	207.5p
1996	106,234	106,234	0.87p	2.0p	302.5p	225.0p
1997	116,782	116,782	0.54p	Nil	328.4p	270.0p
1998	131,322	131,322	0.66p	Nil	368.6p	294.5p

HISTORICAL RECORD



- The Company is well placed to exploit the changing market in the next few years.
- The Portfolio remains well diversified, by geographical region, stage and by fund manager.
- The Company's main activity remains in the mature markets of the USA and Western Europe, with limited exposure to other, developing markets.
- A £25 million standby facility will enable the Company to become more fully invested.
- Investment return since inception 26.4% per annum.
- NAV return since inception 15.6% per annum.

A C T I V I T Y S U M M A R Y

	\$m
Purchase of secondary interests	12.9
Commitments to new funds	14.9
Investment activity in the year	27.8
Less: amounts purchased but not paid for	(15.2)
Add: amounts paid out relating to previous commitments	11.5
Net investment in the year	24.1
Less: amounts received from investments	(37.2)
Investment cash flow in the year	(13.1)

This has been another good year for the Company ("PIP") which continues in its role as the only London-quoted vehicle giving access to unquoted, third-party private equity funds on a global basis. PIP enables institutions and individual investors to participate in this important asset class through both primary and secondary investments.

PIPANT

"The Company has had another successful year"

Market Commentary and Outlook

The private equity market has continued to show high levels of returns from the funds that were raised three years and more ago. These returns have caused institutions to increase their allocations to private equity and allowed fund managers to raise ever larger funds. The returns have also meant that the number of investors seeking early exits from funds via sales of secondary interests has fallen, whilst there are ever more purchasers in the secondary marketplace.

In this climate I believe that the Company is well placed to take advantage of the next phase of the cycle, in which average returns will not be so good and an increasing number of investors may become disenchanted with the sector. PIP has continued to make commitments to new funds managed by top-tier managers, with access to deals that enable them to purchase companies other than by open market auction. These managers have the discipline not to spend investors' money imprudently, but rather to wait for appropriate opportunities before investing it. Through its Manager, Pantheon Ventures Limited, the Company is in a position to participate in the increasing number of secondary opportunities as they occur.

The year has featured some dramatic economic events in South East Asia, with the virtual collapse of the Indonesian economy and severe problems in many other countries, including Japan. The Company's exposure to the Asian region is limited and includes countries that are less affected, such as India and Taiwan. This limited exposure, combined with the careful selection of investments, has meant that the total unrealised and realised losses in the Asian region during the year, including currency effects, are minimal.



Activities

The Company committed \$14.9 million to new funds and made secondary purchases totalling £12.9 million during the year. It paid out a total of \$24.1 million in respect of investments, including payments in respect of commitments made in prior years. PIP also took an \$8.8 million share in the \$123 million that investment vehicles managed by the Pantheon Group have committed over the year (see page 20).

The Company received a record total of \$37.2 million in cash from its investments. This reflects the very successful performance of those of its fund investments that are now in their realisation phase. These funds have continued to achieve exits by means of flotations on the listed markets and trade sales at values significantly in excess of cost and previous valuations.

For an explanation of the private equity process and PIP's role in it please see page 24.

Loan Facility

PIP had outstanding commitments to private equity funds of \$49.5 million at 30 June 1998. These commitments will be drawn down over the next few years as the funds make investments in underlying companies. This level of commitment has meant that the Company has had to maintain a higher level of liquid investments in the form of cash and fixed interest investments than is efficient, in order to be able to meet these calls as they are made. This can be seen from the fact that PIP has produced an annualised return on its private equity portfolio since inception of 26.4% compared to an NAV return of 15.6%.

The Company has negotiated a committed, three-year, renewable £25 million standby facility with The Royal Bank of Scotland, which will enable it to increase the proportion of its assets deployed in private equity investments and hence its return. It is intended that this facility will be used to cover a portion of the uncalled commitments and not to provide long-term gearing.

Share and Warrant Buybacks

During the year the Company bought back 1.5 million Warrants for cancellation at a cost of £1.1 million. These purchases increased the fully diluted NAV for shareholders and the Board will continue to make such purchases where circumstances permit and where they enhance shareholder value.

The Board has concluded that the repurchase of its own shares by the Company would not be in the interests of shareholders, as it would detract from its ability to exploit investment opportunities in the secondary market as they arise. The Board continues to do all that it can to maximise the Company's share price and minimise the discount to NAV by measures such as the Savings Scheme and market communication.

Savings Scheme

The Savings Scheme, introduced four years ago, continues to attract regular investment in PIP by a wide range of private investors. There are now 413 holders of shares within the Scheme, who together have invested over \$1 million. Further details of the Scheme are available from the Manager.

Hedging

PIP has continued its policy of defensively hedging its foreign currency denominated assets as necessary. At the year end there were no open contracts.

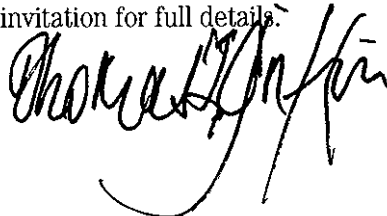
Board of Directors

Since the Company's year end Mr Ewen Macpherson, former Chief Executive of 3i Group plc, has accepted our invitation to join the Board. It will be my pleasure to propose his election at the Annual General Meeting.

Earlier this year I reached the age of 70 and I have decided that it is time for me to retire from the Board. I should like to thank my co-directors for their constructive and vigorous support during my time of office. I am pleased to announce that Lionel Stopford Sackville has agreed to take on the Chairmanship.

Annual Meeting and Presentation

The Annual General Meeting of the Company will take place at 12.00 p.m. on 27 October 1998 at Chatham House. Afterwards, as last year, the Board has arranged a presentation to explain the workings and progress of PIP in more detail; this will include time for questions. The Directors and the management team look forward to meeting you informally after the meeting. Please see the enclosed invitation for full details.



W.T.J. Griffin
Chairman
17 September 1998

M A R K E T E N V I R O N M E N T

Overview

An overheated private equity market gives rise to the need for careful selection of fund managers and holds the promise of increased secondary opportunities in the future.

Fund-Raising Explosion

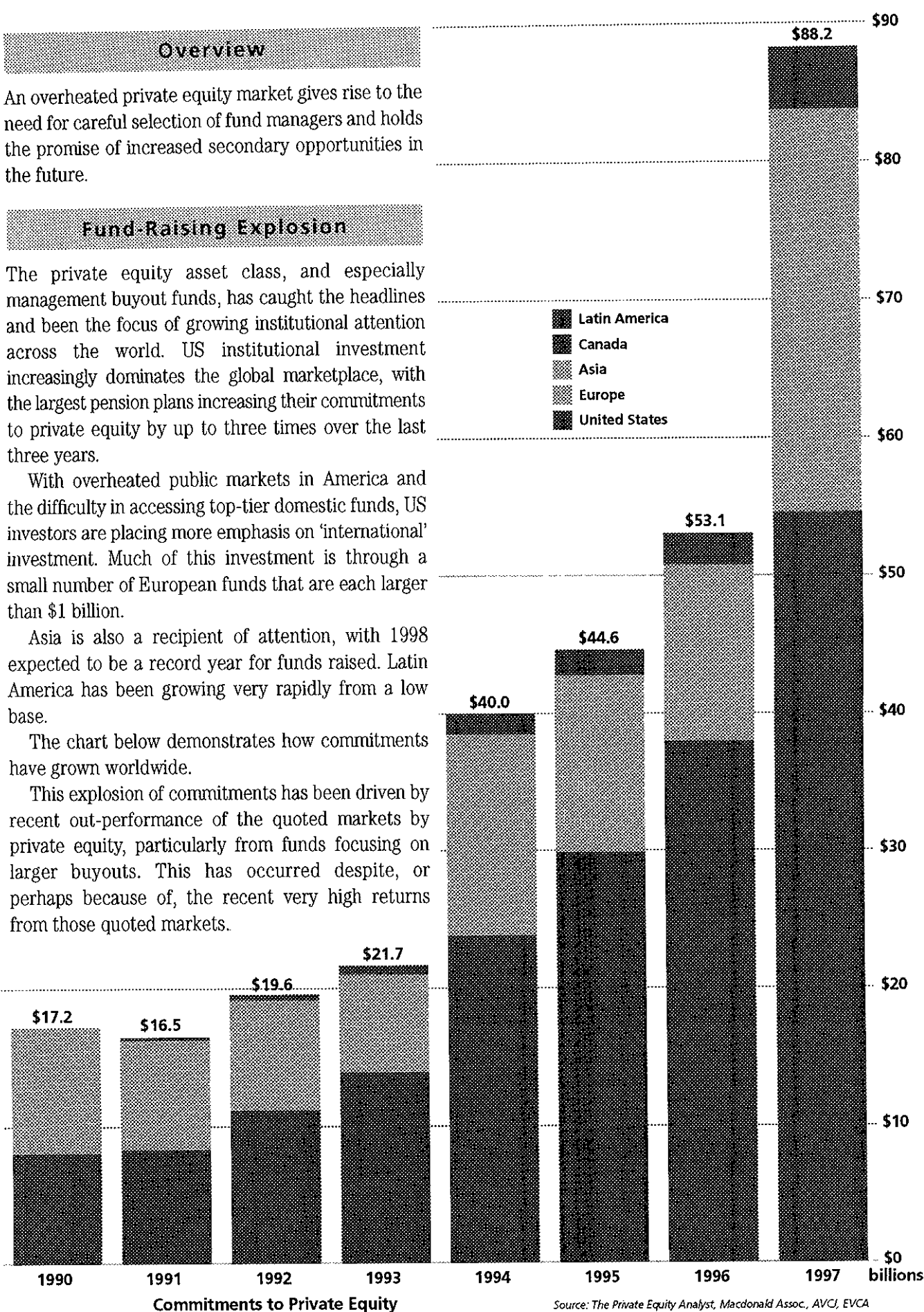
The private equity asset class, and especially management buyout funds, has caught the headlines and been the focus of growing institutional attention across the world. US institutional investment increasingly dominates the global marketplace, with the largest pension plans increasing their commitments to private equity by up to three times over the last three years.

With overheated public markets in America and the difficulty in accessing top-tier domestic funds, US investors are placing more emphasis on 'international' investment. Much of this investment is through a small number of European funds that are each larger than \$1 billion.

Asia is also a recipient of attention, with 1998 expected to be a record year for funds raised. Latin America has been growing very rapidly from a low base.

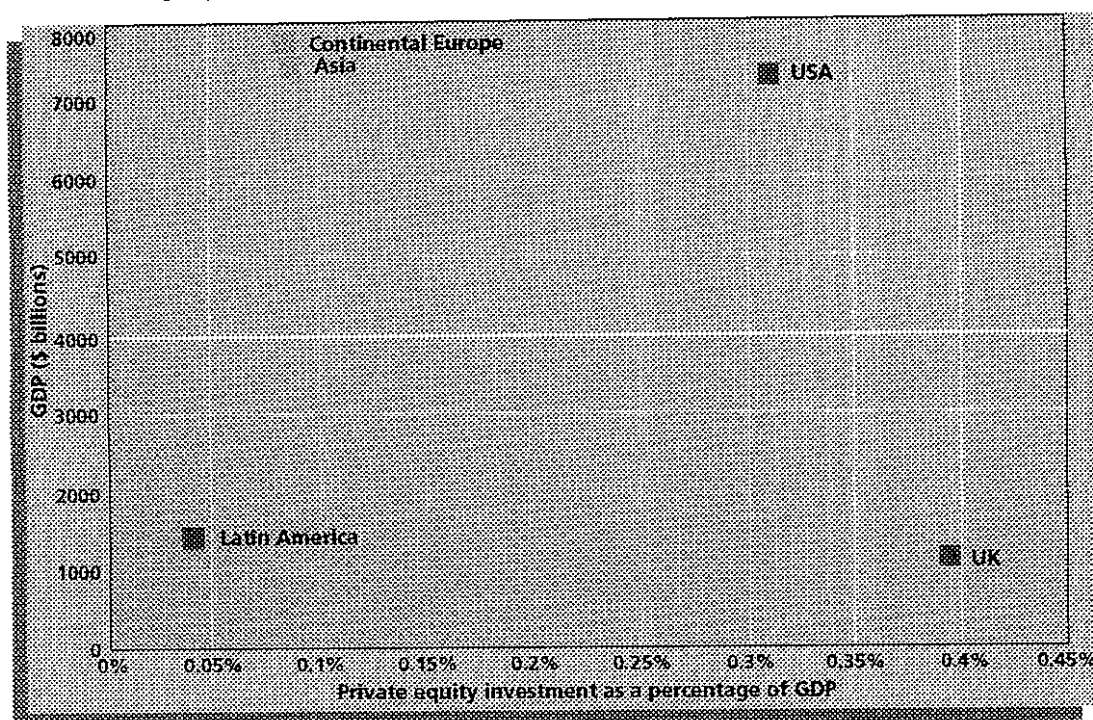
The chart below demonstrates how commitments have grown worldwide.

This explosion of commitments has been driven by recent out-performance of the quoted markets by private equity, particularly from funds focusing on larger buyouts. This has occurred despite, or perhaps because of, the recent very high returns from those quoted markets.



Private Equity Penetration

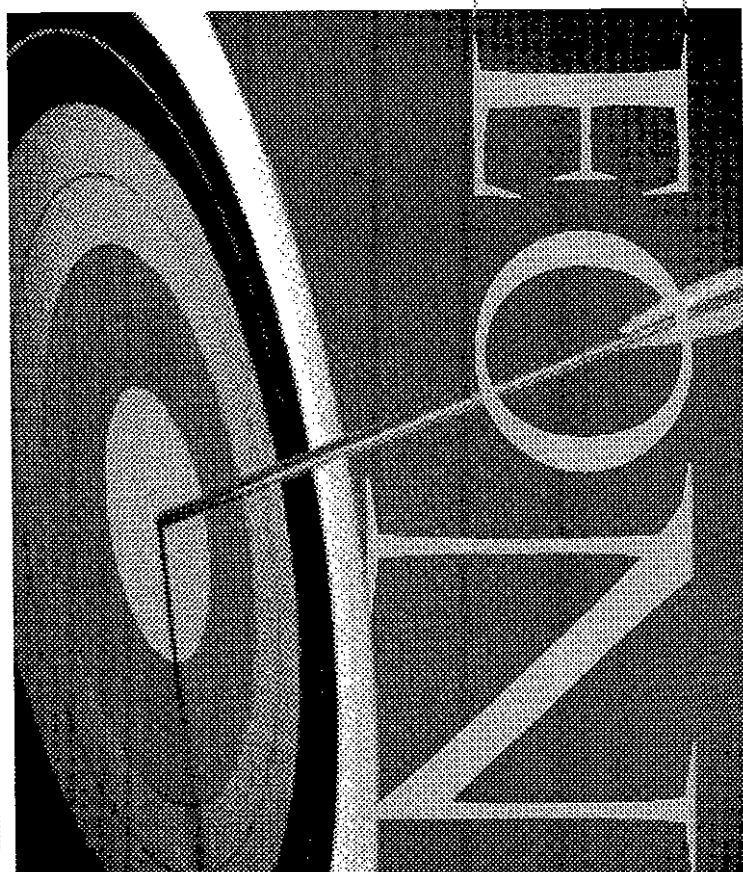
The extent to which private equity has developed in different markets varies widely. Europe has a higher GDP than the USA but a much lower level of penetration of private equity. The UK is alone in Europe in having a level of penetration comparable with the USA. The rest of Europe remains very underdeveloped, as do other regions.



The factors that have driven the US and UK private equity markets are now coming into play in Continental Europe. These include corporate restructuring necessitated by weaker domestic trading, pressure to enhance shareholder value and succession issues in mid-market companies. With the advent of European Monetary Union there is also the need to reduce public sector borrowing and budget deficits, which is resulting in an increasing number of privatisations.

Asia remains a difficult environment for foreign investment with less transparency, limited infrastructure and few buyout opportunities. There are also overriding concerns about the direction and weakness of the Japanese economy. The region is expected to develop less quickly than some other markets.

