PANTHEON INTERNATIONAL PARTICIPATIONS PLC

Report and Accounts 2001

Company Number 2147984

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.

	Summary of results 30 June 2001	30 June 2000	% Change
Total Assets (£000's)	206,123	161,327	+27.8
Net Asset Value Per Share (diluted)	669.1p	599.9p	+11.5
Return Per Share	86.5p	251.9p	-65.7
Market Price Per Share	574.0p	457.5p	+25.5
Adjusted Redemption Value Per Participating Loan Note	659.0p	591.8p	+11.4
Market Price Per Participating Loan Note	590.0p	480.5p	+22.8
Market Price Per Warrant	330.0p	212.5p	+55.3
Discount To Net Asset Value	14.2%	23.7%	

THE ROLE OF THE COMPANY

The Company is the longest established private equity fund-of-funds investor quoted on the London Stock Exchange. It enables both individuals and 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.

Private equity markets are attracting increased interest and allocations from large institutional investors. The Company's role is to provide access to those markets both for smaller institutions and for individuals who cannot participate directly, and to allow larger institutions to access the markets through a quoted vehicle. For an explanation of the private equity process please see page 21.

INVESTMENT POLICY

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

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.

HISTORICAL RECORD

The graphs below show the movement in the Company's Net Asset Value (NAV) per share and share price since inception. The Company's NAV per share is compared to the FT All-Share Total Return (FTASTR) Index.

The Company's share price is compared to the FTSE Small Caps ex Investment Companies Index because it is felt that this represents the best comparison for the Company.

ATTRACTING

INCREASED INTEREST

CHAIRMAN'S STATEMENT

I am pleased to report that the Company has continued to show strong performance in the year to 30 June 2001, growing its fully diluted Net Asset Value by 11.5% to 669.1p per share. This compares with a fall in the FTSE All-Share Total Return Index of 7.8% over the same period.

The price of the Company's shares increased 25.5% to 574.0p at 30 June while the price of the Participating Loan Notes (PLNs) rose by 22.8% to 590p over the first full year of the instrument's existence. Since the end of the year, however, the dramatic fall in markets has impacted the Company's share price. Total return per share during the period was 86.5p. In line with the Company's principal objective of achieving capital growth for shareholders, no dividend (or PLN interest payment) has been recommended.

The private equity portfolio showed a gain of 18.2% over its opening value including realised gains of £23.9 million. The Company achieved this level of realisations in the context of a contracting market for private equity exits. The Company's returns from primary fund investments since inception are in excess of 23% per annum. This level of performance is a vindication of the Company's strategy of broad portfolio diversification allied to judicious manager selection.

It has been an active period for both primary and secondary investment. The Company's strategic plan is to invest approximately £225 million directly into new funds from 2001 to 2003. Accordingly, the Company made commitments totalling £79.0 million to 26 new funds and one new direct investment during the year.

The Board's earlier expectation that the flow of opportunities for secondary investments would increase has been justified as the Company has seen strong secondary deal flow during the year. While the manager has adopted a cautious approach to secondary purchases in the expectation that pricing will improve further relative to current levels, secondary purchases totalling £70.4 million, including unfunded commitments, were completed during the year.

The Company funded one of its two largest secondary purchases during the year through an issue of PLNs and completed the other in conjunction with the Pantheon Global Secondary Fund (PGSF). Before the Company's capital restructuring and the establishment of its co-investment agreement with PGSF in the preceding year, these acquisitions would have been too large for the Company to undertake; their completion reflects the Company's improved strategic position and its current ability to compete for secondary opportunities of all sizes.

In all, the number of fund holdings in the portfolio increased from 165 to 261 during the year and the number of underlying companies to 2,700, representing a significant further enhancement of the Company's spread.

"...THE COMPANY HAS CONTINUED TO SHOW STRONG PERFORMANCE."

The Company is well diversified in terms of the sectors in which its underlying investments operate, split approximately evenly between 'old economy' and 'new economy'.

MARKET COMMENTARY AND OUTLOOK

Concerns about the outlook for the US economy and the prospect of a potential global recession have been intensified by the events of 11 September. In this period of great uncertainty affecting all global economies, it is reassuring to remember that the individual businesses within the Company's broadly diversified underlying portfolio are in the hands of experienced private equity professionals who are motivated to maximise and realise enterprise value within a finite period.

In recent years the Company has seen a sustained increase in cash inflow from realisations. In part a reflection of the maturity of a segment of the underlying fund portfolio, this phenomenon has been reinforced by the benign exit environment that resulted from a sustained bull run in public markets worldwide. Realisations are not expected to continue at current levels in the future, reflecting the inherently cyclical nature of private equity and the less mature funds being added to the portfolio through the Company's increased primary fund investment programme. Furthermore, holding periods for individual private equity investments are expected to return to historic longer norms in the wake of the public market correction.

The record increases in capital raising by private equity funds in recent years are not expected to be sustained and there are already signs that competitive pressures in the private equity investment market are easing somewhat. Entry multiples are decreasing, reflecting the change in public market conditions. These factors, the Manager believes, make the current environment particularly favourable for new investment by the Company's underlying funds.

STRUCTURE AND FINANCING

The capital reorganisation in May 2000 was intended to enhance the Company's cash efficiency and narrow the difference between NAV growth and the return on private equity investments in the future. The Company has achieved returns of 27.9% on private equity investments since inception, while NAV per share growth has been 17.1% compound per annum.

During the year under review, the Company issued a further £21.3 million of PLNs to an institutional vendor as consideration for the purchase of a significant private equity fund portfolio in a transaction which provided further demonstration of the utility of the PLN concept. At today's date, the Company has £23.8 million of off balance sheet financing and has agreed terms with a UK institution for a further £50 million.

Since its capital reorganisation, the Company has enjoyed increased flexibility: the capacity periodically to issue PLNs enables it to pursue an aggressive new funds investment programme while maintaining cash efficiency. The Directors believe that the Company is currently the only cash-efficient quoted global private equity vehicle in existence in the UK.

As a quoted fund-of-funds with a highly diversified portfolio, the Company has provided an appropriate and risk-adjusted way for private investors and smaller institutions to invest in private equity. The recent launch of another quoted fund-of-funds by a major UK institution has underlined the validity of the Company's approach and the Directors expect to see additional vehicles of a similar nature emerge in the future.

EXPIRY OF WARRANTS

This year represents the last opportunity for Warrantholders to exercise their subscription rights at 250p per share. The current subscription period will expire on the later of 31 October 2001 or 30 days after the posting of these accounts.

Warrantholders are therefore urged to locate their warrants and to put in place arrangements to ensure that they do not lose the value of their warrants by missing this subscription date. I will be writing to Warrantholders again about this subscription.

THE BOARD

Having reached the age of 70, Richard Stanley is retiring from the Company's Board at this year's Annual General Meeting. I would like to thank him for his astute advice and wholehearted support of the Company over the 12 years he has served as a Director.

ANNUAL GENERAL MEETING & PRESENTATION

The Company will hold its Annual General Meeting at 12 noon on 22 November 2001 at Chatham House. The Board has again arranged a presentation to explain the progress of the Company in more detail and the Directors and managers look forward to the opportunity of meeting shareholders informally following this event. Please see page 60 for full details.

L. G. Stopford Sackville
Chairman
21 September 2001

MANAGER'S REVIEW

TRANSACTION HISTORY

The table below summarises the investment activity of the Company since inception. For the investments made in each year, the table shows the original cost, proceeds generated, current value and the annualised rate of return. The return is calculated as an internal rate of return (IRR) in line with normal practice for the private equity asset class. The correlation between periods of increased activity and higher returns clearly illustrates the effectiveness of the Company's selective approach to investment.

Year Ended 30 June	Description	Original Cost £m	Realisation Proceeds £m	Value at 30.6.01 £m	IRR %
1988-1992	13 secondary transactions 1 fund-of-funds investment	27.7	70.8	0.8	24.2
1993	3 individual secondary interests 1 fund-of-funds investment	3.8	5.6	0.2	10.2
1994	4 portfolios of secondary interests 2 fund-of-funds investments	24.9	48.3	5.2	62.7
1995	1 portfolio of secondary interests 2 individual secondary interests 6 new fund commitments	5.2	8.4	2.9	27.9
1996	3 portfolios of secondary interests 6 individual secondary interests 5 new fund commitments 2 fund-of-funds commitments	33.7	49.6	17.6	39.4
1997	6 portfolios of secondary interests 7 individual secondary interests 7 new fund commitments 2 fund-of-funds commitments	59.1	71.1	35.4	28.9
1998	2 portfolios of secondary interests 3 individual secondary interests 4 new fund commitments 1 fund-of-funds commitment	22.1	16.7	14.3	25.8
1999	2 individual secondary interests 2 new fund commitments	6.3	1.2	5.6	5.6
2000	2 portfolios of secondary interests 2 individual secondary interests 15 new fund commitments 1 new fund co-investment	60.8	17.7	59.2	28.3
	Sub-total	**243.6**	**289.4**	**141.2**	**27.9**
2001	4 portfolios of secondary interests 25 new fund commitments 1 fund-of-funds commitment	67.6	13.7	61.2	too early
	Total	**311.2**	**303.1**	**202.4**	**27.9**

MARKET ENVIRONMENT

Despite the radical change of market sentiment following the end of the sustained bull run in the public markets and growing economic uncertainty, the appeal of private equity investment remains unchanged. The decrease in momentum of activity in the wake of the market correction of 2000 simply marks the return to more realistic and sustainable strategies and expectations: the fundamental long-term outlook for private equity performance remains strong. Indeed, there are indications that, in the context of uncertain public equity markets, private equity, which now accounts for almost half of total global equity raised annually, is poised to assume a more dominant role in long-term value creation in the mid-market worldwide.

GROWTH IN SUPPLY

Commitments to private equity reached an all-time high of more than $230 billion in 2000. This dramatic growth was fuelled in part by the atypically high short-term returns delivered in the past couple of years, particularly by US technology venture funds. In the USA, where historically later-stage focused funds have absorbed the lion's share of private equity commitments, venture funds attracted $92 billion in 2000, a third more than buyout vehicles. The acceleration of commitments in Europe was even more dramatic, with the €48 billion raised representing an 89% increase from the previous year. More than half of the capital raised in Europe last year was destined for buyout investment, but the role of technology market developments in driving fund raising was highlighted by an 81% increase in commitments for high-tech investment.

In the future, fund raising is not expected to continue at the levels seen in 2000. The trend for private equity managers to return to the market sooner than expected and with increased targets is unlikely to persist in the current exit environment. The flow of transatlantic capital into European funds is also likely to slow in view of the number of US investors who presently find themselves at, or close to, their maximum alternative asset allocations. An increased appetite for private equity among European pension funds should partially counterbalance any such decline.

INVESTMENT CONDITIONS

The reduction in the pace of private equity investment that began in the second half of 2000 appears to be continuing

MARKET ENVIRONMENT

in 2001. In the US venture market, however, competition for attractive deals remains high and activity is still above historic levels although there are indications that pricing and expectations are beginning to return to normal.

Prospects for the US buyout market at present are encouraging, as retrenching corporations seek to shed non-core assets. Meanwhile, unreceptive public markets are driving mid-sized companies to look for alternative sources of capital to support growth or restructuring. The increased supply of acquisition opportunities, together with increasing conservatism among debt providers, has caused a decline in entry multiples, which on average fell by more than 10% in 2000.

In Europe, the value of the buyout market has grown more than six-fold since 1995. Nevertheless, comparison of the value of European private equity activity in relation to GDP, when set against the US ratio, suggests that substantial potential for growth remains.

In the short term, the global environment for private equity investment is expected to improve as competition from corporates and other potential acquirors diminishes against the background of public market and macroeconomic uncertainty.

THE OPPORTUNITY FOR VALUE CREATION

For the immediate future, exit prospects will remain uncertain. As well as the difficulty of achieving IPOs for technology businesses, lack of investor appetite for small-cap stocks means that few buyouts are likely to move to the public markets. Indeed, given the growth in public-to-private buyouts in the UK and, more recently, in continental Europe, the trend is in the opposite direction.

Historically, however, private equity funds have always sold more companies to trade purchasers than they have taken public. Corporates in the technology sector, which is highly cyclical, will have a continuing need to make strategic acquisitions in the medium term, while continuing industrial restructuring and the drive for globalisation will fuel a future recovery in levels of M&A activity.

In the current challenging exit environment, holding periods for investments are moving closer to traditional norms of three years or longer, opening a window of opportunity for real value creation within private equity portfolios.

One of the defining characteristics of private equity is that its structures are designed to ensure that the interests of independent managers and their investors are closely aligned, motivating the managers to maximise and crystallise value growth within a finite time period.

The fundamentals driving value creation – technological development, restructuring and globalisation – remain unchanged despite short-term market fluctuations. While the 'pure' e-commerce bubble has burst, the integration of 'new economy' technologies and opportunities into traditional businesses remains one of the most compelling areas for value creation in the later-stage investment environment: technology is not an optional extra.

