

# Pantheon International Plc

## Annual Report and Accounts 2016

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# PIP

Pantheon International Plc ("PIP" or the "Company") invests in a diversified portfolio of private equity assets managed by third party managers across the world.

Private equity funds purchase large equity stakes in private companies. This gives investors access to a broader universe of opportunities than that offered by public markets. Private equity managers are long-term, disciplined investors who can bring about beneficial changes to businesses and align shareholder interests with those of company management through majority ownership.

The Manager, Pantheon, is one of the world's foremost private equity specialists. With more than 30 years' experience, and a team of over 70 investment professionals globally, Pantheon is well positioned to guide PIP towards its objective of maximising capital growth.

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# Year at a Glance

TO 30TH JUNE 2016

## Key Performance Indicators

# +22%

NAV per share increase

FTSE All-Share TR +2%  
MSCI World TR +15%

# 31%

Ordinary share price  
discount to NAV

JUN 2015 17%

# 37%

Redeemable share price  
discount to NAV

JUN 2015 16%

# 1.34%

Total ongoing charges  
excluding tax

JUN 2015 1.33%

## Other Indicators

# +1%

Ordinary share price increase

FTSE All-Share TR +2%  
MSCI World TR +15%

# £1,187m

Net Asset Value

JUN 2015 £1,000m

# £190m

Net cash flow generated  
from PIP's portfolio

JUN 2015 £198m

# 7.3years

Weighted average  
fund age of portfolio

JUN 2015 7.9 years

# -9%

Redeemable share price decrease

FTSE All-Share TR +2%  
MSCI World TR +15%

# 1,873.6p

NAV per share

JUN 2015 1,532.4p

# £346m

New investment commitments,  
£192m of which was drawn

JUN 2015 £238m

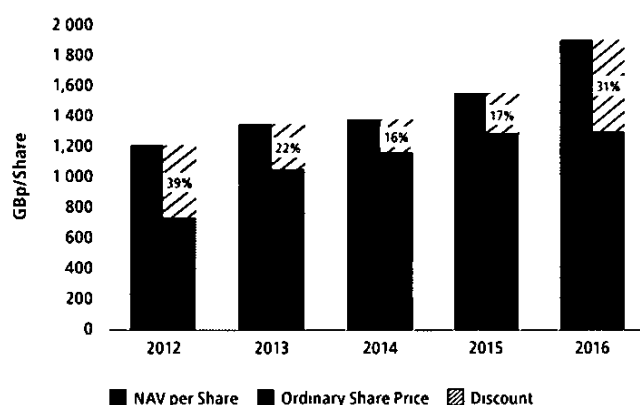
# 3.4x

Ratio of assets and available  
financing to  
undrawn commitments

JUN 2015 4.3x

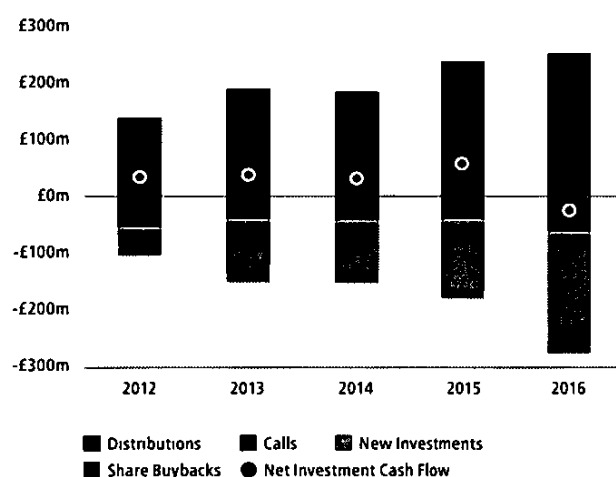
# Performance Summary

## NAV and Share Price Performance



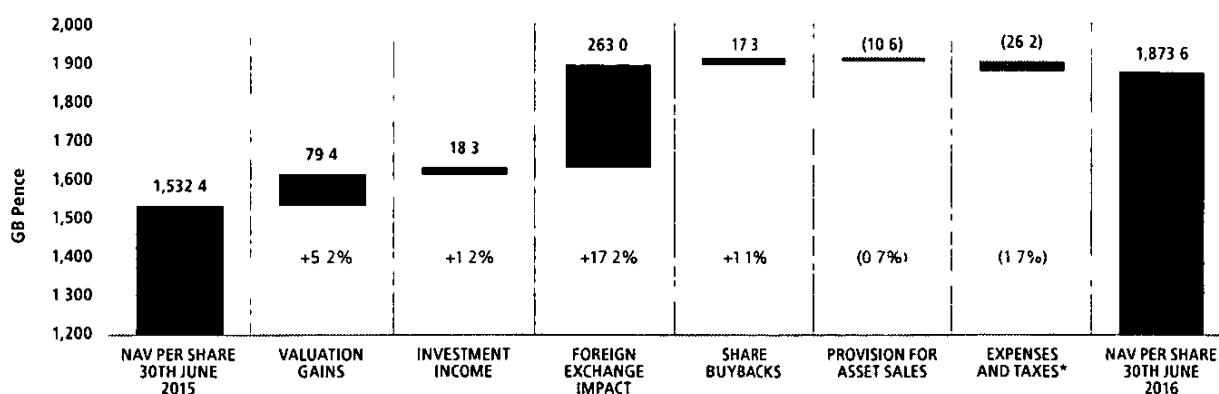
- NAV per share **increased by 22%**, from 1,532 4p to 1,873 6p
- The ordinary share price increased from 1,272 0p to 1,285 0p, **an increase of 1 0%**. The discount to NAV increased from 17% to 31%
- The redeemable share price decreased from 1,285 0p to 1,175 0p, **a decrease of 8.6%**. The discount to NAV increased from 16% to 37%

## Net Investment Cash Flow



- Distributions received in the year to 30th June 2016 were **£251.8m**, equivalent to an annualised rate of 29% of opening private equity assets
- PIP funded investments of **£275.9m** in the year to 30th June 2016 across calls (£62 0m), new investments (£192 0m) and share buybacks (£21 9m)

## NAV per Share Reconciliation



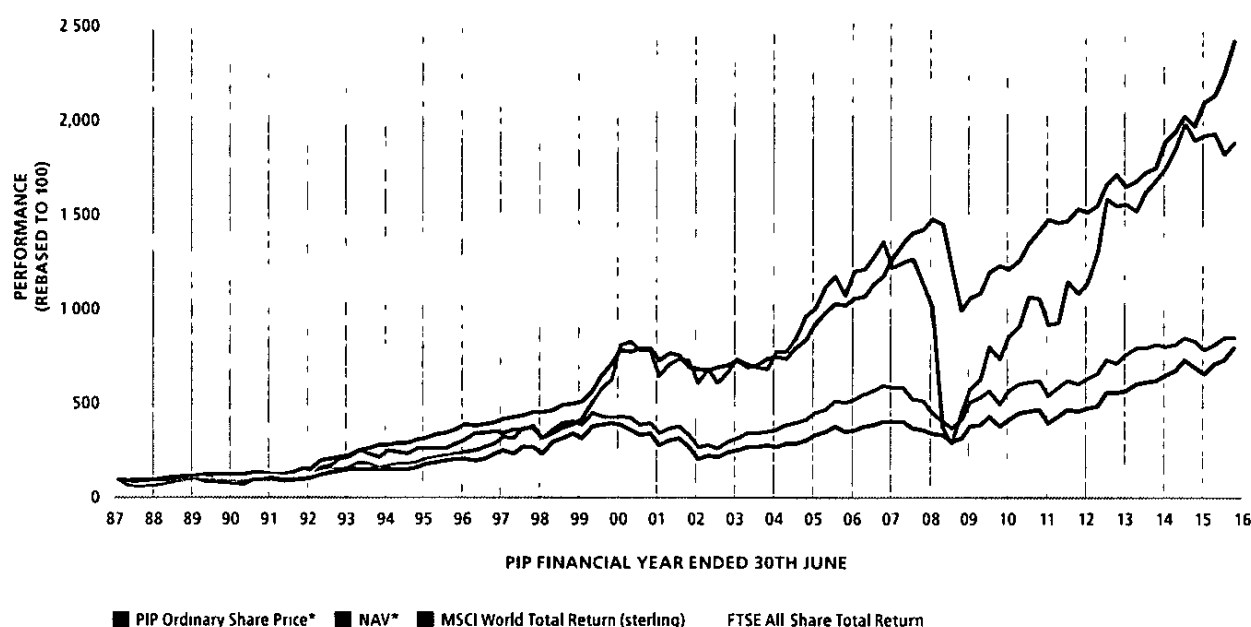
The above chart reconciles the opening and closing NAV per share for the year ended 30th June 2016

\* Taxes relate to withholding taxes on investment distributions

**Performance at 30th June 2016**

|                                    | 1 YEAR<br>% | 3 YEARS<br>% PA | 5 YEARS<br>% PA | 10 YEARS<br>% PA | SINCE INCEPTION<br>% PA |
|------------------------------------|-------------|-----------------|-----------------|------------------|-------------------------|
| NAV per share*                     | 22.3        | 12.0            | 11.2            | 8.9              | 11.6                    |
| Ordinary share price*              | 1.0         | 7.2             | 12.5            | 5.9              | 10.7                    |
| FTSE All-Share Total Return        | 2.2         | 5.9             | 6.3             | 5.4              | 7.7                     |
| MSCI World Total Return (sterling) | 15.1        | 12.2            | 11.2            | 8.5              | 7.5                     |

\* PIP was launched on 18th September 1987. The figures since inception assume reinvestment of dividends, capital repayments and cash flows from the exercise of warrants.

**Historical Record**

\* Includes the effects of dividends, capital repayments and warrants. NAV figure based upon adjusted NAV per share where applicable.

**Capital Structure at 30th June 2016**

|                   |                   |
|-------------------|-------------------|
| Ordinary shares   | 33,062,013        |
| Redeemable shares | 30,297,534        |
| <b>Total</b>      | <b>63,359,547</b> |

# Historical Data

|                                | NAV <sup>1,2</sup><br>(£M) | NAV<br>PER SHARE <sup>2</sup><br>(PENCE) | ORDINARY<br>SHARE PRICE<br>(PENCE) | PRIVATE EQUITY<br>PORTFOLIO<br>(£M) | OUTSTANDING<br>COMMITMENTS<br>(£M) |
|--------------------------------|----------------------------|--|------------------------------------|-------------------------------------|------------------------------------|
| Financial year end (30th June) |                            |  |                                    |                                     |                                    |
| 2016                           | 1,187                      | 1,873.6                                  | 1,285.0                            | 1,072                               | 382                                |
| 2015                           | 1,000                      | 1,532.4                                  | 1,272.0                            | 862                                 | 256                                |
| 2014                           | 902                        | 1,364.2                                  | 1,150.0                            | 815                                 | 176                                |
| 2013                           | 903                        | 1,331.9                                  | 1,042.0                            | 826                                 | 195                                |
| 2012                           | 845                        | 1,193.5                                  | 725.5                              | 800                                 | 191                                |
| 2011                           | 733                        | 1,104.1                                  | 714.0                              | 810                                 | 243                                |
| 2010                           | 637                        | 958.7                                    | 486.0                              | 763                                 | 331                                |
| 2009                           | 514                        | 773.6                                    | 295.3                              | 648                                 | 428                                |
| 2008                           | 736                        | 1,108.7                                  | 750.0                              | 806                                 | 641                                |
| 2007                           | 610                        | 919.2                                    | 917.5                              | 527                                 | 528                                |
| 2006                           | 441                        | 796.8                                    | 726.5                              | 372                                 | 365                                |
| 2005                           | 382                        | 657.9                                    | 650.5                              | 315                                 | 245                                |
| 2004                           | 245                        | 572.5                                    | 463.0                              | 233                                 | 137                                |
| 2003                           | 221                        | 546.8                                    | 447.0                              | 237                                 | 158                                |
| 2002                           | 196                        | 541.6                                    | 486.5                              | 175                                 | 138                                |
| 2001                           | 206                        | 669.1                                    | 574.0                              | 201                                 | 138                                |
| 2000                           | 161                        | 599.9                                    | 457.5                              | 140                                 | 77                                 |
| 1999                           | 146                        | 405.6                                    | 302.5                              | 78                                  | 45                                 |
| 1998                           | 131                        | 368.6                                    | 294.5                              | 79                                  | 50                                 |
| 1997                           | 117                        | 328.4                                    | 270.0                              | 73                                  | 47                                 |
| 1996                           | 106                        | 302.5                                    | 225.0                              | 48                                  | 25                                 |
| 1995                           | 87                         | 255.1                                    | 207.5                              | 33                                  | 8                                  |
| 1994                           | 47                         | 239.6                                    | 176.5                              | 42                                  | 7                                  |
| 1993                           | 31                         | 195.5                                    | 172.5                              | 28                                  | 1                                  |
| 1992                           | 21                         | 139.7                                    | 93.5                               | 28                                  | 0                                  |
| 1991                           | 21                         | 129.1                                    | 86.5                               | 31                                  | 1                                  |
| 1990                           | 20                         | 126.7                                    | 80.5                               | 32                                  | 2                                  |
| 1989                           | 17                         | 120.9                                    | 95.0                               | 25                                  | 2                                  |
| 1988                           | 12                         | 102.5                                    | 75.0                               | 2                                   | 0                                  |

<sup>1</sup> Includes participating loan notes in issue between 2000 and 2004

<sup>2</sup> Historical NAV and NAV per share figures disclosed in the table above relate to adjusted NAV and adjusted NAV per share where applicable

# Strategic Report



# Chairman's Statement

In my final Chairman's Statement, I am pleased to report that PIP has delivered a good performance over the past 12 months. For the financial year, the Company's net assets stood at just under £1.2bn and it recorded an increase of 22.3% in NAV per share. Since I joined the Board in 2003, PIP's NAV per share has more than trebled to 1,873.6p as at the end of June 2016, delivering annualised NAV growth of around 10%. Shareholders have been increasingly able to access a diversified portfolio of high quality private equity assets, which are usually only available to institutional investors.

I am disappointed that over the last year PIP's ordinary and redeemable shares have traded at significant discounts, which reflect a sector-wide trend that has arisen against a backdrop of continued uncertainty in the global financial markets. However, since the financial year end, the discounts on PIP's ordinary and redeemable shares have narrowed materially and, at the time of writing, are 18% and 28% respectively. This reflects an increase in the ordinary share price from 1,285.0p to 1,545.0p and an increase in the redeemable share price from 1,175.0p to 1,350.0p.

PIP's strong financial position means it is well positioned to withstand any regional challenges and to take advantage of compelling opportunities in the global private equity market as they arise.

## Performance Update

In the full year to 30th June 2016, PIP's NAV per share demonstrated strong growth, increasing by 22.3% to 1,873.6p, and net assets rose from £1,000m to £1,187m. Assets in the underlying portfolio generated returns of 6.8% and foreign exchange gains added 17.2%

to NAV per share, reflecting the weighting of PIP's portfolio in non-UK assets and the depreciation of sterling towards the latter part of the financial year. These gains were offset by a provision in relation to asset sales (-0.7%) and expenses and taxes (-1.7%).

Our portfolio is weighted towards companies based in North America and the stronger Northern European economies, and buyout portfolios in those regions demonstrated good performance. The energy funds within Special Situations have continued to feel the adverse effects of declining oil prices, however it should be noted that the Company has also been able to take advantage of the cyclical nature of the sector and has acquired additional energy assets at attractive prices. We intend to maintain our current weighting towards energy assets within our Special Situations portfolio at up to approximately 10% of the portfolio.

On 23rd June 2016, the UK held a referendum which resulted in a majority voting to leave the European Union. Although our internationally diversified portfolio has only a small minority that is exposed to the UK economy, the result of the referendum has created great political and economic uncertainty, and the long-term consequences remain unclear. However, we are confident that our manager, Pantheon (the Manager), has put in place robust contingency plans and is well prepared to respond effectively to the eventual outcomes. We believe that the inherent characteristics of the private equity asset class should continue to deliver attractive risk-adjusted returns as we enter a new era for Europe.



We continue to see interesting opportunities across all our sectors; however, as we consider the current high valuation environment, we have maintained our disciplined approach when committing capital to new investments.





The Manager has been able to use the privileged insights it gains from extensive interactions with private equity managers to evaluate funds with identifiable growth prospects at entry or assets that may, upon realisation, deliver significant uplifts to their holding value

## Investment Activity

During the year, our managers continued to benefit from the strong exit environment, particularly in the healthcare, consumer and information technology sectors and PIP's portfolio generated £252m of distributions, equivalent to a rate of 29% of opening portfolio assets. Trade sales and secondary buyouts represented the most significant source of exit activity during the year. Calls from underlying private equity funds were £62m, equivalent to an annualised call rate of 16% of opening undrawn commitments. This resulted in a net portfolio cash flow of £190m during the period before new investment commitments are taken into account. The weighted average fund age of 7.3 years supports the cash-generative nature of PIP's mature portfolio.

## New Investments

We continue to see interesting opportunities across all our sectors; however, as we consider the current high valuation environment, we have maintained our disciplined approach when committing capital to new investments. It is important that the interests of investors and their managers are aligned and that our managers target companies with high earnings potential. I am therefore pleased to note that the high levels of earnings growth seen over the previous years has continued during the past twelve months.

PIP made 59 new investments in the year, amounting to £345.9m in commitments with £192m drawn at the time of purchase. This included £173.2m committed to 13 secondary and late primary funds, £78.8m to 26 co-investments alongside selected private equity managers and, in line with its focus on managing the maturity profile and gaining exposure to niche funds, the Company also added £93.9m in primary commitments. Since the year end, the Company has committed an additional £19.4m.

## Share Buybacks

During the full year to 30th June 2016, the Company invested £21.9m in share buybacks by acquiring 1.9m redeemable shares. This resulted in an uplift to NAV per share of 17.3p or 1.1%. Buybacks can be a good investment for the Company from time to time, when considered alongside other new investment opportunities, and since

August 2011 the Company has bought back just over 16% of its issued share capital, representing an investment of £108.3m. The Board is supportive of further buybacks for investment purposes and recognises that they can be particularly attractive when the discount on the shares is wide. However, the Company must also consider its flexibility to grow the NAV over the long term while achieving accretive returns in the short term. We believe that this balanced approach is of benefit to all our shareholders.

## Balance Sheet

The Company has maintained its strong financial position, which enables it to respond effectively to all capital deployment requirements. As at 30th June 2016, it held cash of £116m and the balance sheet remained ungeared. The Company's unutilised credit facility of \$100m and €46m, equivalent to £113m as at 30th June 2016, is in place until November 2018. As a result, the Company had total liquid resources of £229m and its undrawn commitment cover was 3.4x, which reflects a higher level of total commitments than in recent periods, and remains at a comfortable level. The Board monitors the level of undrawn commitments carefully, both in regard to the scale and maturity of its assets as well as in relation to its liquid resources.