Latin America is expected to develop relatively quickly, with an improving macro-economic environment, a growing focus on corporate restructuring and a privatisation programme gathering pace in Brazil.



Activity Levels and Pricing

Turning to the mature markets, in the USA the stock markets may have created a virtuous circle with a strong economy further stimulated by share price rises while a strong dollar has helped to curb inflation. The concern is that this circle will quickly turn vicious if the economy falters, stock markets fall and inflation begins to rise. This effect could be substantially more severe than in the past, as many more Americans now own shares and thus would feel the outcome of falling stock markets more directly.

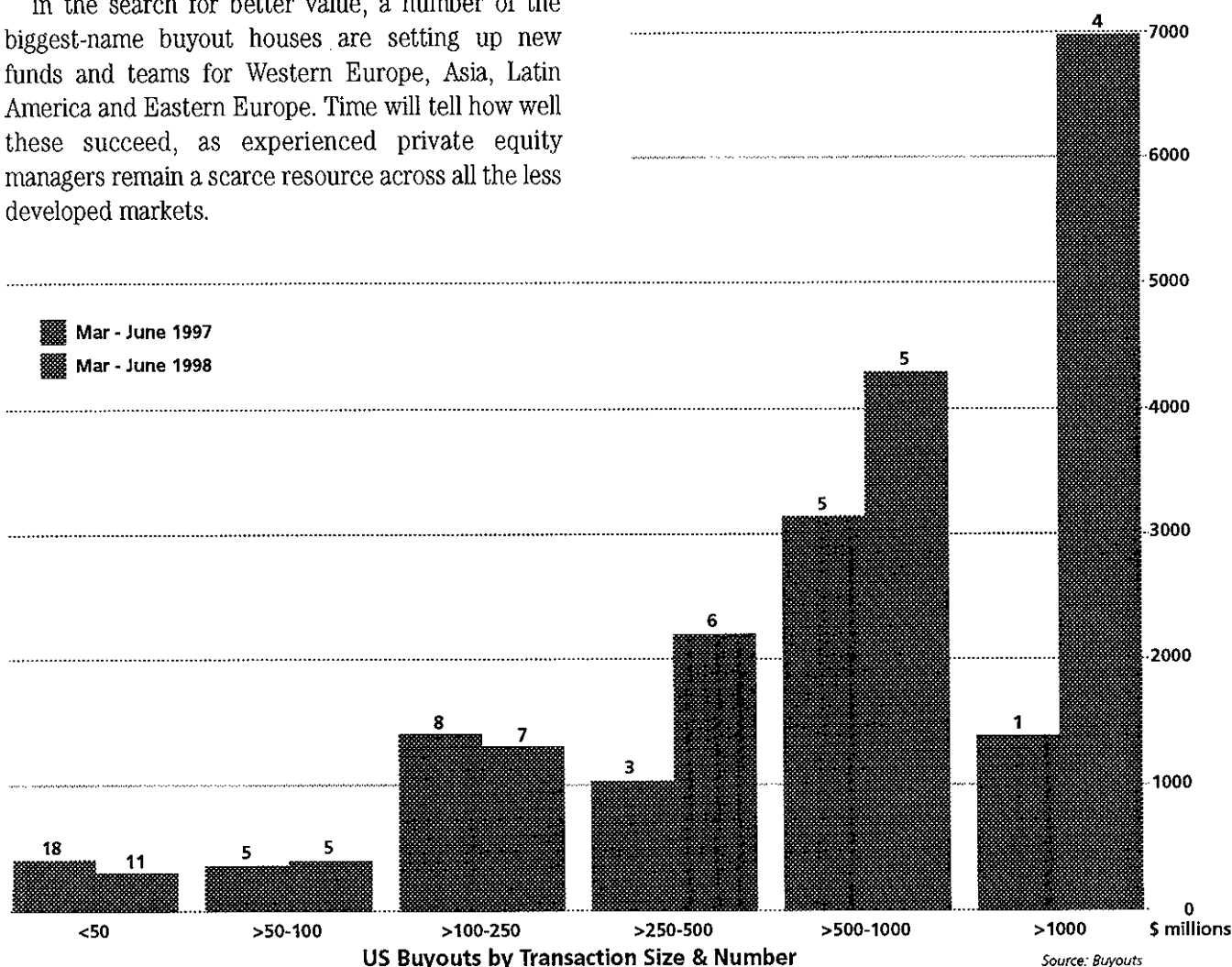
US buyout firms raised \$34.5 billion in the first half of 1998 and seem set to raise \$60 billion in the full year – almost doubling the 1997 record total. Record investment levels have not been matched by an increase in the number of deals available. This has been reflected in the higher earnings multiples being paid by private equity funds for companies, with managers targeting larger deals in order to get fully invested.

In the search for better value, a number of the biggest-name buyout houses are setting up new funds and teams for Western Europe, Asia, Latin America and Eastern Europe. Time will tell how well these succeed, as experienced private equity managers remain a scarce resource across all the less developed markets.

In Europe the UK private equity market, particularly at the top end, has been seen as overheated for some time, with doubts about the economic outlook. In Continental Europe, a fund buying a company for six to eight times the earnings before interest would have been considered to have paid a full price. With the arrival of UK- and USA-based managers looking for better value, pricing has increased dramatically to 12 times or even more on competitive larger transactions. There has also been an increasing use of high yield bonds.

Impact of Increased Stock Market Activity

In the USA and the UK the accessibility of the stock markets for flotations has been an important factor in achieving exits from private equity investment. The success of flexible, low-cost stock markets such as NASDAQ has made flotation on the public markets an important exit route for successful US funds.



The lack of this accessibility has been a key factor in limiting the growth of private equity in Continental Europe. Whilst these markets are still much less developed than those in the USA and the UK, there are increasing numbers of flotations, reflecting the growing equity culture. New stock markets such as EASDAQ and EURO.NM, aimed at higher-growth companies, have expanded rapidly and are creating a much improved climate for new share issues. In France 82 new domestic companies came to the market in 1997 compared with 59 in 1996; in Germany 35 in 1997 compared with 20 in 1996.

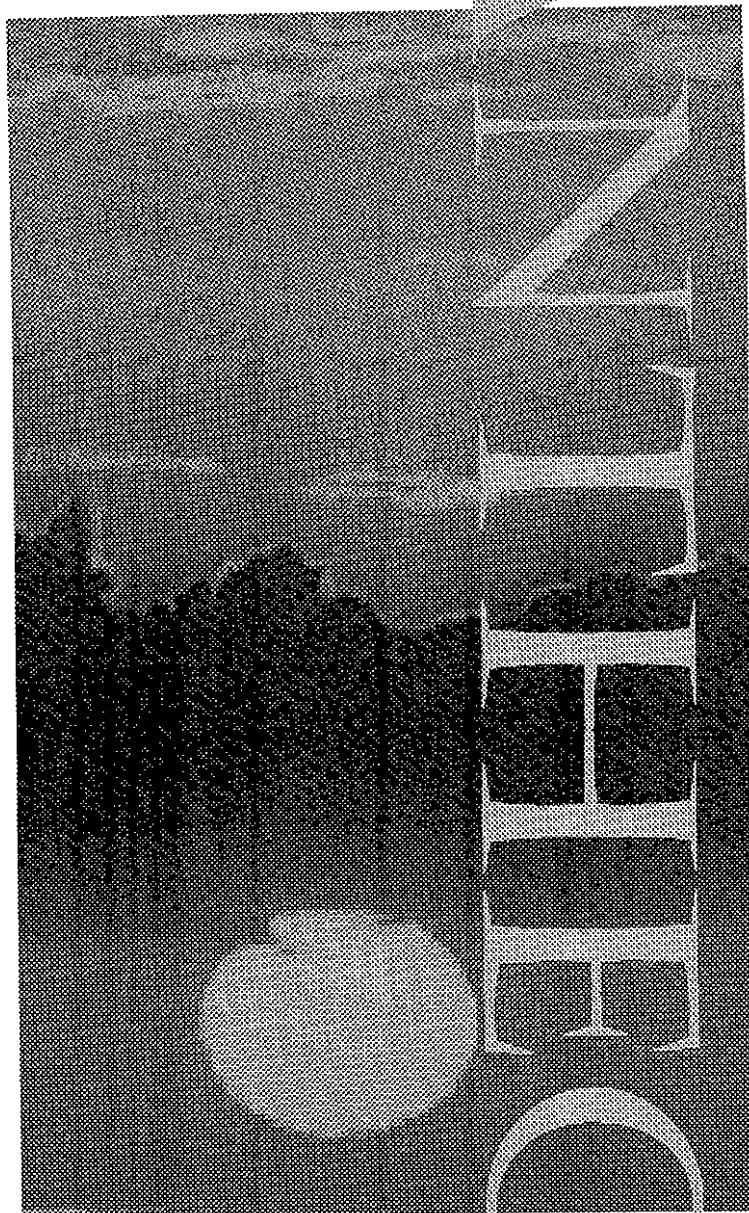
At the same time there has been a marked decrease in the number of flotations in the USA and the UK as investors flock to larger companies, which they perceive to be safer. In the UK 217 new domestic companies came to the market in 1997 compared with 347 in 1996.

After years of poor performance from early stage investing across Europe, returns comparable to those in the USA are now being achieved. This is in part due to the ability to float technology companies more rapidly on the new European markets and NASDAQ than was possible in the past.

Outlook for Secondary Markets

The negative correlation between capital raised and subsequent returns suggests that capital is raised when it is readily available, often following a period of good performance. This excess of capital forces prices up and sets the stage for a reduction in performance and hence capital in subsequent years.

The unprecedented levels of fund-raising by managers, and recently by fund of funds, are expected to lead to poorer returns as the millennium approaches. This may well result in an exodus of investors, particularly the newer entrants who have built their exposure very rapidly at the peak of the cycle. This is likely to produce more opportunities in the secondary market, probably at more attractive prices than in the current euphoria.



THE PORTFOLIO

The table below summarises the cost and value of the current portfolio by investment type and geographical area.

Investment portfolio (30 June 1998)	Number of Investments	Original Cost £m	Distributions £m	Value £m	Value %
USA					
US private equity funds	70	52.2	63.0	32.1	
US unquoted companies	18	8.3	2.2	9.4	
US quoted companies	5	2.0	0.0	0.7	
	93	62.5	65.2	42.2	33.4%
Europe					
UK private equity funds	39	31.5	30.4	18.4	
Continental European PE funds	26	21.7	12.4	13.1	
UK quoted companies	2	3.2	3.8	1.8	
Continental European unquoted company	1	0.9	0.0	0.9	
	68	57.3	46.6	34.2	27.0%
Other regions					
Japanese private equity funds	6	3.1	2.8	2.0	
Other Asian private equity funds	4	3.3	0.4	2.5	
Latin American private equity fund	1	0.6	0.0	0.6	
	11	7.0	3.2	5.1	4.0%
Total investment portfolio	173	126.8	115.0	81.5	64.4%
UK Gilts	2	28.9	-	28.7	
US Treasury Bills	1	16.5	-	16.3	
Total fixed interest	3	45.4	-	45.0	35.6%
Total fixed asset investments	175	172.2	115.0	126.5	100.0%

In the eleven years since the Company's formation it has invested £147.4 million in 213 private equity investments, including 41 that are now fully realised. Further analysis of the portfolio can be found under Transaction History on page 23.

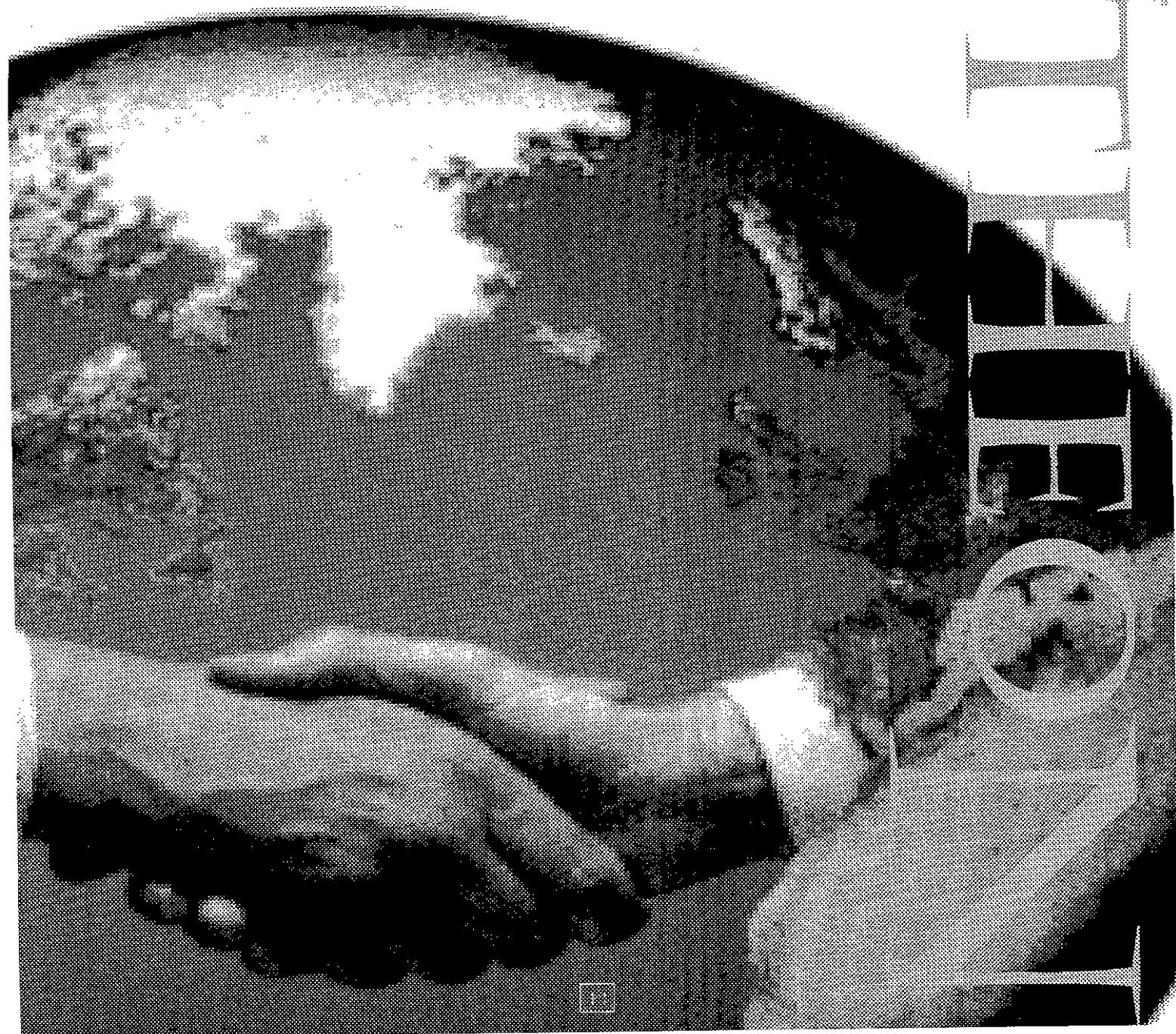
Through the fund investment programme, PIP currently has indirect participations in approximately 1,200 businesses, ranging from early stage high-technology companies to mature and significant international operations. The portfolio comprises companies domiciled in more than 20 countries and continues to be diversified by market, investment sector and investment type. It is this fund of funds approach that differentiates the strategy of the Company from other investment trusts; it is an approach adopted by many significant institutions that invest in private equity for their own account.

Portfolio Strategy

The Company's strategy is to make commitments to new funds managed by top-tier private equity fund managers, whilst at the same time actively pursuing the purchase of secondary interests.

PIP has traditionally focused on the acquisition of secondary interests as its core activity. However, the market for secondary interests is cyclical and there are times when over-pricing and poor supply can lead the Company to be less active in the market. These investments are, by their nature, opportunistic and thus it is difficult or impossible to achieve a balanced portfolio using secondary interests alone.