Meanwhile, in the healthcare and biotechnology sectors, the potential to generate value growth over the medium and longer term looks secure in view of demographic imperatives combined with increasing health consciousness throughout the developed world.

OUTLOOK FOR SECONDARY ACTIVITY

The size of the market for secondary fund interests has increased in step with increased activity in the primary fund market. Other factors have the potential to compound this trend. As a result of the fall in value of quoted assets, certain institutions are at or close to their maximum private equity allocations and may wish to dispose of a proportion of their existing holdings to fund ongoing private equity investment programmes. Similarly, investors who have developed a concentration in particular market sectors may come under

SOWING THE SEEDS OF FUTURE RETURNS

pressure to readjust weightings within their private equity portfolios. Investment banks in particular have suffered revenue declines and as a result may be considering the sale of part of their private equity interests. Continuing consolidation in the financial sector is also likely to prompt disposals of private equity assets.

SOWING THE SEEDS OF FUTURE RETURNS

It is the Manager's view that current levels of nervousness are exaggerated and should not be allowed to obscure the fundamentally strong indicators for private equity in the medium and longer term.

Private equity is a long-term and cyclical asset class. History indicates that funds that invest in an environment where prices are falling, and hold those investments for appropriate periods, tend to generate superior returns, making the current period an attractive one in which to put capital to work in the private equity market.

The sustained public market bull run of the past decade is not expected to recur for the foreseeable future. During a period of limited public market growth, private equity has the potential to produce particularly attractive returns. Its ability to deliver those returns has been demonstrated by the 20% plus net returns achieved in the USA over the past two decades.

COMPANY STRATEGY

Pantheon International Participations (PIP) pursues its objective of maximising capital growth through a global private equity fund-of-funds investment programme. Based on strategic allocations recommended by Pantheon, the Company's Manager, this programme is designed to maintain a balanced portfolio of investments in leading private equity funds from the global universe, diversified by geographic, sector and stage focus.

Because the performance of private equity funds varies widely, manager selection is critical to the Company's objective. As a specialist fund-of-funds manager monitoring and researching the global private equity market, Pantheon is fully equipped to identify opportunities for the Company to invest with managers that have the ability to deliver top-tier performance in their specialist market segments. Pantheon develops its regional strategic allocations with three-year horizons, thus ensuring that money will be available for investment when the best managers are raising funds while continuing to put capital to work steadily over time.

In line with recent growth in worldwide private equity activity, PIP has embarked on an expanded primary fund investment programme, aiming to commit an average of £75 million per annum to primary fund investment over the three years from 2000 to 2002.

This acceleration in new fund investment marks a further logical step in the evolution of the portfolio strategy. Initially formed as a vehicle for the acquisition of secondary interests in private equity funds, the Company in 1994 began to make selective commitments to primary funds in parallel with its secondary acquisition activities. This two-pronged approach has enabled the Company to redeploy cash proceeds from realised holdings more consistently and efficiently than would secondary investment alone, given the inherent unpredictability of secondary deal flow.

The recent increase in its primary investment programme means that PIP will be able to maintain the strategic balance of its portfolio, put money to work steadily over time and commit additional capital to the very best funds while continuing to pursue attractively priced secondary acquisitions as and when these are available. The Participating Loan Notes introduced through the Company's capital restructuring last year provide a particularly effective instrument for the financing of secondary acquisitions.

At 30 June 2001, primary investments comprised some 45% of the Company's net asset value, down from 50% in the previous year. An increase in new fund investment activity was counterbalanced by the significant value of secondary acquisitions completed during the period under review.

Investment since inception

	Commitments £m	Outstanding Commitments £m	Cost £m	Distributions £m	Value at 30.6.01 £m	IRR %
Primary Investments	223.9	122.9	101.0	57.9	91.0	23.8
Secondary Purchases	225.6	15.4	210.2	245.2	111.4	28.5
Total	**449.5**	**138.3**	**311.2**	**303.1**	**202.4**	**27.9**

THE PORTFOLIO

The first private equity fund-of-funds to be quoted on the London Stock Exchange, the Company has consistently executed a diversified global investment strategy. In the 14 years since its inception it has invested £311.2 million in 377 private equity interests, 116 of which are now fully realised.

Today, the Company's portfolio comprises 261 private equity holdings with underlying interests in some 2,700 separate businesses worldwide. This underlying portfolio encompasses growth companies of all sizes and stages of development operating across the full industrial spectrum. The Company thus provides a level of diversification unmatched among quoted private equity funds-of-funds. PIP's strategy of building a portfolio diversified by geography, investment stage and sector parallels the approach that its Manager, Pantheon, has adopted over the past two decades on behalf of its other clients, which include both significant institutions investing on their own behalf and a number of pooled funds-of-funds.

Investment Portfolio (30 June 2001)	Number of Investments	Original Cost £m	Distributions £m	Value £m	Value %
USA					
US private equity funds	156	132.4	122.9	105.2	52.0
US unquoted companies	11	12.6	0.0	17.7	8.7
US quoted companies	3	3.0	6.7	0.3	0.2
	170	**148.0**	**129.6**	**123.2**	**60.9**
Europe					
UK private equity funds	39	64.6	56.1	37.2	18.4
Continental European private equity funds	33	42.9	35.8	26.7	13.2
UK unquoted companies	2	1.6	0.0	1.6	0.8
Continental European unquoted companies	3	3.1	1.1	2.1	1.0
UK quoted company	1	1.5	1.7	0.0	0.0
	78	**113.7**	**94.7**	**67.6**	**33.4**
Other regions					
Japanese private equity funds	3	1.8	3.0	1.5	0.7
Other Asian private equity funds	8	8.5	1.6	7.3	3.6
Latin American private equity funds	2	2.5	0.2	2.8	1.4
	13	**12.8**	**4.8**	**11.6**	**5.7**
Total investment portfolio	**261**	**274.5**	**229.1**	**202.4**	**100.0**

The table summarises the cost and value of the current portfolio by investment type and geographical area. Further analysis of the portfolio can be found under Transaction History on page 8 and in the analyses by geography, stage, sector and vintage year contained within the Manager's Review.

VALUATION POLICY

The Company values its investments in private equity funds on the basis of the most recently available accounts provided by their managers, either audited or unaudited. In the case of the current valuation, over 80% were dated March 2001 or later and only 1% were older than December 2000.

Private equity funds may contain a proportion of quoted shares from time to time, for example, where the underlying company investments have been taken public but the holdings have not yet been sold. The quoted market holdings at the date of the latest fund accounts has been reviewed and compared with the value of those holdings at 30 June 2001. There was no material movement in the value of these holdings.

The Company may acquire secondary interests at either a premium or a discount to the fund manager's valuation. Within the Company's portfolio, these fund holdings are normally immediately revalued to their stated net asset values irrespective of the purchase price, unless a provision against a specific investment is considered prudent.

GEOGRAPHIC DISTRIBUTION

As the only quoted private equity fund-of-funds with a truly globally diversified portfolio, the Company enjoys unique protection from disproportionate exposure to the economic cycles of individual national and regional markets. The charts opposite illustrate the geographic distribution of the Company's private equity portfolio by current value and by the sum of value and outstanding commitments.

In line with its status as the single largest and most mature private equity market, the USA accounts for 61% of portfolio value at 30 June 2001. UK and continental European investments together comprise a further third of the current portfolio. When outstanding commitments are taken into account, the relative importance of the USA diminishes slightly to 56%, while the weighting in UK and Continental European investments remains steady at 33%.

The share of value and outstanding commitments attributable to Asia increased to 9.2% during the year, largely as a result of the Company's significant commitment to an Asian fund-of-funds which will deploy its capital throughout the region over the next several years.

Within a portfolio as sizeable and diverse as the Company's, too much importance should not be attributed to small year-on-year variations in geographic distribution. The Company's overall portfolio weighting to the major regional markets has remained relatively constant in recent years. The Company's primary fund investment programme is weighted approximately 50% to US and 35% to European investments, reflecting the relative size and maturity of these markets.

The geographic distribution of secondary investments, which are by nature opportunistic, varies from year to year depending on quality and availability.

THE USA REMAINS THE LARGEST MARKET FOR PRIVATE EQUITY

THE PORTFOLIO

STAGE DISTRIBUTION

Companies of all sizes and at all stages of development raise private equity backing: their common characteristic is a potential to increase significantly in value within a finite period. The Company's private equity portfolio reflects the diversity of the asset class, encompassing investments ranging from early-stage ventures to large buyouts of established international corporations.

The chart opposite shows the composition of the portfolio by value according to the preferred investment stage focus of the Company's individual fund investments. As in the past, development stage investments constitute the dominant stage category, accounting for 30% of portfolio value at 30 June 2001. The preponderance of development capital is largely explained by the number of the Company's secondary acquisitions that fall into this category.

During the review period, the Company purchased a secondary interest in WIN 4, a major portfolio of USA mid-market buyout investments. This acquisition significantly enhanced the diversity of the portfolio, in which USA mid-market assets were previously underrepresented, reducing the dominance of development capital.

MATURITY OF THE PORTFOLIO

The funds within the portfolio span a wide range of ages or 'vintages', as would be expected in view of the fact that the Company has been investing in private equity funds since 1987. The Company's secondary acquisition activities have served to broaden the vintage distribution of assets within the portfolio. There is a degree of correlation between fund vintage and performance, since funds of the same vintage within any individual market segment tend to deploy their capital over broadly the same period and therefore in the same economic and competitive environment.

Early	Start-ups or the funding of companies that have little or no existing revenue stream.
Development	Funding established companies that have revenues and are looking to expand or perhaps make an acquisition.
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 million and £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-up to buyouts.
Direct Quoted Shares	Shares held directly by the Company in investments, often as a result of a 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 funds.

HEDGING

The strategic geographical allocations recommended by the Manager as appropriate at this time and agreed by the Board give rise to currency weightings of 50%–60% in US Dollars, 20%–30% in Sterling, 15%–30% in Euro and up to 5% in Yen.

It is the Company's policy to maintain currency exposure within these ranges by holding surplus cash in these currencies, only adopting hedging positions where the Board deems it appropriate.

THE PORTFOLIO IS EXCEPTIONALLY WELL DIVERSIFIED

SECTOR DISTRIBUTION

The portfolio is exceptionally well diversified in terms of the sectors in which the 2,700 underlying companies operate. This sectoral diversity provides PIP with excellent protection from undue exposure to cycles and trends within particular industries. The Company also benefits from the stability of a portfolio that has been built gradually over its lifetime and avoided developing the concentrations in individual sectors within short time periods that are a hallmark of trend investing.

The breadth of distribution within the underlying portfolio is exemplified by the fact that the Company's largest single investment accounts for no more than 1.0% of private equity assets and the 50 largest investments, taken together, make up only 26.1% of the private equity portfolio by value.

The spread of investments within the Company's portfolio encompasses the full spectrum of traditional manufacturing and service industries and conventional consumer sectors alongside a diverse range of technology-related companies. Within the technology component of the portfolio, the Biotechnology, Medical and Healthcare sectors, which increased from 9% of overall value to 13% during the year, are well represented, as are software and enabling technologies, while exposure to e-commerce is minimal.

In summary, the portfolio is well diversified in geographical, stage and vintage year terms, and the 2,700 underlying companies have a broad sector spread. This diversification helps to reduce the exposure of the portfolio to downturns in particular markets or sectors.

ACTIVITY DURING THE YEAR

During the year under review, the Company again achieved record levels of investment activity, committing £149.4 million to primary funds and secondary acquisitions. Distributions from realised investments also hit an historic high, at £63.7 million. As a result of the volume of new opportunities, the Company's net investment during the period was £30.6 million.

	£m
Commitments to new funds	79.0
Purchase of secondary interests	70.4
Investment activity in the year	149.4
Less: amounts purchased but not paid for	(81.9)
Add: amounts paid out relating to previous commitments	26.8
Investment in the year	94.3
Less: amounts received from investments	(63.7)
Net investment in the year	**30.6**

	Number	Commitments £m	Outstanding commitments £m	Cost £m	Distributions £m	Value at 30.6.01 £m
New investments	26	61.2	53.6	7.6	0.0	7.2
Secondary purchases	79	70.4	10.7	59.8	13.7	53.8
Pantheon vehicle	1	17.8	17.6	0.2	0.0	0.2
Total	**106**	**149.4**	**81.9**	**67.6**	**13.7**	**61.2**

NEW INVESTMENTS

In line with its strategic programme, the Company made commitments totalling £79.0 million to 26 new funds and one new direct co-investment in a major UK-based food manufacturer during the period. Of these new commitments, only £7.8 million had been drawn down at 30 June 2001. Commitments to US funds accounted for just over half of new investment activity, compared with approximately 18% for continental European funds and 5% for UK-based vehicles. The Company's £17.8 million commitment to Pantheon Asia Fund III forms part of its expanded new fund investment strategy. PIP's participation in this fund-of-funds vehicle, which will be deployed throughout the region over the next three years, will constitute the whole of its Asian primary investment programme during that period. This Fund has itself only made one commitment so far and is expected to make further commitments over the next three years.