## Board Changes

It was announced on 8th September 2016 that I would be stepping down from the Board as Non-executive Chairman and Director of the Company with effect from the Company's Annual General Meeting ("AGM"), which is to be held on 23rd November 2016. It was announced at the same time that the Board had accepted the Nomination Committee's recommendation that, following due and careful consideration, Sir Laurie Magnus should be appointed as Chairman of the Board with effect from the conclusion of the AGM. Sir Laurie Magnus was appointed to PIP's Board in November 2011 and became Senior Independent Director from 2014. As Sir Laurie takes up the chairmanship, Susannah Nicklin will become Senior Independent Director. I would like to wish Sir Laurie and Susannah well in their new roles as Chairman and Senior Independent Director respectively. The Board intends to appoint an additional Non-executive Director and an announcement will be made in due course.

# Chairman's Statement

(CONTINUED)

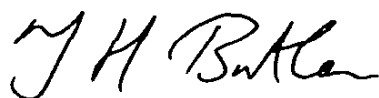
## Outlook

Many regions continue to grapple with macroeconomic and political challenges and this has been reflected in the volatility of the global financial markets. Credit availability has fluctuated as markets have become uneasy about the projected slowdown in global growth, a sentiment that has been worsened by low commodity prices and the impact of this on some emerging economies. Nevertheless, equity prices have remained high. Against this backdrop, it is more critical than ever that we only invest in assets with attractive long-term growth potential and with managers that have successful track records of managing assets through economic cycles.

We continue to see interesting opportunities in the secondaries market where pricing has seen a modest decrease. The Manager has been able to use the privileged insights it gains from extensive interactions with private equity managers to evaluate funds with identifiable growth prospects at entry or assets that may, upon realisation, deliver significant uplifts to their holding value. Our portfolio strategy emphasises secondary investments in order to maintain a mature portfolio profile and thus benefit from the cash distributions that allow us to maintain our financial strength and investment pace. We will also continue to add more recent vintages to the portfolio by selectively committing to primary funds and co-investing directly in assets alongside private equity managers. The strong distributions seen in the first half of PIP's financial year moderated in the second half, and we expect this to continue as distributions return to long-term average levels.

As I step down from the Board after 13 years as a member and 12 years as Chairman, I am confident that the Company has the financial strength, and an experienced Board and Manager that will enable it to continue to focus on investing well in the best private equity opportunities globally and generating attractive returns for shareholders over the long term. I would like to extend my best wishes for the Company's continued success.

The Strategic Report comprising pages 5 to 16, has been approved and signed on the Board's behalf.



**TOM BARTLAM**

Chairman

19th September 2016



The Company has the financial strength and an experienced Board and Manager that will enable it to continue to focus on investing well in the best private equity opportunities globally and generating attractive returns for shareholders over the long term.



# Investment Rationale and Company Strategy

## PIP's strategy is to invest with leading private equity managers internationally

Private equity is the term used for investments made in non-public companies through privately negotiated transactions. More than 7,400 private equity managers collectively manage approximately \$4.2tn in assets globally<sup>1</sup>. The asset class covers a broad range of strategies, which all share a common theme – capital structure optimisation that aligns investors' interests with management, combined with long-term investment horizons and hands-on management support. For investors looking for attractive risk-adjusted returns relative to other asset classes, private equity has strong credentials. A broad range of institutions including pension funds, sovereign wealth funds and endowments, as well as high net worth individuals, invest in private equity as it can offer a meaningful boost to the performance of their investment portfolios.

### The Private Equity Investment Approach

Private equity managers typically specialise in market sectors in which they already have extensive investment experience and in which they are well placed to identify attractive investment opportunities based on proprietary research. Private equity investors acquire influential or controlling shareholdings in businesses where there is an opportunity to work closely with a company's management to implement both strategic and operational change, which can transform a company's value. Better alignment between management and shareholders can be achieved by ensuring that a company's management are investing at the same time while also using leverage to create an efficient capital structure.

The spread of performance in private equity is much wider than in other asset classes and the selection of managers has a significant influence on investment performance. The high level of outperformance of public market benchmarks achieved by top quartile managers in private equity, evident through multiple cycles, provides the opportunity for Pantheon to identify and select highly-skilled and strategic managers within a diversified portfolio. This approach mitigates the risk of being overexposed to any single fund, region or investment style. The Board of PIP believes that investing the Company's capital in private equity funds flexibly between the primary and secondary markets, or directly co-investing in companies alongside leading individually-selected private equity managers provides a good opportunity to generate attractive long-term investment performance.

By investing directly into private equity funds rather than investing indirectly in such funds through Pantheon's funds of funds, the Company has full control over portfolio construction. PIP has the flexibility to vary the size and emphasis of its investments depending on its investment priorities at the time and available financing. In addition, this approach allows PIP to have greater control over the management of its balance sheet, cash and the maturity profile of the portfolio.

The current portfolio reflects PIP's prolonged access to Pantheon's carefully selected primary and secondary investments over the past 29 years. Only funds that have passed through rigorous research and analysis can be selected for investment.

<sup>1</sup> Source: Preqin 2016 Global Private Equity and Venture Capital Report, January 2016

# Our Business Model

PIP's aim is to maximise capital growth and deliver long-term shareholder value. It achieves this through its access to Pantheon's well-established platform and investing in high quality private equity assets globally. PIP manages its portfolio by making primary and secondary investments in private equity funds as well as co-investing directly in companies alongside leading private equity managers.

## Secondaries

It is the Board's current intention to emphasise secondary investment as the Company makes new commitments.

Secondary purchases of existing interests in private equity funds are typically many years after a fund's inception, when such funds are substantially invested. PIP benefits from secondaries because the fees and expenses in the first few years have been paid and distributions from the fund will be returned over a shorter time period. This helps to reduce the drag to performance from young and immature funds, known as the "J-curve effect". In addition, secondary assets can sometimes be purchased at a discount, especially in cases where the seller has a need for liquidity, increasing the opportunity for outperformance. As the Company continues to build its financial resources through net portfolio realisations, the shorter duration of secondary investments and lower associated undrawn commitments will enable the Company to maintain a mature, cash-generative profile.

In accordance with the terms of its management agreement with Pantheon, PIP is entitled under Pantheon's allocation policy to the opportunity to co-invest alongside Pantheon's latest global secondary fund, Pantheon Global Secondary Fund V, benefiting from access to larger secondary opportunities that it would not have had the capacity to complete alone. The secondary programme enables PIP to acquire attractively priced secondary interests as they become available, and aims to outperform market averages through judicious selection, pricing and timing.

## Co-investments

The Company also participates in co-investments alongside established private equity managers. The extent of Pantheon's General Partner ("GP") relationships provide a significant advantage for the sourcing and evaluation of co-investments. As with secondary investing, co-investments allow the Company to put money to work at the time an investment is made. In addition, as

there are lower or no management fees charged on co-investments by the underlying private equity manager, co-investing can represent a cost-efficient way of investing, whilst providing PIP with exposure to current vintages. It is the Board's current intention that co-investments will not, on average, account for more than 30% of PIP's new commitments.

## Primary Investments

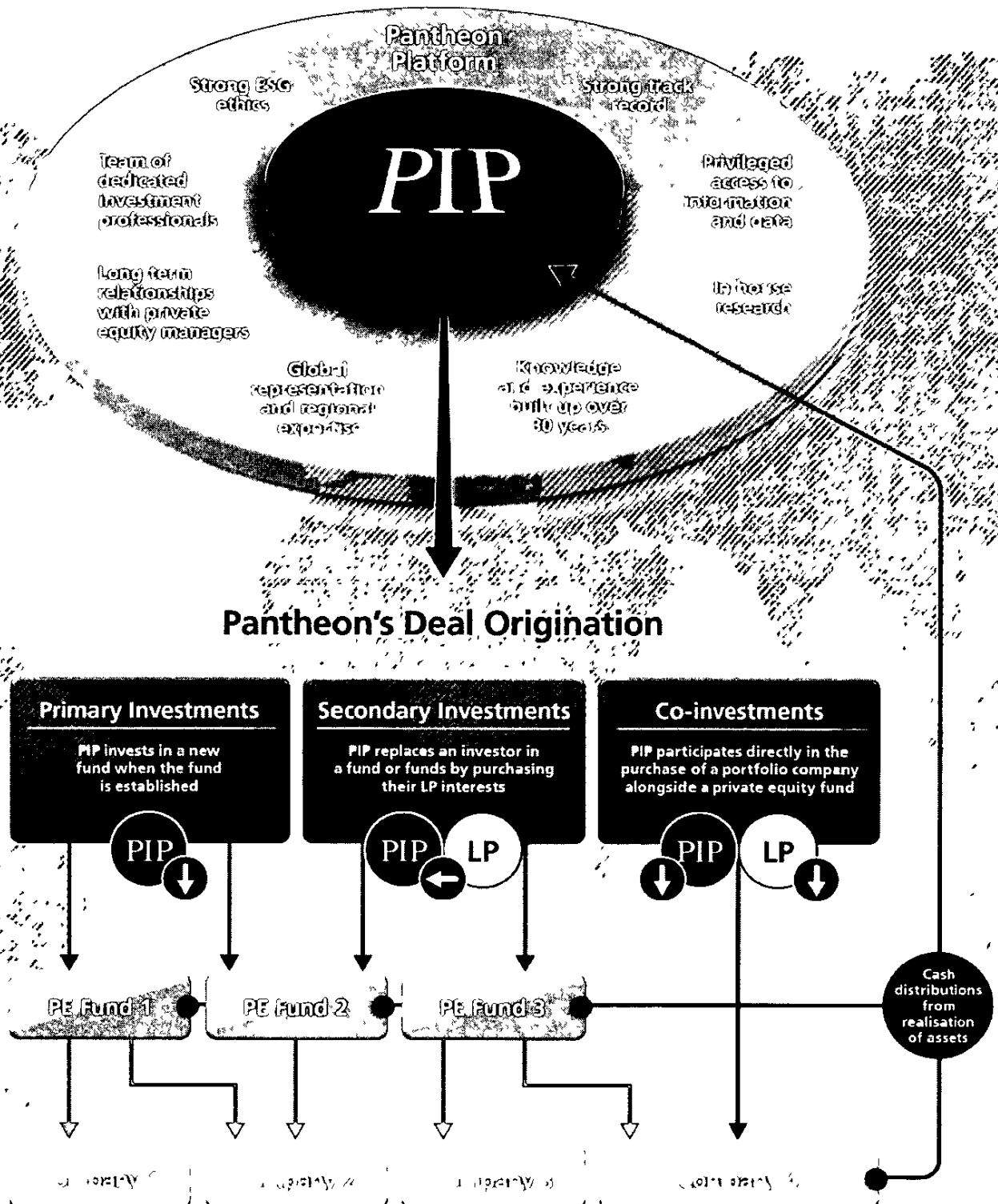
Investing in private equity through a primary commitment strategy (e.g. commitments to new private equity funds) by increasing the proportion of immature assets in its portfolio and by increasing its undrawn commitments relative to its assets, can reduce PIP's financial flexibility. New primary investments have longer payback periods, requiring the Company to maintain higher levels of standby financing against undrawn commitments. For these reasons, the Board limits primary commitments. However, the Company will consider making primary commitments on a targeted basis for portfolio construction purposes. The investment rationale for any new primary commitments will always be weighed against their effects on the Company's financial flexibility so as to keep the undrawn commitments to a level that can comfortably be expected to be financed from internally generated cash flows.

## Social, Environmental, Community, Human Rights and Employment Issues

The Company has no employees and the Board consists entirely of non-executive Directors. At the end of the year under review, the Board was comprised of five male Directors and one female Director.

As an investment trust, the Company has no direct impact on the community or the environment. The Manager is committed to the Principles for Responsible Investment and its policies are set out on pages 56 to 57. These Principles are integrated into Pantheon's investment analysis and decision-making process, as well as post-investment monitoring procedures.

## Access to Pantheon Platform



# Objective and Investment Policy

## Investment Objective

The Company's primary investment objective is to maximise capital growth by investing in a diversified portfolio of private equity funds and directly in private companies

## Investment Policy

The Company's policy is to make unquoted investments, in general by subscribing for investments in new private equity funds ('Primary Investment') and by buying secondary interests in existing private equity funds ('Secondary Investment'), and from time to time to capitalise further on its fund investment activities by acquiring direct holdings in unquoted companies ('Co-investments'), usually either where a vendor is seeking to sell a combined portfolio of fund interests and direct holdings or where there is a private equity manager well known to the Company's Manager, investing on substantially the same terms

The Company may invest in private equity funds which are quoted. In addition, the Company may from time to time hold quoted investments in consequence of such investments being distributed to the Company from its fund investments or in consequence of an investment in an unquoted company becoming quoted. The Company will not otherwise normally invest in quoted securities, although it reserves the right to do so should this be deemed to be in the interests of the Company

The Company may invest in any type of financial instrument, including equity and non-equity shares, debt securities, subscription and conversion rights and options in relation to such shares and securities and interests in partnerships and limited partnerships and other forms of collective investment scheme. Investments in funds and companies may be made either directly or indirectly, through one or more holding, special purpose or investment vehicles in which one or more co-investors may also have an interest

The Company employs a policy of over-commitment. This means that the Company may commit more than its available uninvested assets to investments in private equity funds on the basis that such commitments can be met from anticipated future cash flows to the Company and through the use of borrowings and capital raisings where necessary

The Company's policy is to adopt a global investment approach. The Company's strategy is to mitigate investment risk through diversification of its underlying portfolio by geography, sector and investment stage. Since the Company's assets are invested globally on the basis, primarily, of the merits of individual investment opportunities, the Company does not adopt maximum or minimum exposures to specific geographic regions, industry sectors or the investment stage of underlying investments

In addition, the Company adopts the following limitations for the purpose of diversifying investment risk

- that no holding in a company will represent more than 15% by value of the Company's investments at the time of investment (in accordance with the requirement for approval as an investment trust which applied to the Company in relation to its accounting periods ended on and before 30th June 2012),
- the aggregate of all the amounts invested by the Company in (including commitments to or in respect of) funds managed by a single management group may not, in consequence of any such investment being made, form more than 20% of the aggregate of the most recently determined gross asset value of the Company and the Company's aggregate outstanding commitments in respect of investments at the time such investment is made,
- the Company will invest no more than 15% of its total assets in other UK-listed closed-ended investment funds (including UK-listed investment trusts)

The Company may invest in funds and other vehicles established and managed or advised by Pantheon or any Pantheon affiliate. In determining the diversification of its portfolio and applying the manager diversification requirement referred to above, the Company looks through vehicles established and managed or advised by Pantheon or any Pantheon affiliate

The Company may enter into derivatives transactions for the purposes of efficient portfolio management and hedging (for example, hedging interest rate, currency or market exposures)

Surplus cash of the Company may be invested in fixed interest securities, bank deposits or other similar securities

The Company may borrow to make investments and typically uses its borrowing facilities to manage its cash flows flexibly, enabling the Company to make investments as and when suitable opportunities arise and to meet calls in relation to existing investments without having to retain significant cash balances for such purposes. Under the Company's articles of association, the Company's borrowings may not at any time exceed 100% of the Company's net asset value. Typically the Company does not expect its gearing to exceed 30% of gross assets. However, gearing may exceed this in the event that, for example, the Company's pipeline of future cash flows alters

The Company may invest in private equity funds, unquoted companies or special purpose or investment holding vehicles which are geared by loan facilities that rank ahead of the Company's investment. The Company does not adopt restrictions on the extent to which it is exposed to gearing in funds or companies in which it invests

# Principal Risks and Uncertainties

The Company is exposed to a variety of risks and uncertainties. The Board, through delegation to the Audit Committee, has undertaken a robust assessment and review of the principal risks facing PIP, together with a review of any new risks that may have arisen during the year, including those that would threaten its business model, future performance, solvency or liquidity. A summary of the risk management and internal control processes can be found in the Corporate Governance Statement on page 75.

| Risk   | Mitigation   |
|--|--|
| <b>Funding of investment commitments and default risk</b>  |  |
| <p>In the normal course of its business, the Company typically has outstanding commitments to private equity funds which are substantial relative to the Company's assets and may be drawn down at any time. The Company's ability to meet these commitments is dependent upon it receiving cash distributions (the timing and amount of which can be unpredictable) from its private equity investments and, to the extent these are insufficient, on the availability of financing facilities.</p> | <p>The Company has a mature portfolio that is naturally cash generative and does not ordinarily gear its balance sheet for the purpose of enhancing performance. The Board intends to manage the Company so that undrawn commitments remain at a conservative level relative to its assets and available financing. The total available financing as at 30th June 2016 stood at £229m, comprising £116m in cash balances and £113m in undrawn bank facilities. As a result, the available financing along with the private equity portfolio exceeded the outstanding commitments by a factor of 3.4 times. The Company ordinarily expects to finance the majority of calls from undrawn commitments out of distributions. In the event that the levels of cash distributions and cash balances are insufficient to cover capital calls, the Company has the ability to draw funds from a credit facility (see Gearing section on the following page for details of the credit facility).</p> |
| <b>Risks relating to investment opportunities</b>  |  |
| <p>There is no guarantee that the Company will find a sufficient number of suitable investment opportunities, or that the private equity funds in which it invests will find suitable investment opportunities in order to achieve the level of diversification which the Company seeks to achieve in relation to its investment portfolio.</p>  | <p>In line with the Objective and Investment Policy shown on page 12, the Manager has put in place a dedicated investment management process that is designed to help maximise the chances of the Board's intended investment strategy being achieved. The Board periodically reviews investment and financial reports from the Manager to monitor the effectiveness of the Manager's investment management process.</p>   |
| <b>Financial risk of private equity</b>  |  |
| <p>The Company invests in private equity funds and unquoted companies, which are less readily marketable than quoted securities. In addition, such investments may carry a higher degree of risk than investments in quoted securities.</p>  | <p>The Manager's investment management process is designed to produce the best possible risk-adjusted returns from private equity investments. Where the Company commits to private equity funds, such funds are structured as limited life funds where the manager is incentivised to realise investments and return proceeds to investors within the funds' limited life span. As part of the investment process for secondaries and co-investments, an assessment is made to understand the possible impact of the underlying assets' illiquidity on projected exit outcomes. As part of the investment process for primaries, an assessment is made to understand a manager's approach to underlying company illiquidity.</p>  |