For these reasons PIP has adopted a strategy of making commitments of up to 50% of the portfolio to selected new funds and fund of funds vehicles. Over time this will result in a weighting to new funds of around 30% by value of the Company's invested portfolio. The new fund programme enables the Company to make strategic investments, thereby achieving a balanced portfolio, and to continue investing the cash returned by investments when suitable secondary investments are not available.

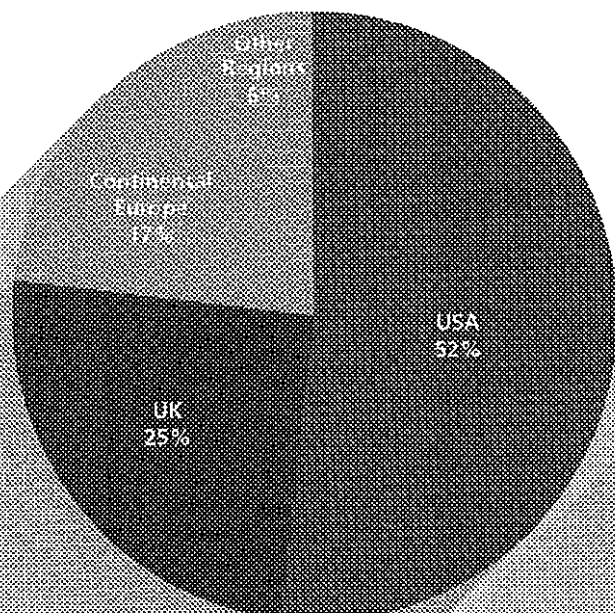
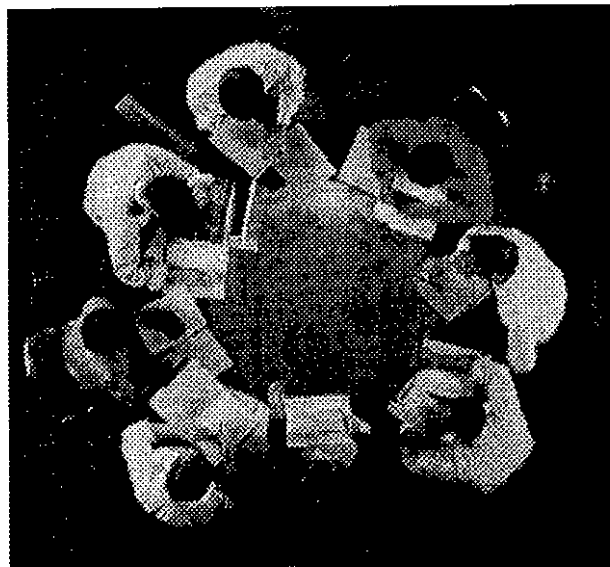


Geographical Analysis

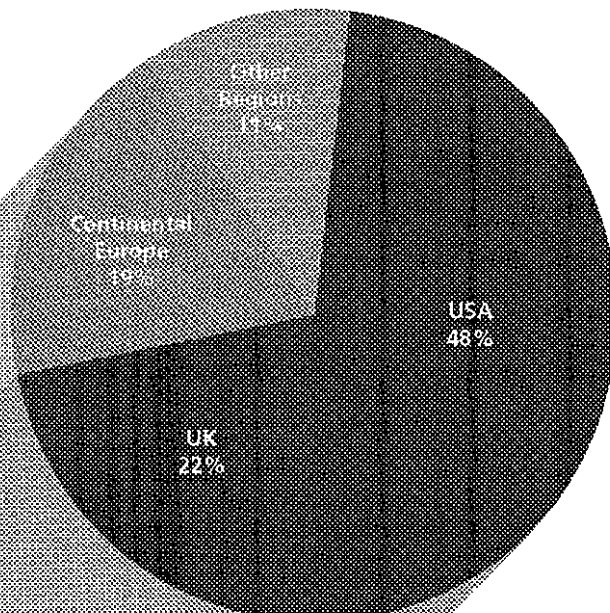
One of the unique features of PIP is that its portfolio is constructed to be broadly diversified by both individual investments and geographical spread. The pie charts below depict the geographical diversification of the Company's private equity investments by value, and by the sum of value and outstanding commitment.

Over 50% of the portfolio by value is invested in the USA, which is still the major market for private equity investment. One advantage of the programme of investment in new funds is the ability to implement a strategy to maintain the geographic spread of the portfolio. In the case of the Company's portfolio, this geographical diversity, combined with a broad sector spread of the underlying company investments, means that the assets are less vulnerable to the effects of recession in the UK than those of some comparable investment trusts.

The Company's exposure to the Asian region is very modest. Investments are spread throughout Asia, including countries that have been less affected by the region's economic problems, such as India and Taiwan. PIP's investments are long-term in nature and there is every prospect that reasonable returns will continue to be made from existing investments.



By value

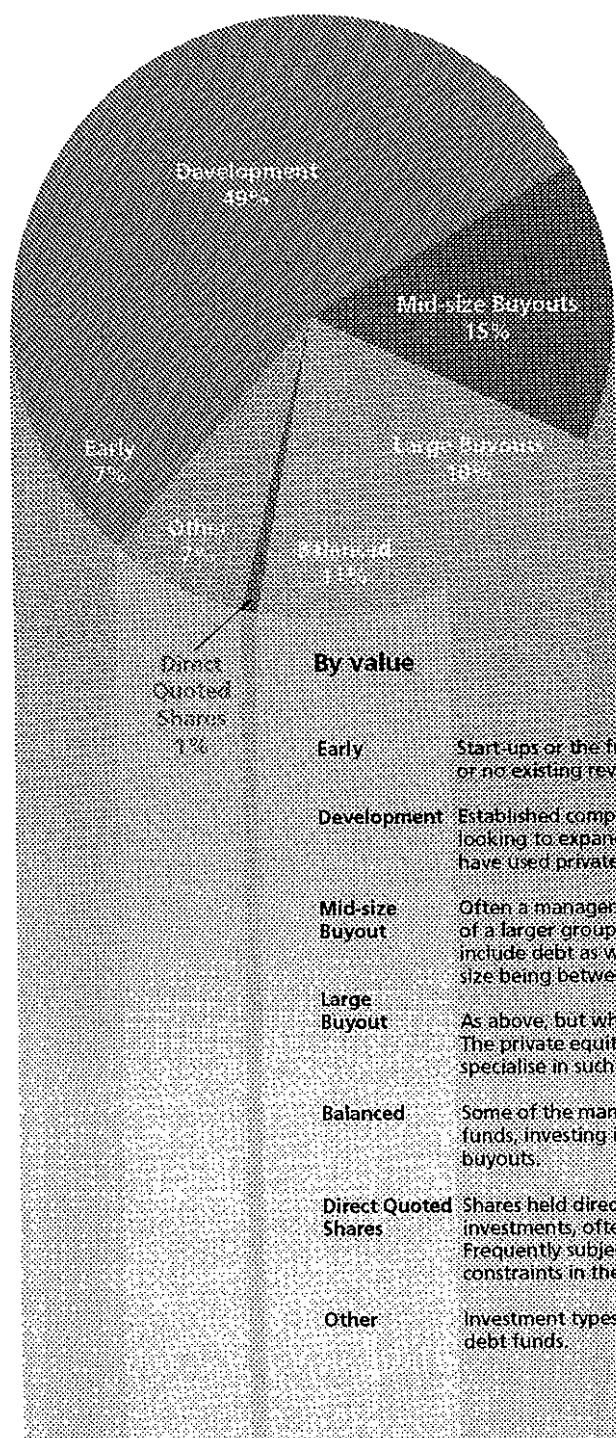


By value and outstanding commitment

Stage Analysis

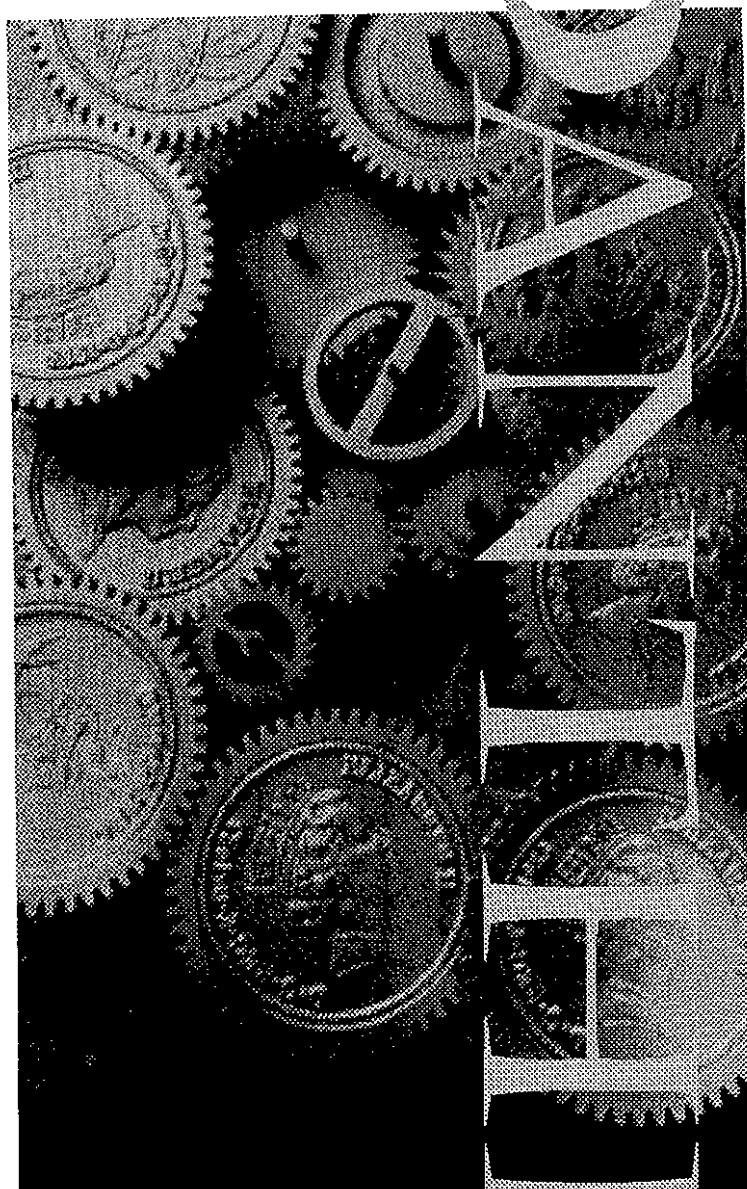
The value of the Company's investments has been categorised by stage, based upon the type of finance normally provided to the underlying companies.

The preponderance of development capital (also known as growth capital) has arisen because many of the secondary interests acquired by PIP are classified broadly in this way. The Company has been able to increase its weighting to both mid-size and large buyouts by subscription to new funds.



By value

Early	Start-ups or the funding of companies that have little or no existing revenue stream.
Development	Established companies that have revenues and are looking to expand or perhaps make an acquisition, and have used private equity investment for this purpose.
Mid-size Buyout	Often a management buyout of a subsidiary or division of a larger group, typically the transaction would include debt as well as equity, with the total transaction size being between £10 – £100 million.
Large Buyout	As above, but where the transaction size is larger. The private equity management teams will typically specialise in such large buyouts.
Balanced	Some of the managers have a broader focus for their funds, investing in a spread of stages from start-ups to buyouts.
Direct Quoted Shares	Shares held directly by the Company in quoted investments, often as a result of distribution from a fund. Frequently subject to restriction on sale and to liquidity constraints in the market for the shares.
Other	Investment types not included above, such as mezzanine debt funds.



Vintage Year Analysis

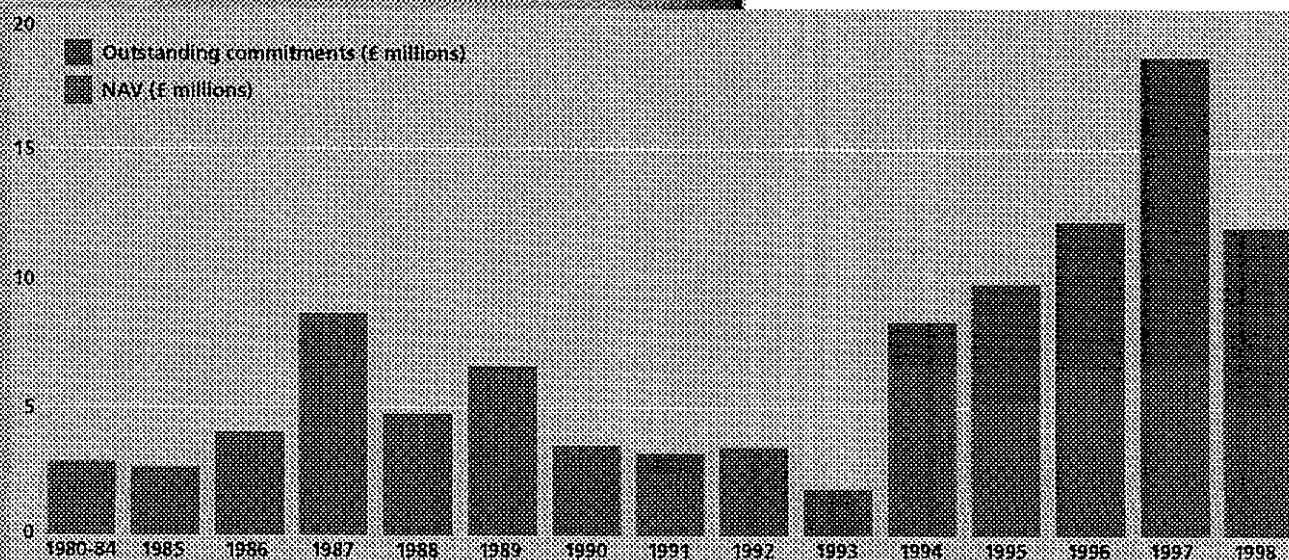
Private equity funds typically have a defined life of ten years. They make calls on the commitments made to them principally in the first three to five years and generate a substantial portion of their realisations in the last few years. Often an extension to the life of the fund is required to complete the realisation process. The period between investment and realisation is typically shorter in later stage funds and longer in venture capital or early stage funds. The year that the fund was raised is known as the vintage year.

The chart below shows the maturity of the private equity funds within the portfolio. It categorises the value of the Company's investment in each fund by the year in which it was formed, irrespective of the date when it was acquired by PIP, together with the outstanding commitments to those funds. Uncommitted amounts within Pantheon fund of funds vehicles are excluded, as the vintage year of the funds to which these amounts are to be committed is not yet known.

It can be seen from the chart that the Company's portfolio is well diversified as to age of fund. Some funds are near the end of their term, with few remaining underlying companies to realise. Others are fully invested and in the process of achieving realisations. The more recent funds will be looking for investment opportunities, which will be drawn against the outstanding commitments.

This diversification of fund vintages gives PIP exposure to investments being made and realised in different market cycles.

In summary, the portfolio is well diversified in geographical, stage and vintage year terms, and the underlying companies have a broad sector spread. This diversification helps to reduce the exposure of the portfolio to downturns in particular markets or sectors.

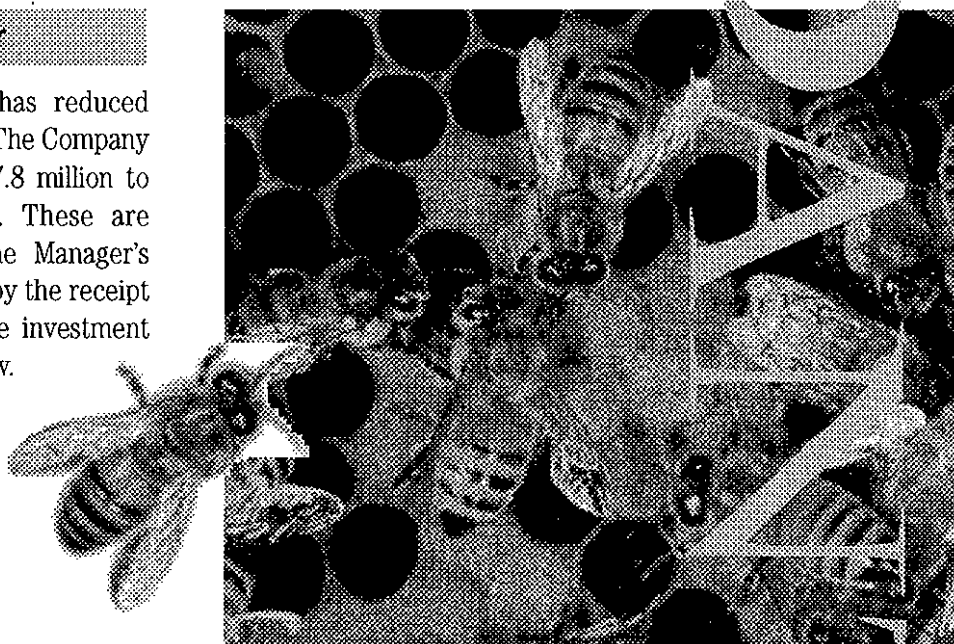


R E V I E W

A C T I V I T Y I N T H E Y E A R

Activity in the Year

The amount of investment activity has reduced somewhat from last year's record level. The Company has committed and invested some £27.8 million to new funds and secondary interests. These are described in more detail later in the Manager's Review. The year has been dominated by the receipt of £37.2 million from investments. The investment activity is summarised in the table below.