The scale of the current primary fund investment programme, which is sowing the seeds of future returns while maintaining balance within the Company's portfolio, also reflects PIP's increasing size. In total since inception, the Company has committed £223.9 million to new investments, of which £101.0 million has been drawn down and to date has generated an IRR of 23.8% per annum on primary investment activities.

Historically, commitments to regional fund-of-funds vehicles managed by Pantheon have formed a substantial component of the Company's new fund investment strategy, in combination with direct commitments to new private equity funds.

In the light of the increased volume of PIP's strategic new fund investment programme, which will involve the deployment of some £75 million per annum on average between 2000 and 2002, the Company is now investing directly in funds in the USA and Europe alongside Pantheon's regional funds-of-funds and other segregated clients.

The Company's new fund programme in Asia, however, will continue to be implemented through fund-of-funds vehicles in view of the small relative size of its strategic allocation to the region.

PANTHEON GROUP VEHICLES

Pantheon's fund-of-fund vehicles are designed to meet the requirements of institutional clients for balanced strategic exposure to private equity at both regional and global levels. Where the strategies of its managed funds overlap, Pantheon allocates investments pro rata to ensure all clients obtain fair access to the selected investment opportunities. The Company's total exposure to Pantheon-managed funds-of-funds at the year end is shown on the table overleaf.

Pantheon has waived management fees in respect of PIP's holdings in these managed fund-of-funds vehicles and has undertaken to ensure that the Company will be in a better overall position with regard to fees than if it had made the underlying fund investments directly.

Investments in the year

	Number	Commitments £m	Undrawn £m	Cost £m	Value at 30.6.01 £m
USA	17	42.2	37.6	4.6	4.3
Continental Europe	5	14.6	13.5	1.1	1.1
UK	4	4.4	2.5	1.9	1.8
Other regions	1	17.8	17.6	0.2	0.2
Total	**27**	**79.0**	**71.2**	**7.8**	**7.4**

THE COMPANY AGAIN ACHIEVED RECORD LEVELS OF INVESTMENT ACTIVITY

ACTIVITY DURING THE YEAR

During the year under review, Pantheon's fund-of-fund and feeder vehicles have committed £46.2 million to 16 investments, three of them primary and the balance secondary.

During the year a feeder vehicle, Pantheon Global PCC Secondary Interests Cell, was created as a mechanism for the Company to share small secondary portfolio acquisitions with Pantheon Global Secondary Fund (see page 29).

In total since inception, the Company has gained exposure to 180 funds and nine direct investments through its holdings in Pantheon fund-of-funds vehicles. The Company's share of the value of these investments is £36.3 million.

EXISTING INVESTMENTS

As might be expected in the light of the Company's increased strategic investment programme in new funds, the level of capital calls from existing investments continued to rise in the year to 30 June 2001. The Company met calls from existing investments totalling £26.8 million during the period, compared with £16 million in the previous year. This pattern is expected to persist in future years, reflecting the volume of primary fund investments currently being made by the Company, despite the slower pace at which private equity funds are deploying their capital within the current market environment.

SALES AND DISTRIBUTIONS

The Company benefited from record levels of distributions during the period under review, realising £63.7 million from its portfolio despite the deteriorating market environment for exits from private equity investments. This continued a pattern established during the past four years when distributions totalling £191.5 million have been received. Annual and cumulative distributions since inception are illustrated in the chart opposite.

Distributions are not, however, expected to continue at recent levels in the short to medium term.

The portfolio performance during the year under review has once again highlighted the conservatism of the Company's asset valuation. Of the total distributions received, £50.0 million was generated from investments held at a

Interests in Pantheon-managed funds at 30 June 2001

Fund Name	Year raised	Committed £m	Uncalled commitment £m	Original cost £m	Distributions £m	Value at 30.6.01 £m	IRR %
Juno International Participations	1991	3.1	0.0	3.1	5.3	0.4	20.3
Janus Participations	1992	1.8	0.0	1.8	1.8	0.1	2.8
Pantheon USA Fund	1993	4.0	0.0	4.0	7.1	1.9	33.2
Pantheon Asia Fund	1994	3.1	0.2	2.9	1.0	2.2	2.3
Asia Direct	1996	1.3	0.4	0.9	0.1	0.6	–7.7
Pantheon USA Fund II	1996	13.1	0.7	12.4	11.8	11.5	41.1
Pantheon Asia Fund II	1997	6.8	4.2	2.6	0.4	2.5	6.8
Pantheon Europe Fund	1997	8.3	1.8	6.5	2.5	5.9	14.6
Pantheon USA Fund III	1998	10.0	4.5	5.5	0.9	6.2	20.5
Pantheon Asia Fund III Limited	2001	17.8	17.6	0.2	0.0	0.2	n.a.
Total		**69.3**	**29.4**	**39.9**	**30.9**	**31.5**	**21.4**

carrying value of £146.5 million on 1 July 2000 and at £141.2 million at the year end. In total, taking foreign exchange movements into account, realised and unrealised gains on the portfolio over the year stand at £17.9 million.

OUTSTANDING COMMITMENTS AND FINANCE

PIP ended the year to 30 June 2001 with outstanding commitments to investments of £138.3 million, compared with £77.4 million at the start of the period. The value of outstanding commitments is expected to continue to rise in future years as the Company pursues its expanded strategic investment programme.

The Company is well positioned to meet these forthcoming commitments thanks to the flexible structure that has resulted from its capital reorganisation and the introduction of PLNs.

During the year under review, the Company issued a further £21.3 million of PLNs to an institutional vendor as consideration for the purchase of a significant private equity fund portfolio in a transaction which provided further demonstration of the utility of the PLN concept. Subsequently, to supplement its existing off-balance-sheet funding, the Company agreed terms for a further £50 million PLN commitment. Although this facility is not intended to be drawn down in the first instance, it will further reinforce the Company's ability to pursue an expanded new fund investment programme while maintaining unprecedented levels of cash efficiency.

PIP also has facilities with The Royal Bank of Scotland PLC, intended to enable it to maximise the proportion of assets invested in private equity while retaining the capacity to meet calls as they arise.

ACTIVITY DURING THE YEAR

SECONDARY ACQUISITIONS

The year under review was a highly significant period for the Company in terms of secondary investment activity. Commitments to secondary purchases totalled £70.4 million, corresponding to slightly more than 30% of the Company's total commitment to secondary fund interests since inception.

Overall levels of activity in the secondary market continued to increase during the year under review, a trend which reflects recent worldwide growth in primary private equity investment and trends within, inter alia, the financial sector.

Against this background, PIP benefited from increased deal flow, reviewing more transactions in detail in the year to 30 June 2001 than in the preceding 12 months, including several substantial portfolio acquisition opportunities. Maintaining its highly selective approach to secondary investment, the Company completed purchases which added a total of 79 secondary fund interests to the portfolio during the year.

The largest secondary transaction during the period in terms of cost involved the acquisition of a portfolio of interests in 21 US and European private equity funds. These assets, acquired at a cost of £27 million, had generated £12.5 million in realisation proceeds by the year end. In another notable transaction, the Company acquired a secondary holding in a portfolio of 52 US funds for £20 million.

The scale of these transactions is in part a reflection of the changing nature of the secondary market, where the size, and therefore the complexity, of portfolios changing hands has increased exponentially in recent years. PIP's successful completion of these transactions further demonstrates the validity of the strategy devised by Pantheon to maintain the Company's competitive position in the secondary market.

In 2000, PIP established a co-investment agreement with the $418 million Pantheon Global Secondary Fund (PGSF) to enable the Company to compete for secondary transactions of all sizes.* The advantages of this arrangement have been demonstrated during the year by the Company's success in purchasing an interest in the WIN 4 portfolio.

The Company has achieved an IRR of 28.5% per annum on secondary investments in the 14 years since its inception. Since 1987, PIP has committed £225.6 million to secondary purchases, of which £15.4 million has not yet been drawn down, and realised £245.2 million from this element of its portfolio. The carrying value of the Company's secondary private equity fund holdings at 30 June 2001 stood at £111.4 million.

* The Company shares secondary opportunities with PGSF according to a pre-agreed ratio which gives it the right to 50% of total transaction value up to a maximum of $30 million and 25% thereafter.

Secondary purchases in year

Description	Total cost £m	Realisation proceeds £m	Value at 30.6.01 £m
Portfolio of 21 American & European private equity funds	27.0	12.5	19.8
Portfolio of 5 American private equity funds	5.1	0.0	5.2
Portfolio of 1 European and 4 American private equity funds	20.0	1.2	20.0
Other secondary deals	7.6	0.0	8.8
Total	**59.7**	**13.7**	**53.8**

THE PRIVATE EQUITY PROCESS

PRIVATE EQUITY – PRINCIPLES AND PROCESS

As the lifeblood of young and growth companies, private equity in various guises has formed an integral part of the commercial environment through the ages. However, it is only during recent decades that it has developed on an international scale into a formal industry based around an institutionally recognised asset class.

The term 'private equity' encompasses a broad spectrum of investment types, ranging from enterprises in the conceptual or early-stage start-up phase at one extreme to the transfer of ownership of large, mature companies at the other. Clearly, the risk/return profiles of the differing investment types within this spectrum will vary. However, the objective of private equity as a whole is to outperform quoted equities over the long term. It is the asset class's potential to deliver this outperformance, combined with the portfolio diversification, that has attracted institutions to invest into private equity funds.

Return expectations aside, private equity differs from 'public' or quoted equity investment in two main regards: its long-term exit horizons and its relative illiquidity. The typical holding periods for private equity investments in individual companies have historically been three to five years for later-stage investments in more mature companies and five to seven years or more for venture capital investments in earlier-stage companies. These investment holding periods provide time for the investee company to develop and to attain or improve profitability, giving the potential for a significant increase in value on realisation.

PRIVATE EQUITY VEHICLES

Vehicles for private equity investment must therefore be suited to the long-term nature of the asset class, and their managers appropriately motivated to take the necessary long-term perspective. Numerous vehicles for private equity investment exist, including evergreen quoted investment trusts, limited companies, and, most commonly, closed-end limited-life funds.

Institutional investments into the asset class are usually made through dedicated funds managed by independent teams according to a pre-agreed strategy and investment policy. Closed-end funds normally have a fixed life of ten years and are funded by a number of institutions. Such funds call down capital from their investors, or Limited Partners, as required for investments and distribute proceeds back to their investors on realisation. The fund's manager, or General Partner, receives a proportion of these realised gains, called carried interest, a remuneration mechanism which is designed to align the interests of the Limited and General Partners by motivating the managers to maximse investment value over the long term. Increasingly, carried interest arrangements are subject to a hurdle rate, whereby the private equity managers' carry kicks in only when a pre-agreed rate of return has been delivered to investors in the fund.

A limited-life private equity fund will build a portfolio of multiple company holdings during an initial phase of activity, known as its investment period, typically lasting four to five years in the case of a ten-year-life fund. In view of the time horizons of private equity investments, the bulk of realisations usually take place during the latter part of a fund's life.

THE PRIVATE EQUITY PROCESS

Because a single private equity fund makes multiple investments – usually around ten to fifteen and sometimes considerably more, depending on the size and focus of the vehicle – the diversification within its portfolio mitigates the risk of individual investments. Investing into private equity via a diversified fund is therefore less risky than investing directly into a small number of unquoted companies, even before the specialist skills of the private equity fund manager are taken into account.

Individual private equity funds usually concentrate on a specific geographic area and focus on a particular type of investment – e.g., early-stage venture, mid-sized buyouts or larger buyouts – while a relatively small proportion of funds focus on specific industry sectors, such as biotechnology or media. There are also a number of balanced or generalist private equity funds, which make investments in companies at various stages of development, normally within a particular geographic region or industry sector.

BUILDING A PORTFOLIO

By making commitments to several private equity funds, an institution can broaden the diversification of its underlying portfolio by geography, investment stage and sector. Another dimension of diversification can be achieved by putting capital to work in private equity funds gradually over a number of years. This approach results in a portfolio of perhaps several hundred investments in unquoted companies across a wide range of industry and geographic markets that avoids over-exposure to any single market or economic cycle and where each investment is managed by a professional motivated to maximise its realisation value.

However, performance varies dramatically between individual private equity funds, even within the same geographic and investment areas. Manager selection is therefore of critical importance to investors in the asset class. Taking into account the minimum commitment requirement of private equity funds and the resources and specialist expertise needed for private equity due diligence, it is difficult for any but the largest institutions to achieve optimal levels of portfolio diversification through individual fund investments.

One solution open to institutions seeking exposure to private equity is to commit via funds-of-funds, pooled vehicles which invest over a number of years into selected private equity funds rather than directly into unquoted companies. A single investment into a fund-of-funds therefore enables investors to access a broadly diversified underlying portfolio where the individual fund managers have been selected by specialist private equity professionals.