# Principal Risks and Uncertainties

(CONTINUED)

| Risk   | Mitigation   |
|--|--|
| <b>Long-term nature of private equity investments</b>  |  |
| <p>Private equity investments are long term in nature and it may take some years before they reach a level of maturity at which they can be realised. Accordingly, it is possible that the Company may not receive a return on its investments for a number of years.</p>  | <p>The Company pursues a flexible investment strategy emphasising secondary investments which will typically have shorter exit horizons on average than co-investment and primary commitments. Therefore, this flexible investment strategy results in a range of likely exit horizons for underlying investments, mitigating this risk.</p>   |
| <b>Valuation uncertainty</b>   |  |
| <p>By valuing its investments in private equity funds and unquoted companies and publishing its NAV, the Company relies to a significant extent on the accuracy of financial and other information provided by these funds and companies to the Manager. There is the potential for inconsistency in the valuation methods adopted by the managers of these funds and companies. In addition, the information provided is typically more than 60 days old at the time the Company's NAV per share is reported.</p> | <p>In the case of the Company's investment in private equity funds, and direct investments managed by private equity managers, the valuation of investments is based on the periodically audited valuations that are provided by the private equity managers. Pantheon carries out a formal valuation process involving a monthly review of these valuations, verification of the latest audited reports coverage, as well as a review of any potential adjustments that are required to ensure reasonable valuation of the underlying investments and in accordance with the fair market value principles required under Generally Accepted Accounting Principles ("GAAP").</p>   |
| <b>Gearing</b>   |  |
| <p>The use of gearing can cause the magnification of both gains and losses in the asset value of the Company. The Company may also invest in private equity funds or unquoted companies which are geared by loan facilities that rank ahead of the Company's investment both for payment of interest and capital. As a consequence, the Company may be exposed from time to time to gearing through the borrowings of such private equity funds and companies, increasing its investment risk.</p>                 | <p>While debt is commonly used within the capital structure of private equity funds' portfolio investments, it is not commonly used at the fund level other than for working capital purposes. Thus, leverage risk is typically non-recourse between portfolio companies operating independently within the same portfolio.</p> <p>For working capital purposes, the Company maintains a revolving credit facility arranged by The Royal Bank of Scotland Group plc, due to expire in November 2018, and comprising facilities of \$100m and €46m. The principal covenant that applies to the loan facility ensures that the Company is limited to a maximum gearing of 30% of adjusted gross asset value. The facility was unutilised as at 30th June 2016.</p> |



| Risk  | Mitigation  |
|---|---|
| <b>Foreign currency risk</b>  |   |
| The Company makes investments in US dollars, euros and other currencies as well as sterling. Accordingly, the Company is exposed to fluctuations in currency exchange rates.  | The Manager monitors the Company's underlying foreign exchange exposure and seeks to balance the risks associated with holding different currencies through diversification and cost-averaging effects. Furthermore, as part of the investment management process, the Manager will assess the risk-return of a specific investment, taking into consideration the currency denomination of the investment and the potential impact of currency risk. However, foreign currency risk tends to be a less significant factor over longer investment horizons. |
| <b>Unregulated nature of underlying investments</b>   |   |
| The private equity funds and underlying unquoted investments that form the basis of the majority of the Company's portfolio are not necessarily subject to regulation by the Financial Conduct Authority ("FCA") or an equivalent regulatory body. Funds and unquoted companies in which the Company invests (directly or indirectly) may be domiciled in jurisdictions which do not have a regulatory regime that provides an equivalent level of investor protection to that provided under the laws of the United Kingdom. | The Manager's investment management process for primary and secondary investments requires verification of the regulatory jurisdiction of underlying funds. In addition, the managers of the underlying funds are mostly regulated by the FCA, U.S. Securities and Exchange Commission ("SEC"), or an equivalent body in the managers' respective jurisdictions.  |
| <b>Taxation</b>   |   |
| Any change in the Company's tax status, or in taxation legislation or practice, could affect the value of the investments and the Company's performance. In addition, the Company's income and gains from its investments may suffer withholding tax, which may not be reclaimable in the countries where such income and gains arise.  | The Manager's investment management process incorporates an assessment of the tax impact of each primary or secondary fund investment, or co-investment that is purchased. For every investment, the Manager also reviews the appropriateness of an investment's legal structure and any action required, including the establishment of special purpose, and/or blocker vehicles, to tailor an investment's structure to minimise the potential tax impact on the Company.   |
| <b>The Manager and other third party advisers</b>   |   |
| Like most investment trust companies, the Company has no employees and the Directors are all non-executive. The Company is dependent upon the services of Pantheon as its Manager and may be adversely affected if the services of Pantheon cease to be available to the Company.   | The Board keeps the performance of the Manager under continual review. In addition, the Management Agreement is subject to a notice period that is designed to provide the Board with adequate time to put in place alternative arrangements in the event the services of Pantheon cease to be available.   |

### Retail Investors Advised by IFAs

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The Company currently conducts its affairs so that its shares can be recommended by independent financial advisers to retail private investors in accordance with the Financial Conduct Authority's ("FCA") rules in relation to non-mainstream investment products

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in a UK-listed investment trust

### Viability Statement

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Pursuant to provision C 2.2 of the UK Corporate Governance Code 2014, the Board has assessed the viability of the Company over a three year period from 30th June 2016. It has chosen this period as it falls within the Board's strategic planning horizon. The Company invests in an internationally diversified portfolio of private equity assets, both through funds and by co-investing directly into companies alongside selected private equity managers. The Company invests significantly in the private equity secondaries market as this allows the Company to maintain a more mature portfolio profile that is naturally cash-generative in any particular year.

Commitments to new funds are restricted relative to the Company's assets, so as to maintain a reasonable expectation of being able to finance the calls, which arise from such commitments, out of cash flow that is generated internally. In addition, the Company has put in place a revolving credit facility to ensure that it is in a position to finance such calls in the event that distributions received from investments in the period are insufficient to finance calls. The Board reviews the Company's financing arrangements at least quarterly to ensure that the Company is in a strong position to finance all outstanding commitments on existing investments as well as being able to finance new investments.

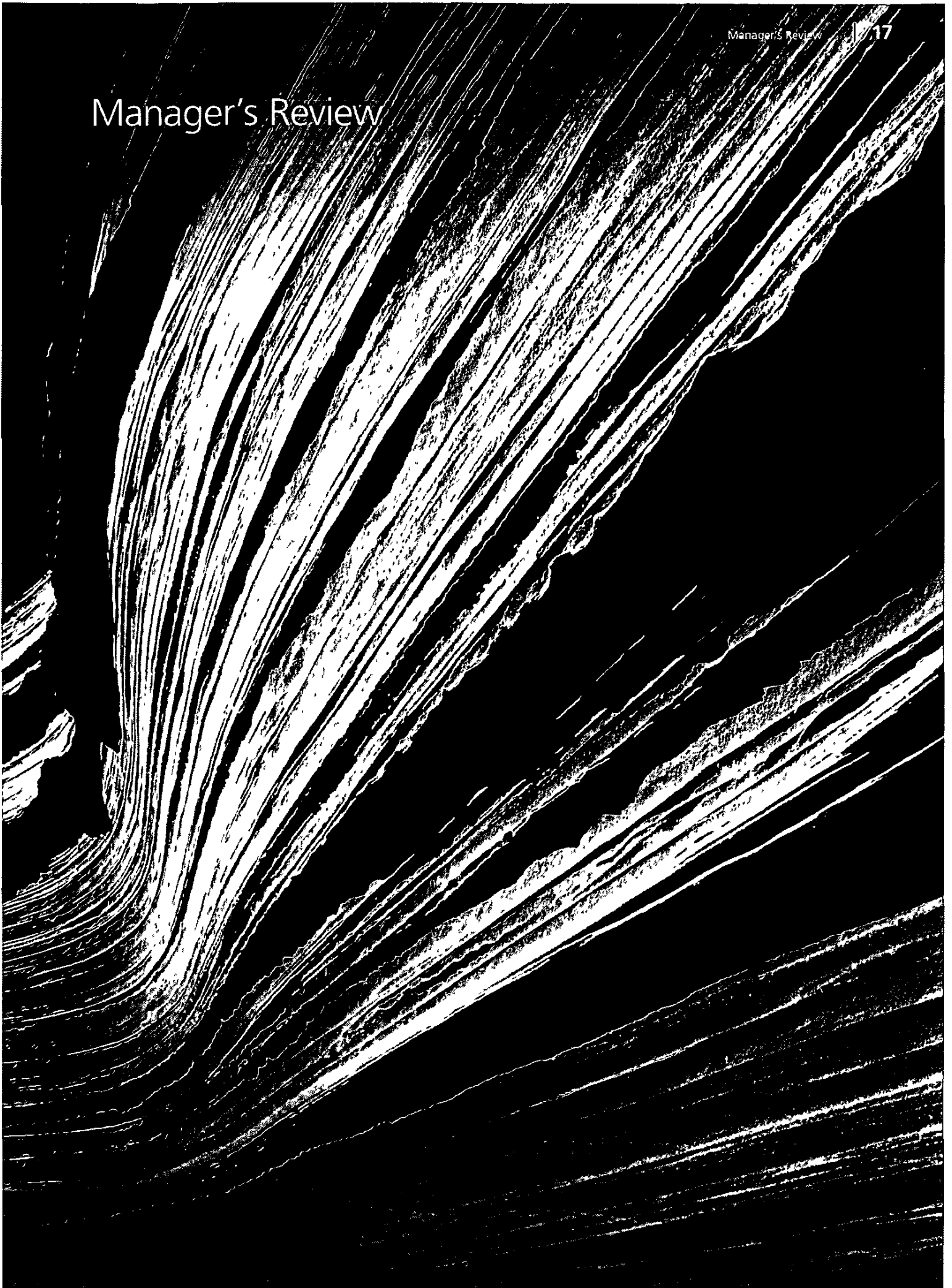
In reviewing the Company's viability, the Board has considered the Company's position with reference to its business model, its business objectives, the principal risks and uncertainties as detailed on pages 13 to 15 of this report and of its present and expected financial position. In addition, the Board has also considered the Company's conservative balance sheet, which allows it to take advantage of significant investment opportunities, and the appropriateness of the Company's current investment objectives in the prevailing investment market and environment. The Board regularly reviews the prospects for the Company's portfolio and the opportunities for new investment under a range of potential scenarios to ensure it can expect to be able to continue to finance its activities for the medium-term future.

On behalf of the Board



**TOM BARTLAM**  
19th September 2016

# Manager's Review



## The Manager (Pantheon)

Pantheon, one of the world's foremost private equity specialists, has acted as Manager to PIP since its inception in 1987. Pantheon evaluates and manages investments on PIP's behalf in line with the strategy agreed by the Board. Pantheon is also one of the largest and most experienced secondary managers, having committed more than \$10bn to secondary investments over the last 30 years.

### At a Glance

|  |                                 |  |  |
|--|---------------------------------|--|--|
| <b>\$34.3bn<sup>1</sup></b><br><hr/> AUM | <b>&gt;400</b><br><hr/> Clients | <b>&gt;200</b><br><hr/> Employees <sup>2</sup> | <b>&gt;70</b><br><hr/> Investment professionals <sup>2</sup> |
|--|---------------------------------|--|--|

### Strong Private Equity Track Record

Pantheon is one of the leading private equity fund investors in the world, with global assets under management of \$34.3bn, on behalf of over 400 institutional investors.

Pantheon has a strong and consistent private equity investment track record. Over 30 years, Pantheon has made investments in more than 1,400 private equity funds, gaining exceptional insight and access to many of the most attractive funds in all the major private equity markets.

Pantheon has broad experience of investing across all types of private equity, including buyout, venture capital, growth capital and special situations. It started out as a primary investor in private equity funds and has witnessed at first-hand the transformation and expansion of the industry over numerous market cycles. In its history, Pantheon has committed US\$20.6bn to 593 primary investments, US\$10.2bn to 337 secondary transactions and US\$1.9bn to 117 co-investments (as at 31st March 2016). It has invested in private equity primaries since 1983, secondaries since 1988 and co-investments since 1997.

### Diversification

Pantheon has substantial experience of investing in private equity through various economic cycles and in different regional markets. The firm's asset allocation, diversification strategies and disciplined investment process are structured with the objective of producing the best possible risk-adjusted returns. Pantheon's diversification strategy limits portfolio risk by including a multi-strategy approach, targeting funds with a variety of different return characteristics and deploying capital over a number of vintage years, generally ensuring that the most attractive segments of the market are represented in the portfolio. When applying this approach, the Board works closely with Pantheon to ensure that the management of the Company is in line with its agreed strategy.

<sup>1</sup> As at 31st March 2016. The figure includes assets subject to discretionary or non-discretionary management advice or those limited to a reporting function.

<sup>2</sup> All staff figures are as at 1st August 2016.

## Reputation as a Preferred Investor

Pantheon has been investing in private equity for over 30 years and has a solid reputation in the industry. Pantheon is often considered a preferred investor due to its reputation, active approach and scale of commitments. In addition, Pantheon generally seeks advisory board seats to contribute actively to governance during the life of the fund. As such, Pantheon is represented on over 340 advisory boards worldwide. Long-standing partnerships with managers on a global basis can also enhance the firm's deal flow in the secondary market.

## Team-based Culture

Pantheon draws upon a wide pool of resources that contributes to a team-based culture. With teams operating in London, San Francisco, New York, Hong Kong, Bogota, and Seoul, Pantheon adopts a collegiate approach to investment decision-making, globally leveraging the collective experience and expertise of its investment professionals. The team's experience is also brought to bear on the evaluation, selection and ongoing monitoring of fund investments. Pantheon's team of over 70 investment professionals supported by over 130 other professionals, work together with the ultimate aim of producing strong and consistent results.

## The Investment Team



# Market Review

Global financial stability has been tested again in 2016. Credit quality has declined in some sectors, with rising defaults and increased financial stress particularly affecting borrowers operating in the energy sector. Borrowing spreads have widened for most corporate borrowers and balance sheet repair has slowed owing to disruption in the global capital markets. Unfavourable demographic trends in major advanced economies combined with low productivity growth and continuing debt overhang, especially in Europe, all make for fairly tepid medium-term growth prospects in advanced economies. While a continuation of global economic recovery is still the most likely medium-term scenario, risks to recovery remain. Despite this subdued outlook, we continue to believe that there is still a good volume of investment opportunities for private equity managers that are able to manage assets through volatile conditions.

The global economy is expected to grow by just 2.4%<sup>1</sup> in 2016, roughly the same pace as in 2015. The key factors contributing to the slowdown in the global economy relative to expectations are easy to identify. Firstly, financial market volatility at the start of the year raised concerns among investors about the soundness of the global capital markets. Secondly, low commodity prices, especially for oil, have increased economic stress in a number of large emerging markets such as Russia and Brazil. Thirdly, investors increasingly worry that Chinese policy makers may not be capable of managing a smooth transition away from an investment- and export-driven economy towards a more sustainable consumption-led growth model. These factors, together with the increased uncertainties facing policy makers such as was illustrated in June by the "Brexit" vote, have contributed to heightened investor uncertainty and a slowdown in global investment spending, which was already weak to start with.

## Economic and political developments difficult to predict in the US

Low productivity and continuing employment growth are starting to raise inflation expectations in the US. While there were signs of the US Federal Reserve's intention to slow the pace of US interest rate rises early in 2016 in the face of global capital market volatility, it appears that financial market participants might be underestimating the speed with which the Fed intends to tighten monetary policy over the remainder of 2016. If the US unexpectedly tightens monetary policy while the European Central Bank and the Bank of Japan continue to pursue aggressive monetary stimulus, we believe that a further bout of global currency instability is likely. This could nip any recovery in emerging markets in the bud, and in extreme cases could see some major emerging economies suffer an

outflow of foreign capital with corresponding negative knock-on effects for domestic demand. A higher dollar might also dampen the recent rally in oil prices. While the cost of a barrel of oil has recovered to within sight of \$50 a barrel<sup>2</sup>, oil prices are still not high enough to justify the level of government expenditures planned for many oil-dependent economies, especially in the Middle East, Latin America and Russia.

While economic conditions in the US are more conducive to normalising monetary policy, raising interest rates in the US while other advanced economies are still weak will likely lead to significant upward pressure on the US currency. Dollar strength would dampen US exports, especially manufacturing exports, and slow the pace of overall US growth. The potential ramifications of the upcoming US presidential election results can also not be ignored.

The majority of PIP's portfolio is invested in the US, which has the deepest and most established private equity market in the world, and we expect this to continue as we work with leading managers who have experience of investing well through cycles of economic and political uncertainty.

## Emerging markets expected to be the driver for future economic growth

Concerns over the transition in the Chinese economic model extend far beyond the borders of China. China is currently a top 10 trading partner for over 100 countries representing about 80% of global GDP and 40% of global metals demand<sup>3</sup>. China's position as a lynchpin for Asian regional and global supply chains makes it a potential flashpoint for the transmission of global trade shocks.

<sup>1</sup> *Global Economic Prospects, Divergences and Risks* World Bank Group, June 2016

<sup>2</sup> *US Energy Information Administration*, June 2016

<sup>3</sup> *IMF World Economic Outlook (WEO)* April 2016

However despite the headwinds, the IMF expects emerging markets to drive the recovery of the global economy in 2017 and beyond<sup>4</sup>. The IMF's medium-term forecasts assume conditions in several large emerging markets will stabilise by 2017, that Chinese economic rebalancing will occur smoothly, and the outlook for global commodity exporters will improve, most especially for oil exporters.

While Asia and emerging markets represent a smaller part of PIP's portfolio, when compared to the more established North American and European regions, acquiring assets in these regions secures access to faster-growing economies.

### Uncertainty continues to weigh on Europe

Despite exceptionally loose monetary policy, the continuing risk of deflation remains highest in the Eurozone. This is particularly troubling given the high debt burden of some large Eurozone economies, most notably Italy, that would be further exacerbated by a general decline in prices. In addition, European policy makers continue to struggle with resolving the Greek and Italian debt bailouts, and co-ordinating a response to managing the risks of global terrorism and to handling the Syrian migration crisis.

In June, many European banks saw their share prices tumble as a result of "Brexit" and although market commentators for the secondary market have reported that activity has been largely unaffected by the uncertainty following the Brexit vote, with only a brief hiatus in activity and an impact that seems to have been confined to UK-focused private equity funds, the long-term consequences of Brexit are still unknown. Pantheon is well-placed to respond effectively to the eventual outcomes and we continue to believe that the inherent characteristics of the private equity asset class should continue to deliver attractive risk-adjusted returns as we enter a new era for Europe.

On a more positive note, consumer spending is expected to be the main driver of growth in many regions and private equity managers are well-placed to benefit from this as they seek new investment opportunities. Despite the ongoing challenges in Europe, Pantheon continues to see good value in the region and believes that the fragmented nature of the private equity market is conducive to producing interesting deal opportunities.

### Pantheon has maintained a disciplined approach to investments

Private equity is not immune to economic and political events, however global deal activity has remained strong in the past year. The majority of this activity has continued to be in buyout deals as private equity managers identify the growth potential in companies and the opportunities to streamline processes, strengthen management teams and introduce efficiencies.

In terms of exits, corporate buyers, looking to fulfil their growth strategies and make use of cash on their balance sheets, continued to be the main source for exits in 2015 and this was also the case for the majority of exits seen in PIP's portfolio. The signs are that this trend is set to continue in 2016 – in Q1 2016, over 65%<sup>5</sup> of exits were reported as trade sales.

There remains a strong fundraising environment – approximately \$317bn of private equity capital was raised globally across 843 funds in 2015<sup>6</sup> – which has resulted in high levels of dry powder available for investment. The knock-on effect of this is the propulsion of asset prices. Staying disciplined in the face of rising valuations is exactly the right approach to mitigate the effect of high asset prices on returns. It is also worth remembering that even though private equity is long term and illiquid both by nature and design, the inherent activist approach adopted by fund managers in this asset class provides additional levers for value creation aside from just floating on the tide of market valuations. Where we have concerns about high asset prices, it makes sense to realise more mature investments at the higher prices that typically prevail in the latter stages of a general bull market. An example of this is the healthcare sector where Pantheon has been able to benefit from manager selling activity amidst a high valuation environment.

### Continued strong demand in the secondary markets

After two years of record-breaking deal flow, transactions in the first half of 2016 reached \$10.5bn<sup>6</sup>, lower than the \$12bn transacted in the same period last year, and perhaps reflecting seller sentiment after January's market volatility, with many adopting a "wait and see" approach to the macro environment prior to launching transactions.