	£m
Purchase of secondary interests	12.9
Commitments to new funds	14.9
Investment activity in the year	27.8
Less: amounts purchased but not paid for	(15.2)
Add: amounts paid out relating to previous commitments	11.5
Net investment in the year	24.1
Less: amounts received from investments	(37.2)
Investment cash flow in the year	(13.1)

Investments Made During the Year

The investment activity during the year may be summarised as follows:

	Number	Commitments £m	Outstanding Commitments £m	Cost £m	Distributions £m	Value at 30.6.98 £m
Secondary purchases	15	12.9	1.6	11.3	1.4	11.0
New investments	3	5.9	5.0	0.9	0.0	0.9
Pantheon vehicles	1	9.0	8.6	0.4	0.0	0.3
	19	27.8	15.2	12.6	1.4	12.2

Purchase of Secondary Interests

The market for secondary interests has been very tight during the year, with new purchasers but few sellers entering the market. This is a natural consequence of the high level of returns from private equity over the last few years.

The Company purchased two portfolios of secondary interests, comprising 12 private equity funds and three individual fund interests, for a total cost of £11.3 million. PIP has reviewed a large number of investment opportunities, amounting to over \$475 million in total. However, the Company has been cautious about pricing these opportunities in the light of the large quoted component of some of the fund interests available.

Secondary purchases are analysed in the table on the left.

The three largest individual investments purchased were as follows:

PIP acquired an interest in Third Causeway Development Fund as part of a portfolio of 10 funds. The fund invests in UK unquoted companies, principally mid-size buyouts. This was the Company's largest single investment at the year end. Details are shown on page 27.

PIP acquired an additional interest in Thompson Clive International as a single investment. This secondary interest is in addition to a small primary interest that the Company already held in this 1994 fund, specialising in small to medium-sized technology companies.

PIP acquired 550,000 shares in NatWest Enterprise Trust PLC for a total cost of £1.5 million. This is an investment trust company, quoted on the London Stock Exchange, that invests in unquoted companies alongside various private equity funds managed by NatWest Equity Partners. The majority of these shares were acquired at a discount to the market price.

Description	Total Cost \$m	Realisation Proceeds \$m	Value at 30.6.98 \$m
Portfolio of 2 UK private equity funds	1.3	0.3	1.0
Portfolio of 6 UK private equity funds and 4 European private equity funds	6.1	1.0	5.7
Three individual interests	3.9	0.1	4.3
Total	11.3	1.4	11.0

R E V I E W

A C T I V I T Y I N T H E Y E A R

New Investments

The Company has sought to implement its strategy of investing in new private equity funds partly by investing in fund of funds vehicles managed by Pantheon Ventures, and partly through direct commitments to new funds.

PIP has made direct commitments to three new funds in the year.

	Number	Commitments £m	Outstanding Commitments £m	Cost £m	Value at 30.6.98 £m
USA	1	1.8	1.5	0.3	0.3
Europe	1	1.0	1.0	0.0	0.0
Other regions	1	3.1	2.5	0.6	0.6
Total	3	5.9	5.0	0.9	0.9

The largest of these was for US\$5 million to Scudder Latin American Power, a fund that invests in smaller independent power projects in Latin America and the Caribbean, generating a high level of income for its investors.



ACTIVITY IN THE YEAR

Investment Vehicles Managed by the Pantheon Group

The Company continued to support specialist investment vehicles with a clearly defined investment strategy devised by the Manager, Pantheon Ventures Ltd, and widely supported by its clients. These fund of funds vehicles, which are specifically tailored to the requirements of clients of the Pantheon Group, enable a pooling of resources, providing the commercial benefits of cost savings and access to certain investments which would not otherwise be available or appropriate in their entirety to the Company. They are designed principally to deliver the new fund programme.

The Manager has waived investment management fees ordinarily payable by the Company in respect of these holdings and has given an undertaking that PIP will always be in a better overall position with regard to fees than if it had made the investments directly.

During the year the Company made a commitment of \$15 million to Pantheon USA Fund III. This fund is the successor to Pantheon USA and Pantheon USA II. Both of these fund of funds vehicles are now fully committed, although Pantheon USA II is not yet fully drawn. Pantheon USA III will invest in US funds, with a strategy consistent with that employed by Pantheon USA Fund and Pantheon USA Fund II.

Total investment in Pantheon vehicles at 30 June 1998 is as follows:

PIP has benefited from a significant level of investment activity by these vehicles during the year. A total of \$123.1 million has been committed by these fund of funds vehicles to 23 new funds, of which the Company's share is \$8.8 million. This can be analysed as follows:

Fund of Funds	Number of Commitments	Total Commitment \$m	The Company's Share \$m
Pantheon Europe Fund	7	44.8	2.7
Pantheon USA Fund III	4	32.4	1.6
Pantheon USA Fund II	6	25.0	3.0
Pantheon Asia Fund II	2	16.3	1.1
Pantheon Asia Fund	2	3.6	0.3
Asia Direct	2	1.0	0.1
Total	23	123.1	8.8

Existing Investments

The Company has met calls totalling \$11.5 million from existing investments. This has increased from \$4.8 million in the previous year. \$10 million of this amount relates to investments made in new funds and \$1.5 million relates to secondary interests.

Fund name	Year raised	Committed \$m	Uncalled Commitment \$m	Original Cost \$m	Distributions \$m	Value \$m
Juno International Participations	1991	3.1	-	3.1	4.4	1.0
Janus Participations	1993	1.8	-	1.8	1.3	0.8
Pantheon USA Fund	1993	3.2	-	3.2	3.1	2.5
Pantheon Asia Fund	1994	2.8	0.7	2.1	0.4	1.4
Pantheon USA Fund II	1996	9.1	5.0	4.2	1.1	3.6
Asia Direct	1996	1.2	0.7	0.5	-	0.5
Pantheon Asia Fund II	1997	6.0	5.6	0.4	-	0.4
Pantheon Europe Fund	1997	8.4	7.1	1.3	-	1.2
Pantheon USA Fund III	1998	9.0	8.6	0.4	-	0.3
Total		44.6	27.7	17.0	10.3	11.7

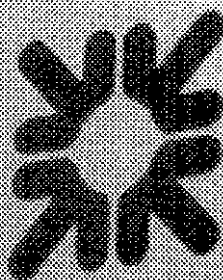
**Outstanding Commitments
and Loan Facility**

At 30 June 1998 PIP had outstanding commitments to investments of \$49.5 million. It is this level of outstanding commitments that has necessitated the maintenance of a significant amount of liquidity within the Company's portfolio. At 30 June 1998 the outstanding commitments of \$49.5 million can be compared with the available cash and fixed interest investment resources of the Company of \$47.4 million. However, not all the commitments will, or indeed can, be called immediately and the portfolio continues to generate significant cash distributions from the investment portfolio.

Maintaining this proportion of the portfolio as liquid investments is having a detrimental effect on the level of performance of the Company as a whole. This can be seen in the contrast between the return since inception on the private equity investment portfolio of 26.4% pa (IRR) and the growth in the NAV of 15.6% pa. This difference has arisen because the level of returns earned on the liquid investments is considerably lower than on the private equity portfolio. This 'cash drag' is an inevitable feature of maintaining adequate cover for uncalled commitments in the form of cash and fixed interest investments.

In order to reduce the level of liquid investments and increase the proportion of assets invested in private equity, the Company has arranged a three-year, committed £25 million standby facility with The Royal Bank of Scotland plc. This facility is intended to allow more of the assets to be invested in private equity, whilst being sure that PIP is able to meet calls on existing commitments as they fall due, not to provide the Company with long-term gearing.

“The Company has arranged a three-year committed £25 million standby facility with The Royal Bank of Scotland plc”



The Royal Bank of Scotland plc

ACTIVITY IN THE YEAR

Sales and Distributions

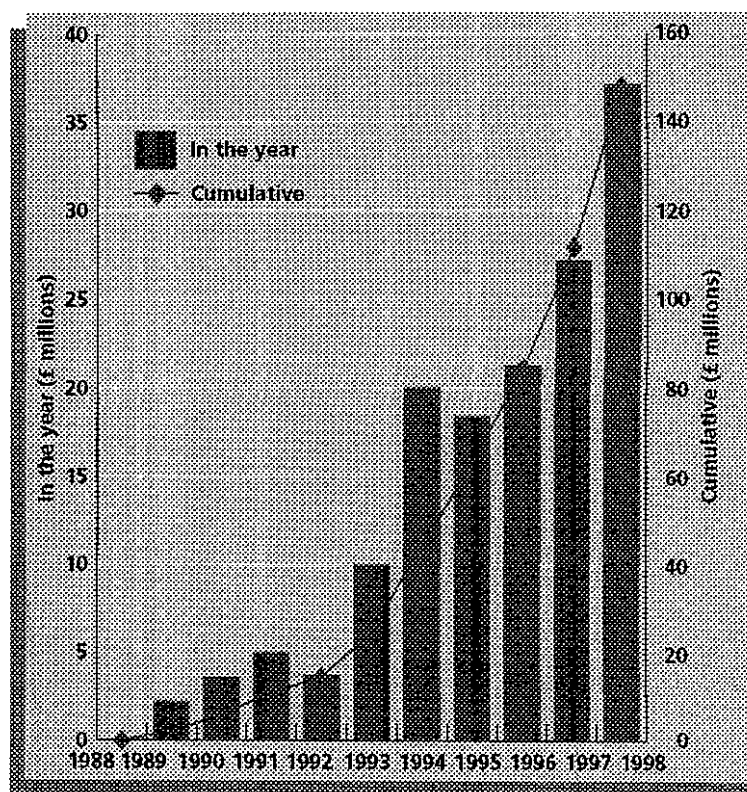
The twelve months to 30 June 1998 have seen a record level of distributions, with \$37.2 million being realised from investments.

The level of distributions continues to highlight the conservative nature of the valuation of the assets. The private equity portfolio at the beginning of the year, valued at \$79.1 million, achieved a realised and unrealised gain of \$14.4 million, including currency differences. Substantially all of the distributions received in the year arose from this opening portfolio.

Many of the distributions from funds have arisen because of the realisation of specific underlying company investments. We have analysed the 15 largest distributions to the Company from private equity funds to compare the proceeds with the value at which the underlying company had been held within the fund's accounts and hence within the Company's accounts.

The table below sets out the results of that analysis.

The analysis shows that, on average for the largest 15 distributions, the Company's share of the realisation proceeds from an underlying company, net of any carried interest paid to the fund manager, is over 1.7 times the amount at which it was valued at the start of the year, and 3.4 times the original cost.



Distributions

Underlying Investment Realised	Original Cost \$'000s	Proceeds \$'000s	Value Attributed at 30.6.97 \$'000s	Uplift %
Novo Group plc	601	1,046	680	54%
Biocompatibles Inc	47	1,004	696	44%
Expanet International plc	559	918	565	62%
TI Hughes plc	488	878	652	35%
Amvescap plc	39	872	271	222%
McLeod	24	844	304	177%
Ashtead Group plc	205	795	680	17%
Milner Estates plc	537	624	434	44%
UTL, Zucchini, Buffetti	216	589	210	180%
Halliburton Inc	57	483	239	102%
Sonus Inc	17	459	269	71%
Medimmune Inc	17	429	225	91%
Gena Inc	4	419	176	138%
United Healthcare	60	341	60	472%
Dudley Jenkins Group plc	44	257	198	87%
	2,909	9,958	5,599	78%

R E V I E W

A C T I V I T Y I N T H E Y E A R

Transaction History

The following table summarises the complete investment activity of the Company since inception. It shows original cost, the proceeds that have been generated, the current value and the extent to which proceeds and remaining value exceed cost.

It can be seen that the extent to which proceeds and remaining value exceed cost is increasing over time as realisations are achieved at an uplift over cost or previous carrying value.

Year Ended 30 June	Description	Original Cost (\$m)	Realisation Proceeds (\$m)	Value at 30.6.98 (\$m)	Multiple of Cost	Multiple of Cost Last Year
1989	3 portfolios of secondary interests 3 individual secondary interests	4.8	8.4	0.4	1.8	1.8
1990	2 portfolios of secondary interests 1 individual secondary interest	20.3	34.6	2.1	1.8	1.8
1991	3 portfolios of secondary interests 1 direct secondary investment	5.0	14.5	2.7	3.5	3.4
1992	1 fund of funds investment	2.3	3.7	0.5	1.8	1.7
1993	1 fund of funds investment 3 individual secondary interests	3.7	3.7	1.3	1.4	1.3
1994	4 portfolios of secondary interests 2 fund of funds investments	23.3	37.4	8.4	2.0	1.9
1995	1 portfolio of secondary interests 2 individual secondary interests 6 new fund commitments	5.7	3.8	3.4	1.3	1.2
1996	3 portfolios of secondary interests 6 individual secondary interests 5 new fund commitments 2 fund of funds commitments	24.3	18.3	18.1	1.5	1.4
1997	6 portfolios of secondary interests 7 individual secondary interests 7 new fund commitments 2 fund of funds commitments	45.3	23.3	32.4	1.2	1.1
	Sub-total	134.7	147.7	69.3	1.6	1.5
1998	2 portfolios of secondary interests 3 individual secondary interests 4 new fund commitments 1 fund of funds commitment	12.7	1.4	12.2	1.1	
	Total	147.4	149.1	81.5	1.6	

P R I V A T E E Q U I T Y P R O C E S S

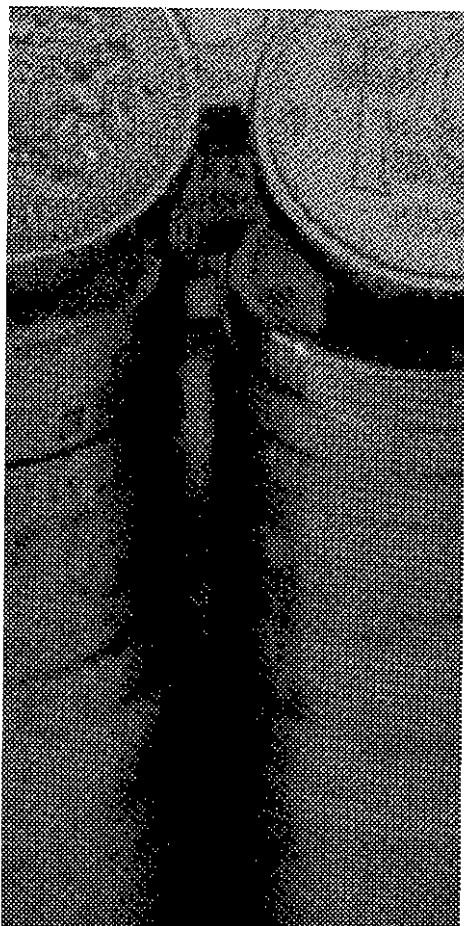
Background

Prior to the 1980s, institutional investment in private equity was fairly minimal in the US and virtually non-existent elsewhere. Since then, private equity has developed into a \$200 billion international industry and become firmly established as an investment asset class in its own right.