The Company is both the longest established and the only truly global quoted private equity fund-of-funds vehicle. As such, it combines liquidity for its shareholders with the benefits of exposure to an underlying portfolio of private equity investments uniquely diversified by geography, sector, stage and vintage.

SECONDARY INVESTMENT IN PRIVATE EQUITY FUNDS

Although private equity should always be regarded as a long-term investment, investors may wish to dispose of interests in fixed-life private equity vehicles for a variety of strategic reasons before the funds in question have been fully realised. As a result of recent explosive growth in primary private equity fund raising, the number of such 'secondary' fund interests offered for sale is expected to continue to increase. Historically, the majority of such sales have been effected through private negotiation, although a number are now subject to restricted or full auctions. The Company and Pantheon Group are among the longest established of the limited but growing number of purchasers for such interests.

THE MANAGER – PANTHEON GROUP

Pantheon, which has acted as manager to the Company since its inception in 1987, is one of the world's leading private equity specialists. An independent group focusing exclusively on investment in private equity, Pantheon appraises and manages investments on behalf of the Company in line with the strategy agreed by the Board.

With origins dating back to 1982, Pantheon has established a long-term track record of delivering superior returns to clients across varying economic and market cycles. Today, on behalf of an international client base, Pantheon manages assets of more than $5.4 billion invested in more than 485 private equity funds in over 30 countries worldwide.

Pantheon achieves global coverage from local offices in London, San Francisco, Hong Kong and Brussels, with its 29 investment professionals operating as a single multinational team. Thanks to its extensive network of investments and relationships and the reputation it has established in the private equity market, Pantheon is in an excellent position to select outperforming managers from the global fund universe. It also enjoys a strong proprietary deal flow for secondary investments.

In line with the continuing expansion of its business, Pantheon further strengthened its internal resources during the year under review, recruiting four experienced investment executives and growing the support team. The firm now has 49 full-time employees. Its executive team combines more than 200 years' private equity experience, while the four senior partners who constitute the investment committee have worked together in that capacity for more than ten years.

In addition to Pantheon International Participations and the capital it manages or advises in separate client accounts, Pantheon has to date formed 13 commingled private equity and secondary funds-of-funds: most recently, the group closed Pantheon Europe Fund II on €458 million, the Pantheon Global Secondary Fund on $418 million and Pantheon USA Fund IV on $800 million. Where the strategies of its managed funds overlap, Pantheon allocates investments pro rata to ensure all clients obtain fair access to the selected investment opportunities.

200 YEARS' COMBINED PRIVATE EQUITY EXPERIENCE

TOP TWENTY INVESTMENTS

P Primary investment
S Secondary investment
M Mixed investment

1 WIN4 HOLDINGS LLC

S

The special-purpose vehicle was formed by Pantheon, Landmark and Credit Suisse First Boston jointly to purchase a portfolio of funds from Bank of America. The portfolio is dominated by middle-market US buyout funds with a subset of US venture and mezzanine funds. Pantheon Global Secondary Fund (PGSF) and PIP acquired a one-third share in the total fund portfolio, apportioned in accordance with the pre-agreed strategy.

This is a first-class example of an investment, shared with PGSF, that was too large for the Company to complete on its own.

Structure:	**Delaware limited liability company**
Size:	**$352.3m**
Term:	**Initial term ends December 31, 2013**
Called:	**82.3%**
No. of funds:	**44**
Distributions received in the year:	**£1.1m**
Year of investment:	**2001**

% interest in investment	**9.1**
Cost £000's	**18,557**
Income & capital returned to the Company £000's	**1,118**
Value £000's	**18,598**
% of PIP assets	**9.2**

KEY FUNDS

FS Equity Partners IV	Fund	Invests in equity and equity-related securities issued in corporate acquisitions organized by Freeman Spogli as well as other special situations where an infusion of capital, together with assistance to management, is needed.
Fox Paine Capital Fund I	Fund	Provides equity capital for management buyouts, going private transactions, and company expansion and growth programmes.
Willis Stein & Partners II	Fund	Buyout firm, focused on building middle-market companies, generally in the media, business services, information technology, telecommunications, manufacturing and healthcare industries.

2 DLJ MERCHANT BANKING PARTNERS II, LP

S

The fund, which has access to DLJ's extensive deal flow and resources, invests in medium to large buyouts.

Structure:	**Netherlands Antilles limited partnership and a parallel Delaware limited partnership**
Size:	**$3bn**
Term:	**Fixed life ending in 2006**
Called:	**87%**
No. of companies:	**47**
Distributions received in the year:	**£1.7m**
Investment professionals:	**50**
Manager location:	**New York**
Years in business:	**16**
Funds under management:	**$25bn**
Year of investment:	**2000**

% interest in investment	**0.7**
Cost £000's	**10,613**
Income & capital returned to the Company £000's	**1,875**
Value £000's	**13,171**
% of PIP assets	**6.5**

KEY COMPANIES

Nextel Partners, Inc	Quoted	Provides digital wireless services in 46 mid-sized and smaller cities throughout the US.
Duane Reade	Quoted	One of the largest and fastest growing drug store chains in metropolitan New York city.
Charles River Laboratories	Quoted	Provides critical research tools and integrated support services that enable efficient drug discovery and development.

3 PANTHEON USA FUND II LIMITED

M

Fund-of-funds investing in new USA private equity funds and single secondary interests.

Structure:	**Guernsey company**
Size:	**$126.5m**
Term:	**Fixed life ending in 2009**
Called:	**95%**
No. of funds:	**21**
Distributions received in the year:	**£5.2m**
Investment professionals:	**see the Manager (page 23)**
Manager location:	**see the Manager (page 23)**
Years in business:	**see the Manager (page 23)**
Funds under management:	**see the Manager (page 23)**
Year of investment:	**1996/2001**

% interest in investment	**15.8**
Cost £000's	**12,436**
Income & capital returned to the Company £000's	**11,777**
Value £000's	**11,501**
% of PIP assets	**5.7**

KEY FUNDS

Summit Ventures IV	Fund	Provides expansion capital to privately held, profitable emerging growth companies.
Menlo Ventures VII	Fund	A venture capital firm specialising in industries in the communications, internet, software and healthcare sectors.
Code, Hennessy & Simmons II	Fund	A fund specialising in middle-market manufacturing and distribution companies primarily in the Midwest.

4 ACE L.P.

S

Portfolio of small to medium-sized companies, predominantly UK based. Bought as a secondary interest in 2000.

Structure:	**UK limited partnership**
Size:	**£40m**
Term:	**Fixed life ending in 2009**
Called:	**85%**
Distributions received in the year:	**£5.3m**
Investment professionals:	**31**
Manager location:	**Aberdeen, Glasgow, Inverness, Leeds, Manchester, Birmingham & London**
Years in business:	**11**
Funds under management:	**£495m**
Year of investment:	**2000**

% interest in investment	**4.0**
Cost £000's	**9,372**
Income & capital returned to the Company £000's	**5,267**
Value £000's	**9,727**
% of PIP assets	**4.8**

KEY COMPANIES

RAL Holdings Ltd	Amusement centres in the UK.
John Kennedy Holdings Ltd	Engineering company.
Card Warehouse Ltd	Retailer of discounted cards and gifts.
Zero Waste Ltd	Waste management company.

5 PANTHEON USA FUND III

P

A fund-of-funds investing in new USA private equity funds and single secondary interests.

Structure:	**Guernsey company and Delaware limited partnership**
Size:	**$455.8m**
Term:	**Fixed life ending in 2011**
Called:	**58%**
No. of funds:	**39**
Distributions received in the year:	**£0.7m**
Investment professionals:	**see the Manager (page 23)**
Manager location:	**see the Manager (page 23)**
Years in business:	**see the Manager (page 23)**
Funds under management:	**see the Manager (page 23)**
Year of investment:	**1998**

% interest in investment	**3.3**
Cost £000's	**5,549**
Income & capital returned to the Company £000's	**926**
Value £000's	**6,206**
% of PIP assets	**3.1**

KEY FUNDS

Polaris Venture Partners II	Fund	A venture capital firm specialising in information technology and medical companies.
Oak Investment Partners VIII	Fund	A venture capital firm specialising in information technology, healthcare and retail investing.
TH Lee Foreign Fund IV	Fund	A buyout fund investing in growth companies.

6

P

PANTHEON EUROPE FUND LIMITED

Fund-of-funds investing in European private equity funds and single secondary interests.

Structure:	**Guernsey company**
Size:	**€214m**
Term:	**Fixed life ending in 2010**
Called:	**77% of €13m commitment**
No. of new funds:	**16**
Distributions received in the year:	**£1.0m**
Investment professionals:	**see the Manager (page 23)**
Manager location:	**see the Manager (page 23)**
Years in business:	**see the Manager (page 23)**
Funds under management:	**see the Manager (page 23)**
Year of investment:	**1997**

% interest in investment	**6.1**
Cost £000's	**6,530**
Income & capital returned to the Company £000's	**2,471**
Value £000's	**5,864**
% of PIP assets	**2.9**

KEY FUNDS

Alchemy	Fund	Invests in UK and European special situations.
BC European Capital VI	Fund	Invests in large UK and European buyouts.
Phoenix Equity Partners II	Fund	Invests in UK mid-sized buyouts.

7

S

INTERVENTIONAL TECHNOLOGIES INC

The company develops, manufactures, and markets minimally invasive, disposable, microsurgical devices and systems for the treatment of cardiovascular disease.

Structure:	**Unquoted US company**
Size:	**$330m**
Called:	**100%**
Distributions received in the year:	**£0m**
Year of investment:	**1997**

% interest in investment	**2.3**
Cost £000's	**2,048**
Income & capital returned to the Company £000's	**0**
Value £000's	**5,639**
% of PIP assets	**2.8**

Please note: Interventional Technologies was acquired by Boston Scientific in April 2001. In July 2001, PIP received US$7.9 million in cash for Boston Scientific's acquisition of Interventional Technologies. PIP no longer holds shares in either Boston Scientific or Interventional Technologies but there is a possibility that PIP will receive additional proceeds if certain targets are met.

8

P

MORGAN GRENFELL EQUITY PARTNERS

The fund was formed in 1995 and invests in large buyouts principally in the UK and also elsewhere in continental Europe. Bought as secondary interests in 1998 and 2001.

Structure:	**Series of 5 UK limited partnerships**
Size:	**£350m**
Called:	**97%**
Distributions received in the year:	**£0.5m**
Year of investment:	**1996/1998/2001**

% interest in investment	**4.9**
Cost £000's	**6,759**
Income & capital returned to the Company £000's	**1,960**
Value £000's	**4,830**
% of PIP assets	**2.4**

9 PANTHEON GLOBAL PCC SECONDARY INTERESTS CELL

S

A feeder fund formed to share small secondary interests between PIP and Pantheon Global Secondary Fund. The fund has made ten investments in seven funds and three directly held companies.

Structure:	**Guernsey Protected Cell limited company**
Size:	**£9.5m**
Called:	**100% (will increase in size for future deals)**
Distributions received in the year:	**£0m**
Year of investment:	**2001**

% interest in investment	**50.0**
Cost £000's	**3,884**
Income & capital returned to the Company £000's	**0**
Value £000's	**4,758**
% of PIP assets	**2.4**

10 WIN5 HOLDINGS LLC

S

The fund was formed by Pantheon and Credit Suisse First Boston to acquire interests in three US buyout funds and one European buyout fund.

Structure:	**Delaware limited liability company**
Size:	**$63.6m**
Called:	**70%**
Distributions received in the year:	**£0m**
Year of investment:	**2001**

% interest in investment	**16.7**
Cost £000's	**4,077**
Income & capital returned to the Company £000's	**0**
Value £000's	**4,142**
% of PIP assets	**2.0**

11 THOMPSON CLIVE INTERNATIONAL

M

The fund invests in small to medium-sized technology companies with international growth potential.

Structure:	**Jersey unit trust**
Size:	**£30m**
Called:	**100%**
Distributions received in the year:	**£0.8m**
Year of investment:	**1995/1998/2000**

% interest in investment	**10.3**
Cost £000's	**4,906**
Income & capital returned to the Company £000's	**4,766**
Value £000's	**3,945**
% of PIP assets	**1.9**

12 INDUSTRI KAPITAL 2000

P

A fund specialising in European management buyouts with the majority of investments in Scandinavia and Germany.

Structure:	**UK limited partnerships**
Size:	**€2.1bn**
Called:	**68%**
Distributions received in the year:	**£ Nil**
Year of investment:	**2000**

% interest in investment	**0.5**
Cost £000's	**4,155**
Income & capital returned to the Company £000's	**0**
Value £000's	**3,925**
% of PIP assets	**1.9**

13 OMNICELL INC

S

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: **$165m**
Called: **100%**
Distributions received in the year: **£0m**
Year of investment: **1992**

% interest in investment	**4.9**
Cost £000's	**1,490**
Income & capital returned to the Company £000's	**0**
Value £000's	**3,844**
% of PIP assets	**1.9**

14 ABINGWORTH BIOVENTURES II

S

Portfolio of 20 investments located in the US, UK and continental Europe.