The secondary market saw a modest decrease in pricing, with average high bid levels at 87%<sup>7</sup> of NAV, down from 92% in the same period last year, and 90% overall for the whole of 2015. Buyout pricing levels remained consistent with 2015 levels at 94% of NAV, reflecting strong demand in the secondary market where there is over \$60bn of dry powder. The overall reductions in pricing reflect more venture transactions being completed during the period. The Company sought to take advantage of the market conditions to dispose of 34 tail-end fund interests with a NAV of £32.9m<sup>6</sup>, comprising mainly North American venture and buyout funds formed between 2000 and 2007. The Manager considers opportunistic sales to be part of actively managing PIP's portfolio, where it expects to be able to redeploy the proceeds into more attractive investment opportunities.

Amongst sellers, public pension plans represented over 42%<sup>7</sup> of the market by volume and have historically tended to constitute the largest secondary transactions. This category of seller, together

<sup>4</sup> IMF World Economic Outlook (WEO) April 2016

<sup>5</sup> Source: Preqin. Excludes venture

<sup>6</sup> Source: Greenhill Cogent Secondary Market Trends & Outlook July 2016. Figures excluding real estate transactions

<sup>7</sup> Source: Greenhill Cogent Secondary Market Trends & Outlook July 2016

# Market Review

(CONTINUED)

with endowments and foundations, made up half of the market in the first half of 2016. Aside from transactions involving limited partnership stakes, GP manager-led transactions involving fund restructurings or secondary directs again played a significant part in the market, representing over 30%<sup>8</sup> of first half deal volume, up from 21% in 2015.

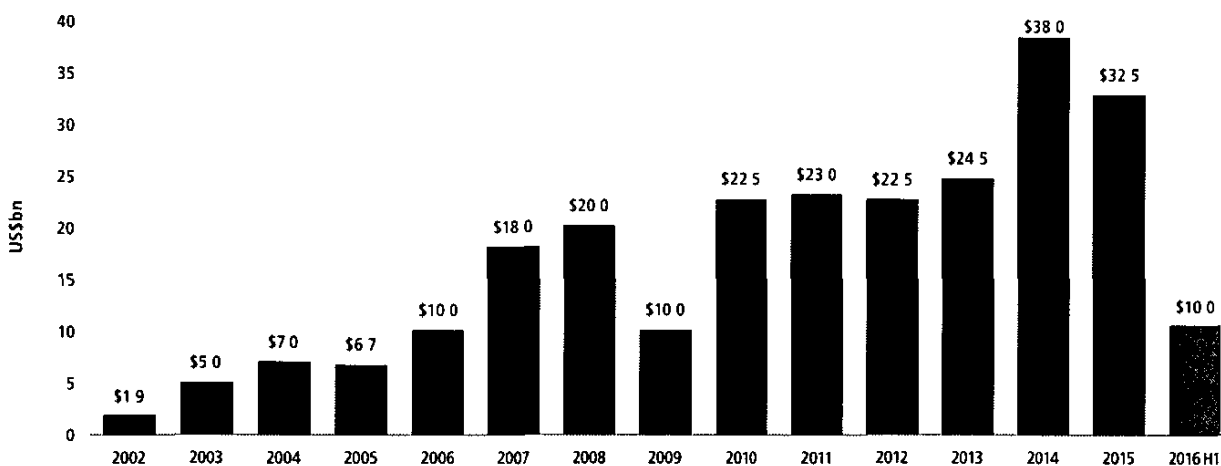
During the year, Pantheon screened over \$45bn of potential opportunities, committing \$888m to 13 different transactions, the majority of which involved purchases of individual fund stakes. Given the broader pricing environment, Pantheon's focus has been on funds with identifiable growth prospects at entry, including leading investments with strong growth prospects or where potential liquidity events can give rise to significant upside relative to holding valuations. Pantheon is able to use the privileged insights it receives from managers as a pre-eminent investor in private equity to target attractive secondary opportunities.

Given the improvement in public market sentiment, and the roster of sellers that have delayed activity from the first half of the year, the second half of the year is expected to see an increase in activity with intermediaries projecting overall 2016 deal flow to be only slightly behind the levels of 2015<sup>9</sup>.

## Pantheon continues to generate high quality co-investment opportunities

During the year, the co-investment market, mainly comprising sovereign wealth funds, pension funds, family offices and other co-investment funds, remained competitive. In addition, valuation and leverage levels of buyout transactions continued to be high. Despite these headwinds, Pantheon has been able to generate sufficient and high quality deal flow by proactively approaching deal sponsors and providing funding solutions in the underlying transactions. Pantheon competes effectively in the co-investment market in a variety of ways including being highly responsive to deal sponsors' timetables, participating in sizeable co-investments, co-sponsoring transactions early in the underwriting process and leveraging its industry network and portfolio company knowledge. Pantheon conducts a detailed due diligence process and has continued to co-invest in opportunities with strong downside protection, favourable demographic trends, attractive growth features and that, crucially, represent a strong sector, geographic and style fit with the investment strategy of the deal sponsors. Looking ahead, we expect to maintain our competitive position and deliver solid performances across the portfolio pursuant to our established co-investment strategy.

## Global Secondary Deals Transacted <sup>10</sup>



<sup>8</sup> As at the record date of 30th September 2015

<sup>9</sup> Lazard Review H1 2016

<sup>10</sup> Source: Greenhill, Cogent, Secondary Market Trends & Outlook, July 2016. Figures excluding real estate transactions



## Outlook

It is clear that private equity, along with other markets, is currently facing many challenges: slowing global growth, macroeconomic and political turbulence, as well as volatile equity and debt markets are all contributing to the uncertainty in the financial markets. These dynamics, along with the high asset prices, are prompting managers to consider even more carefully how and where they can achieve the best returns. However, it should be noted that these challenges can also present opportunities for those private equity managers who are able to manage assets through economic cycles and can effectively target industry sectors and geographies that are capable of outperformance. Market dislocations, mispricing and distressed situations can create deal opportunities for long-term investors. For example, Pantheon and its managers have been able to take advantage of the highly cyclical nature of the energy sector

and acquire assets at attractive prices. Selecting the best managers and deals are more important than ever and Pantheon has a solid track record of achieving those objectives.

Therefore while we are cautious on the medium-term global economic outlook and believe that valuations are still too high, we feel that the best response is to maintain our discipline by only investing in the most attractive value-creating deals. This backdrop also places a greater emphasis on freeing up capital where appropriate from older deals that have finished their value creation phase. While we do not get to choose the economic environment we face, we believe we are well-positioned to adapt to it and manage our assets accordingly.

## PIP's Portfolio



# Portfolio Overview

YEAR TO 30TH JUNE 2016

## 6.8%

Underlying (pre-FX)  
return relative to  
opening assets

## £252m

Distributions

## 29%

Distributions as a  
percentage of opening  
portfolio

## £190m

Net cash flow generated  
from PIP's portfolio

## £62m

Calls made from existing  
undrawn commitments

## £346m

New investment commitments,  
£192m of which was drawn

## 34%

Average uplift on  
exit realisations<sup>1</sup>

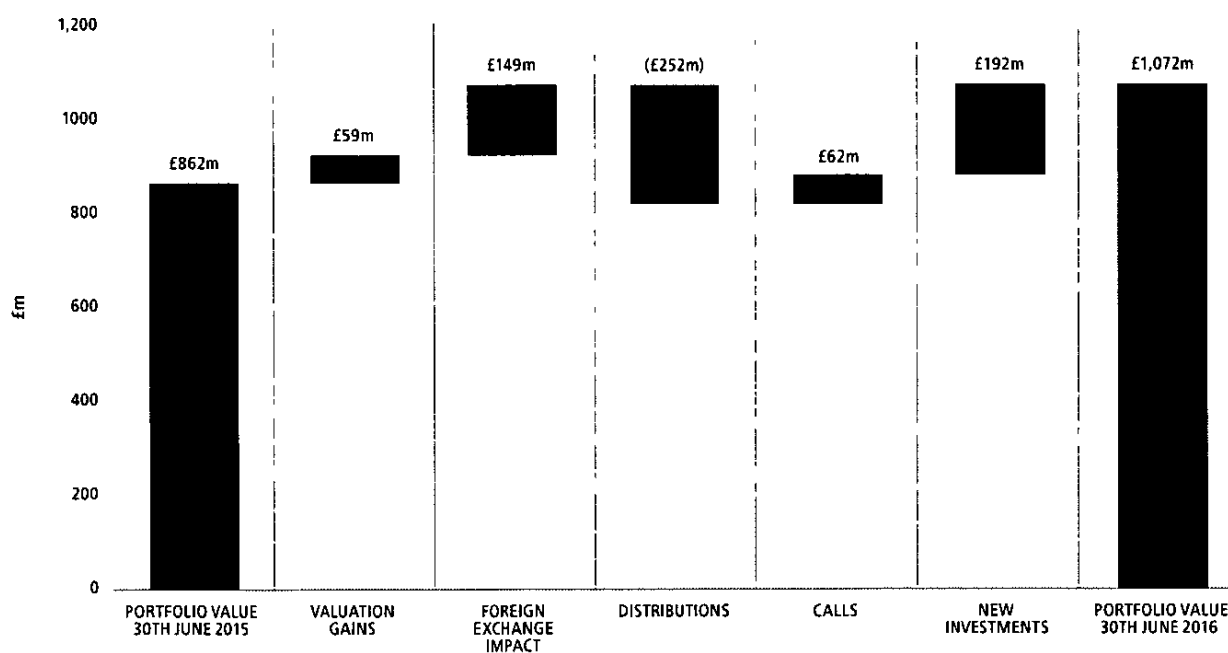
## £1,072m

Portfolio value

## 7.3 years

Weighted-average  
fund age of portfolio

### Private Equity Portfolio Movements



<sup>1</sup> Realisation events are classified as exit realisations when proceeds equate to at least 80% of total investment value and once confirmation of exit realisation is received from the manager. Uplift on full exit compares the value received upon realisation against the investment's carrying value up to six months prior to the transaction taking place. The analysis only includes exit realisations that occurred during the financial year and disregards the impact of any proceeds received outside of the six month period covered in the uplift analysis. Exit realisations represented approximately 46% of PIP's gross distributions for the year to 30th June 2016.

# Portfolio Overview

(CONTINUED)

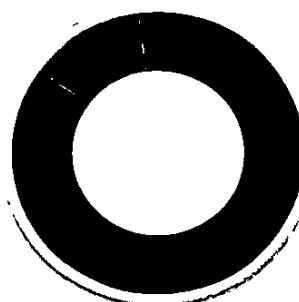
The Company offers a global, diversified selection of private equity assets, which have been carefully selected by Pantheon for their quality. The diversification of PIP's portfolio, with assets spread across different investment styles and stages, including buyout, venture and growth, and special situations, helps to reduce the volatility of both returns and cash flows. The maturity profile of the portfolio ensures that PIP is not overly exposed to any one vintage. PIP's geographical diversification extends its exposure beyond the US and Europe, to regions with higher rates of economic growth such as Asia.

## Portfolio Analysis by Value as at 30th June 2016<sup>1</sup>

### Fund Geography

The majority of PIP's geographical exposure is focused on the US and Europe, reflecting the fact that these regions have the most developed private equity markets.

Portfolio assets based in Asia and other regions provide access to faster-growing economies.



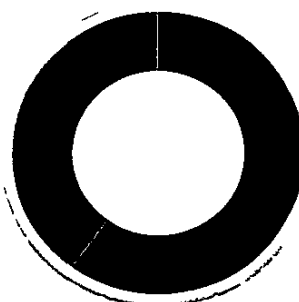
|                            |     |
|----------------------------|-----|
| ● USA                      | 58% |
| ● Europe                   | 27% |
| ● Asia and EM <sup>2</sup> | 13% |
| ● Global <sup>3</sup>      | 2%  |

### Fund Stage

PIP's portfolio is well diversified across different private equity investment styles and stages.

Buyout funds continue to constitute the majority of PIP's portfolio.

Special situation investments are comprised of funds investing primarily in the energy sector and distressed securities, as well as some mezzanine funds.



|                      |     |
|----------------------|-----|
| ● Small/Mid Buyout   | 32% |
| ● Large/Mega Buyout  | 28% |
| ● Venture            | 16% |
| ● Growth             | 14% |
| ● Special Situations | 9%  |
| ● Generalist         | 1%  |

## Pantheon Vehicles

At 30th June 2016, 3% of PIP's portfolio value and 2% of PIP's outstanding commitments were comprised of funds-of-funds directly managed by Pantheon. Pantheon is not entitled to management and commitment fees in respect of PIP's holdings in, and outstanding commitments to, the firm's managed

funds-of-funds vehicles. In addition, Pantheon has agreed that PIP will never be disadvantaged in terms of fees compared with the position it would have been in had it made investments directly into the underlying funds rather than indirectly through such funds-of-funds vehicles.

<sup>1</sup> Fund geography, stage, maturity and primary/secondary/co-investment charts are based upon underlying fund valuations and account for 100% of PIP's overall portfolio value. Company sector and company geography charts are based upon underlying company valuations as at 30th June 2016 and account for approximately c. 90% of PIP's overall portfolio value.

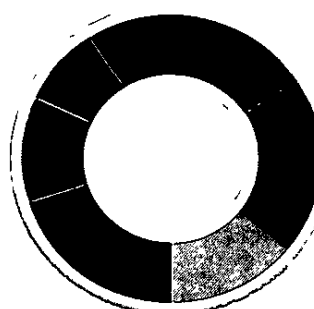
<sup>2</sup> EM: Emerging Markets. <sup>3</sup> Global category contains funds with no target allocation to any particular region equal to or exceeding 60%.

### Fund Maturity

The portfolio is well diversified by fund vintage

New primary commitments and co-investments increase PIP's exposure to more recent vintages, and the 2010 and later segment of the portfolio increased to 35% (from 19%) during the year

The portion of the portfolio exposed to funds that are older than 2010 has reduced to 65% compared to 81% last year

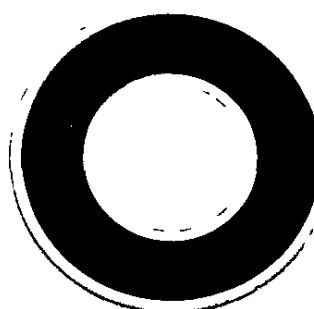


|                    |     |
|--------------------|-----|
| ● 2016             | 5%  |
| ● 2015             | 11% |
| ● 2014             | 7%  |
| ● 2013             | 4%  |
| ● 2010 - 2012      | 8%  |
| ● 2009             | 1%  |
| ○ 2008             | 14% |
| ● 2007             | 20% |
| ● 2006             | 12% |
| ● 2005             | 9%  |
| ● 2004 and earlier | 9%  |

### Investment Type

Secondary investments continue to constitute the largest component of PIP's portfolio

Co-investments are becoming a more established part of PIP's portfolio at 20% of value (from 13% as at 30th June 2015)

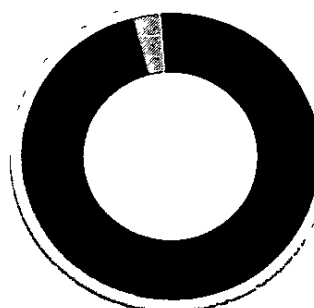


|                  |     |
|------------------|-----|
| ● Secondary      | 46% |
| ● Primary        | 34% |
| ● Co-investments | 20% |

### Company Sectors

PIP's sectoral exposure diversifies the effects of cyclical trends within particular industry segments

Relative to the FTSE All-Share and MSCI World indices, PIP has greater exposure to information technology, and lower exposure to the banking mining and energy sectors



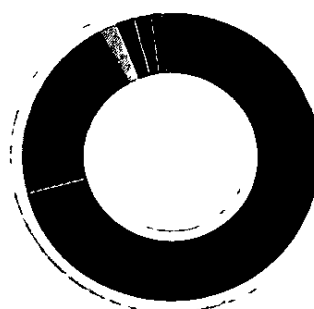
|                              |     |
|------------------------------|-----|
| ● Consumer                   | 28% |
| ● Information Technology     | 26% |
| ● Healthcare                 | 15% |
| ● Industrials                | 13% |
| ● Financials                 | 8%  |
| ● Energy                     | 6%  |
| ○ Materials                  | 3%  |
| ● Telecommunication Services | 1%  |

### Company Geography

Over half of the portfolio is invested in companies based in North America, which benefit from greater capital market scope and depth

PIP's European exposure, which represents approximately a third of the portfolio, is predominantly in companies based in the stronger Northern European economies, including the UK Scandinavia and Germany

16% of PIP's portfolio is based in Asia and other regions, providing access to faster-growing economies such as China and India



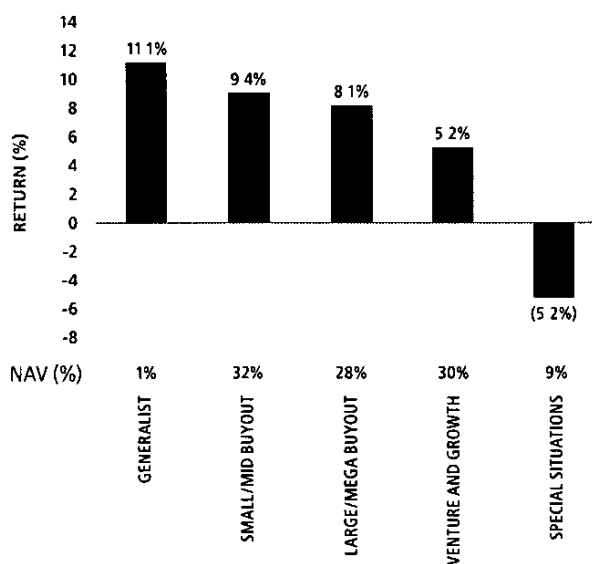
|                              |     |
|------------------------------|-----|
| ● North America              | 55% |
| ● Asia                       | 16% |
| ● UK                         | 9%  |
| ● Scandinavia                | 4%  |
| ● Germany                    | 4%  |
| ● Central and Eastern Europe | 4%  |
| ○ France                     | 2%  |
| ● Benelux                    | 2%  |
| ● Other Europe               | 2%  |
| ● Italy                      | 1%  |
| ● Iberia                     | 1%  |

# Portfolio Analysis

## Portfolio Performance by Stage for the Year to 30th June 2016<sup>1</sup>

- PIP's portfolio generated investment returns, prior to foreign exchange effects of 6.8% during the year
- Buyouts showed strong performance during the period
- Special Situations include energy assets which underperformed during the year, mainly as a result of declining oil prices

### Portfolio Return Year to 30th June 2016

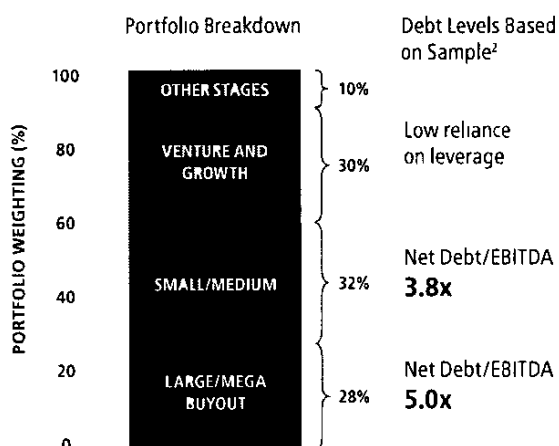


## Debt Multiples<sup>2</sup>

Venture, growth and buyout investments have differing leverage characteristics

- The Venture and Growth portfolio has little or no reliance on leverage
- Debt multiples in PIP's underlying companies indicate an increased dependence on leverage
- The average debt multiple for large/mega buyouts increased from 4.7 times to 5.0 times between 30th June 2015 and 30th June 2016, while the average debt multiple for small/mid buyouts increased from 3.7 times to 3.8 times during the same period

### PIP Portfolio at 31st December 2015

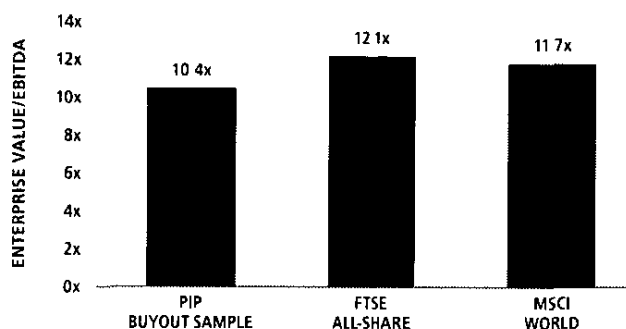


# Portfolio Analysis – Buyout

## Valuation Multiple<sup>2</sup>

- Accounting standards require private equity managers to value their portfolio at fair value. Public market movements can be reflected in valuations.
- Sample-weighted average enterprise value/EBITDA for the year to 31st December 2015 was 10.4 times, compared to 12.1 times and 11.7 times for the FTSE All-Share and MSCI World indices.