Nowadays the vast majority of the financing for unquoted investment comes from institutions that, in search of enhanced investment performance, may allocate a limited proportion of their total assets into private equity. This asset allocation is often made through dedicated private equity funds run by independent managers.

Characteristics of Independent Private Equity Funds

Each independent private equity fund is typically funded by a number of institutions and can take the form of a limited partnership, unit trust or limited company. These funds will then invest in unquoted companies using the expertise of a private equity management team to identify, monitor and realise the fund investments.



The independent private equity fund will normally have a fixed life of eight to ten years, make perhaps 20 to 30 investments in total, and will have been constituted with a pre-agreed strategy and investment policy. Each investor's commitment is drawn down or called as investments are made and proceeds from realisations of these investments are distributed back to the investor, with the bulk of such realisations made typically between years six and ten.

A fund will often concentrate on one geographic area, such as the USA or the UK, and may have a preferred investment focus. It is normally the previous experience, industry expertise and commercial network of the management team that dictates the nature of the portfolio. The management team will receive a proportion of the gains arising on the disposal of investments (their carried interest) which ensures that they are highly motivated to maximise the value of the underlying companies and thus the portfolio return.

Fund of Funds

A more broadly diversified portfolio can be achieved by making investment commitments to several independent private equity funds. Such a fund of funds approach can result in a portfolio that is more fully international, better diversified by stage and sector and, importantly, invested steadily across different economic cycles.

An investor can thus acquire an underlying portfolio of several hundred investments in unquoted companies across a wide range of industries where, in each case, there is a professional private equity manager accountable for their progress.

Secondary Interests in Private Equity Funds

Institutions do on occasions, and possibly following a change in investment strategy, wish to sell their private equity fund holdings early rather than keep them until final realisation. The market for the disposal of these secondary interests normally operates through direct negotiation, although vendors are increasingly seeking alternative bids.

R E V I E W

THE COMPANY

The Role of the Company

The Company is currently the only independent, private equity capital fund of funds investor quoted on the London Stock Exchange. It enables individuals as well as institutions to gain access to a substantial portfolio of unquoted companies in the USA, UK, Continental Europe and Asia, within funds managed by experienced private equity managers.

Current Investment Policy

Within its stated primary investment objective, the Company invests in private equity funds both as secondary interests and by subscribing to new funds.

As an adjunct to this activity the Company may occasionally acquire direct holdings in unquoted companies, usually where a vendor is seeking to sell a combined portfolio of funds and direct holdings.

The Company's investment policy also extends to

investing directly in companies where there is a private equity manager, well known to the Company, investing on the same terms.

Unquoted Valuation Policy

The valuation of the Company's investments in private equity funds is derived from the most recently available accounts, provided by their managers, which may be audited or unaudited.

The Company sometimes acquires secondary interests at a discount or premium to the fund manager's valuation. After their purchase these funds are normally immediately revalued within the portfolio of the Company back to their stated Net Asset Values, irrespective of the purchase price, unless a provision against a specific investment is considered prudent.

This policy is adopted to be consistent with the arm's length valuation used by other investors.

THE MANAGER - PANTHEON VENTURES LIMITED

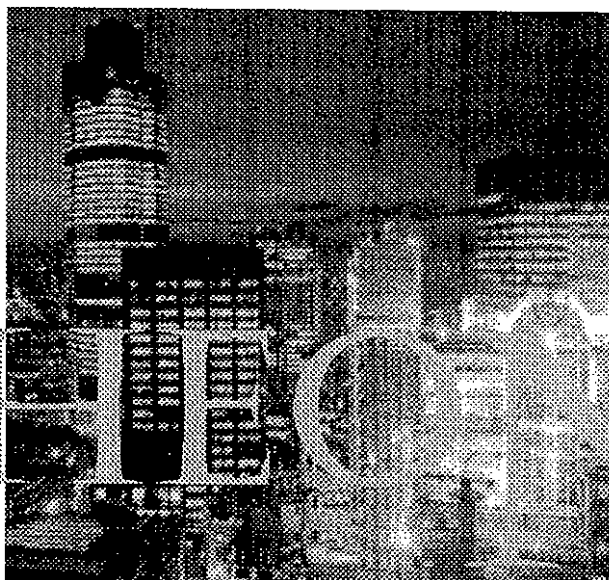
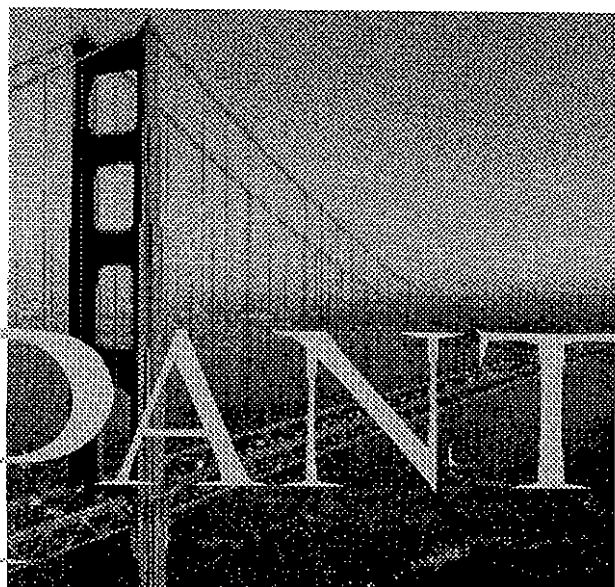
The Manager is part of an independent group that is dedicated to private equity investment, specialising in making and managing investments in private equity funds worldwide.

Resources

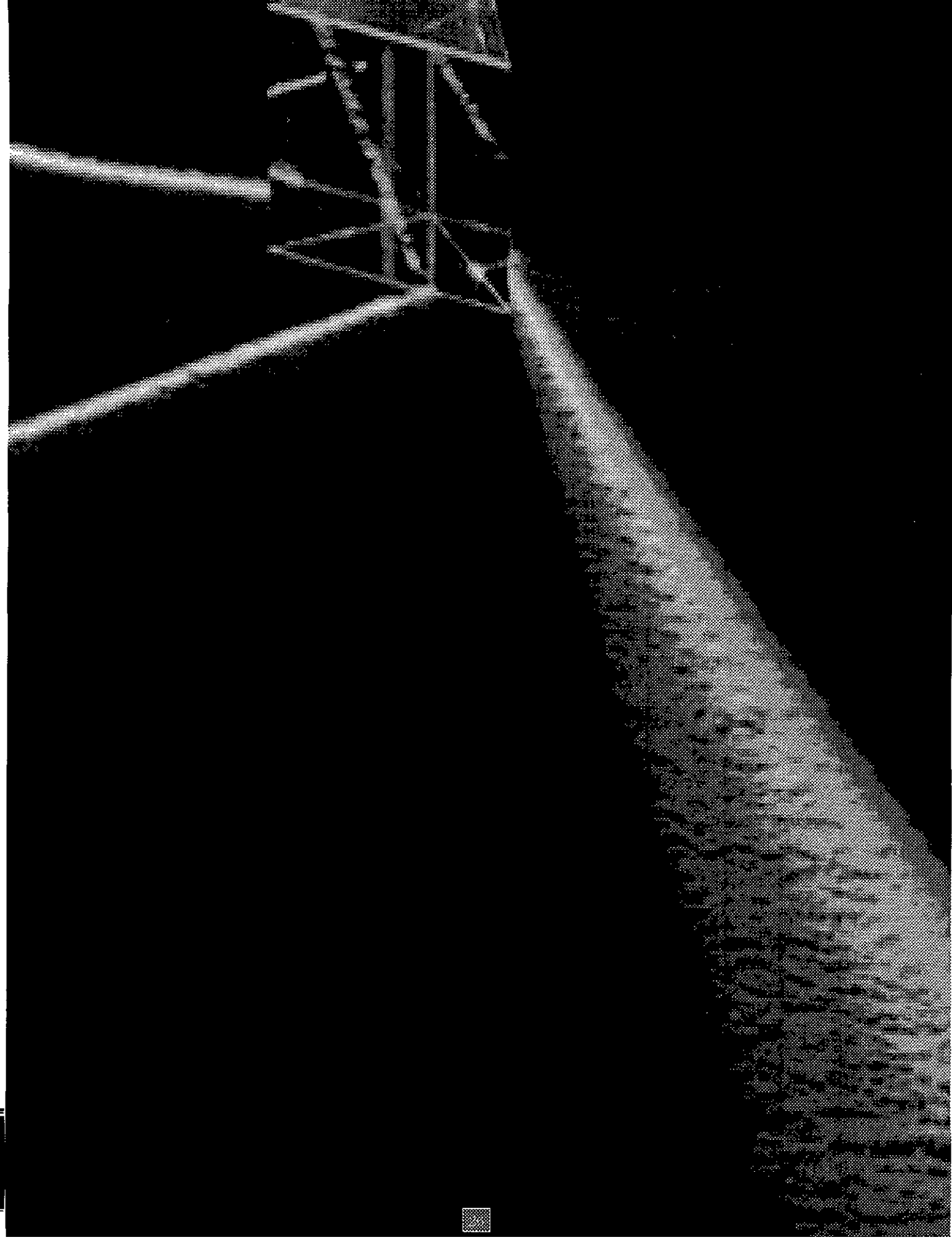
The Pantheon Group has 32 full-time employees, with offices in London, San Francisco and Hong Kong. Executives are based in the UK, USA and Asia, enabling them to look after the Company's interests efficiently with the benefit of their local knowledge and network.

Activities

Pantheon Ventures Limited manages the Company's investments, appraising further investments carefully in the context of the Company's investment policies. The Pantheon Group, on behalf of all of its clients, manages assets of approximately £1.1 billion, with investments in over 350 funds across North America, Europe, Latin America, Africa and Asia. It has developed a statistical database of some 3,500 underlying companies against which to compare the performance of individual management teams and their investments.



TOP TWENTY

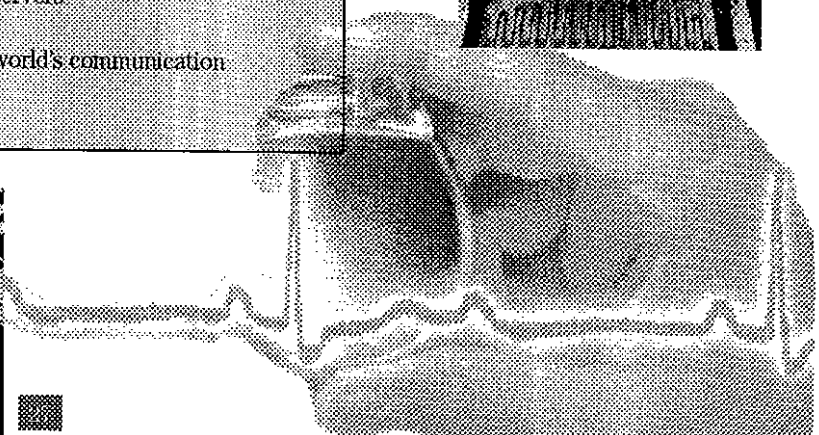
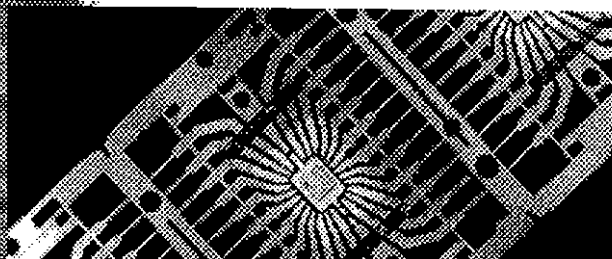
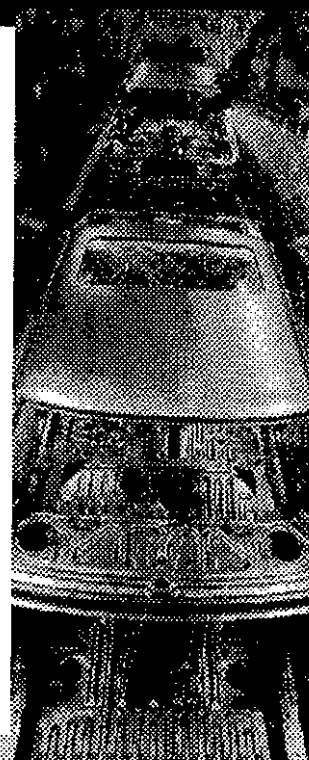
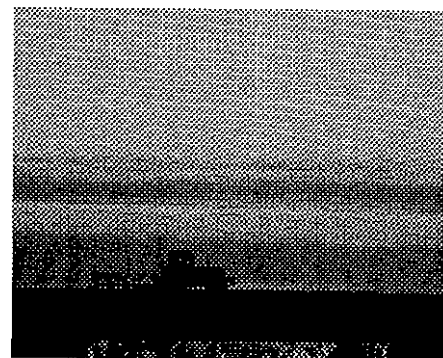


INVESTMENTS

30 June 1998	% Interest in Investment	Cost £'000s	Income & Capital returned to the Company £'000s	Value £'000s	% of Portfolio
--------------	--------------------------	-------------	---	--------------	----------------

1					
Third Causeway Development Capital Fund	16.7	5,424	1,189	4,728	3.7
The fund invests in a range of unquoted UK companies, principally mid-sized buyout opportunities. Structure: Guernsey unit trust Size: £60m Term: Fixed life ending 2000 Called: 100% No. of companies: 7 at 6/98 Distributions received in the year: £0.8m Key companies Spaldings Ltd Unquoted Distributor of agricultural, grass care and vehicle spare parts European Automotive Components Ltd Unquoted Manufacturer of automotive components Mill House Inns PLC Unquoted Owner and operator of public houses					

2					
Sequoia Capital Growth LP	3.1	1,630	2,755	3,806	3.0
The fund invests principally in unquoted companies but also in quoted companies and private equity funds. It has a significant bias towards technology investments. Structure: California Limited Partnership Size: \$160.7m Term: Fixed life ending 12/99 Called: 100% No. of companies: 26 at 6/98 Distributions received in year: £0.9m Key companies Flextronic International Quoted Leading supplier of contract manufacturing services to electronics and medical companies Network Appliance Quoted Supplier of high performance network data servers Applied Micro Circuits Quoted Supplier of integrated circuits (IC's) for the world's communication infrastructure					



30 June 1998

% Interest in Investment	Cost £'000s	Income & Capital returned to the Company £'000s	Value £'000s	% of Port- folio
--------------------------------	----------------	--	-----------------	------------------------

*3

Pantheon USA Fund II Limited

11.9	4,203	1,123	3,624	2.9
------	-------	-------	-------	-----

Fund of funds investing in new USA private equity funds and single secondary interests. The successor vehicle to Pantheon USA Fund Limited.

Structure: Guernsey company	Investment professionals: see the Manager (page 25)
Size: \$126.5m	Manager location: see the Manager (page 25)
Term: Fixed life ending 2009	Years in business: see the Manager (page 25)
Called: 45%	Funds under management: see the Manager (page 25)
No. of funds: 17 new funds plus 3 secondaries	
Distributions received in the year: £1.1m	

Key funds
Code, Hennessy & Simmons II

Fund Middle-market manufacturing and distribution companies primarily in the Midwest

Summit IV

Fund Late stage growth companies

Vestar III

Fund Middle-market management buyouts, recapitalisations and growth equity investments

4

Omniceil Technologies Inc

4.9	1,490	0	3,022	2.4
-----	-------	---	-------	-----

The company designs, manufactures, markets and services automated point-of-use supply stations that improve the management and control of supplies in hospitals.

Structure: Unquoted US company

Size: \$136m

Called: 100%

Distributions received in year: \$0m

Private equity managers also invested:
Oak Investment Partners, Sequoia Capital

5

Prudential Private Equity III LP

1.6	3,499	0	2,637	2.1
-----	-------	---	-------	-----

The fund primarily makes investments in unquoted emerging growth companies. This fund was acquired as part of a secondary portfolio.