Structure: **Luxembourg investment company**
Size: **$100m**
Called: **79%**
Distributions received in the year: **£ Nil**
Year of investment: **2001**

% interest in investment	**5.0**
Cost £000's	**2,568**
Income & capital returned to the Company £000's	**0**
Value £000's	**3,724**
% of PIP assets	**1.8**

15 MORGAN STANLEY LEVERAGED EQUITY FUND II, LP

S

This is a buyout fund formed in 1987 with $2.2bn in committed capital.

Structure: **Delaware limited partnership**
Size: **$2.2bn**
Called: **100%**
Distributions received in the year: **£0.2m**
Year of investment: **2000**

% interest in investment	**0.9**
Cost £000's	**4,419**
Income & capital returned to the Company £000's	**273**
Value £000's	**3,566**
% of PIP assets	**1.8**

16 THE EUROPEAN PRIVATE EQUITY FUND

P

Specialises in UK and continental European mid-market buyout transactions. Focus is on growth companies that are able to expand by acquisition across Europe.

Structure: **UK limited partnership**
Size: **£1bn**
Called: **85%**
Distributions received in the year: **£0.1m**
Year of investment: **1999**

% interest in investment	**0.5**
Cost £000's	**4,256**
Income & capital returned to the Company £000's	**401**
Value £000's	**3,424**
% of PIP assets	**1.7**

17 WEISS PECK & GREER IV

P

This fund has a technology focus, investing in the communications, computer software and systems, medical devices, semiconductors, information services, healthcare services and biotechnology sectors.

Structure: **Cayman Islands company**
Size: **$212m**
Called: **100%**
Distributions received in the year: **£0.9m**
Year of investment: **1997**

% interest in investment	**1.4**
Cost £000's	**1,831**
Income & capital returned to the Company £000's	**7,943**
Value £000's	**3,265**
% of PIP assets	**1.6**

18 TEKNI-PLEX, INC

P

A highly diversified manufacturer of specialised packing materials.

Structure: **Unquoted US company**
Size: **$922m**
Called: **90%**
Distributions received in the year: **£0m**
Year of investment: **2000**

% interest in investment	**0.5**
Cost £000's	**3,020**
Income & capital returned to the Company £000's	**0**
Value £000's	**3,200**
% of PIP assets	**1.6**

19 WORLDVIEW TECHNOLOGY PARTNERS III

P

This fund invests in leading US-based telecommunications, software and semiconductor companies that can benefit from expanding their businesses into Asia.

Structure: **Delaware limited partnership**
Size: **$450m**
Called: **99%**
Distributions received in the year: **£0.1m**
Year of investment: **2000**

% interest in investment	**1.4**
Cost £000's	**2,869**
Income & capital returned to the Company £000's	**78**
Value £000's	**3,002**
% of PIP assets	**1.5**

20 ALCHEMY

P

A high-profile European fund, whose emphasis is on complex transactions, turnarounds and public-to-privates in the UK and German-speaking Europe.

Structure: **Guernsey limited partnership**
Size: **£255m p.a.**
Called: **64%**
Distributions received in the year: **£1.5m**
Year of investment: **2000**

% interest in investment	**1.2**
Cost £000's	**3,820**
Income & capital returned to the Company £000's	**1,484**
Value £000's	**2,858**
% of PIP assets	**1.4**

TOP 50 UNDERLYING COMPANY INVESTMENTS

	Company	Sector	% of total private equity portfolio		Company	Sector	% of total private equity portfolio
1	John Kennedy (Holdings) Limited	Manufacturing and Services	1.0%	26	Arrows Autosport Limited	Manufacturing and Services	0.5%
2	Nextel Partners	Communications and Media	0.9%	27	Card Warehouse Limited	Consumer related (not e-commerce)	0.5%
3	Code Alarm, Inc	Computer Hardware and Electronics	0.9%	28	Camden Motors Limited	Consumer related (not e-commerce)	0.5%
4	Xyratex Plc	Computer Hardware and Electronics	0.8%	29	Sanitec	Consumer related (not e-commerce)	0.4%
5	Coral Group Holdings Plc	Consumer related (not e-commerce)	0.8%	30	Alfa Laval International AB	Manufacturing and Services	0.4%
6	RAL Holdings Limited	Consumer related (not e-commerce)	0.8%	31	Mueller Holdings	Manufacturing and Services	0.4%
7	Smurfit-Stone Container Corporation	Manufacturing and Services	0.8%	32	Zero Waste Limited	Manufacturing and Services	0.4%
8	Chromisys, Inc	Communications and Media	0.7%	33	Wilson Greatbatch	Biotechnology, Medical and Healthcare	0.4%
9	PSP Holdings	Other	0.7%	34	Ciena Corporation	Communications and Media	0.4%
10	Novalux	Computer Hardware and Electronics	0.7%	35	Ineos Acrylics	Manufacturing and Services	0.4%
11	Duane Reade	Consumer related (not e-commerce)	0.7%	36	Multiplex, Inc	Computer Hardware and Electronics	0.4%
12	G+G Retail Holdings, Inc	Consumer related (not e-commerce)	0.6%	37	Corvis Corporation	Communications and Media	0.4%
13	Adeza Biomedical Corporation	Biotechnology, Medical and Healthcare	0.6%	38	Mark IV Industries	Manufacturing and Services	0.4%
14	Americananet, LLC	Other	0.6%	39	Dalehead Foods	Other	0.4%
15	Lightwave Microsystems Corp	Computer Hardware and Electronics	0.6%	40	Bell Group	Communications and Media	0.4%
16	Deloro Stellite Group Limited	Computer Hardware and Electronics	0.6%	41	Sanderson Group Plc	Computer Software	0.4%
17	Memec Group Holdings Limited	Computer Hardware and Electronics	0.6%	42	Powerquest Corp	Computer Software	0.3%
18	OptiGlobe	Software and Tools for the Internet	0.6%	43	Viewpoint International, Inc	Consumer related (not e-commerce)	0.3%
19	Fisher Scientific International	Manufacturing and Services	0.5%	44	Pluris, Inc	Software and Tools for the Internet	0.3%
20	Savi Technology	Computer Software	0.5%	45	Garfield & Marks Design Limited	Consumer related (not e-commerce)	0.3%
21	Charles River Laboratories	Manufacturing and Services	0.5%	46	The Home Entertainment Corp	Communications and Media	0.3%
22	Alkane Energy Plc	Other	0.5%	47	Neopost SA	Manufacturing and Services	0.3%
23	Techem AG	Manufacturing and Services	0.5%	48	Laurel Management Services Limited	Manufacturing and Services	0.3%
24	Termotasajero SA	Energy related	0.5%	49	Spectrascan Health Services, Inc	Biotechnology, Medical and Healthcare	0.3%
25	General Healthcare Group	Biotechnology, Medical and Healthcare	0.5%	50	Devgen NV	Biotechnology, Medical and Healthcare	0.3%

THE BOARD

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 Combined 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 in accordance with the Code, 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.

Lionel G. Stopford Sackville ♦†

(Chairman) 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 a director of Dartmoor Investment Trust plc and Merrill Lynch World Mining Trust PLC.

Ewen C.S. Macpherson *♦†

Born January 1942. He is the former chief executive of 3i Group plc, retiring in July 1997. He is currently chairman of Merrill Lynch New Energy Technology plc, a director of Scottish Power plc and Foreign & Colonial Investment Trust plc and Chairman of the trustees of the Glaxo Wellcome Pension Fund.

J. Peter A. Readman *♦†

Born December 1946. He is a director of a number of companies specialising in US and French real estate, and of Merrill Lynch UK Investment Trust PLC and Martin Currie European Investment Trust PLC. He is also an economic advisor to a number of UK institutions and international 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.

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 he led the buyout of the Company's Manager, Pantheon Ventures Limited, in 1988.

Richard J. Crowder *♦†

Born March 1950. He holds a range of directorships and consultancy appointments. Having worked as an investment manager with Ivory & Sime in Edinburgh and as a head of investment research with W.I. Carr in the Far East, he undertook a wide range of responsibilities for Schroders in London and the Far East, culminating in the role of managing director for Schroders' Singapore associate. Having then worked as chairman of Smith New Court Far East and a director of Smith New Court plc, Richard Crowder was the founding managing director of Schroders' Channel Islands subsidiary from 1991 to 2000. He is a member of the Securities Institute and he resides in Guernsey.

* Member of the Audit Committee
♦ Member of the Management Engagement Committee
† Independent of the Manager

SERVICE PROVIDERS

www.pipplc.com

MANAGER	Pantheon Ventures Limited Charles House 5/11 Regent Street London SW1Y 4LR 020 7484 6200 email: pip@pantheon.co.uk www.pantheonventures.com	Regulated by IMRO
SECRETARY & REGISTERED OFFICE	Sinclair Henderson Limited 23 Cathedral Yard Exeter Devon EX1 1HB 01392 412122	
FIXED INTEREST & CURRENCY INVESTMENT ADVISOR	Alliance Capital Whittingdale Limited Devonshire House 1 Mayfair Place London W1X 6JJ	
BROKERS	Collins Stewart Limited 9th Floor 88 Wood Street London EC2V 7QR 020 7522 9977	
REGISTRARS	Lloyds TSB Registrars Scotland 117 Dundas Street Edinburgh EH3 5ED 0870 6015 366	
BANKERS	The Royal Bank of Scotland PLC Waterhouse Square 138-142 Holborn London EC1N 2TH	HSBC Bank PLC Global Investor Services Mariner House Pepys Street London EC3N 4DA (Also custodian)
AUDITORS	RSM Robson Rhodes Chartered Accountants 186 City Road London EC1V 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

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 30 June 2001.

STATUS AND ACTIVITIES

The Company has received written approval from the Inland Revenue as an authorised investment trust, under Section 842 of the Income and Corporation Taxes Act 1988, for the year ended 30 June 1998. In the opinion of the Directors the Company has subsequently directed its affairs so as to enable it to continue to qualify for such approval and the Company will continue to seek approval under Section 842 each year. However, until recently, the Inland Revenue's interpretation of the rules under Corporation Tax Self Assessment (CTSA) has been that they were no longer obliged to grant written investment trust approval. Instead, under CTSA, the Inland Revenue has twelve months after the return filing date in which to give notice that it intends to enquire into a return. If no such notice is issued within that time frame, then the Company can assume that Section 842 approval has been obtained within the rules of CTSA.

In August 2001 the Inland Revenue reached agreement with the AITC regarding a change to the way in which Section 842 approval will now be given. The procedure outlined above will remain in force, except that, where formally requested by the Company, the Inland Revenue will now grant written Section 842 approval outside of the CTSA process and deadlines. The Company will now resort back to the submission of formal requests for the granting of Section 842 investment trust status.

The Company is an investment company as defined under Section 266 of the Companies Act 1985. The Company's shares are qualifying investments for inclusion in Individual Savings Accounts (ISAs).

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 23.

On 10 August 2000 the Company issued 3,595,628 PLNs at a price of 591.80p per PLN (being the adjusted redemption value at 30 June 2000).

On 23 November 2000 the Company issued a further 110,933 PLNs at a price of 250p and 315,762 ordinary shares at a price of 250p following the exercise of 426,720 warrants.

NET ASSET VALUE

The Company's total net assets increased during the year to £206,123,000 (2000: £161,327,000). The fully diluted net asset value per ordinary share was 669.1p at 30 June 2001 (2000: 599.9p). The Company's 20 largest investments are shown on pages 25 to 31.

RESULTS AND DIVIDENDS

As set out in the statement of total return on page 44, the Company's net deficit on ordinary activities before taxation for the year was £2,287,000 (2000: net revenue of £1,374,000). The net deficit available for ordinary shareholders amounted to £2,487,000 (2000: net revenue of £958,000).

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2001.

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 2001, the Company had no unsettled invoices in respect of trade creditors (2000: 2 days).

MANAGEMENT

Pantheon Ventures Limited acts as Manager and Investment Advisor 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, including cash, (excluding VAT) on funds under management.

The signature of a Supplemental Management Agreement dated 25 April 2000 was approved by shareholders on that day. Under this supplemental agreement, and with effect from 1 May 2000, the Manager is entitled to a fee at the rate of 1.5% per annum of the value of the Company's investments excluding cash and near-cash instruments (the investment assets). In respect of investment assets in excess of £150 million, the fee is payable at the reduced rate of 1% per annum. The Manager is, in addition, entitled to a fee at the rate of 0.5% per annum on the value of the Company's outstanding commitments to make investments up to a maximum value equal to the value of the investment assets.

Under the supplemental agreement the Manager is also entitled to a performance fee equal to 10% of all growth in the fully diluted net asset value per share above 15% per annum. This performance fee is subject to high watermark provisions such that only growth in the net asset value per share from a previous high point will attract a performance fee. For the period to 30 June 2003, the performance fee will be calculated on the basis of the average annualised growth in the net asset value from 1 July 2000 to 30 June 2003 and will only be payable to the extent that this exceeds 15% per annum. Thereafter the performance fee will be calculated and payable, if appropriate, annually.