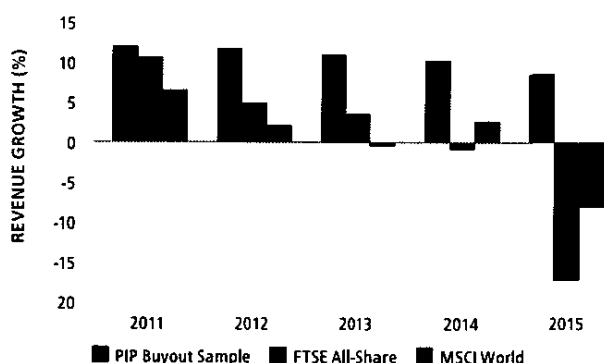
Valuation Multiple as at 31st December 2015



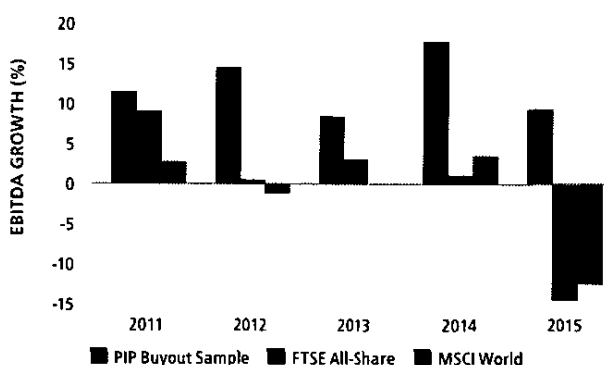
## Revenue and EBITDA Growth<sup>2</sup>

- Weighted average revenue growth for the sample buyout companies was +8.5% in the 12 months to 31st December 2015, compared to -17.0% and -8.0% for the FTSE All-Share and MSCI World indices.
- Weighted average EBITDA growth for the sample buyout companies was +9.3% in the 12 months to 31st December 2015, compared to -14.2% and -12.2% for the FTSE All-Share and MSCI World indices.
- Strong top-line performance, disciplined cost control and good earnings growth, together with an efficient use of capital, underpin the investment thesis of many private equity managers.

Annual Revenue Growth PIP Sample vs Indices



Annual EBITDA Growth PIP Sample vs Indices



<sup>1</sup> Portfolio stage returns include income, exclude gains and losses from foreign exchange movements, and look through feeders and funds-of-funds to the underlying funds.

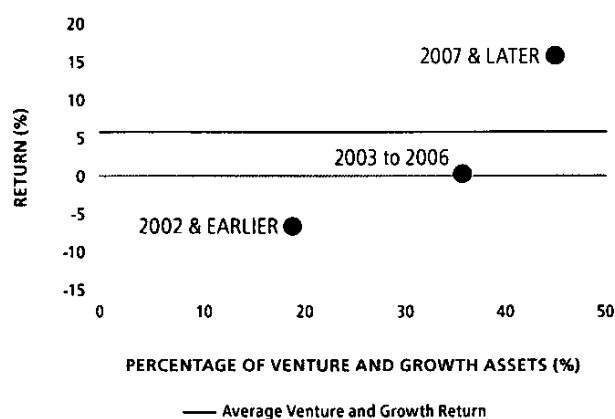
<sup>2</sup> The data is based on a sample of PIP's buyout funds. Buyout Sample Methodology: The sample buyout figures for the 12 months to 31st December 2015 were calculated from the companies, where information was available. The figures are based on unaudited data. The revenue and EBITDA figures were based upon the last 12 months to 31st December 2015 or, where not available, the closest annual period disclosed, and provide coverage of 65% and 61% (for revenue and EBITDA growth) of PIP's buyout portfolio. Individual company revenue and EBITDA growth figures were capped between +100% and -100% to avoid large distortions from excessive outliers. Sample data for 2011-2015 is based on the same methodology and provides coverage of 60-75% of the portfolio in each year. Enterprise value is defined as carrying value + net debt. The net debt and enterprise value figures were based on underlying valuations as at 31st December 2015 or the closest period end disclosed. The valuation multiple sample covers approximately 38% of PIP's buyout portfolio. The debt multiple sample covers 57% of PIP's buyout portfolio. Data sourced from Bloomberg.

# Portfolio Analysis – Venture and Growth

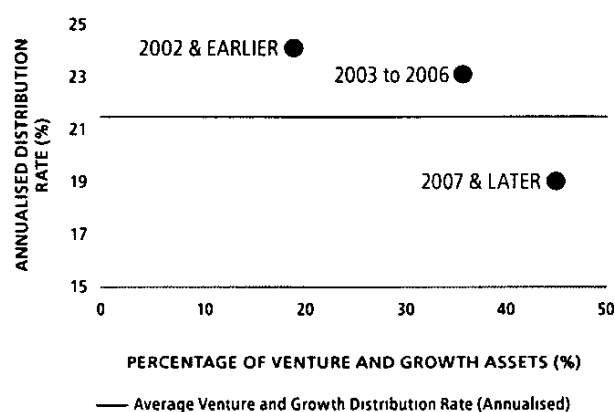
## Venture and Growth Portfolio Analysis

- Before foreign exchange effects, PIP's venture and growth funds generated a return of approximately 5% in the year to 30th June 2016
- Although vintage 2006 and earlier funds generated flat returns during the year, these vintages continue to produce substantial levels of distributions
- 2007 and later funds, which constitute the largest segment of the venture and growth portfolio (just under half) generated pre-FX returns of 16% and distributed at an annualised rate of 22% of opening assets

### Venture and Growth Returns<sup>1</sup> Year to 30th June 2016



### Venture and Growth Distributions<sup>2</sup> Year to 30th June 2016



<sup>1</sup> Returns exclude gains from foreign exchange movements

<sup>2</sup> Distribution rate equals distributions in period divided by opening portfolio value



# Consumer

Within PIP's portfolio, we continue to see managers taking advantage of investment opportunities in the consumer sector with the potential for consolidation, geographic or product expansion.

## Key Data<sup>1</sup>

- % of PIP NAV (30 June 2016) 28%
- Average EV/EBITDA 10.4x
- Average Revenue Growth 8%
- Average EBITDA Growth 7%
- Average Net Debt to EBITDA 4.6x

## Trends

- Evolving consumer and social patterns
- Ageing demographics in developed regions
- More disposable income and access to credit in developing economies
- Increase in consumer awareness and demand for sustainable products

## Examples of Private Equity Focus

- Market leaders with strong brands
- Niche brands in growth sectors
- Lifestyle trends
- Consumption patterns amongst ageing populations
- E-commerce and social media platforms

Growth in the global economy is expected to be sluggish in 2016<sup>2</sup> and while the US and many parts of Europe are perceived to have benefited from lower oil prices and a gradual decline in national unemployment rates, sentiment has remained subdued. Despite this trend, consumer spending is still expected to be the main driver of growth in many regions.

Private equity managers are very active in the consumer sector and changing demographics across both developed and developing economies continue to provide new investment opportunities. Global consumption has shifted towards services as the retired and elderly spend more on health and lifestyle activities while the emerging middle classes in developing economies enjoy greater access to a wider range of goods and services. As a result of the move to digital consumers are more connected than ever before and more informed when making their purchasing decisions, private equity managers are at the forefront of assisting companies to exploit the potential that these channels offer and are helping them to increase market share. In addition, education remains a key area of focus for private equity and educational materials and publishing companies continue to be a source of opportunity for PIP.

By recognising the trends that underpin the consumer sector and adopting a more thematic approach, leading private equity managers are building out their portfolios with assets that have the potential to deliver outperformance.

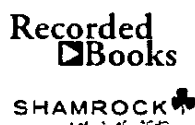
PIP seeks to invest in assets that

- Have the potential for consolidation or geographical/product expansion
- Are taking advantage of digital platforms to increase exposure and customer engagement

## Case studies

### RECORDED BOOKS £4.6m Co-investment

(Shamrock Growth Capital)



#### Investment Rationale

- Largest global independent publisher of unabridged audiobooks and a leading provider of digital content
- Upside growth in transitioning of audiobook content to digital platforms
- Market leader in proprietary content and platform provision
- Attractive margin and cash generation profile

### MELITA £2.3m Co-investment

(Apax France)



#### Investment Rationale

- The leading quadruple (fixed, mobile, internet, pay TV) operator offering converged telecommunication services in Malta
- Scope to accelerate growth in several product verticals
- Sponsor and industrial partner with solid telecom franchise track record

<sup>1</sup> Apart from sector value as a proportion of PIP's NAV, the key data is based on information provided by General Partners ("GPs") and derived from a sample of PIP's buyout funds. **Buyout Sample Coverage:** Data includes financials made available by GPs for PIP's active buyout investments. Revenue and EBITDA figures were based upon the last 12 months to 31st December 2015 or where not available, the closest annual period disclosed, and provide coverage of 69% and 52% (for revenue and EBITDA growth respectively) of PIP's consumer buyout portfolio. Individual company revenue and EBITDA growth are capped between +100% and -100% to avoid skewing by excessive outliers. Enterprise value is defined as equity value + net debt. Enterprise value and net debt figures were based on information as at 31st December 2015 or the closest period end disclosed. The valuation multiple sample covers 42% of PIP's consumer buyout portfolio while the net debt multiple sample covers 54%.

<sup>2</sup> World Bank, Global Economic Prospects Divergences and Risks, June 2016

# Information Technology

Information Technology continues to be an important sector in PIP's portfolio. Our focus is on investing in both traditional technology buyout companies as well as later stage growth companies. During the year, technology companies represented the largest source of exits for PIP's portfolio.

## Key Data<sup>1</sup>

- % of PIP NAV (30 June 2016) 26%
- Average EV/EBITDA 12.1x
- Average Revenue Growth 8%
- Average EBITDA Growth 10%
- Average Net Debt to EBITDA 4.9x

## Trends

- Increased focus on software solutions
- Growth in "as-a-Service" delivery models as companies seek to increase productivity operate lean IT delivery models and upgrade legacy systems
- Increased use of technology by financial institutions and service providers

## Examples of Private Equity Focus

- Cloud computing and vertical software applications
- Big Data, analytics and data platforms
- Cyber security
- Technology-enabled services

There has been an increased focus on the software segment within the Information Technology sector with cloud computing and cyber security continuing to be key themes. Although "as-a-Service" delivery is not a new concept, the penetration of cloud infrastructure and applications has supported a generational shift in computing and the use of cloud solutions is expected to account for c. 60% of the total enterprise work streams feeding into individual projects by 2018<sup>2</sup>. As technology and data start to play increasingly critical roles, companies and governments may find themselves more vulnerable to cyber breaches. As a response to this, the US Government has announced that it plans to spend over \$19bn on cyber security in 2017<sup>3</sup> – representing an increase of 35% on its budget for 2016 – while the EU launched the first region-wide legislation on cyber security in December 2015.

Other areas such as mobile data analytics, website hosting and technology enhancement continue to be of interest to private equity managers. For example FinTech – a rapidly growing sub-segment – is enabling financial institutions and service providers to respond to regulatory change and provide a faster, more efficient transactional experience to their customers.

Private equity managers with sector knowledge and a strong track record have shown that businesses in the IT industry are able to deliver sustainable returns.

In particular, PIP seeks to gain exposure to:

- Scalable, high recurring revenue business models that address evolving technology requirements
- Traditional technology buyout companies as well as late stage growth companies

## Case studies

### LOGICMONITOR £2.0m Co-investment

(Providence Strategic Growth Capital)

### LogicMonitor

#### Investment Rationale

- The company provides solutions which improve network performance of cloud and on-site infrastructures
- Opportunity to accelerate growth through building the sales team and capitalising on a large expanding market

### ACT £4.0m Co-investment

(India Value Fund Advisors)



INDIA VALUE FUND

#### Investment Rationale

- Fourth largest and fastest growing wired broadband company in India
- Indian market is underpenetrated for wired broadband with only 6% penetration (38% in China and 75% in developed markets)
- Management has demonstrated a solid track record of gaining market share in markets despite intense competition

<sup>1</sup> All other data attributes are the same as foot note 1 under consumer sector on page 31 except for sample coverages

**Information Technology Buyout Sample Coverage** This covers 57% and 48% (for revenue and EBITDA growth respectively) of PIP's information technology buyout portfolio. The valuation multiple sample covers 32% of PIP's IT buyout portfolio while the net debt multiple sample covers 46%.

<sup>2</sup> Cybersecurity National Action Plan published by The White House, 9 February 2016 <sup>3</sup> Saugatuck Technology 2014 (Global) Cloud/Digital Business Survey

# Healthcare

During the year, valuations have remained high in the healthcare sector. PIP has benefited from this as managers have been actively selling in the favourable exit environment.

## Key Data<sup>1</sup>

- % of PIP NAV (30 June 2016) 15%
- Average EV/EBITDA 12.0x
- Average Revenue Growth 9%
- Average EBITDA Growth 15%
- Average Net Debt to EBITDA 5.2x

## Trends

- Demographic changes: longer life expectancy and ageing populations
- Growing demand for high quality and accessible healthcare in developing economies
- Pressure on governments to deliver cost-effective healthcare services in greater volumes
- Increased use of information technology to deliver innovative healthcare solutions and analytics

## Examples of Private Equity Focus

- Speciality pharmaceuticals
- Testing and research laboratories
- Healthcare cost management solutions
- Specialist care sectors
- Medical device innovation
- Healthcare provider and related services
- Healthcare information technology (HCIT) products and services

Healthcare accounts for a large portion of GDP in many countries and, due to the sector's resilience through economic cycles, it continues to be an attractive investment opportunity for private equity. Valuations have remained high as private equity managers searching for superior assets compete against corporate buyers wishing to consolidate and build scale within their businesses. However, the presence of corporate buyers in the sector has also created a favourable exit environment for private equity managers and 2015 was a strong year for exits for PIP's healthcare portfolio. Although the majority of private equity deals were completed in North America and Europe, there has also been increased activity in emerging economies.

Changing demographics is driving demand for better quality care and services for patients, and an increased focus on disease prevention and cure. Healthcare providers recognise that technological innovation, data collection and analytics can contribute towards achieving these objectives. The "2030 Agenda"<sup>2</sup>, which was adopted by the United Nations General Assembly in September 2015 and came into force on 1 January 2016, is also likely to have a significant impact on health monitoring and reporting and may influence governments' policies on healthcare provision.

PIP remains disciplined in its approach to assessing investment opportunities in the healthcare sector and evaluating pricing levels against potential returns.

PIP targets investments with characteristics such as

- Business models that have large addressable markets
- Emerging economy exposure
- Limited or stable reimbursement risk
- Businesses that enhance the overall value proposition of healthcare products and services
- Smaller transactions and buy-and-build strategies

## Case studies

**PAR PHARMACEUTICALS**  
£7.4m distribution



### Investment Rationale

- American business which engages in developing, licensing, manufacturing, marketing, and distributing generic and branded products primarily in the United States

**ATTENDO**  
£13.7m distribution



### Investment Rationale

- Nordic provider of outsourced social and healthcare services in Sweden, Finland, Denmark and Norway
- Listed on the Swedish stock exchange

<sup>1</sup> All other data attributes are the same as footnote 1 under consumer sector on page 31, except for sample coverages

**Healthcare Buyout Sample Coverage** This covers 78% and 55% (for revenue and EBITDA growth respectively) of PIP's healthcare buyout portfolio. The valuation multiple sample covers 35% of PIP's healthcare buyout portfolio while the net debt multiple sample covers 43%.

<sup>2</sup> Transforming our world: the 2030 Agenda for Sustainable Development, United Nations, 2015

# Industrials

The industrials sector is diverse and PIP's portfolio is invested in assets ranging from transportation to commercial and professional services. Consolidation within industry segments, coupled with the trend towards outsourcing non-core business processes are expected to continue to provide substantial opportunities for the private equity industry.

## Key Data<sup>1</sup>

- % of PIP NAV (30 June 2016) 13%
- Average EV/EBITDA 9.2x
- Average Revenue Growth 6%
- Average EBITDA Growth 7%
- Average Net Debt to EBITDA 4.4x

## Trends

- Investment in R&D
- Product/process improvements
- Focus on cost efficiency and higher productivity

## Examples of Private Equity Focus

- Consolidation opportunities in a fragmented sector
- Outsourced business processes for greater specialisation and efficiency
- Technology-led innovation in processes and products

Industrials comprises a wide range of companies from those that provide manufactured products to companies offering professional business services. The sector is highly cyclical with demand typically dependent upon corporate spending activity, which in turn is subject to the health of individual economies. Although the number of deals completed in 2015 was lower than the amount recorded in 2014, the sector is expected to continue to provide substantial opportunities for the private equity industry as many companies focus on streamlining processes and delivering improved products or services both quicker and more cost-effectively.

As a result of the potential impact of the cycle, we focus on managers with a track record of successful investments across multiple business cycles, and those with extensive experience of investing in the sector, founded upon a well-researched view of important trends.

PIP seeks to gain exposure to

- Mid-market buyouts that are responding to the increased trend in outsourcing non-core business services
- Assets that have the potential for consolidation, geographical/product expansion or operational improvements
- Companies incorporating technology-led solutions that increase productivity and reduce costs for clients

## Case studies

**SF FILTER**  
£1.9m Co-investment  
(Ambienta)



### Investment Rationale

- Leading distributor of mobile and industrial filters across Europe
- Value creation from both organic and acquisitive growth
- Diversified revenue streams

**VISTRA-ORANGEFIELD**  
£3.5m Co-investment  
(Baring Private Equity Asia)



### Investment Rationale

- Global provider of corporate and trust services
- Asset-light business with high recurring revenues and strong cash conversion
- Value creation through accretive bolt-ons and revenue and operational improvement opportunities

<sup>1</sup> All other data attributes are the same as footnote 1 under consumer sector on page 31 except for sample coverages

**Industrials Buyout Sample Coverage** This covers 56% and 46% (for revenue and EBITDA growth respectively) of PIP's industrials buyout portfolio. The valuation multiple sample covers 39% of PIP's industrials buyout portfolio while net debt multiple samples covers 48%.