Structure: Delaware limited partnership

Size: \$305.1m

Term: Fixed life ending 2003

Called: 100%

No. of companies: 18 at 3/98

Distributions received in year: \$0m

Investment Professionals: 12
Manager location: New York
Years in business: 14
Funds under management: \$1bn

Key companies

International Manufacturing Services

Quoted Provider of electronic manufacturing services

Guardian Care, Inc

Unquoted Operates long-term care facilities providing skilled nursing and sub-acute care

The Big Party Corporation

Unquoted Party supplies superstore

TOP TWENTY INVESTMENTS

30 June 1998	% Interest in Investment	Cost \$'000s	Income & Capital returned to the Company £'000s	Value \$'000s	% of Portfolio
--------------	--------------------------	--------------	---	---------------	----------------

*6 Pantheon USA Fund Limited	9.3	3,172	3,087	2,454	1.9
A fund of funds investing in new USA private equity funds and single secondary interests. Structure: Guernsey company Size: \$54m Called: 100% Distributions received in year: £1.7m					

7 BC European Capital V	9.9	2,209	449	2,135	1.7
Makes equity and equity-related investments in management buyouts, buy-ins and development capital situations in businesses based predominantly in Western Europe. Structure: UK limited partnership Size: ECU450m Called: 83% Distributions received in the year: £0.2m					

8 Oncare Inc	4.8	1,208	0	2,120	1.7
The company is a managed care network that specialises in the comprehensive treatment of various cancers through the acquisition and management of oncology physician practices. Structure: Unquoted US company Size: \$136m Called: 100% Distributions received in the year: \$0m Managers invested: Sevin Rosen Kleiner Perkins					

9 Thompson Clive International	16.3	2,014	0	2,061	1.6
The fund invests in small to medium-sized technology companies with international growth potential. Structure: Jersey unit trust Size: £30m Called: 70% Distributions received in the year: \$0m					

10 Morgan Grenfell Equity Partners	1.1	1,923	0	1,792	1.4
This fund invests in large UK and European buyouts. Structure: English limited partnership Size: £350 m Called: 56% Distributions received in the year: \$0m					

* Also managed by the Pantheon Group, as explained more fully on page 20.

30 June 1998

% Interest
in
Investment

Cost
(\$000s)

Income &
Capital
returned
to the
Company
(\$000s)

Value
(\$000s)

% of
Port-
folio

11

Advent Atlantic & Pacific III

2.3

1,436

235

1,762

1.4

The fund primarily invests in unquoted high growth companies in the software, data networking, healthcare services, financial services and consumer products industries.

Structure: Delaware limited partnership

Size: \$150m

Called: 57.5%

Distributions received in year: \$0.2m

12

Fleming Ventures Limited

7.1

718

1,589

1,725

1.4

Comprises investments made in the US and Europe, mainly in electronics and telecommunications.

Structure: Jersey company

Size: £20m subscribed capital

Called: 100%

Distributions received in the year: £0.2m

13

The Causeway Smaller
Quoted Companies Fund

10.7

5,126

5,350

1,706

1.3

The fund invests in small-cap companies listed on the London Stock Exchange, applying development capital techniques to provide active advice and assistance to management.

Structure: Guernsey unit trust

Size: \$61m

Called: 87%

Distributions received in year: \$4.7m

14

NatWest Enterprise Trust plc

12.3

1,499

0

1,576

1.2

The company invests primarily in UK unquoted securities for long-term growth.

Structure: Investment trust company listed on the London Stock Exchange.

Size: NAV \$16.6m @ 30/6/98

Called: 100%

Distributions received in the year: \$0m

15

Interventional Technologies Inc

4.1

2,048

0

1,528

1.2

Manufactures and markets minimally invasive, disposable, microsurgical devices and systems for the treatment of cardiovascular disease.

Structure: US unquoted company

Size: \$134m

Called: 100%

Distributions received in the year: \$0m

Managers invested: Sequoia, Interwest

TOP TWENTY INVESTMENTS

30 June 1998	% Interest in Investment	Cost £'000s	Income & Capital returned to the Company £'000s	Value £'000s	% of Port- folio
--------------	--------------------------------	----------------	--	-----------------	------------------------

*16 Pantheon Asia Fund Limited	7.5	2,135	371	1,427	1.1
Invests in private equity funds in the Asian markets, both new funds and secondary interests. Structure: Guernsey company Size: \$66.5m Called: 68% Distributions received in the year: \$0.1m					

17 Applied Medical Resources Inc	2.1	1,428	0	1,332	1.1
Designs, develops, manufactures and markets surgical products (catheters and clamps) for the vascular, cardiovascular, general surgery and urology markets. Structure: US unquoted company Size: \$139m Called: 100% Distributions received in the year: \$0m Manager invested: IVP					

18 Schroder UK Venture Fund III	3.3	1,439	1,112	1,298	1.0
The fund makes venture capital and smaller buyout investments, principally in UK businesses. Structure: Bermuda unit trust Size: £76.5m Called: 100% Distributions received in the year: 0.5m					

*19 Pantheon Europe Fund Limited	6.1	1,325	0	1,240	1.0
Fund of funds investing in European private equity funds and single secondary interests. Structure: Guernsey company Size: ECU 214 m Called: 15% Distributions received in the year: \$0m					

20 International Network	2.3	1,295	2,220	1,229	1.0
Fund investing in international companies providing development capital. Also invests in international limited partnerships for deal flow and return on investment (40%). Structure: Delaware limited partnership Size: \$222.5m Called: 100% Distributions received in year: \$0.4m					

* Also managed by the Pantheon Group, as explained more fully on page 20.

T H E B O A R D

The Board consists solely of non-executive Directors and no one individual has unfettered powers of decision. Arrangements to ensure the appropriate level of corporate governance have been put in place by the Board which it believes are appropriate to an investment trust and enable the Company to comply with the Cadbury Committee's Code of Best Practice ("the Code").

Directors are subject to re-election by shareholders at intervals specified in the Company's Articles of Association, and the Directors consider that this meets the requirement of the Code that directors are appointed for specific periods and that their re-appointment should not be automatic. A formal process exists for the selection of new Directors to the Company.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company.

From left to right:

The Hon. Richard M.O. Stanley,

Lionel G. Stopford Sackville,

Rhoderick M. Swire (standing),

W. Thomas J. Griffin,

J. Peter A. Readman (standing),

Alain M.L. Lefebvre

Not pictured: Ewen C.S. Macpherson



T H E B O A R D

The Board comprises the following:

W. Thomas J. Griffin (*Chairman*) Born May 1928. He was formerly chairman of GT Management PLC, now a part of Amvescap PLC. He is Chairman of Guinness Flight Hambro Asset Management Limited, a Trustee of the COIF Charities Investment Fund and a director of a number of investment trust companies.

♦ **Alain M.L. Lefebvre** Born April 1930. He is a French citizen who spent his career working for Banque de Gestion Privée-SIB. He is a director of a number of continental investment companies. He is a graduate of l'École des Hautes Études Commerciales.

Ewen C.S. Macpherson Born January 1942. He is the former Chief Executive of 3i Group plc, the largest provider of investment capital to unquoted businesses in the UK. He is also a director of Scottish Power plc and Booker PLC.

♦♦ **J. Peter A. Readman** Born December 1946. He is a director of a number of companies specialising in US real estate, and of Mercury Keystone Investment Trust PLC and Martin Currie European Investment Trust PLC. He is also an economic adviser to a number of UK institutions and companies.

♦♦ **The Hon. Richard M.O. Stanley** Born April 1931. He is former chairman of Pantheon Ventures Limited and a director of Friends Provident Life Office. Most of his previous career was with Metal Box PLC, where he was a director.

♦♦ **Lionel G. Stopford Sackville** Born November 1932. He qualified as a chartered accountant in 1959. He has had extensive experience working for a wide range of companies, principally in the financial and mineral resources sectors. He has been a director of a number of major companies including Charter Consolidated PLC, Selection Trust Limited, Mineral and Resources Corporation and Anglo American Corporation of South Africa Limited. He was chairman of Cape Industries PLC from 1979 to 1980, having been a director since 1970. He is currently chairman of Nelson Gold Corporation Limited and a director of Dartmoor Investment Trust plc and Mercury World Mining Trust plc.

Rhoderick M. Swire Born March 1951. He is chairman of Pantheon Holdings Limited. He joined GT Management PLC ("GT"), now a part of Amvescap PLC in 1981, with responsibility for investment in unquoted companies. After graduating in engineering, he qualified as a chartered accountant with Peat Marwick. He subsequently joined John Swire & Sons Limited, where he had various assignments in Hong Kong, Australia and the UK before joining GT. He was a director of GT until the reorganisation of the Company's Manager, Pantheon Ventures Limited.

* *Members of the Audit Committee*

♦ *Members of the Management Engagement Committee*



PAN

THEON

A D V I S E R S

MANAGER

Pantheon Ventures Limited
Charles House
5/11 Regent Street
London SW1Y 4LR
0171 484 6200
email: pip@pantheon.co.uk
Regulated by IMRO

SECRETARY & REGISTERED OFFICE

Sinclair Henderson Limited
23 Cathedral Yard
Exeter
Devon EX1 1HB

BROKERS

Hoare Govett Limited
4 Broadgate
London EC2M 7LE
0171 601 0101

REGISTRARS

Computershare Services PLC
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

BANKERS

Lloyds Bank plc
71 Lombard Street
London EC3 3BS
(Also Custodian)

The Royal Bank of Scotland plc
Waterhouse Square
138-142 Holborn
London EC1N 2TH

AUDITORS

Robson Rhodes
Chartered Accountants
186 City Road
London EC1Y 2NU

SOLICITORS

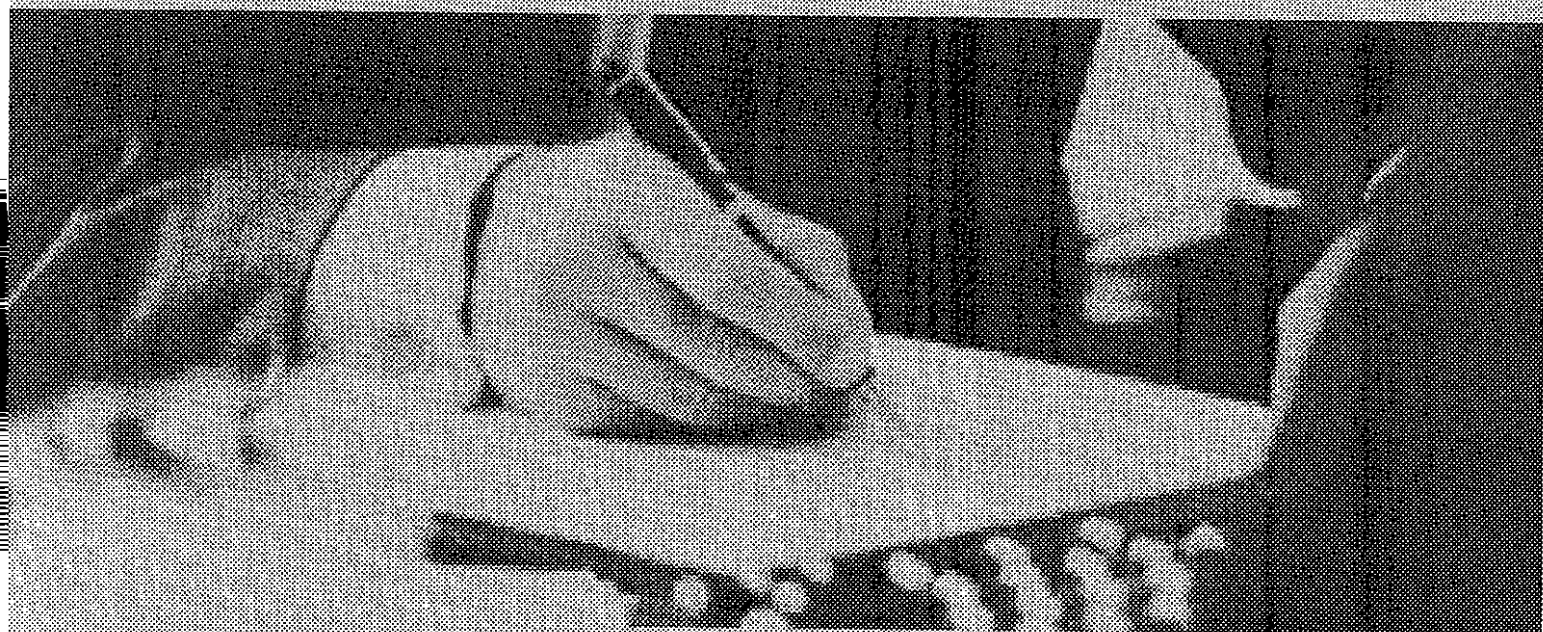
Theodore Goddard
150 Aldersgate Street
London EC1A 4EJ

Company number: 2147984

A member of the Association of Investment Trust Companies



DIRECTORS' REPORT
AND
FINANCIAL
STATEMENTS



D I R E C T O R S

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 30 June 1998.

S T A T U S A N D A C T I V I T I E S

The Inland Revenue has approved the Company as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the accounting period ended 30 June 1997, the Company having directed its affairs accordingly. The Company has subsequently directed its affairs so as to enable it to continue to seek such approval.

The Company is an investment company as defined under Section 266 of the Companies Act 1985.

Review of Business

A review of the year's activities and an indication of likely developments is given in the Chairman's Statement on pages 6 and 7 and in the Manager's Review on pages 8 to 25.

Net Asset Value

The Company's total net assets increased during the year to £131,322,000 (1997: £116,782,000). The fully diluted net asset value per ordinary share was 368.6p at 30 June 1998 (1997: 328.4p). The 20 largest investments are shown on pages 26 to 31.

Results and Dividends

As set out in the statement of total return on page 43, the Company's net revenue on ordinary activities before taxation for the year was \$290,000 (1997: \$178,000). The net revenue available for ordinary shareholders amounted to \$223,000 (1997: \$183,000).

The Directors do not recommend a dividend in respect of the year ended 30 June 1998 and the amount available to shareholders has therefore been transferred to the revenue reserve.

Payment of Suppliers

It is the Company's payment policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. The Company agrees with its suppliers the terms on

which business will take place and it is the Company's policy to abide by those terms. At 30 June 1998, the Company had 4 days of purchases outstanding in respect of trade creditors (1997: Nil).

Management

Pantheon Ventures Limited acts as Manager and Investment Adviser to the Company under an agreement dated 16 July 1992, which is terminable by either party at any time on two years' notice in writing. The agreement provides for a fee (calculated and payable monthly) at a rate of 1.5% per annum (excluding VAT) on the funds under management. The Manager has waived investment management fees ordinarily payable by the Company in respect of holdings in other Pantheon vehicles and has given an undertaking that the Company will always be in a better overall position with regard to fees than if they had made the investments directly. The management fee for the year amounted to \$1,708,000 (1997: \$1,540,000) and has been charged directly to revenue. As at 30 June 1998 \$149,000 (1997: \$130,000) was due for payment.

Under an agreement dated 20 November 1997, company secretarial and administrative services are provided by Sinclair Henderson Limited. The administration agreement may be terminated by 12 months' written notice.

Mr R.M. Swire is a director and shareholder in Pantheon Holdings Limited, the holding company of Pantheon Ventures Limited. Mr W.T.J. Griffin ceased to be a director and shareholder in Pantheon Holdings Limited during April 1998.

R E P O R T

Directors

The Directors in office are as shown on pages 32 and 33.

Mr A.M.L. Lefebvre and the Hon. R.M.O. Stanley retire by rotation and, being eligible, offer themselves for re-election.

Mr E.C.S. Macpherson, who was appointed a Director on 1 September 1998, will retire at the forthcoming Annual General Meeting and, being eligible, offers himself for election.

No Directors are under contracts of service with the Company and no contract existed during or at the end of the financial year in which any Director had a material interest and which was significant in relation to the Company's business, except as disclosed above under the heading of 'Management'.

The interests of the Directors and their families in the ordinary shares and Warrants of the Company are as shown on the right. These interests were beneficial. The interest of Mr R.M. Swire in the Company's Warrants has reduced as a result of the attainment of the age of majority of his son during the year.

There were no changes to these interests between 30 June 1998 and the date of this report.