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.

Under an agreement dated 6 November 1998, Alliance Capital Whittingdale Limited were appointed to provide currency and hedging advice and to act as investment advisors in respect of the gilt and fixed interest portfolio. The fee payable under this agreement is 0.1% of the fixed interest portfolio plus £20,000 per annum for currency advice. This agreement may be terminated on one month's written notice.

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.

Related party transactions and Directors' interests in contracts and agreements are disclosed in note 24 to the financial statements.

DIRECTORS

The Directors in office are as shown on page 34. Messrs E.C.S. Macpherson and R.M. Swire retire by rotation and, being eligible, offer themselves for re-election.

The Hon. R.M.O. Stanley will be retiring at the Annual General Meeting and will not be putting himself forward for re-election.

No Directors are under contracts of service with the Company. The interests of the Directors and their families in the ordinary shares, PLNs and warrants of the Company are as shown below. These interests were beneficial. There were no changes to these interests between 30 June 2001 and the date of this Report.

	At 30.06.01	At 30.06.00 or date of appointment (if later)
E.C.S. Macpherson		
Ordinary shares	5,920	5,920
PLNs	2,080	2,080
Warrants	–	–
J.P.A. Readman		
Ordinary shares	13,320	13,320
PLNs	4,860	4,860
Warrants	–	–
L.G. Stopford Sackville		
Ordinary shares	7,400	7,400
PLNs	2,600	2,600
Warrants	2,000	2,000
R.M.O. Stanley		
Ordinary shares	23,394	23,394
PLNs	8,219	8,219
Warrants	–	–
R.M. Swire		
Ordinary shares	17,667	10,952
PLNs	3,848	3,848
Warrants	10,460	10,460
R.J. Crowder (appointed 01.9.00)		
Ordinary shares	35,318	35,318
PLNs	–	–
Warrants	–	–

SHARE CAPITAL

The authorities given to the Directors at the Annual General Meeting ("AGM") held on 23 November 2000 to allot unissued shares of the Company are due to expire at the forthcoming AGM, notice of which accompanies this Report.

The Notice of AGM sets out resolution 5 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 5, 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 £4,027,050 which may be allotted pursuant to resolution 5 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 5, if passed.

Resolution 6 complies with the UK Listing Authority 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 the AGM held on 23 November 2000, the Directors were authorised to make market purchases of the Company's ordinary shares. A resolution for the renewal of this authority will be proposed at the forthcoming AGM, as set out in resolution 7.

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	%
Newton Investment Management Limited	2,994,980	16.61
Halifax Group plc (Equitable Life Assurance Society)	2,686,891	14.90
Aegon Aandelenfonds	2,567,800	14.24
British Airways Pension Fund Trustees Limited	1,252,728	6.95
BAE Systems Pension Fund Trustees Limited	875,866	4.86
Pictet & Cie Banquiers	635,864	3.53

AUDITORS

The Auditors RSM Robson Rhodes have indicated their willingness to continue in office, and resolution 4 at the forthcoming AGM proposes re-appointing them as Auditors and authorising the Directors to fix their remuneration for the ensuing year.

21 September 2001

By order of the Board
Sinclair Henderson Limited
Secretary

CORPORATE GOVERNANCE

DIRECTORS' STATEMENT OF COMPLIANCE WITH THE COMBINED CODE ("CODE")

The Directors have reviewed the principles outlined in the Code and believe that, insofar as they are relevant to the Company's business, they have complied with the provisions of the Code during the year ended 30 June 2001, subject to the exceptions explained below. The Company is committed to maintaining the highest standards of corporate governance and the Board is accountable to the Company's shareholders for the governance of the Company's affairs.

The Board has considered the guidance for Directors on the wider aspects of internal control, as produced by the Turnbull Committee, and confirms that procedures have been put in place necessary to implement the requirements of the Combined Code relating to internal controls during the year ended 30 June 2001.

BOARD OF DIRECTORS

The Board consists solely of non-executive Directors who are responsible for the determination of the Company's investment policy. The Directors 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.

The Company does not have a Chief Executive Officer, but in appointing a management company the roles of Chairman and Chief Executive Officer are effectively separated. Brief biographical details of the Directors can be found on page 34. With the exception of Mr R.M. Swire, all the Directors are independent of the Manager. Given the size and nature of the Board, it is not considered appropriate to appoint a senior independent Director.

None of the Directors has a service agreement with the Company. Under the new Articles of Association adopted by the Company on 25 April 2000, each Director will be subject to retirement and re-election by shareholders at least every three years.

COMMITTEES

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. The Hon. R.M.O. Stanley is Chairman of these Committees.

A Nomination Committee comprising the full Board meets as and when appropriate to consider nominations to the Board.

INDEPENDENT PROFESSIONAL ADVICE

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

DIRECTORS' REMUNERATION

All Directors act in a non-executive capacity and the fees for their services are approved by the whole Board. The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. It is not considered appropriate for the Company to establish a separate remuneration committee and the Directors therefore believe that the best practice provisions on Directors' remuneration are not relevant to this Company. Full details of Directors' remuneration are given in note 5 to the financial statements. At 30 June 2001 no Director or their families had been granted any options to acquire shares in the Company.

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.

INTERNAL CONTROL REVIEW

The Board is responsible for establishing and maintaining the Company's system of internal 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 can provide reasonable but not absolute assurance against material misstatement or loss.

An ongoing process, in accordance with the guidance of the Turnbull Committee on internal control, has been established for identifying, evaluating and managing risks faced by the Company. This process has been in place throughout the year and up to the date the financial statements were approved. Key procedures established with a view to providing effective financial control have been in place for the full financial year and up to the date the financial statements were approved.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives.

INTERNAL CONTROL ASSESSMENT PROCESS

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- The nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- The threat of such risks becoming a reality;
- The Company's ability to reduce the incidence and impact of risk on its performance; and
- The cost to the Company and benefits related to the Company and third parties operating the relevant controls.

Against this background, the review of risk and associated controls, the Board has split the review into four sections reflecting the nature of the risks being addressed. The sections are as follows:

- Corporate strategy
- Published information, compliance with laws and regulations
- Relationship with service providers
- Investment and business activities.

Given the nature of the Company's activities and the fact that most functions are subcontracted, the Directors have obtained information from key third-party suppliers regarding the controls operated. To enable the Board to make an appropriate risk and control assessment, the information and assurances sought from third parties include the following:

- Details of the control environment operated by the third-party suppliers;
- Identification and evaluation of risks and control objectives by third-party suppliers;
- Assessment of the communication procedures with third-party suppliers; and
- Assessment of the control procedures operated by third-party suppliers.

The key procedures which have been established to provide internal financial controls are as follows:

- Investment management is provided by Pantheon Ventures Limited. The Board is responsible for setting the overall investment policy and monitors the action of the Manager at regular Board meetings.
- The Company receives advice in respect of currency and hedging and fixed interest investment from Alliance Capital Whittingdale Limited.
- The provision of administration, accounting and company secretarial duties is the responsibility of Sinclair Henderson Limited.
- Custody of assets is undertaken by HSBC Bank PLC as the Company's Custodian for quoted equities and bonds.
- 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 advisors in the terms of their contracts. The appointment of agents and advisors is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing 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 the Secretary on a monthly basis.

The Company does not have an internal audit function. All of the Company's management functions are delegated to independent third parties whose controls are reviewed by the Board. It is therefore felt that there is no need for the Company to have an internal audit function. However, this need is reviewed periodically.

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 controls as it has operated during the year.

THE COMPANY SECRETARY

The Board has direct access to the advice and services of the Company Secretary, Sinclair Henderson Limited, who is responsible for ensuring that Board and Committee procedures are followed and that the applicable regulations are complied with. The Secretary is also responsible to the Board for ensuring timely delivery of information and reports and also the statutory obligations of the Company.

RELATIONS WITH SHAREHOLDERS

Communication with shareholders is given a high priority by both the Board and the Manager. A presentation is made to all shareholders at the Annual General Meeting. All shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the Manager are available to discuss issues affecting the Company. The Company always responds to letters from individual shareholders, and all shareholders have the opportunity to put questions to the Directors of the Company at the Annual General Meeting.

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.

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PANTHEON INTERNATIONAL PARTICIPATIONS PLC

We have audited the financial statements on pages 44 to 59.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 2001 and of its net deficit, total return and cashflow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

21 September 2001

RSM Robson Rhodes
Chartered Accountants and
Registered Auditors
London, England

STATEMENT OF TOTAL RETURN

(incorporating the revenue account*)

		Year ended 30 June					
	Note	Revenue £000's	Capital £000's	2001 Total £000's	Revenue £000's	Capital £000's	2000 Total £000's
Gains on investments	*10 b*	–	25,803	25,803	–	67,121	67,121
Currency gains/(losses)	*18*	–	391	391	–	(196)	(196)
Income	*2*	1,535	–	1,535	4,644	–	4,644
Investment management fees	*3*	(2,930)	–	(2,930)	(2,179)	(266)	(2,445)
Other expenses	*4*	(771)	(1,213)	(1,984)	(967)	–	(967)
Capital reorganisation costs		–	47	47	–	(1,734)	(1,734)
Return before financing costs and tax		(2,166)	25,028	22,862	1,498	64,925	66,423
Interest payable	*6*	(121)	–	(121)	(124)	–	(124)
Revaluation of participating loan notes	*16*	–	(7,049)	(7,049)	–	(4,907)	(4,907)
Return on ordinary activities before tax		(2,287)	17,979	15,692	1,374	60,018	61,392
Tax on ordinary activities	*7*	(200)	–	(200)	(416)	–	(416)
Return on ordinary activities after tax for the financial year		(2,487)	17,979	15,492	958	60,018	60,976
Dividends in respect of ordinary shares	*8*	–	–	–	(354)	–	(354)
Transfer (from)/to reserves		**(2,487)**	**17,979**	**15,492**	**604**	**60,018**	**60,622**
Return per ordinary share							
Basic	9	(13.89)p	100.40p	86.51p	3.96p	247.98p	251.94p
Diluted**	9	–	89.82p	77.40p	3.69p	231.32p	235.01p

* The revenue column of this statement is the revenue account of the Company.

** In order to comply with Financial Reporting Standard No.14, Earnings per Share, returns per share which are not dilutive have not been shown.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year.

The notes on pages 47 to 59 form part of these financial statements.

BALANCE SHEET

	Note	As at 30 June 2001 £000's	2000 £000's
Fixed assets			
Investments	*10a*	202,394	150,049
Investment in subsidiary undertaking	*11*	1	1
		202,395	**150,050**
Current assets			
Debtors	*12*	2,648	10,458
Cash at bank	*20*	1,663	5,687
		4,311	**16,145**
Creditors: amounts falling due within one year	*13*	583	4,868
Net current assets		**3,728**	**11,277**
Total assets less current liabilities		**206,123**	**161,327**
Creditors: amounts falling due after one year			
Participating loan notes	*16*	65,441	36,836
Capital and reserves			
Called-up share capital	*14*	12,082	11,870
Share premium account	*17*	487	–
Capital reserve – realised gains	*17*	70,293	53,826
Capital reserve – unrealised gains	*17*	58,095	56,583
Revenue reserve	*17*	(275)	2,212
Total equity shareholders' funds	*19*	**140,682**	**124,491**
Amounts attributable to shareholders and participating loan note holders		**206,123**	**161,327**
Net asset value per share – basic	*18*	780.2p	702.7p
Net asset value per share – fully diluted	*18*	669.1p	599.9p
Adjusted redemption value per participating loan note	*16*	659.0p	591.8p

The notes on pages 47 to 59 form part of these financial statements.

The financial statements were approved by the Board on 21 September 2001
and were signed on its behalf by:

L.G. Stopford Sackville
Chairman

CASH FLOW STATEMENT

	Note	2001 £000's	2000 £000's
		Year ended 30 June	
Cash flow from operating activities			
Investment income received		1,405	5,287
Deposit interest received		173	461
Investment management fees paid		(3,030)	(1,862)
Secretarial fees paid		(99)	(62)
Other cash payments		(3,819)	(946)
Net cash (outflow)/inflow from operating activities	21	**(5,370)**	**2,878**
Returns on investment and servicing of finance			
Participating loan note interest paid		(245)	–
Net cash outflow from returns on investment and servicing of finance		**(245)**	**-**
Taxation			
Taxation recovered		44	–
Net cash inflow from taxation		**44**	**-**
Capital expenditure and financial investment			
Purchases of investments		(74,538)	(58,377)
Purchases of government securities		(120,318)	(98,261)
Disposals of investments		72,595	51,610
Disposals of government securities		122,836	157,180
Realised currency gains		109	250
Net cash inflow from capital expenditure and financial investment		**684**	**52,402**
Equity dividends paid		**(354)**	**(679)**
Net cash (outflow)/inflow before financing		**(5,241)**	**54,601**
Financing			
Return of capital to shareholders		–	(50,000)
Proceeds of Warrant conversion		1,067	10
Costs of issue of participating loan notes		(91)	-
Net cash inflow/(outflow) from financing		**976**	**(49,990)**
(Decrease)/increase in cash	20	**(4,265)**	**4,611**

The notes on pages 47 to 59 form part of these financial statements.