# Distributions in the Year to 30th June 2016

PIP received more than 1,700<sup>1</sup> distributions in the year, with many reflecting realisations at significant uplifts to carrying value. PIP's mature portfolio should continue to generate significant distributions.

## Distributions

### Distributions by Region and Stage

PIP received £252m in proceeds from the portfolio in the year to 30th June 2016 equivalent to 29% of opening private equity assets.

The US accounted for the majority of PIP's distributions, where market conditions supported a good level of exits among larger buyouts.

Europe continues to generate significant distributions despite its lower portfolio weighting.



|                  |     |
|------------------|-----|
| ● USA            | 53% |
| ● Europe         | 34% |
| ● Asia and other | 13% |

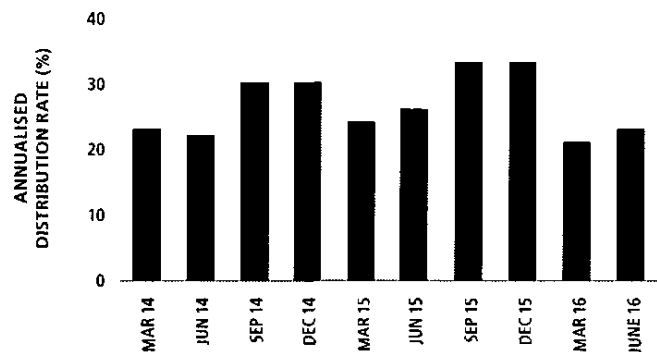


|                      |     |
|----------------------|-----|
| ● Small/Mid Buyout   | 32% |
| ● Large/Mega Buyout  | 42% |
| ● Venture and Growth | 21% |
| ● Special Situations | 3%  |
| ● Generalist         | 2%  |

## Distribution Rates

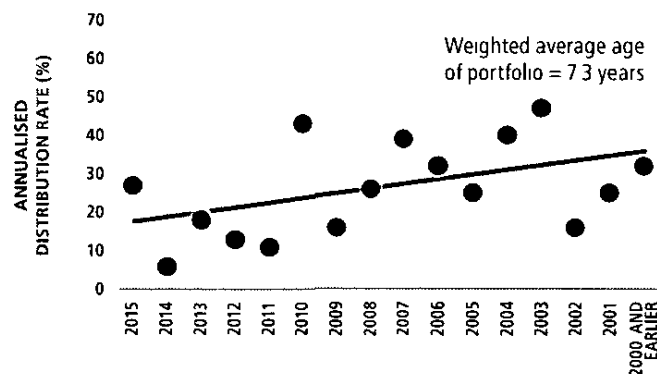
### Quarterly Distribution Rates<sup>2</sup>

Quarterly distribution rates remain strong, averaging at around 29% on an annualised basis during the year. The high distribution rates seen in the early part of PIP's financial year have moderated in the second half to be in line with long-term average distribution levels.



### Distribution Rates<sup>2</sup> in the Full Year to 30th June 2016 by Vintage

Mature vintages continue to distribute at higher rates, with 2009 and earlier funds distributing at an average rate of 30% of opening value. With a weighted fund maturity of 7.3 years, PIP's portfolio should continue to generate significant distributions.



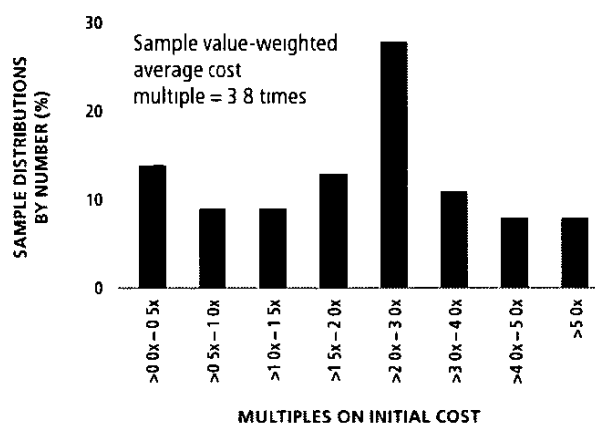
<sup>1</sup> This figure looks through feeders and funds-of-funds. <sup>2</sup> Distribution rate equals distributions in the period (annualised) divided by opening portfolio value.

# Exit Realisations in the Year to 30th June 2016

## Cost Multiples on Exit Realisations for the Year to 30th June 2016<sup>1</sup>

The chart shows (where information was available) the range of multiples on initial cost achieved by the underlying fund manager on exit realisations during the year. The value-weighted average cost multiple of the sample was 3.8 times, highlighting significant value creation over the course of an investment.

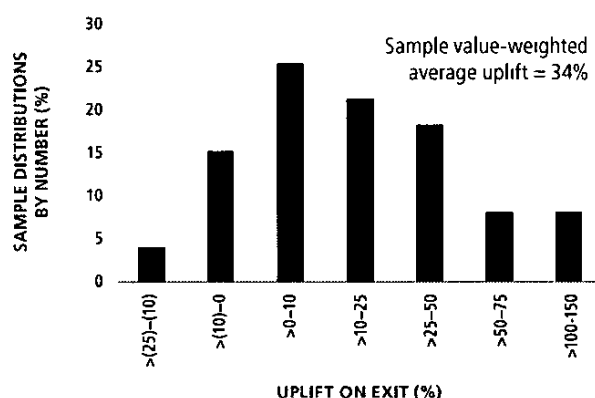
<sup>1</sup> The data in the sample represented approximately 46% by value of PIP's gross distributions for the year to 30th June 2016. A company with an excessively high multiple (>50 times) was removed from this analysis to avoid skewing of overall results. The data is based upon gross cost multiples available at the time of the distribution.



## Uplifts on Exit Realisations for the Year to 30th June 2016<sup>2</sup>

The chart shows the range of uplifts achieved by the underlying fund manager on exit realisations in the year. The value-weighted average uplift in the year was 34%. This average uplift is consistent with our view that realisations can be significantly incremental to returns. PIP's mature portfolio is well-placed to continue to generate a good level of distributions from exit realisations in the coming year.

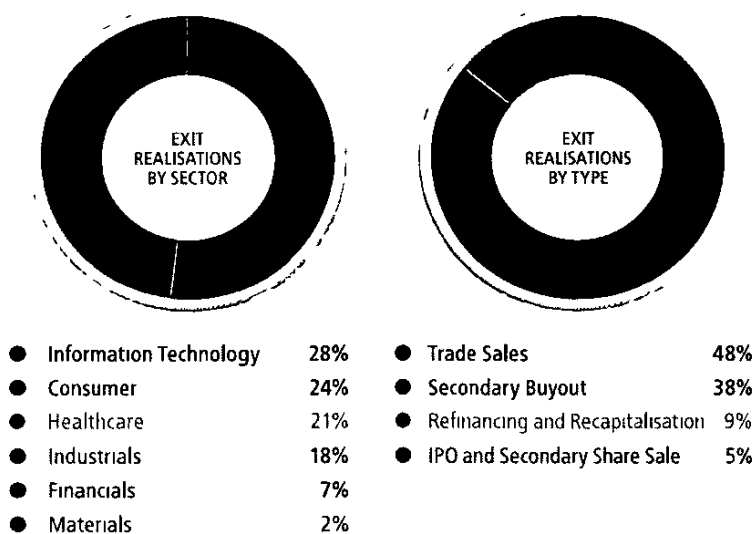
<sup>2</sup> Realisation events are classified as exit realisations when proceeds equate to at least 80% of total investment value and once confirmation of exit realisation is received from the manager. Uplift on full exit compares the value received upon realisation against the investment's carrying value up to six months prior to the transaction taking place. The analysis only includes exit realisations that occurred during the year and disregards the impact of any proceeds received outside of the 12 month period covered in the uplift analysis. Exit realisations represented approximately 46% of PIP's gross distributions for the year to 30th June 2016.



## Exit Realisations by Sector and Type

The portfolio benefited from strong realisation activity, particularly in the healthcare, consumer and information technology sectors.

Trade sales and secondary buyouts represented the most significant source of exit activity during the year.



# Distributions Case Studies

## Classic Fine Foods



|                            |                             |
|----------------------------|-----------------------------|
| Location                   | Singapore                   |
| Sector                     | Consumer                    |
| Sub-Sector                 | Food Distributors           |
| Stage                      | Buyout                      |
| PIP Distribution/GP Return | £4.5m / 3.9x cost (£ basis) |

### Company Summary

Classic Fine Foods is a leading multi-national importer and distributor of fine foods serving the vast majority of five-star hotels and high-end restaurants in Asia. The company has operations in twelve markets, Singapore, Hong Kong, Japan, Malaysia, Vietnam, Indonesia, Philippines, Thailand, Macau, United Arab Emirates, United Kingdom and China.

### GP Investment & Thesis

- **Attractive underlying market:** Extensive exposure to fast-growing Asia driven by continued major demand for fine foods due to increasing disposable incomes, luxury hotel growth and an increasing number of high-end Western full service restaurants.
- **Strong market position:** Excellent track record with strong country level management teams and solid brand portfolio and customer base.
- **Significant scope for value addition:** Both organic growth and acquisition opportunities, reduction of costs through improved logistics and better working capital management.

### PIP Investment & Thesis

PIP invested as part of a secondary investment in EQT Greater China II Fund. Key merits of the commitment were:

- **GP expertise:** Strong fit with EQT Greater China experience within foods, hospitality and Asian distribution businesses with a unique Europe-Asia angle.
- **Growing companies:** The underlying portfolio sales are diversified across different markets in Asia and are well positioned to capitalise on the opportunities in their respective markets.

### Value Creation

- **Enhance organic growth:** Classic Fine Foods recorded double-digit top line growth by improving procurement and expanding product range.
- **Cost structure improvement:** Enhanced coordination of procurement coupled with price increases and change in product mix resulted in improved margins.

### Exit

- METRO Group acquired Classic Fine Foods group from EQT Greater China II Fund.
- The investment generated a gross return of **3.9x** MOIC and **33%** IRR for EQT Greater China II Fund.
- PIP received proceeds of **£4.5m** from the exit.

## King Digital Entertainment



|                            |                              |
|----------------------------|------------------------------|
| Location                   | United Kingdom               |
| Sector                     | Information Technology       |
| Sub-Sector                 | Internet Software & Services |
| Stage                      | Venture and Growth           |
| PIP Distribution/GP Return | £5.1m / 93.0x (£ basis)      |

### Company Summary

King Digital Entertainment is a market leader in mobile and social gaming. Founded in 2003, the company initially focused on web-based games. Following the rapid market growth of social networks and smart devices, King's business transitioned to focus on these platforms where it became a market leader. King develops and markets industry leading franchises such as Candy Crush Saga, amongst others, to a monthly audience of over 400m active users. At the time of exit, the company had over 1700 employees, primarily located in the UK, Sweden and Spain.

### GP Investment & Thesis

- **Attractive underlying market:** Large market potential for games.
- **Strong management:** Team with an expertise in monetising free-to-play games.
- **Reasonable valuation:** Equitable entry valuation given growth and addressable market potential.

### PIP Investment & Thesis

PIP invested as part of a primary investment in Apax Europe VI Fund. Key merits of the commitment were:

- **Value creation capabilities:** Apax's track record contains numerous examples of the GP assisting the build-out of operations to scale to create international sector leaders.
- **Expansion strategy:** The GP is capable of implementing strategies tailored to the opportunities and challenges of the companies.

### Value Creation

- **Successful transformation:** Company moved away from being a web-based casual games provider to a social/mobile company in the 2009-2012 time period via aggressive investment, experimentation and innovation.
- **World-leading mobile games 'factory':** Built and scaled capabilities in game creation via use of big data to optimise games and mobile marketing.

### Exit

- The investment generated a gross return of **93.0x** money multiple.
- PIP received proceeds of **£5.1m** from the exit.

# Distribution Examples

## Health

### Attendo

Nordic provider of outsourced social and healthcare services in Sweden, Finland, Denmark and Norway

**Distributions** £13.7m  
**Cost multiple** Confidential



American business which engages in developing, licensing, manufacturing, marketing, and distributing generic and branded products primarily in the United States

**Distributions** £7.4m  
**Cost multiple** Confidential

## Information Technology

### Netsmart

American business which provides on demand and enterprise-wide software solutions to health services providers and payers in the United States

**Distributions** £2.6m  
**Cost multiple** Confidential



American business providing website design, hosting tools and services to churches and ministries

**Distributions** £9.2m  
**Cost multiple** Confidential

## Consumer



Owner and operator of a chain of coffee bars. This is a large Nordic coffee chain

**Distributions** £1.1m  
**Cost multiple** 5.7x



World Triathlon Corporation. An American business which owns and organises Ironman and Ironman-branded events for athletics

**Distributions** £3.2m  
**Cost multiple** 3.8x

## Industrial



British provider of professional advice and compliance packages to business clients in the United Kingdom

**Distributions** £1.5m  
**Cost multiple** 5.4x



French manufacturer of security railings, metal curtains, and mechanical shutters for shops in France

**Distributions** £1.0m  
**Cost multiple** 2.0x



## Largest 50 Distributions During the Year to 30th June 2016

| COMPANY                                | SECTOR                     | DESCRIPTION  | COMPANY DISTRIBUTIONS £M |
|--|----------------------------|--|--------------------------|
| Attendo                                | Healthcare                 | Outsourced health and social care in the Nordics                               | 13.7                     |
| Ministry Brands                        | Information Technology     | Cloud software for faith-based organisations                                   | 9.2                      |
| Par Pharmaceutical Companies           | Healthcare                 | Generic and branded pharmaceuticals  | 7.4                      |
| ATI                                    | Healthcare                 | Orthopaedic rehabilitation clinics operator in the USA                         | 5.6                      |
| King Digital Entertainment             | Information Technology     | Operates a skill gaming site   | 5.1                      |
| Classic Fine Foods                     | Consumer                   | Warehousing and distribution of food products                                  | 4.5                      |
| Vertafore                              | Information Technology     | Software solutions provider to the insurance industry                          | 3.9                      |
| Bibby Scientific                       | Information Technology     | Manufacturer of laboratory products  | 3.7                      |
| Xeikon                                 | Industrials                | Digital printing and prepress equipment for graphics industry worldwide        | 3.5                      |
| Asurion                                | Industrials                | Provides insurance to wireless carriers and subscribers globally               | 3.4                      |
| World Triathlon Corporation (Ironman)  | Consumer                   | Owns and organises Ironman and Ironman branded events for athletics            | 3.2                      |
| CDW Corporation                        | Information Technology     | Information Technology services and products in North America                  | 3.0                      |
| Guardian Financial Services            | Financials                 | Life insurance and pension products  | 2.7                      |
| Netsmart Technologies                  | Information Technology     | Enterprise-wide software solutions to the health industry                      | 2.6                      |
| Attachmate Corporation                 | Information Technology     | File transfers and enterprise fraud management software                        | 2.4                      |
| Healthe Care Australia                 | Healthcare                 | Private hospital health care services in Australia                             | 2.4                      |
| Property Portfolio                     | Financials                 | Distribution centres and manufacturing sites in the UK                         | 2.3                      |
| Molycorp Inc                           | Industrials                | Manufactures rare metal materials globally                                     | 2.3                      |
| Meat Processing Systems                | Industrials                | Manufactures meat processing systems globally                                  | 2.2                      |
| Zayo Group                             | Telecommunication Services | Bandwidth infrastructure and interconnection services                          | 2.1                      |
| Freescall Semiconductor                | Information Technology     | Manufactures and designs embedded processing solutions                         | 2.1                      |
| SRA International                      | Information Technology     | Technology and strategic consulting services to the US government              | 1.8                      |
| Qunar Cayman Islands                   | Consumer                   | Online travel commerce platform for travel service providers                   | 1.8                      |
| MRH                                    | Consumer                   | Fuel distribution and retail   | 1.7                      |
| Healthscope                            | Healthcare                 | Healthcare services  | 1.7                      |
| Too Faced Cosmetics                    | Consumer                   | Manufactures and distributes cosmetics   | 1.5                      |
| Fleet Partners                         | Industrials                | Leasing and fleet management services in Australia and New Zealand             | 1.5                      |
| Citation                               | Industrials                | Professional advice and compliance packages in the UK                          | 1.5                      |
| PETCO Animal Supplies                  | Consumer                   | Specialty retailer of pet products in the USA                                  | 1.5                      |
| Landmark Aviation                      | Industrials                | Largest fixed base operation networks in the world                             | 1.5                      |
| Grupo Bellver Candela                  | Financials                 | Property registration and documentation services                               | 1.5                      |
| Polar                                  | Industrials                | Manufactures dry and liquid bulk freight tank trailers                         | 1.4                      |
| Ringier Digital                        | Information Technology     | Online marketplaces for vehicles, properties and classified advertisements     | 1.3                      |
| Paycom                                 | Industrials                | Online payroll and human resource management services                          | 1.3                      |
| 360 Treasury Systems                   | Information Technology     | Web-based multi-bank and multi-asset financial trading platform                | 1.3                      |
| SiteCore A/S                           | Information Technology     | Web content management and online engagement software solutions                | 1.2                      |
| Brightree                              | Healthcare                 | Billing and business management software for health professionals              | 1.1                      |
| Avalere Health                         | Healthcare                 | Business strategy and public policy for healthcare clients                     | 1.1                      |
| synlab                                 | Healthcare                 | Laboratory medical diagnostics and environmental analysis                      | 1.1                      |
| AlliedBarton Security Services         | Industrials                | Contract security company in the USA   | 1.1                      |
| Recorded Books                         | Consumer                   | Publishes audiobooks and digital content                                       | 1.1                      |
| William Prym                           | Consumer                   | Produces sewing and fastening solutions for clothes                            | 1.1                      |
| Power-One                              | Information Technology     | Power supply products for renewable energy                                     | 1.1                      |
| Vormetric                              | Information Technology     | Encryption and key management solutions  | 1.1                      |
| EWOS AS                                | Consumer                   | Fish feed and nutrition for aqua culture                                       | 1.1                      |
| Espresso House                         | Consumer                   | Operates chain of coffee bars  | 1.1                      |
| The Aristotle Corporation              | Industrials                | Educational, healthcare, medical technology, and agricultural products         | 1.0                      |
| La Toulousaine                         | Industrials                | Security railings, metal curtains, and mechanical shutters for shops in France | 1.0                      |
| Avolon Aerospace Leasing               | Industrials                | Aircraft leasing and lease management services to airlines                     | 1.0                      |
| First Eagle Investment Management      | Financials                 | A North American investment manager  | 1.0                      |
| <b>TOTAL</b>                           |                            |  | <b>124.8</b>             |
| <b>COVERAGE OF TOTAL DISTRIBUTIONS</b> |                            |  | <b>50%</b>               |

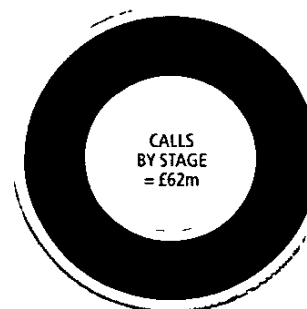
# Investments Called in the Year to 30th June 2016