Share Capital

The authorities given to the Directors at the Annual General Meeting held on 16 October 1997 to allot unissued shares of the Company are due to expire at the forthcoming Annual General Meeting ("AGM").

The Notice of AGM on pages 54 and 55 sets out resolution 6 which, if passed, will extend for a further 15 months (or, if earlier, until the next AGM) the powers of Directors to allot shares. The authority granted by resolution 6, if passed, will be in addition to the authority already granted to the Directors to allot ordinary shares on exercise of the Warrants issued in January 1994.

The nominal amount of \$5,656,060 ordinary shares which may be allotted pursuant to resolution 6 is equal to one-third of the existing issued ordinary share capital of the Company. Save in respect of the allotment of ordinary shares to holders of exercised Warrants (referred to above), the Directors have no present intention of exercising the authority to be granted by resolution 6, if passed.

Resolution 7 complies with the London Stock Exchange guidelines on pre-emption rights.

The Directors intend to exercise the authorities to allot shares in conformity with those guidelines and to propose the renewal of the authorities at subsequent Annual General Meetings.

	At 30.06.98 or date of appointment	At 30.06.97
W.T.J. Griffin		
Ordinary shares	115,000	115,000
Warrants	73,000	73,000
A.M.L. Lefebvre		
Ordinary shares	112,500	112,500
Warrants	33,065	33,065
E.C.S. Macpherson		
Ordinary shares	-	-
Warrants	-	-
J.P.A. Readman		
Ordinary shares	-	-
Warrants	-	-
L.G. Stopford Sackville		
Ordinary shares	10,000	10,000
Warrants	2,000	2,000
R.M.O. Stanley		
Ordinary shares	31,614	31,614
Warrants	-	-
R.M. Swire		
Ordinary shares	14,800	14,800
Warrants	12,960	16,460

Substantial Shareholders

As at the date of this report, the Company had received notification of the following substantial interests in the issued ordinary share capital of the Company:

	Shares	%
Equitable Life Assurance Society	7,555,000	22.26
Aegon Aandelenfonds	3,420,000	10.08
British Airways Pension Fund Trustees Limited	2,400,000	7.07
British Aerospace Pension Fund Limited	1,678,000	4.94
East Riding of Yorkshire Council Pension Fund	1,125,000	3.32

Corporate Governance

The Board has reviewed the Code of Best Practice (the "Code") recommended by the Cadbury Committee and has established various procedures as outlined below. The Board considers that the Company has complied in full with the provisions of the Code currently in force throughout the accounting period.

The Company's Auditors, Robson Rhodes, have reviewed this statement in accordance with guidance issued by the Auditing Practices Board and their report is shown on page 42.

Going Concern

After due consideration, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Board

The Board consists entirely of non-executive Directors who review at monthly Board meetings the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs. These procedures have been formalised in a schedule of matters specifically reserved for the decision of the Board which has been adopted for all meetings. These matters include:

- the maintenance of clear investment objectives and risk management policies, changes to which require Board approval;
- the monitoring of the business activities of the Company, including investment performance and annual budgeting.

R E P O R T

A majority of the Directors are independent of Pantheon Ventures Limited, the Company's Manager.

The Company has appointed a number of committees to monitor specific operations, each of which has formal written terms of reference. The Audit Committee reviews the effectiveness of the internal control environment of the Company, receives reports from the Compliance Officer of the Manager on a regular basis and provides a forum through which the Company's Auditors report to the Board. The Management Engagement Committee keeps under review matters concerning the management contract with Pantheon Ventures Limited. A Nominations Committee comprising the full Board meets as and when appropriate to consider nominations to the Board of Directors.

Internal Financial Control Review

The Board is responsible for establishing and maintaining the Company's system of internal financial control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, and by their very nature provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which have been established to provide effective internal control are as follows:

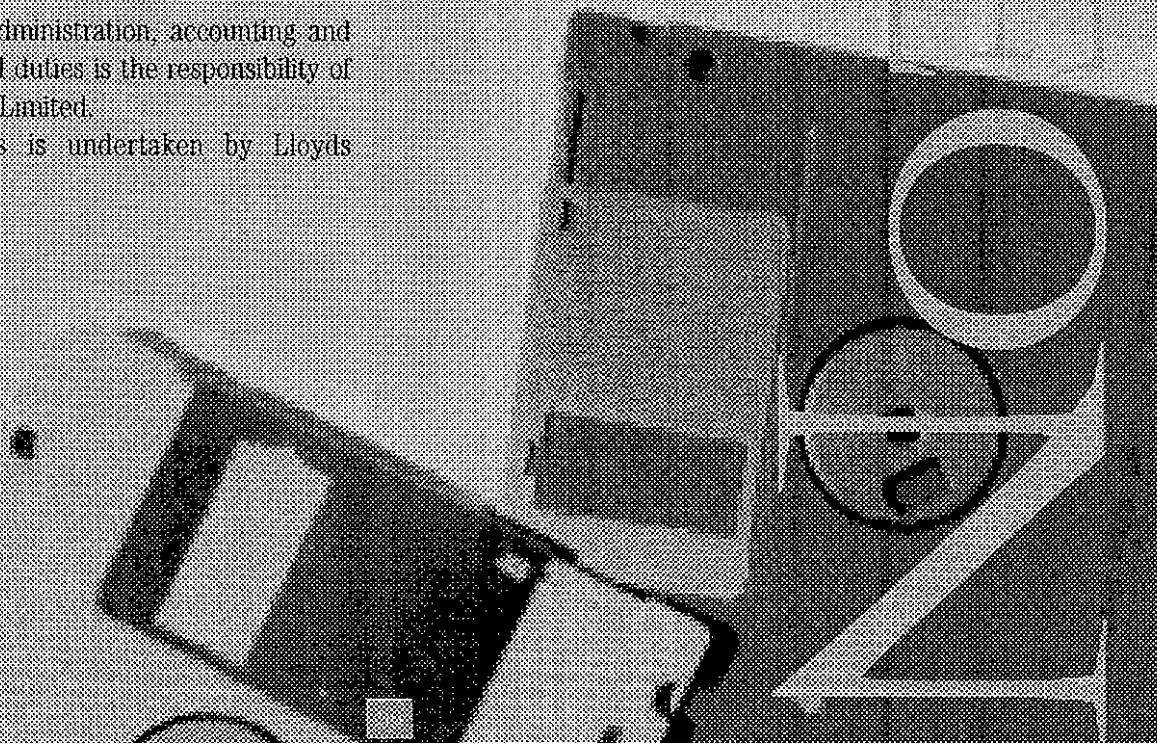
- Investment management is provided by Pantheon Ventures Limited. The Board is responsible for approving the overall investment policy and monitors the action of the Manager at regular Board meetings.
- The provision of administration, accounting and company secretarial duties is the responsibility of Sinclair Henderson Limited.
- Custody of assets is undertaken by Lloyds Bank Plc.

- The duties of investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement one another.
- The non-executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their on-going performance and contractual arrangements.
- Mandates for authorisation of investment transactions and expense payments are set by the Board.
- The Board reviews detailed financial information produced by the Manager and Secretary on a monthly basis.

In accordance with guidance issued to directors of listed companies, the Directors have carried out a review of the effectiveness of the system of internal financial control as it has operated during the year.

Independent Professional Advice

The Board has formalised arrangements under which Directors, in the furtherance of their duties, may take independent professional advice.



DIRECTORS' REPORT

CONTINUED

Year 2000 Compliance

Many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operations of the Company depend not only on the computer systems of our Company Secretary, Administrators and Manager, but also on those of our Bankers, Registrars and other key suppliers, such as providers of security pricing information. This exposes the Company to risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The Directors are aware of the Year 2000 issue and are taking steps to address it. The Company is seeking assurances from advisers and significant suppliers that they are formulating appropriate strategies to deal with the problem. Once this has been completed, the Board can assess the likely impact on the activities of the Company and consider alternatives as necessary.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain because at least some level of failure may still occur. However, the Board believes that an acceptable state of readiness will be achieved. The Board is not aware of any costs associated with implementing Year 2000 compliance which will be incurred directly by the Company.

Auditors

Robson Rhodes, Chartered Accountants and Registered Auditors, have indicated their willingness to continue in office and resolution 5 at the forthcoming AGM proposes re-appointing them as Auditors and authorising the Directors to fix their remuneration for the ensuing year.



Exeter
17 September 1998

By order of the Board
Sinclair Henderson Limited
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to ensure that financial statements are prepared for each financial year which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and irregularities.

REPORT OF THE AUDITORS

To Shareholders of Pantheon International Participations PLC

We have audited the financial statements on pages 43 to 53 which have been prepared on the basis of the accounting policies set out on pages 46 and 47.

Respective Responsibilities of Directors and Auditors

As described on page 40 the Company's Directors are responsible for ensuring that financial statements are prepared. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 June 1998 and of its total return for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes
Chartered Accountants and Registered Auditors
London
17 September 1998

REPORT OF THE AUDITORS

To Pantheon International Participations PLC on Corporate Governance Matters

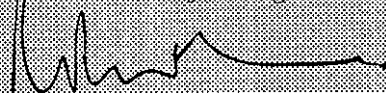
In addition to our audit of the financial statements we have reviewed the Directors' statements on page 38 concerning the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to any non-compliance with Listing Rules 12.43(j) and 12.43(v).

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

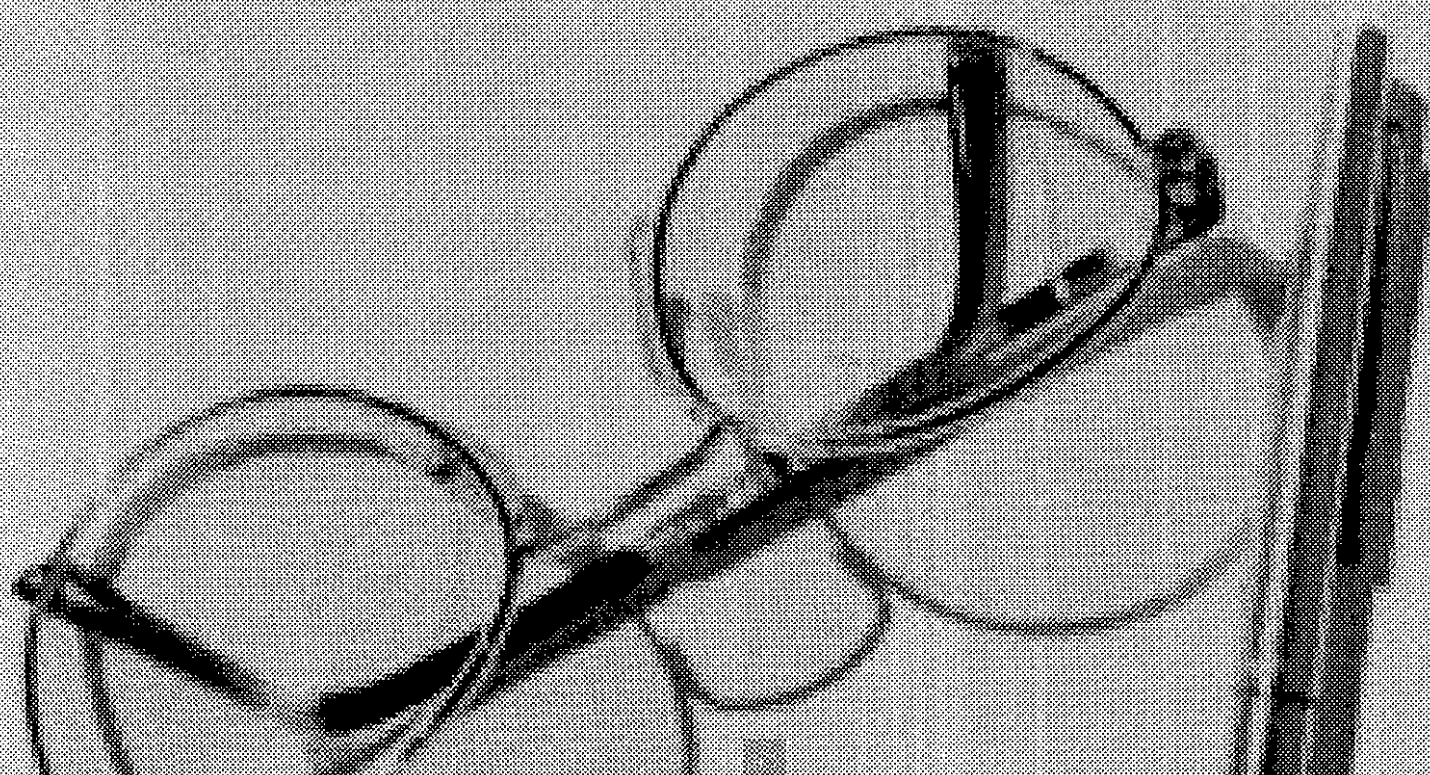
Opinion

With respect to the Directors' statements on internal financial control on page 39 and going concern on page 38, in our opinion the Directors have provided the disclosures required by the Listing Rules referred to above and are not inconsistent with the information which came to our attention as a result of our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 38 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review by Listing Rule 12.43(j).



Robson Rhodes
Chartered Accountants and Registered Auditors
London
17 September 1998



STATEMENT OF TOTAL RETURN

(incorporating the revenue account*)

	Note	Year ended 30 June					
		1996			1997		
		Revenue*	Capital	Total	Revenue*	Capital	Total
		£000's	£000's	£000's	£000's	£000's	£000's
Gains on investments	7b	-	15,325	15,325	-	10,244	10,244
Cost of Warrants purchased for cancellation		-	(1,146)	(1,146)	-	-	-
Gains on forward currency	7c	-	-	-	-	277	277
Currency gains/(losses)		-	133	133	-	(150)	(150)
Income	2	2,897	-	2,897	2,388	-	2,388
Investment management fee		(1,708)	-	(1,708)	(1,540)	-	(1,540)
Other expenses	5	(899)	-	(899)	(670)	-	(670)
Return on ordinary activities before tax		290	14,312	14,602	178	10,371	10,549
Tax on ordinary activities	5	(67)	-	(67)	5	(6)	(1)
Net revenue for financial year transferred to reserves		<u>223</u>	<u>14,312</u>	<u>14,535</u>	<u>183</u>	<u>10,365</u>	<u>10,548</u>
Return per ordinary share							
Basic	6	0.66p	42.17p	42.83p	0.54p	30.54p	31.08p

*The revenue column of this statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.

The notes on pages 46 to 53 form part of these financial statements.

B A L A N C E S H E E T

	Note	As at 30 June	
		1998 £000's	1997 £000's
Fixed assets			
Investments	7a	126,547	114,076
Current assets			
Debtors	9	2,705	1,490
Cash at bank	16	2,373	1,524
		<u>5,078</u>	<u>3,014</u>
Creditors: amounts falling due within one year	10	<u>303</u>	<u>308</u>
Net current assets		<u>4,775</u>	<u>2,706</u>
Total net assets		<u>131,322</u>	<u>116,782</u>
Capital and reserves			
Called-up share capital	11	16,968	16,967
Share premium	13	32,525	32,521
Capital reserve - realised gains	13	57,752	47,356
Capital reserve - unrealised gains	13	22,986	19,070
Revenue reserve	13	1,091	868
Total shareholders' funds	15	<u>131,322</u>	<u>116,782</u>
Net asset value per share - Basic	14	357.0p	344.1p
- Fully diluted	14	368.6p	328.4p

The financial statements were approved by the Board on 17 September 1998 and were signed on its behalf by:

W.T.J. Griffin
Chairman

The notes on pages 46 to 53 form part of these financial statements.