NOTES TO THE 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 17).

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 the 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.

Private equity funds may contain a proportion of quoted shares from time to time, for example, where the underlying company investments have been taken public but the holdings have not yet been sold. The quoted market holdings at the date of the latest fund accounts are reviewed and compared with the value of those holdings at the year end. If there has been a material movement in the value of these holdings, the Directors make appropriate adjustment to reflect this.

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. In such cases, appropriate discounts will be applied.

iii) The Company may acquire secondary interests at either a premium or a discount to the fund manager's valuation. Within the Company's portfolio, these fund holdings are normally immediately revalued to their stated net asset values irrespective of the purchase price, unless a provision against a specific investment is considered prudent.

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.

Other interest receivable is included on an accruals basis.

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;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- a one-off investment management fee relating to the capital reorganisation undertaken during the year to 30 June 2000 was charged wholly to the capital reserve for that year.

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 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;
- expenses charged to this reserve in accordance with the above policies;
- revaluation of participating loan notes.

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 UNDERTAKINGS

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.

PIP Securities Limited is included in the balance sheet at the net asset value of the ordinary shares acquired by the Company. It has not been consolidated as it is not considered material to the financial statements.

M PARTICIPATING LOAN NOTES

Participating loan notes (PLNs) are valued at the Adjusted Redemption Value at the balance sheet date.

As defined in the Trust Deed 31 March 2000, the uplift in the value of the PLNs has been transferred to realised capital reserve. See note 16.

2 INCOME

	Year ended 30 June	
	2001 £000's	**2000 £000's**
Income from investments		
UK dividend income	9	48
Unfranked dividends	532	501
Interest from US fixed interest investments	249	1,844
Interest from UK fixed interest investments	483	1,192
Interest from European fixed interest investments	91	588
	1,364	**4,173**
Other income		
Deposit interest	153	228
Non-taxable interest	16	235
Other	2	8
	171	**471**
Total income	**1,535**	**4,644**
Total income comprises:		
Dividends	541	549
Interest	992	4,087
Other income	2	8
	1,535	**4,644**
Analysis of income from investments:		
Listed overseas	449	2,276
Listed UK	483	1,845
Unlisted	432	52
	1,364	**4,173**

UK dividend income includes £ nil (2000: £1,000) which has been derived from listed investments. In addition, unfranked dividends includes £109,000 (2000: £496,000) which has been derived from listed investments. All other dividends received have been obtained from unlisted investments.

3 INVESTMENT MANAGEMENT FEES

	2001 Total £000's	**Revenue £000's**	**Capital £000's**	**2000 Total £000's**
Investment management fees	2,607	2,006	250	2,256
Irrecoverable VAT thereon	253	126	16	142
Fixed interest investment advisory fees	64	44	–	44
Irrecoverable VAT thereon	6	3	–	3
	2,930	**2,179**	**266**	**2,445**

The investment management fee is payable monthly in arrears plus VAT at the rate set out in the Directors' Report on page 36. At 30 June 2001, £251,000 (2000: £614,000) excluding VAT was owed to the Manager.

The amount charged to the capital reserve in 2000 was a one-off fee wholly in respect of the capital reorganisation.

The fixed interest advisory fee, also detailed in the Directors' Report, is payable quarterly in arrears. As at 30 June 2001, £5,000 (2000: £ nil) excluding VAT was owed to the investment advisor.

4 OTHER EXPENSES

	Revenue £000's	Capital £000's	2001 Total £000's	2000 Total £000's
Secretarial and accountancy services	97	–	97	75
Auditors' remuneration for:				
– audit	17	–	17	15
– other services to the Company*	–	–	–	1
Directors' remuneration (see note 5)	78	–	78	75
Irrecoverable VAT	280	–	280	87
Legal and professional fees	118	320	438	184
Tax withheld from capital distributions	–	267	267	–
Limited partnership management expenses	–	626	626	–
Other	181	–	181	530
	771	**1,213**	**1,984**	**967**

* In addition to the above, in the year to 30 June 2000 the auditors also received a fee of £29,000 for work performed in respect of the capital reorganisation. This was wholly charged to the capital account.

5 DIRECTORS' REMUNERATION

Directors' emoluments comprise wholly Directors' fees. Each of the Directors receives £12,000 per annum and the Chairman receives £15,000 per annum. 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. Mr Lefebvre retired from the board on 23 November 2000 and received remuneration to that date. Mr Crowder, who was appointed as a Director on 1 September 2000, received remuneration from that date.

6 INTEREST PAYABLE

	2001 £000's	2000 £000's
Interest payable on participating loan notes (PLNs)	**121**	**124**

The interest charge for the current year relates to the payment of interest to PLN holders who received PLNs in consideration for the acquisition of interests in a number of private equity funds which was completed after the Company's last year end. Net interest of 2.0p was payable to the holders of the PLNs issued after the Company's last year end, being an equivalent amount to the corresponding net dividend payable on the ordinary shares for the year ended 30 June 2000. The current year charge also reflects the withholding tax element of the interest payment made to PLN holders in respect of the year ended 30 June 2000. No interest has been accrued in respect of the Company's current financial year on the basis that the Company does not intend to declare a dividend on the ordinary shares.
See note 16 for further information.

7 TAX ON ORDINARY ACTIVITIES

	2001 £000's	2000 £000's
UK corporation tax at 30.0% (2000: 30.0%)	–	416
Provision for irrecoverable income tax	200	–
	200	**416**

8 DIVIDENDS IN RESPECT OF ORDINARY SHARES

	2001 £000's	2000 £000's
Final dividend proposed of nil per ordinary share (2000: 2.0p)	-	354

9 RETURN PER ORDINARY SHARE

	Revenue	Capital	2001 Total	Revenue	Capital	2000 Total
Return per share						
Basic	(13.89)p	100.40p	86.51p	3.96p	247.98p	251.94p
Diluted	*	89.82p	77.40p	3.69p	231.32p	235.01p

Basic revenue return per ordinary share is based on the net deficit on ordinary activities after taxation of £2,487,000 (2000: net revenue of £958,000) and on 17,906,992 (2000: 24,202,378) 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 £17,979,000 (2000: £60,018,000) for the financial year and on 17,906,992 (2000: 24,202,378) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

In accordance with Financial Reporting Standard No.14: Earnings per Share, the diluted returns per share have been determined by calculating the total number of potential shares on warrant conversion less that number which could be issued at fair value to give a weighted average number of ordinary shares of 20,016,394 (2000: 25,945,850) in issue during the year.

* In order to comply with Financial Reporting Standard No.14: Earnings per Share, the returns per share which are not dilutive have not been shown.

10 INVESTMENTS

10A MOVEMENTS ON INVESTMENTS	2001 £000's	2000 £000's
Book cost brought forward	92,968	121,543
Acquisitions at cost	214,881	157,902
Realisations – proceeds	(188,339)	(215,670)
– realised gains on sales	24,573	29,193
Book cost at 30 June	**144,083**	**92,968**
Unrealised appreciation/(depreciation) of investments		
United Kingdom		
Listed investments	(28)	53
Unlisted investments	16,127	9,149
USA		
Listed investments	(527)	4,468
Unlisted investments	39,161	36,834
Other		
Listed investments	(400)	(356)
Unlisted investments	3,978	6,933
Valuation of investments at 30 June	**202,394**	**150,049**

10 INVESTMENTS (continued)

10B ANALYSIS OF INVESTMENTS	2001 £000's	2000 £000's
United Kingdom		
Listed investments	131	2,134
Unlisted investments	43,819	35,549
USA		
Listed investments	393	5,661
Unlisted investments	129,643	82,614
Other		
Listed investments	523	2,015
Unlisted investments	27,885	22,076
	202,394	**150,049**
Realised profits on sales	24,573	29,193
Increase in unrealised appreciation	1,230	37,928
Gains on investments	**25,803**	**67,121**

Further analysis of the investment portfolio is provided on pages 12 to 15.

11 SUBSIDIARY UNDERTAKINGS

Investment in subsidiary undertakings represents a subscription for £1,000 in nominal value of ordinary shares in PIP Securities Limited (PIPS) on 31 March 2000.

Name	% of ordinary share capital held	Principal activity and operation	Country of incorporation
PIP Securities Limited	100	Lending to parent company	Great Britain
Pantheon California, Inc.	100	Investment	USA

12 DEBTORS

	2001 £000's	2000 £000's
Amounts due from brokers	973	8,025
Prepayments and accrued income	117	187
Taxation recoverable	1,558	2,246
	2,648	**10,458**

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £000's	2000 £000's
UK corporation tax payable	–	516
Proposed distribution – dividend	–	354
– loan note interest	–	124
Amounts due to brokers	10	1,264
Capital reconstruction costs	75	1,985
Amounts due to subsidiary undertaking	1	1
Other creditors	497	624
	583	**4,868**

14 CALLED-UP SHARE CAPITAL

	2001 £000's	2000 £000's
Authorised:		
31,193,210 ordinary shares of 67p each (2000: 31,193,210 ordinary shares of 67p each)	**20,899**	**20,899**
Allotted, called-up and fully paid:		
18,031,567 ordinary shares of 67p each (2000: 17,715,805 ordinary shares of 67p each)	**12,082**	**11,870**

As a result of the exercise of warrants on 31 October 2000, 315,762 ordinary shares of 67p each were issued.
See note 15 for further information.

15 WARRANTS

There were 4,811,912 warrants outstanding at 30 June 2001 (2000: 5,238,632). Following the reorganisation of the Company's capital structure in May 2000, for every 100 warrants held, a Warrantholder is entitled to subscribe for 74 ordinary shares and 26 participating loan notes (PLNs). The remaining warrants are exercisable on 31 October 2001 at a subscription price of 250p per warrant.

As a result of the warrant exercise on 31 October 2000, 426,720 warrants were exercised resulting in the issue of 315,762 ordinary shares of 67p each and 110,933 PLNs. (Where fractional entitlements to subscribe for shares and PLNs arise, these are rounded down to the nearest whole number.)

16 PARTICIPATING LOAN NOTES

On 10 August 2000, 3,595,628 participating loan notes (PLNs) were issued in connection with the acquisition of interests in a number of private equity funds. The initial issue price of each PLN of 591.80p was the adjusted redemption value of the PLNs calculated as at 30 June 2000.

On 23 November 2000, the Company issued a further 110,933 PLNs pursuant to the exercise of warrants, which is described further in note 15.

Interest is paid to PLN holders net of withholding tax and is equal to the corresponding net dividend payable on the ordinary shares, if any.

The PLNs may be redeemed by the Company at its discretion in accordance with their terms, and their value tracks the fully diluted NAV of the shares (subject to a 1% discount).

Following the Company's year end, on 14 August 2001 the Company redeemed 758,771 PLNs at a price per PLN of 658.96p, having an aggregate value at the adjusted redemption value as at 30 June 2001 of £5m.

In addition, on 10 August 2001 the Company issued 1,204,901 new PLNs at the initial issue price of 658.96p, being the adjusted redemption value as at 30 June 2001.

The adjusted redemption value of a PLN is calculated under the terms of the Trust Deed by multiplying the initial issue price of the PLN by the relevant percentage change in the value at which the shares owned by the Company in PIP Securities Limited are reported in the books of the Company.

	2001 Number	**2001 £000's**	**2000 £000's**
Participating loan note value brought forward	6,224,471	36,836	31,929
Participating loan notes issued during the year	3,706,561	21,556	0
Uplift in value	N/A	7,049	4,907
Closing value of participating loan notes	9,931,032	65,441	36,836
Adjusted Redemption Value at 30 June		**659.0p**	**591.8p**

17 RESERVES

	Share premium £000's	**Capital reserve – realised £000's**	**Capital reserve – unrealised £000's**	**Revenue reserve £000's**
Beginning of year	–	53,826	56,583	2,212
Premium on exercise of warrants	578	–	–	–
Net gain on realisation of investments	–	18,161	–	–
Exchange gains on sale of investments	–	711	–	–
Increase in unrealised appreciation before transfer on disposal	–	–	6,931	–
Transfer on disposal of investments	–	5,701	(5,701)	–
Exchange differences on currency	–	109	241	–
Exchange differences on other capital items	–	–	41	–
Tax withheld from capital distributions	–	(267)	–	–
Limited partnership management fees	–	(626)	–	–
Legal and professional costs charged to capital	–	(320)	–	–
Revaluation of participating loan notes	–	(7,049)	–	–
Costs of issue of participating loan notes	(91)	–	–	–
Release of capital reorganisation costs provision	–	47	–	–
Retained deficit for the year	–	–	–	(2,487)
End of year	**487**	**70,293**	**58,095**	**(275)**

18 NET ASSET VALUE PER SHARE

The net asset value per share 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	
	2001	2000	2001 £000's	2000 £000's
Ordinary shares				
– basic	780.2p	702.7p	140,682	124,491
– fully diluted	669.1p	599.9p	144,467	129,527

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

	2001 £000's
Total equity shareholders' funds at the beginning of year	124,491
Release of capital reorganisation costs provision	47
Exchange differences on currency and other capital items	391
Total recognised capital gains for the year	25,803
Other capital expenses	(1,213)
Revaluation of participating loan notes	(7,049)
Conversion of warrants	790
Costs of participating loan note issue	(91)
Deficit for the year	(2,487)
Total equity shareholders' funds at the end of the year	**140,682**

Basic net asset value per ordinary share is based on net assets attributable to equity shareholders of £140,682,000 (2000: £124,491,000) and on 18,031,567 (2000: 17,715,805) 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 warrant. The figure is based on adjusted net assets attributable to equity shareholders of £144,467,000 (2000: £129,527,000) and 21,592,382 (2000: 21,592,393) ordinary shares, being the number of ordinary shares which would be in issue at the year end following exercise of all warrants.