Investments called during the year ranged across regions and sectors, including cloud-based software, logistics, telecommunications infrastructure and oil and gas exploration companies

## Calls

### Calls by Region and Stage

PIP paid £62m to finance calls on undrawn commitments during the year to 30th June 2016

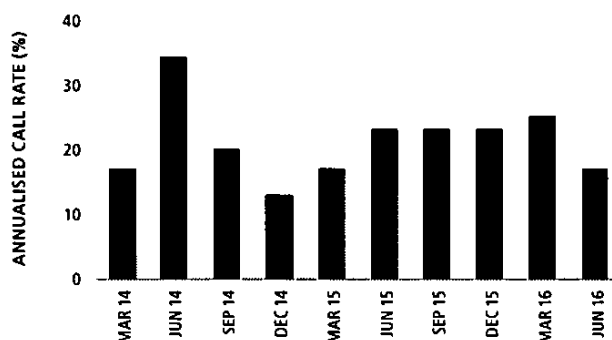


|             |     |
|-------------|-----|
| ● USA       | 63% |
| ● Europe    | 23% |
| ● Asia & EM | 14% |

|                      |     |
|----------------------|-----|
| ● Small/Mid Buyout   | 39% |
| ● Venture and Growth | 36% |
| ● Large/Mega Buyout  | 14% |
| ● Special Situations | 10% |
| ● Generalist         | 1%  |

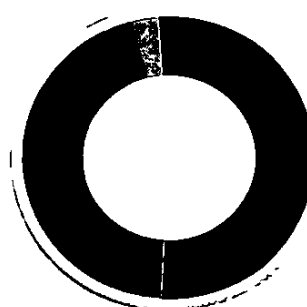
### Quarterly Call Rate<sup>1</sup>

Average quarterly call rate for the year to 30th June 2016 was 22%



## Calls by Sector

A high proportion of capital calls were due to new investments in the information technology and consumer sectors, the largest sectors within PIP's overall portfolio



|                              |     |
|------------------------------|-----|
| ● Information Technology     | 28% |
| ● Consumer                   | 23% |
| ● Industrials                | 20% |
| ● Financials                 | 15% |
| ● Energy                     | 7%  |
| ● Materials                  | 3%  |
| ● Healthcare                 | 3%  |
| ● Telecommunication Services | 1%  |

<sup>1</sup> Call rate equals calls in the period (annualised) divided by opening undrawn commitments. All call figures exclude the acquisition cost of new secondary and co-investment transactions

Top 50 Company Investments in the Year to 30th June 2016<sup>1</sup>

| COMPANY                                 | INVESTMENT TYPE | SECTOR                     | DESCRIPTION  | LARGEST COMPANY INVESTMENTS £M |
|---|-----------------|----------------------------|--|--------------------------------|
| Western Gas                             | Co-investment   | Energy                     | Natural gas processor and supplier                                       | 7.0                            |
| Abacus Data Systems                     | Co-investment   | Information Technology     | Management software for the legal industry                               | 5.9                            |
| Salad Signature                         | Co-investment   | Consumer                   | Supplies sandwich spreads, salads and dips                               | 5.1                            |
| Recorded Books                          | Co-investment   | Consumer                   | Publishes audiobooks and digital content                                 | 4.6                            |
| Financial services company <sup>2</sup> | Co-investment   | Financials                 | Lease financing company based in Mexico                                  | 4.5                            |
| Atria Convergence Technologies          | Co-investment   | Telecommunication Services | Provides information, communication and entertainment via multi channels | 4.0                            |
| Targa Resources                         | Co-investment   | Energy                     | Mid-stream natural gas and natural gas liquid provider                   | 3.5                            |
| Vistra-Orangefield                      | Co-investment   | Industrials                | Global corporate and trust services provider                             | 3.5                            |
| Virgin Pulse                            | Co-investment   | Industrials                | Health engagement solution for labour motivation                         | 3.2                            |
| Insurance company <sup>2</sup>          | Co-investment   | Financials                 | Insurance broker   | 3.0                            |
| Software company <sup>2</sup>           | Co-investment   | Information Technology     | Mobile data analytics software   | 2.8                            |
| Spandex                                 | Co-investment   | Information Technology     | Signage and display provider   | 2.7                            |
| Confidential <sup>2</sup>               | Co-investment   | Consumer                   | Optometric practice based in south-eastern USA                           | 2.5                            |
| Pepperstone                             | Primary         | Financials                 | Online forex trading broker  | 2.4                            |
| Melita                                  | Co-investment   | Consumer                   | Cable operator and telecommunications services                           | 2.3                            |
| Software company <sup>2</sup>           | Co-investment   | Information Technology     | Open source software development platform                                | 2.3                            |
| ICBPI                                   | Co-investment   | Financials                 | Payment processing and clearing services                                 | 2.2                            |
| Confidential <sup>2</sup>               | Co-investment   | Materials                  | Building products and solutions  | 2.2                            |
| LogicMonitor                            | Co-investment   | Information Technology     | Provides SaaS-based performance monitoring for IT infrastructure         | 2.0                            |
| Vertical Bridge                         | Co-investment   | Telecommunication Services | Manager of wireless communication infrastructure                         | 1.9                            |
| SF Filter                               | Co-investment   | Industrials                | Mobile and industrial filters  | 1.9                            |
| Software company <sup>2</sup>           | Co-investment   | Information Technology     | eDiscovery software for legal investigations, litigation and arbitration | 1.8                            |
| Confidential <sup>2</sup>               | Co-investment   | Consumer                   | Childcare centre operator  | 1.7                            |
| Construction company <sup>2</sup>       | Co-investment   | Industrials                | Construction equipment rental businesses in the UK                       | 1.7                            |
| Douglas                                 | Co-investment   | Consumer                   | Global speciality store operator   | 1.6                            |
| Extraction Oil & Gas                    | Co-investment   | Energy                     | Exploration and production of oil and gas                                | 1.6                            |
| InfoVista                               | Co-investment   | Information Technology     | Monitoring and optimisation software for network performance             | 1.6                            |
| Salina                                  | Co-investment   | Telecommunication Services | Provider of satellite communication services to global maritime industry | 1.3                            |
| Rockcliff Energy                        | Co-investment   | Energy                     | Acquires, develops and operates oil and gas assets                       | 1.0                            |
| Burning Glass International             | Co-investment   | Information Technology     | Software and artificial intelligence engine developer                    | 0.9                            |
| Moss                                    | Primary         | Information Technology     | Manufactures tensioned-fabric structures and displays                    | 0.8                            |
| Harbortouch Payments                    | Primary         | Information Technology     | Develops point of sale systems for businesses in the USA                 | 0.8                            |
| Tug Hill                                | Co-investment   | Energy                     | Gas production company   | 0.8                            |
| Venari Resources                        | Primary         | Energy                     | Deepwater exploration and production company                             | 0.7                            |
| Mobilite                                | Co-investment   | Information Technology     | Telecommunications infrastructure company                                | 0.7                            |
| Vitruvian Exploration                   | Co-investment   | Energy                     | Produces onshore natural gas resources through coal and shale            | 0.7                            |
| Confidential <sup>2</sup>               | Co-investment   | Industrials                | Business and technology consulting company                               | 0.6                            |
| Linas Matkasse                          | Primary         | Consumer                   | Operates an e-commerce grocery delivery service                          | 0.6                            |
| Vaquero                                 | Primary         | Energy                     | Builds mid-stream infrastructure for oil and gas producers               | 0.6                            |
| Caffe Nero                              | Primary         | Consumer                   | Owns and operates a network of coffee houses                             | 0.6                            |
| Roots Canada                            | Primary         | Consumer                   | Manufactures leather handbags, jackets and other accessories             | 0.6                            |
| PetroChoice                             | Primary         | Consumer                   | Supplies lubricants and filtration products                              | 0.5                            |
| Vistra                                  | Primary         | Financials                 | Provides trust, fiduciary, corporate and fund services                   | 0.5                            |
| Galileo Global Education                | Primary         | Consumer                   | Higher education provider in Europe and Latin America                    | 0.5                            |
| Imagesound                              | Primary         | Consumer                   | Provides store music profiling and on-screen media solutions             | 0.5                            |
| MPM                                     | Primary         | Consumer                   | Produces premium, natural pet food for cats and dogs                     | 0.5                            |
| Walmark                                 | Primary         | Consumer                   | Supplier of storage & handling equipment                                 | 0.4                            |
| Smart Start                             | Primary         | Information Technology     | Offers breath alcohol analysers  | 0.4                            |
| HCP Packaging                           | Primary         | Materials                  | Manufactures packaging products for cosmetics and fragrance industries   | 0.4                            |
| Interplex                               | Primary         | Industrials                | Provides mechanical and electro-mechanical component solutions           | 0.4                            |
| <b>TOTAL</b>                            |                 |                            |  | <b>94.3</b>                    |

<sup>1</sup> These refer to largest cash investments made into companies directly (co-investments) or indirectly by PIP in the financial year to 30th June 2016<sup>2</sup> Confidential

## New Commitments

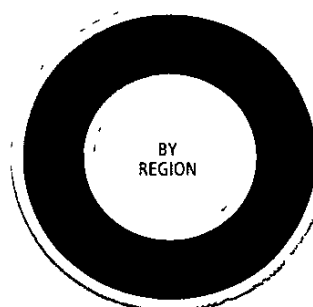
PIP committed £346m to new investments during the year, mostly to buyout and growth equity funds £192m was drawn at the time of purchase

### New Commitments by Region

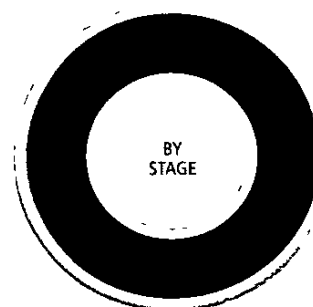
Just over half of the commitments made in the year were to US-focused private equity funds, reflecting a greater number of suitable investment opportunities in the region

### New Commitments by Stage

During the year, the largest commitments by stage were to small and mid-market buyout managers



|               |     |
|---------------|-----|
| ● USA         | 52% |
| ● Europe      | 24% |
| ● Asia and EM | 16% |
| ● Global      | 8%  |



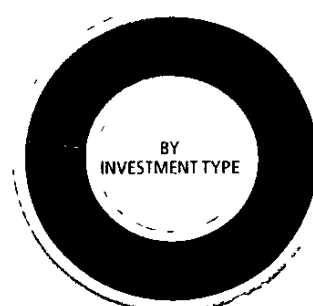
|                      |     |
|----------------------|-----|
| ● Small/Mid Buyout   | 36% |
| ● Large/Mega Buyout  | 26% |
| ● Venture and Growth | 25% |
| ● Special Situations | 13% |

### New Commitments by Deal Type

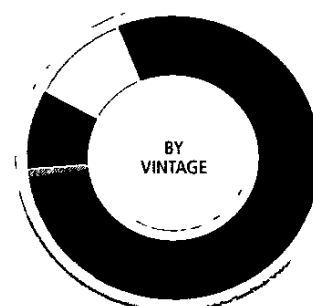
Secondary transactions accounted for half of all new commitments, with primaries and co-investments representing a broadly equal proportion of the balance of new commitments

### New Commitments by Vintage

Primaries and co-investments, which accounted for half of the total new commitments, provide exposure to more recent vintages



|                 |     |
|-----------------|-----|
| ● Secondary     | 50% |
| ● Primary       | 27% |
| ● Co-investment | 23% |



|                    |     |
|--------------------|-----|
| ● 2016             | 31% |
| ● 2015             | 28% |
| ● 2014             | 3%  |
| ● 2013             | 1%  |
| ● 2012             | 4%  |
| ● 2011             | 6%  |
| ● 2010             | 1%  |
| ● 2008             | 9%  |
| ● 2007             | 11% |
| ● 2006             | 2%  |
| ● 2005 and earlier | 4%  |

# New Commitments: Secondary and Primary (Funds)

PIP committed approximately £173m to 13 secondary transactions during the year, with the largest proportion of commitments in small and medium-sized buyout funds. In addition, PIP committed £93m to 20 primaries, adding current vintage exposure with high quality managers.

## New Secondary and Primary Commitments<sup>1</sup>

### Secondary Commitments in the Year to 30th June 2016

| REGION        | STAGE              | DESCRIPTION  | COMMITMENTS £M | % FUNDED <sup>2</sup> |
|---------------|--------------------|--|----------------|-----------------------|
| Global        | Buyout             | Portfolio of Global buyout funds   | 34             | 35%                   |
| Global        | Buyout             | Portfolio of US and European buyout funds                                | 33             | 84%                   |
| Europe        | Buyout             | European buyout funds  | 26             | 73%                   |
| North America | Growth Equity      | US growth equity funds focused on the financial services sector          | 16             | 73%                   |
| Asia          | Growth Equity      | Asian growth equity fund   | 14             | 79%                   |
| North America | Growth Equity      | North American growth equity fund  | 13             | 43%                   |
| Europe        | Buyout             | European buyout fund   | 11             | 97%                   |
| North America | Buyout             | Portfolio of US large buyout funds                                       | 6              | 87%                   |
| North America | Buyout             | North American buyout funds  | 5              | 45%                   |
| North America | Special Situations | Portfolio of energy assets   | 4              | 57%                   |
| Europe        | Growth Equity      | European venture and growth equity fund                                  | 4              | 100%                  |
| North America | Buyout             | North American buyout funds  | 4              | 57%                   |
| North America | Buyout             | US large buyout fund focused on healthcare and business services sectors | 3              | 92%                   |
| <b>TOTAL</b>  |                    |  | <b>173</b>     | <b>68%</b>            |

### Primary Commitments in the Year to 30th June 2016

| INVESTMENT                        | STAGE              | DESCRIPTION  | COMMITMENTS £M |
|-----------------------------------|--------------------|--|----------------|
| Parthenon V                       | Buyout             | North American small buyout fund                                   | 12             |
| Yorktown Energy Partners XI       | Energy             | North American energy private equity fund                          | 11             |
| CHAMP IV                          | Buyout             | Australian mid-market buyout fund                                  | 10             |
| Searchlight Capital II            | Special Situations | Special situations fund specialising in distressed debt strategies | 10             |
| Advent Global Private Equity VIII | Buyout             | Global large buyout fund   | 10             |
| Apax France IX                    | Buyout             | European mid-market buyout fund                                    | 9              |
| Shamrock Capital Growth IV        | Growth Equity      | US growth equity fund  | 9              |
| Essex Woodlands IX                | Growth Equity      | US growth equity fund focused on healthcare sector                 | 4              |
| Other                             | Various            | Various funds  | 18             |
| <b>TOTAL</b>                      |                    |  | <b>93</b>      |

<sup>1</sup> Funds acquired in new secondary transactions are not named due to non-disclosure agreements

<sup>2</sup> The funding level does not include deferred payments notably for the £34m portfolio of large global buyout funds. Including the deferred payment the funding level would be 74% for secondary commitments made in the year.

# New Commitment Case Studies

## Secondary (Funds)

PIP's focus on secondary investments allows us to access funds at a stage when fees and expenses have already been paid and the assets are starting to generate cash distributions. Although competition for secondary deals has remained strong during the year, PIP has been able to identify compelling opportunities, predominantly in North America and Europe.

### Secondary Fund Case Study



#### Transaction Overview

Transaction completed in March 2016

- Fund portfolio comprised of seven European small and medium buyout funds which deployed capital predominantly during the post-crisis period
- The portfolio is concentrated towards the UK and Sweden with some exposure to Spanish markets

|                |  |
|----------------|--|
| Region         | Europe   |
| Sector         | Generalist   |
| Stage          | Small and Medium Buyout  |
| Vintage        | 2007 to 2015   |
| PIP Commitment | £25.7m (investment in various currencies<br>£9.4m, €3.6m and SEK78.7m) |

#### PIP Investment Thesis

- Pantheon's investment team rates the GPs in this portfolio very highly, many of which are backed on a primary basis
- Attractive European and post-crisis vintage exposure
- Funds have robust near-term liquidity profile with sizeable post-account distributions and a number of exits expected over the next 12 months

### Secondary Fund Case Study



#### Transaction Overview

Transaction completed in June 2016

- Transaction included 11 fund interests diversified by geography and vintage including buyout and growth positions
- The ability to move quickly and certainty of execution made Pantheon an attractive buyer from seller's perspective

|                |                   |
|----------------|-------------------|
| Region         | Global            |
| Sector         | Generalist        |
| Stage          | Buyout and Growth |
| Vintage        | 1998 to 2013      |
| PIP Commitment | \$43.0m (£34.0m)  |

#### PIP Investment Thesis

- Attractive portfolio profile – contains a mixture of established companies in their value creation phase and tail-end funds that will deliver early distributions
- Strong competitive position because Pantheon already had the approval from underlying GPs
- Compelling valuation and maturity profile

# New Commitment Case Studies Primary (Funds)

Investing in primary funds allows PIP to gain exposure to complementary niche investments as well as to smaller funds that might not typically be traded on the secondary market. By adding newer vintages, we are also able to manage the maturity profile of our portfolio.

## Parthenon V



|                |  |
|----------------|--|
| Region         | North America  |
| Sector         | Financial Services/Healthcare Services/Business Services |
| Stage          | Small Buyout   |
| Vintage        | 2016   |
| PIP Commitment | \$16.6m (£12.4m)   |

### GP Summary

Parthenon was founded in 1998 as a generalist mid-market private equity firm affiliated with the consulting firm, The Parthenon Group. The firm, now independent, invests in three core sectors: financials, healthcare and business services. The firm has offices in Boston and San Francisco.

### GP Strategy

Parthenon focuses on transformative control investments in US-based lower and mid-market companies operating in healthcare services, financial / insurance services and business services, where they are typically the first institutional investor. The firm places a heavy emphasis on "build-ups" with over 70% of portfolio companies completing at least one follow-on acquisition.

### Fund Strategy

Parthenon V will focus on investing in small to medium growth oriented buyouts located in the US and win deals in a competitive mid-market space within their target sectors.

## Advent GPE VIII



|                |                 |
|----------------|-----------------|
| Region         | Global          |
| Sector         | Generalist      |
| Stage          | Large Buyout    |
| Vintage        | 2016            |
| PIP Commitment | €11.9m (£10.0m) |

### GP Summary

Advent International established its private equity strategy in 1989 and is now one of the largest and most experienced global private equity firms. With a global team comprising over 170 investment professionals across four continents, it has invested in over 310 transactions in 40 countries.

### GP Strategy

Advent focuses on a long-established strategy of operationally intensive, sector-focused investing across North America, Latin America, Europe and Asia. The GP seeks to invest in well-positioned companies with operational and strategic improvement potential and partners with management teams to create value by driving revenue and earnings growth.

### Fund Strategy

Advent Global Private Equity VIII will focus on investments in Europe and North America and other selected markets globally. Advent will focus on five core industry sectors where it has substantial experience and a deep local and international knowledge including i) Business and Financial Services, ii) Healthcare, iii) Industrial, iv) Retail, Consumer & Leisure and v) Technology, Media & Telecoms.

# New Commitment Case Studies

## Co-investments (Directs)

During the year, PIP committed £79m to 26 co-investments. PIP co-invests alongside selected managers and targets companies with defensible business models and leading market positions. While Information Technology, Consumer and Financial Services were the largest areas of focus, the company also invested in some attractively priced opportunities in the Energy sector.