C A S H F L O W S T A T E M E N T

		Year ended 30 June	
	Note	1996 \$000's	1997 \$000's
Cash flow from operating activities			
Investment income received		1,779	2,263
Deposit interest received		173	185
Investment management fees paid		(1,650)	(1,533)
Secretarial fees paid		(138)	(102)
Other cash payments		(776)	(575)
Net cash (outflow)/inflow from operating activities	17	(610)	338
Taxation			
UK corporation tax paid		(17)	(172)
Tax recovered on franked and unfranked investment income		358	-
Tax recovered/(paid)		341	(172)
Capital expenditure and financial investment			
Purchases of investments		(24,041)	(43,634)
Purchases of government securities		(36,031)	(26,571)
Disposals of investments		36,483	27,940
Disposals of government securities		45,585	47,172
Realised currency gains		268	80
Net cash inflow/(outflow) from capital expenditure and financial investment		2,229	(5,043)
Equity dividends paid			
Dividends paid on ordinary shares		-	(679)
Financing			
Costs of Warrants purchased for cancellation		(1,146)	-
Proceeds of Warrant conversion		5	-
Net cash outflow from financing		(1,141)	-
Increase/(decrease) in cash	16	819	(5,556)

The notes on pages 46 to 53 form part of these financial statements.

1 Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

A Basis of Preparation

The financial statements have been prepared on the historical cost basis of accounting, modified to include the revaluation of investments and financial instruments, and in accordance with applicable accounting standards and on the basis that all activities are continuing.

Gains and losses on fixed asset investments and currencies, whether realised or unrealised, are taken to capital reserve (note 13).

Capital distributions from investments are accounted for on a reducing cost basis; cash received is first applied to reducing the historical cost of an investment; a realised gain will be recognised only when the cost has been reduced to nil.

B Statement of Recommended Practice

The accounts have been prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Trust Companies in December 1995.

C Valuation of Investments

- i) Unquoted fixed asset investments are stated at Directors' valuation. In the case of investments in private equity funds this is based on the net asset value of those funds ascertained from periodic valuations provided by the managers of the funds. Such valuations are necessarily dependent upon the reasonableness of the valuations by the fund managers of the underlying investments. The Directors have no reason to suppose that any such valuations are unreasonable. In the case of other unquoted investments the Directors' valuation is based on cost. Where special factors apply, such as indications of a market value through subsequent issues of capital or dealings between third parties, cost is adjusted to an appropriate valuation. Provision is made against cost where a permanent diminution in value has arisen.

- ii) Quoted investments are valued at the mid-market price on the relevant stock exchange, except when such investments are subject to restrictions on transferability.

D Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date.

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the security.

E Taxation

Corporation tax charged to the revenue account is based on the revenue profit for the year. Provision for deferred taxation is made only to the extent that it is probable that a material liability will become payable in the foreseeable future.

F Expenses

All expenses are accounted for on an accruals basis. Expenses, including investment management fees, are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment; and
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

G Foreign Currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of transaction or, where applicable, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in

NOTES TO THE FINANCIAL STATEMENTS

the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

H Capital Reserve (Realised)

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised exchange differences of a capital nature; and
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

I Capital Reserve (Unrealised)

The following are accounted for in this reserve:

- increases and decreases in the value of investments held at the year end;
- unrealised exchange differences of a capital nature; and
- unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

J Forward Exchange Contracts

When a forward exchange contract has been entered into against fluctuating exchange rates on foreign currency assets or liabilities the difference between the value at the contracted rate and at the forward rate ruling at the year end is included as a debtor or provided for as a creditor.

K Warrants

Warrants purchased for cancellation by the Company are charged directly to the capital reserve.

L Subsidiary Undertaking

Pantheon California Inc. has not been consolidated as that company's only underlying investment, in Sierra Ventures III, is more fairly reflected as an unlisted limited partnership investment. There is no trading activity between it and the Company.

NOTES TO THE FINANCIAL STATEMENTS

2 Income

	1998 £000's	1997 £000's
Income from investments		
Franked income dividends	332	239
Unfranked dividends	126	200
US bond and Treasury Bill interest	561	177
UK Gilt interest	1,696	1,608
	<u>2,715</u>	<u>2,224</u>
Other income		
Deposit interest	169	152
Non-taxable interest	9	12
Other	1	
	<u>179</u>	<u>164</u>
Total income	<u>2,897</u>	<u>2,388</u>
Total income comprises:		
Dividends	458	439
Bond interest	2,260	1,785
Other income	179	164
	<u>2,897</u>	<u>2,388</u>
Analysis of income from investments:		
Listed overseas	564	152
Listed UK	1,702	1,610
Unlisted	452	462
	<u>2,718</u>	<u>2,224</u>

Franked income dividends includes £6,250 (1997: £ nil) which has been derived from listed investments.
All other dividends received have been obtained from unlisted investments.

3 Other Expenses

	1998 £000's	1997 £000's
Secretarial and accountancy services	101	114
Auditors' remuneration for:		
- audit	14	13
- other services to the Company	2	3
Directors' remuneration	75	75
Irrecoverable VAT	289	147
Legal and professional fees	120	82
Other	345	236
	<u>899</u>	<u>670</u>

4 Directors' Remuneration

Directors' emoluments comprise wholly Directors' fees. Each of the Directors receives \$12,000 and the Chairman receives \$16,000. The Directors' fees are not performance related. No pension contributions were paid to the Directors

by the Company. Mr Swire's Director's fees, amounting to \$12,000, were paid to Pantheon Ventures Limited and will continue to be paid in this manner for the foreseeable future. He received no further remuneration from the Company.

5 Tax on Ordinary Activities

	1998			1997		
	Revenue	Capital	Total	Revenue	Capital	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
UK corporation tax at 31.0% (1997: 32.5%)	-	-	-	(9)	9	-
Tax attributable to UK dividends	65	-	65	48	-	48
ACT written back	-	-	-	(25)	-	(25)
	65	-	65	14	9	23
Under/(over) provision in respect of prior years	2	-	2	(19)	(3)	(22)
	67	-	67	(5)	6	1

The Company has made an overall loss for UK tax purposes in each of the years 1997 and 1998. This results from the offset of excess management expenses. The result is that there is no actual UK corporation tax liability in either

year. The UK tax above represents the notional corporation tax or the relief attributable, calculated at the standard rate of tax.

6 Return per Ordinary Share

	1998			1997		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per ordinary share (basic)	0.66p	42.17p	42.83p	0.54p	30.54p	31.08p

Basic revenue return per ordinary share is based on the net revenue on ordinary activities of \$223,000 (1997: \$183,000) after taxation on 33,936,864 (1997: 33,924,789) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Basic capital return per ordinary share is based on net capital gains of \$14,312,000 (1997: \$10,365,000) for the financial year on 33,936,864 (1997: 33,924,789) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

7 Investments

7a Movements on investments

	1998	1997
	£000's	£000's
Book cost brought forward	94,925	77,079
Acquisitions at cost	89,074	79,077
Realisations - proceeds	(82,928)	(75,021)
- realised gains on sales	11,436	12,290
Book cost at 30 June	103,507	94,925
Unrealised appreciation of investments		
<i>United Kingdom</i>		
Listed investments	(12)	287
Unlisted investments	5,819	3,936
<i>USA</i>		
Listed investments	(1,545)	(136)
Unlisted investments	17,227	12,455
<i>Other</i>		
Listed investments	-	184
Unlisted investments	1,351	2,425
Valuation of investments at 30 June	126,547	114,076

7b Analysis of Investments

	1998	1997
	£000's	£000's
<i>United Kingdom</i>		
Listed investments	30,523	30,339
Unlisted investments	22,359	18,329
<i>USA</i>		
Listed investments	17,009	10,643
Unlisted investments	42,580	34,449
<i>Other</i>		
Listed investments	-	558
Unlisted investments	14,127	19,758
	126,547	114,076

	1998	1997
	£000's	£000's
Realised profits on sales	11,436	12,290
Increase/(decrease) in unrealised appreciation	3,889	(2,046)
Gains on investments	15,325	10,244

7 Investments *continued*

7c Forward sales of US Dollars and French Francs	1998 \$000's	1997 \$000's
Realised gains		387
Decrease in unrealised gains	-	(90)
Gains on forward sales	-	277

8 Subsidiary Undertaking

The Company owns all the common stock of Pantheon California Inc. There are no other shares in issue.
The subsidiary is incorporated in the USA.

9 Debtors

	1998 \$000's	1997 \$000's
Amounts due from brokers	990	102
Prepayments and accrued income	815	494
Forward currency contracts	-	160
Taxation recoverable	900	784
	2,705	1,490

10 Creditors: amounts falling due within one year

	1998 \$000's	1997 \$000's
Corporation tax		1
Other creditors	303	307
	303	308

11 Called-up Share Capital

	1998 \$000's	1997 \$000's
Authorised:		
82,000,000 (1997: 52,000,000) ordinary shares of 50p each	26,000	26,000
Allotted, called-up and fully paid:		
33,935,363 (1997: 33,934,882) ordinary shares of 50p each	16,968	16,967

On 31 October 1997 1,481 Warrants were exercised and the resulting 1,481 (1996: 276) ordinary shares allotted and issued.

NOTES TO THE FINANCIAL STATEMENTS

12 Warrants

On 31 October 1997, 1,481 Warrants were exercised at the subscription price of 250p. In November 1997, 1,442,618 Warrants were purchased by the Company for cancellation. A further 100,000 Warrants were purchased and subsequently cancelled in March 1998. The total cost of the Warrants purchased amounted to £1,146,000, net of expenses and has been charged to the capital reserve.

There were 5,242,545 Warrants outstanding at 30 June 1998 (1997: 6,786,645). Each Warrant confers the right to subscribe for one ordinary share. The Warrants are exercisable on 31 October in the years 1998 to 2001 at a subscription price of 250p.

13 Reserves

	Share premium account £000's	Capital reserve - realised £000's	Capital reserve - unrealised £000's	Revenue reserve £000's
Beginning of year	32,521	47,356	19,070	868
Premium on conversion of Warrants	4	-	-	-
Net gain on realisation of investments	-	10,233	-	-
Increase in unrealised appreciation before transfer on disposal	-	-	5,092	-
Transfer on disposal of investments	-	1,203	(1,203)	-
Exchange differences on currency	-	106	27	-
Repurchase of Warrants	-	(1,146)	-	-
Retained revenue for the year	-	-	-	223
End of year	<u>32,525</u>	<u>57,752</u>	<u>22,986</u>	<u>1,091</u>

14 Net Asset Value per Share

The net asset value per share attributable and the net assets attributable at the year end calculated in accordance with the Articles of Association were as follows:

	Net asset value per share attributable		Net assets attributable	
	1998	1997	1998 £000's	1997 £000's
Ordinary shares				
- basic	387.0p	344.1p	131,322	116,782
- fully diluted	<u>368.6p</u>	<u>328.4p</u>	<u>144,428</u>	<u>133,750</u>

The movements during the year of the assets attributable to ordinary shareholders were as follows:

	£000's
Total net assets attributable at beginning of year	116,782
Total recognised capital gains for the year	14,317
Revenue available for distribution	<u>223</u>
Total net assets attributable at end of year	<u>131,322</u>

Basic net asset value per ordinary share is based on net assets and on 33,936,363 (1997: 33,934,882) ordinary shares, being the number of ordinary shares in issue at the year end.

The fully diluted net asset value per ordinary share is calculated on the assumption that the share Warrants in issue are fully exercised at 250p per share giving a weighted average of 39,178,908 (1997: 40,721,527) ordinary shares.

15 Reconciliation of Movements in Shareholders' Funds

	1998 \$000's	1997 \$000's
Opening shareholders' funds	116,782	106,234
Total recognised gains	11,535	10,548
Exercise of Warrants	5	-
Closing shareholders' funds	131,322	116,782

16 Reconciliation of Net Cash Flows to Net Funds

	1998 \$000's	1997 \$000's
Beginning of year	1,524	7,134
Net cash inflow/(outflow)	819	(5,556)
Effect of foreign exchange rates	30	(54)
End of year	2,373	1,524

The balance of net funds is represented in the balance sheet by "Cash at bank" of \$2,373,000 (1997: \$1,524,000).

17 Reconciliation of Operating Net Revenue to Net Cash Flow from Operating Activities

	1998 \$000's	1997 \$000's
Net revenue on ordinary activities before taxation	290	178
(Increase)/decrease in accrued income	(332)	160
Increase in other creditors	12	3
Decrease/(increase) in other debtors	31	(3)
Tax deducted from franked and unfranked investment income	(891)	-
Net cash (outflow)/inflow from operating activities	(610)	338

18 Contingencies, Guarantees and Financial Commitments

At 30 June 1998 there were financial commitments outstanding of \$49.5 million (1997: \$46.9 million) in respect of investments in partly paid shares and interests in private equity funds.

19 Related Party Transactions

The Manager, Pantheon Ventures Limited, is regarded as a related party of the Company. The amounts paid to the Manager are disclosed in the Directors' Report on page 26.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Pantheon International Participations PLC will be held at Chatham House, 10 St James' Square, London SW1Y 4LE on Tuesday, 27 October 1998 at 12.00 p.m. for the purpose of transacting the following business.

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 30 June 1998.
2. To re-elect Mr A.M.L. Lefebvre as a Director.
3. To re-elect The Hon. R.M.O. Stanley as a Director.
4. To elect Mr E.C.S. Macpherson as a Director.
5. To re-appoint the Auditors, Robson Rhodes, and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution.

THAT

(A) the Directors be generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities up to but not exceeding an aggregate nominal amount of \$5,656,060 provided that this authority shall (unless previously renewed, revoked or varied by the Company in general meeting) expire at the conclusion of the period commencing with the date hereof and expiring at the conclusion of the Annual General Meeting next following the passing of this Resolution or the date occurring fifteen months from the date hereof, whichever is the earlier ("the period of authority") save that the Company may before the expiry of the period of authority make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired and all other unexercised authorities granted to the Directors pursuant to Section 80 of the Act be and are hereby revoked, and

(B) words and expressions defined in or for the purposes of the Act shall bear the same meaning in this Resolution.

7. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution.

THAT

(A) subject to the passing of Resolution 6 above the Directors be empowered pursuant to Section 95 of the Act to allot equity securities for cash pursuant to the general authority conferred upon them under Resolution 6 above as if Section 89(1) of the Act did not apply to any such allotment and that the power conferred by this Resolution 7 shall enable the Company to make any offer or agreement before the expiry of the period of authority as defined in Resolution 6 which would or might require equity securities to be allotted after the expiry of such period and so that notwithstanding such expiry the Directors may allot equity securities pursuant to any such offer or agreement previously made by the Company as if the power conferred hereby had not expired, provided however that the power conferred by this Resolution 7 shall:

(a) be limited:-

(i) to the allotment of equity securities in connection with or pursuant to any arrangement whereby the holders of shares at a record date or dates adopted for the purposes of the arrangement are entitled to acquire any shares of the Company issued for cash pursuant to such arrangement, in proportion (as nearly as may be) to such holders' holdings of shares (or, as appropriate, to the numbers of such shares which such holders are for this purpose deemed to hold) subject to such exclusions or other arrangement as the Directors may consider necessary or expedient to deal with fractional entitlements, statutory restrictions or legal or practical problems under or resulting from the apparent application or application of the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory; and

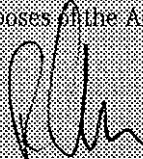
(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities having an aggregate nominal value not exceeding £848,400 being 5% of the issued ordinary share capital shown by the latest published audited financial statements of the Company; and

(b) expire at the conclusion of the period of authority (as defined in Resolution 6) except to the extent that the same is renewed or extended on or before that date; and

(B) words and expressions defined in or for the purposes of the Act shall bear the same meaning in this Resolution

Dated 17 September 1998

23 Cathedral Yard
Exeter
Devon EX1 1HB


By order of the Board
 Sinclair Henderson Limited
Secretary

Notes

A member entitled to attend and vote at this meeting may appoint one or more proxies to attend and vote in his or her stead. A proxy need not also be a member of the Company. Lodgement of the form of proxy will not preclude a shareholder from attending the meeting and voting in person. To be effective, forms of proxy must be lodged with the Company's Registrars, Computershare Services PLC, not less than 48 hours before the time appointed for holding the meeting.

The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on Sunday, 25 October 1998 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.00 p.m. on 25 October 1998 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays and Public Holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes prior to and during the meeting:

- a) a statement of all transactions of each Director and of their family interests in the share capital of the Company;
- b) the Articles of Association.

None of the Directors has a contract of service with the Company.