The terms of the warrant conversion are detailed in note 15.

19 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2001 £000's	2000 £000's
Return on ordinary activities after tax for the financial year	(2,487)	958
Dividends	–	(354)
Transfer (from)/to reserves	**(2,487)**	**604**
Return of capital to shareholders	–	(50,000)
Revaluation of participating loan notes	(7,049)	(4,907)
Cancellation of share premium account	–	(31,929)
Legal and professional fees charged to capital	(320)	–
Limited partnership expenses charged to capital	(893)	–
Release of provision/costs relating to capital reorganisation	47	(2,000)
Conversion of warrants	790	9
Costs of participating loan note issue	(91)	–
Gains on investments	25,803	67,121
Exchange gains/(losses)	391	(196)
	16,191	**(21,298)**
Opening equity shareholders' funds	**124,491**	**145,789**
Closing equity shareholders' funds	**140,682**	**124,491**

20 ANALYSIS OF CHANGES IN NET DEBT

	At 1 July 2000 £000's	Other cash flows £000's	Non cash movements £000's	At 30 June 2001 £000's
Cash at bank	5,687	(4,265)	241	1,663
Debt due after 1 year	(36,836)	(21,556)	(7,049)	(65,441)
	(31,149)	**(25,821)**	**(6,808)**	**(63,778)**

21 RECONCILIATION OF OPERATING NET REVENUE TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2001 £000's	2000 £000's
Net (deficit)/revenue on ordinary activities before interest and taxation	(2,166)	1,498
Decrease in accrued income	113	1,947
(Decrease)/increase in other creditors	(2,038)	2,282
Increase in other debtors	(43)	(6)
Tax deducted from unfranked investment income	(70)	(843)
Capital reorganisation costs charged to capital	(846)	(2,000)
Legal and professional fees charged to capital	(320)	–
Net cash (outflow)/inflow from operating activities	**(5,370)**	**2,878**

22 CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

At 30 June 2001 there were financial commitments outstanding of £138.3 million (2000: £77.4 million) in respect of investments in partly paid shares and interests in private equity funds.

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

As detailed on page 4, the primary investment objective of the Company is to seek to maximise long-term capital growth for its shareholders by investing in funds specialising in unquoted investments, acquiring unquoted portfolios and participating directly in private placements. Investments are not restricted to a single market but are made when the opportunity arises and on an international basis.

The Company's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise from its operations, for example sales and purchases awaiting settlement and debtors for accrued income.

The principal risks the Company faces in its portfolio management activities are:

- liquidity/marketability risk;
- interest rate risk;
- market price risk, ie the movements in the value of investment holdings caused by factors other than interest rate movement; and
- foreign currency risk.

The Company has little exposure to credit risk. The Manager monitors the financial risks affecting the Company on a daily basis and the Directors receive financial information monthly which is used to identify and monitor risk.

As required by Financial Reporting Standard No. 13: Derivatives and other financial instruments, an analysis of financial assets and liabilities, which identifies the risk to the Company of holding such items, is given below.

FINANCIAL ASSETS

At 30 June 2001, the Company's investment portfolio amounted to £202,394,000 (2000: £150,049,000) and was split between unquoted securities 99.5% (2000: 93.4%), listed Government securities nil (2000: 2.4%) and listed equities 0.5% (2000: 4.2%). The methods of valuing the fixed asset investments at fair value are discussed in the accounting policies of the Company in note 1 to the financial statements. Cash and trade debtors arising from the operations of the Company as at 30 June 2001 amounted to £1,663,000 and £2,648,000 respectively (2000: £5,687,000 and £10,458,000 respectively)

LIQUIDITY RISK

Due to the nature of the Company's investment policy, the largest proportion of the portfolio is invested in unquoted securities, many of which are less readily marketable than, for example, 'blue-chip' UK equities. The Directors believe that the Company, as a closed-end fund with no fixed wind-up date, is ideally suited to making long-term investments in instruments with limited marketability. The investments in unquoted securities are monitored by the Board on a monthly basis. As discussed in the Manager's Review on pages 8 to 23, there are limited opportunities for the Company to acquire secondary unquoted portfolios due to the cyclical nature of their occurrence. As a result, at times of low investment opportunity, more funds are invested in gilts and other fixed interest government bonds.

It is the nature of investment in private equity that a commitment to invest will be made and that call payments will then be received from the unlisted investee company. These payments are usually on an ad-hoc basis and may be called at any instance over a number of years. In order to cover any contingent liabilities, the Company has entered into a standby facility with The Royal Bank of Scotland. There were no amounts drawn down at 30 June 2001, nor were there any drawings during the year (2000: £nil). The Royal Bank of Scotland has a first charge over the assets of the Company in respect of amounts owing under the facility.

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

INTEREST RATE RISK

The Company's portfolio of gilts and other government-backed securities will be affected by changes in long-term interest rates. The Directors currently do not believe that long-term trends will act to the detriment of investments of this sort. Alliance Capital Whittingdale Limited (ACWL) provide advice to the Company with regard to the fixed interest and cash portfolio. ACWL are specialists in this field and thus the Directors feel that the advice provided by them will enhance the Company's performance and reduce any aspect of perceived risk.

Short-term debtors and creditors have been excluded from the following analysis in accordance with the provisions of FRS 13.

As at 30 June 2001, the interest rate profile of the Company's financial assets was as follows:

	Fixed rate £000's	Floating rate £000's	No interest rate associated £000's	Fixed interest weighted average interest rate %	Fixed interest weighted average period until maturity Months
Investments					
– UK	–	–	43,952	–	–
– USA	–	–	130,035	–	–
– Other European	–	–	21,431	–	–
– Other	–	–	6,977	–	–
Cash*					
– UK	–	476	–	–	–
– USA	–	668	–	–	–
– Other European	–	519	–	–	–
	–	1,663	202,395		

The interest rate profile of the Company's financial assets as at 30 June 2000 was as follows:

	Fixed rate £000's	Floating rate £000's	No interest rate associated £000's	Fixed interest weighted average interest rate %	Fixed interest weighted average period until maturity Months
Investments					
– UK	2,123	–	35,561	8.0	5
– USA	–	–	88,275	–	–
– Other European	1,459	–	14,313	9.0	7
– Other	–	–	8,319	–	–
Cash*					
– UK	–	1,878	–	–	–
– USA	–	2,392	–	–	–
– Other European	–	1,417	–	–	–
	3,582	5,687	146,468		

* Exposure to interest rate risk is determined by commercial bank rates.

MARKET PRICE RISK

The method of valuation of the fixed asset investments is discussed in detail in the Manager's Review on pages 8 to 23 and also in note C to the financial statements on page 47. The nature of the Company's fixed asset investments, with a high proportion of the portfolio invested in unquoted securities, means that the investments are valued by the Directors after due consideration of the most recently issued investee company information.

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

FOREIGN CURRENCY RISK

Since it is the Company's policy to invest in a diverse portfolio of investments based in a number of countries, the Company is exposed to the risk of movement in a number of foreign exchange rates. A geographical analysis of the portfolio and hence its exposure to currency risk is given on page 14. Although it is permitted to do so, the Company did not hedge the portfolio against the movement in exchange rates during the financial year as there was no significant increase in the perceived risk of exchange rate movement.

The investment approach and the Manager's consideration of the associated risk is discussed in further detail in the Manager's Review on pages 8 to 23. The Company settles its transactions from its bank accounts at an agreed rate of exchange at the date on which the bargain was made. As at 30 June 2001, realised exchange gains of £109,000 (2000: £250,000) and unrealised gains relating to currency of £282,000 (2000: losses £446,000) have been taken to the capital reserve.

An analysis of the Company's exposure to foreign currency is given below:

	2001 Assets £000's	2001 Liabilities £000's	2000 Assets £000's	2000 Liabilities £000's
US Dollar	131,681	10	88,276	–
Euro	21,249	–	15,721	–
Japanese Yen	1,514	–	2,985	–
Other Asia*	5,463	–	5,334	–
Swedish Kroner	701	–	51	–
Foreign currencies	160,608	10	112,367	–
Sterling	46,098	66,014	53,828	41,704
	206,706	**66,024**	**166,195**	**41,704**

* 'Other Asia' assets consist of investment vehicles that are funds themselves, invested in a number of Asian countries. Settlements are made from the US Dollar account.

FINANCIAL LIABILITIES

The Company primarily finances its operations through its issued capital, participating loan notes and existing reserves. Financial liabilities of the Company include creditors which are due within one year, as disclosed in note 13. No interest is paid on these liabilities and they are all in Sterling. In addition, 9,931,032 participating loan notes were in issue at the year end. Note holders are entitled to interest equal to the net dividend paid to ordinary share holders. PLNs are redeemable at the option of the Company at six monthly intervals, commencing on 14 August 2001.

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

All of the financial assets and liabilities of the Company are held at fair value with the exception of the participating loan notes, which are included in the financial statements at the Adjusted Redemption Value of £65,441,000 but which had a fair value, based on mid-market price, of £58,593,000 (2000: included at £36,836,000, fair value £29,909,000).

24 RELATED-PARTY TRANSACTIONS

The Manager, Pantheon Ventures Limited, is regarded as a related party of the Company. Mr R.M. Swire, a Director of the Company, is a director and shareholder in Pantheon Holdings Limited, the holding company of Pantheon Ventures Limited. Alliance Capital Whittingdale Limited (formerly Whittingdale Limited) provide the Company with advice in respect of fixed interest securities and foreign currency under an agreement dated 6 November 1998.

Mr J.P.A. Readman, a Director of the Company, acts as an Advisor to Alliance Capital in New York, which is the holding company of Alliance Capital Whittingdale Limited.

The amounts paid to the Manager and Investment Advisor are disclosed in the Directors' Report on pages 36 and 37 and in note 3.

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 Thursday, 22 November 2001 at 12.00 noon 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 2001.
2. To re-elect Mr E.C.S. Macpherson as a Director.
3. To re-elect Mr R.M. Swire as a Director.
4. To re-appoint the Auditors, RSM Robson Rhodes, and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

5. 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 £4,027,050 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.

To consider and, if thought fit, pass the following resolutions numbered 6 and 7 respectively which will be proposed as special resolutions.

6. THAT:
(A) subject to the passing of Resolution 5 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 5 above as if Section 89(1) of the Act did not apply to any such allotment and that the power conferred by this Resolution 6 shall enable the Company to make any offer or agreement before the expiry of the period of authority as defined in Resolution 5 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 6 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 £604,057, 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 5) 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.

7. THAT the Company be and it is hereby authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 of the said Act) of ordinary shares provided that:
   (i) the maximum number of shares hereby authorised to be purchased is 2,702,931 (representing 14.99% of the Company's issued ordinary share capital);
   (ii) the minimum price which may be paid for a share shall be 67 pence;
   (iii) the maximum price which may be paid for a share shall be not more than 5% above the average of the market value of the shares for the five business days before the purchase is made; and
   (iv) unless renewed, varied, or revoked, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2002 or, if earlier, 15 months from the date of the passing of this resolution, save that the Company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry and may make a purchase of shares in pursuance of any such contract.

Dated 21 September 2001

23 Cathedral Yard
Exeter
Devon EX1 1HB

By order of the Board
Sinclair Henderson Limited
Secretary

Notes:

1. 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. A form of proxy is provided with this notice. 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, together with the power of attorney or other authority (if any) under which it is executed, or a notarially certified copy of such power or authority, must be lodged with the Company's Registrar, Lloyds TSB Registrars Scotland, at 117 Dundas Street, Edinburgh EH3 5ED, not less than 48 hours before the time appointed for holding the meeting.

2. The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, has specified that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on Tuesday, 20 November 2001 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 20 November 2001 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

3. 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.

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