### Western Gas



|                |  |
|----------------|--|
| Location       | USA                                    |
| Sector         | Energy                                 |
| Sub-Sector     | Oil and Gas Storage and Transportation |
| Stage          | Special Situations                     |
| GP Co-Investor | Kayne Anderson                         |
|                | £7.0m Co-investment                    |

#### Company Summary

Western Gas Partners LP ("WES") is a master limited partnership ("MLP") formed by Anadarko Petroleum Corporation ("Anadarko") in 2007. WES operations include natural gas gathering, processing, compression, treatment and transportation, and has assets located in the Rocky Mountains, the Mid-Continent, Texas and Pennsylvania. Anadarko, the parent company, is among the largest independent exploration and production companies in North America.

#### GP Investment & Thesis

- Defensive business profile with significant fee-based / fixed-price agreements
- Attractive valuation in a company with a strong credit profile
- WES is well positioned to benefit from the upside with a consolidation play

#### PIP Investment & Thesis

- Investment in a structured security with an attractive dividend and significant downside protection in a large scale "blue chip" MLP with an attractive basin footprint
- A high quality and supportive sponsor in Anadarko and has a credible path for future growth
- Further upside potential in the event of a commodity price recovery

### Salad Signature



|                |                                  |
|----------------|----------------------------------|
| Location       | Benelux                          |
| Sector         | Consumer Products                |
| Sub-Sector     | Consumer staples – Packaged food |
| Stage          | Medium Buyout                    |
| GP Co-Investor | IK Investment Partners           |
|                | £5.1m Co-investment              |

#### Company Summary

Salad Signature is a leading branded food business supplying sandwich spreads, salads and dips, predominately in the Benelux region.

#### GP Investment & Thesis

- Solid market position and growth opportunities validated through GP's sector knowledge and network
- Strong bargaining power versus large retailers due to established brand name and market position
- Robust acquisition pipeline to deliver IK's buy-and-build investment thesis

#### PIP Investment & Thesis

- Leading company in a market with stable industry dynamics
- Identified value creation levers through product innovation and acquisitions
- Strong deal sponsor with proven track record in the sector geography and buy-and-build strategy



## Co-investment Examples



**TARGA**

### £3 5m Co-investment

#### TARGA RESOURCES

(Stonepeak Infrastructure Partners)

- One of the largest providers of natural gas and natural gas liquids in the USA
- Attractive footprint in economic basins
- Structured security with upside potential



### £2 7m Co-investment

#### SPANDEX

(Chequers Capital)

- European market leader in the distribution of supplies and equipment for the graphic signage and display industries
- Significant scale advantages with a complete range of brands, availability, technical product know-how and service capabilities
- Service proposition hard to disintermediate resulting in high margins and stable business with room to grow in a fragmented market



### £1 7m Co-investment

#### ARDENT

(Searchlight Capital Partners)

- Leading construction equipment rental business in the UK
- Synergies from combination of two businesses with fleet age lower than that of competitors
- Low interest rate environment in Europe expected to be of benefit to infrastructure and housing investments



**AFFINITY EDUCATION  
GROUP**

### £1 7m Co-investment

#### AFFINITY EDUCATION GROUP

(Anchorage Capital Partners)

- Third largest childcare centre operator in Australia with strong brand presence and geographic footprint
- Multiple operating levers and growth opportunities identified at the time of purchase
- Favourable demographic trends with increased birth rate and female participation in the workforce

# Outstanding Commitments

PIP's outstanding commitments<sup>1</sup> to fund investments are well-diversified by stage and geography and will enable the Company to participate in future investments with many of the highest quality fund managers in private equity worldwide. The Board and Manager keep the level of outstanding commitments

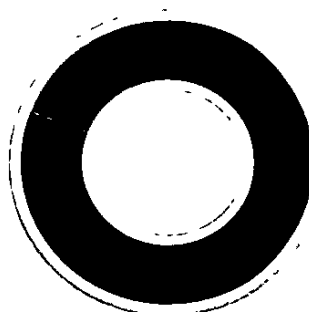
under review so as not to exceed an amount that can be financed (comfortably) out of cash flows generated internally and of which the Company's liquid resources and unutilised bank facilities can provide sufficient cover in the event that distributions received from the portfolio slow down in adverse market conditions.

## Analysis of Outstanding Commitments as at 30th June 2016

PIP's outstanding commitments to investments increased to £382m at 30th June 2016 compared with £256m at 30th June 2015. The Company paid calls of £62m and added an additional £154m of outstanding commitments associated with new investments made in the year. Foreign exchange movements accounted for most of the remaining £34m increase.

### Geography

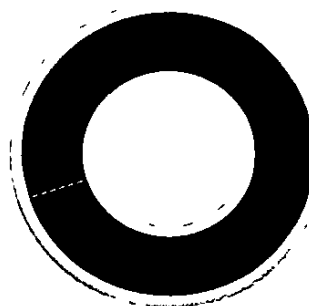
The US and Europe have the largest outstanding commitments, reflecting the Company's investment emphasis. Commitments to Asia and other regions provide access to faster-growing economies.



|               |     |
|---------------|-----|
| ● USA         | 52% |
| ● Europe      | 29% |
| ● Asia and EM | 12% |
| ● Global      | 7%  |

### Stage

PIP's undrawn commitments are diversified across the major stages, with an emphasis on small and mid-market buyout managers that reflects the focus of recent primary commitments.

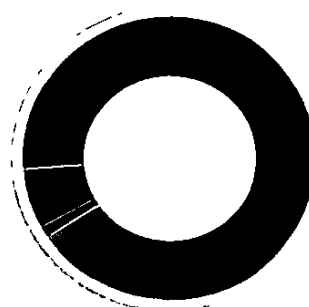


|                      |     |
|----------------------|-----|
| ● Small/Mid Buyout   | 42% |
| ● Large/Mega Buyout  | 28% |
| ● Venture and Growth | 18% |
| ● Special Situations | 11% |
| ● Generalist         | 1%  |

### Maturity

Approximately 33% of PIP's undrawn commitments are in the 2008 vintage or older where draw-downs may naturally occur at a slower pace. It is likely that a portion of these commitments will not be drawn.

The rise in 2015 and 2016 vintage undrawn commitments reflects PIP's recent primary commitment activity.



|                    |     |
|--------------------|-----|
| ● 2016             | 25% |
| ● 2015             | 26% |
| ● 2014             | 8%  |
| ● 2013             | 3%  |
| ● 2012             | 2%  |
| ● 2011             | 1%  |
| ○ 2010             | 1%  |
| ● 2009             | 1%  |
| ● 2008             | 7%  |
| ● 2007             | 10% |
| ● 2006             | 5%  |
| ● 2005 and earlier | 11% |

<sup>1</sup> Capital committed to funds that to date remains undrawn

# Finance and Share Buybacks

## Finance

### Cash and Available Bank Facility

At 30th June 2016, PIP had cash balances of £116m

In addition to these cash balances, PIP can also finance investments out of its multi-currency revolving credit facility agreement ("Loan Facility"). The Loan Facility is due to expire in November 2018 and comprises facilities of \$100m and €46m which, using exchange rates at 30th June 2016, amount to a sterling equivalent of £113m. At 30th June 2016, the Loan Facility remained fully undrawn.

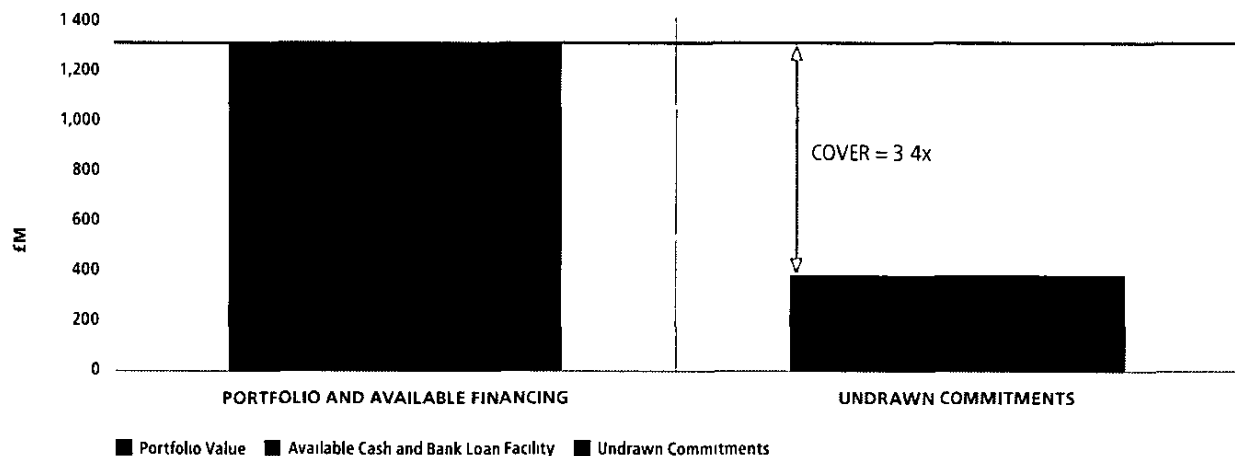
### Undrawn Commitment Cover

At 30th June 2016, the Company had £229m of available financing, comprised of its cash balances and Loan Facility. The sum of PIP's available financing and private equity portfolio provide 3.4 times cover relative to undrawn commitments. When a fund is past its investment period, which is typically between five and six years, it generally cannot make any new investments and only draws capital to fund existing follow-on investments or pay expenses. As a result, the rate of capital calls in these funds tends to slow dramatically. Approximately one third of the Company's undrawn commitments are in fund vintages that are older than six years old.

## Share Buybacks

In the year to 30th June 2016, PIP bought back 1.9m redeemable shares at discounts ranging from 26% and 34% compared to the most recently published NAV per share at the time of purchase, resulting in a total uplift to NAV per share of 17.3p. The discounts at which the Company's shares trade from time to time may make buybacks an attractive investment opportunity relative to other potential new investment commitments.

PIP Financing Cover 30th June 2016



## Portfolio Managers by Geography

The Company targets exposure to many of the best managers across the world. Our US investments focus primarily on large and mid-market buyout, and growth equity opportunities and includes many sector specialists. In Europe, we focus primarily on buyouts through both Pan-European managers and regional specialists with a detailed knowledge of local markets. The Asian portfolio is focused on both the buyout and growth stages, investing with managers who have a strong local presence. In this section, we disclose the largest fund manager exposures (NAV plus outstanding commitments) only.

### USA

#### SMALL/MID BUYOUT

|                                     |      |
|-------------------------------------|------|
| KRG                                 | 1.4% |
| Parthenon Capital                   | 1.1% |
| Brentwood Associates Private Equity | 0.9% |
| Golden Gate Capital                 | 0.9% |
| ABRY Partners                       | 0.8% |
| Shamrock Capital Advisors           | 0.7% |
| Wasserstein & Co                    | 0.5% |
| Avista Capital                      | 0.4% |
| Genstar Capital                     | 0.4% |

#### LARGE/MEGA BUYOUT

|                               |      |
|-------------------------------|------|
| Texas Pacific Group           | 3.7% |
| Francisco Partners Management | 2.0% |
| Carlyle Group                 | 1.0% |
| Ares Management               | 0.9% |
| Hellman & Friedman            | 0.9% |
| Apollo Advisors               | 0.8% |
| Blackstone Group              | 0.7% |
| Bain Capital                  | 0.7% |
| Thomas H. Lee Partners        | 0.6% |



#### SPECIAL SITUATIONS

|                                 |      |
|---------------------------------|------|
| Quantum Energy Partners         | 1.9% |
| Yorktown Partners               | 1.5% |
| MatlinPatterson Global Advisers | 1.0% |
| Kayne Anderson                  | 0.6% |
| 1901 Partners                   | 0.4% |
| Riverstone                      | 0.3% |
| Stonepeak                       | 0.3% |
| Stone Point Capital             | 0.3% |

#### VENTURE AND GROWTH

|                                 |      |
|---------------------------------|------|
| The Banc Funds Company          | 1.3% |
| Lee Equity Partners             | 1.1% |
| Insight Venture Partners        | 0.8% |
| ABS Capital Partners            | 0.7% |
| Essex Woodlands                 | 0.7% |
| Shamrock Capital Advisors       | 0.6% |
| Polaris Venture Partners        | 0.5% |
| Technology Crossover Management | 0.5% |
| Andreessen Horowitz             | 0.5% |

The figures above show the manager exposures (NAV + outstanding commitments) in each category where the exposures are greater than £3m represented as a percentage of the Company's total exposure. The above figures show both primary and secondary exposures. The manager exposures shown on pages 50 and 51 represent 61% of the Company's total exposure.

A detailed list of portfolio holdings is available on PIP's website at [www.piplc.com](http://www.piplc.com)

## Europe

### SMALL/MID BUYOUT

|                           |      |
|---------------------------|------|
| Altor Capital             | 1.3% |
| Vision Capital            | 1.0% |
| Bridgepoint Partners      | 1.0% |
| Equistone Partners Europe | 0.9% |
| ECI Partners              | 0.8% |
| Apax Partners             | 0.8% |
| Abris Capital             | 0.8% |
| Mid-Europa Partners       | 0.8% |
| Herkules Capital          | 0.7% |

### LARGE/MEGA BUYOUT

|                             |      |
|-----------------------------|------|
| KKR                         | 1.4% |
| Nordic Capital              | 0.9% |
| CVC Capital Partners Europe | 0.8% |
| Doughty Hanson & Co         | 0.5% |
| Apax Partners & Co          | 0.5% |



### SPECIAL SITUATIONS

|                        |      |
|------------------------|------|
| Hutton Collins Capital | 0.7% |
| Rutland Partners       | 0.3% |

### VENTURE AND GROWTH

|                     |      |
|---------------------|------|
| Index Ventures      | 1.0% |
| Gemini Capital      | 0.7% |
| Cipio Partners      | 0.4% |
| Wellington Partners | 0.4% |
| Accel Partners      | 0.3% |
| Summit Partners     | 0.3% |
| Northzone Ventures  | 0.2% |

## Asia and Other

### SMALL/MID BUYOUT

|                            |      |
|----------------------------|------|
| Champ Equity               | 0.8% |
| EQT Greater China          | 0.8% |
| Essex Woodlands            | 0.6% |
| IVF Advisors               | 0.3% |
| Anchorage Capital Partners | 0.2% |

### LARGE/MEGA BUYOUT

|                         |      |
|-------------------------|------|
| TPG Asia                | 0.6% |
| Linzor Capital Partners | 0.3% |
| Ironbridge Capital      | 0.2% |
| CCMP Capital            | 0.2% |



### VENTURE AND GROWTH

|                            |      |
|----------------------------|------|
| Baring Private Equity Asia | 2.2% |
| Warburg Pincus Capital     | 1.2% |
| Qiming GP                  | 0.3% |
| Pacven Walden Management   | 0.3% |

Figures above show the top three manager exposures (NAV + outstanding commitments) in each category shown and in addition any managers with exposures greater than £3m in each category, as a percentage of the Company's total exposure. The above figures show both primary and secondary exposures.

# The Largest 50 Managers by Value

## Largest 50 Managers by Value as at 30th June 2016

| NUMBER   | MANAGER                             | REGION <sup>2</sup> | STAGE BIAS         | % OF PIP'S TOTAL PRIVATE EQUITY ASSET VALUE <sup>1</sup> |
|--|-------------------------------------|---------------------|--------------------|--|
| 1  | Providence Equity Partners          | USA                 | Buyout             | 6.5%   |
| 2  | Texas Pacific Group                 | Global              | Buyout             | 4.3%   |
| 3  | Baring Private Equity Asia          | Asia                | Buyout             | 2.3%   |
| 4  | Warburg Pincus Capital              | Global              | Buyout             | 2.1%   |
| 5  | Essex Woodlands                     | USA                 | Buyout             | 1.9%   |
| 6  | KKR                                 | Global              | Generalist         | 1.5%   |
| 7  | Quantum Energy Partners             | USA                 | Buyout             | 1.5%   |
| 8  | The Banc Funds Company              | USA                 | Buyout             | 1.5%   |
| 9  | EQT <sup>3</sup>                    | Asia                | Buyout             | 1.4%   |
| 10   | KRG Capital Partners                | USA                 | Buyout             | 1.3%   |
| 11   | Index Ventures                      | Europe              | Venture and Growth | 1.2%   |
| 12   | Golden Gate Capital                 | USA                 | Special Situations | 1.2%   |
| 13   | MatlinPatterson Global Advisers     | USA                 | Buyout             | 1.2%   |
| 14   | Vision Capital                      | Europe              | Buyout             | 1.1%   |
| 15   | Brentwood Associates Private Equity | USA                 | Venture and Growth | 1.1%   |
| 16   | Bridgepoint Partners                | Europe              | Buyout             | 1.1%   |
| 17   | Carlyle Group                       | Europe              | Buyout             | 1.1%   |
| 18   | Francisco Partners Management       | USA                 | Venture and Growth | 1.1%   |
| 19   | Yorktown Partners                   | USA                 | Special Situations | 1.0%   |
| 20   | Ares Management                     | USA                 | Buyout             | 1.0%   |
| 21   | Abris Capital                       | Europe              | Venture and Growth | 1.0%   |
| 22   | Nordic Capital                      | Europe              | Buyout             | 1.0%   |
| 23   | Shamrock Capital Advisors           | USA                 | Buyout             | 0.9%   |
| 24   | Apollo Advisors                     | USA                 | Buyout             | 0.9%   |
| 25   | ABS Capital Partners                | USA                 | Special Situations | 0.9%   |
| 26   | Gemini Capital                      | Europe              | Buyout             | 0.9%   |
| 27   | Mid-Europa Partners                 | Europe              | Venture and Growth | 0.9%   |
| 28   | CVC Capital Partners Europe Limited | Europe              | Buyout             | 0.9%   |
| 29   | Hutton Collins                      | Europe              | Special Situations | 0.8%   |
| 30   | Summit Partners                     | USA                 | Venture and Growth | 0.8%   |
| 31   | IK Investment Partners              | Europe              | Buyout             | 0.8%   |
| 32   | Blackstone Group                    | USA                 | Buyout             | 0.8%   |
| 33   | ABRY Partners                       | USA                 | Venture and Growth | 0.8%   |
| 34   | Aitor Capital                       | Europe              | Buyout             | 0.7%   |
| 35   | Thomas H. Lee Partners              | USA                 | Buyout             | 0.7%   |
| 36   | Lee Equity Partners                 | USA                 | Venture and Growth | 0.7%   |
| 37   | Kayne Anderson                      | USA                 | Buyout             | 0.7%   |
| 38   | Polaris Venture Partners            | USA                 | Venture and Growth | 0.7%   |
| 39   | Apax Partners & Co Limited          | Europe              | Buyout             | 0.7%   |
| 40   | Stone Point Capital                 | USA                 | Venture and Growth | 0.7%   |
| 41   | Bain Capital                        | USA                 | Buyout             | 0.7%   |
| 42   | Insight Venture Partners            | USA                 | Venture and Growth | 0.7%   |
| 43   | Herkules Capital                    | Europe              | Special Situations | 0.7%   |
| 44   | Equistone Partners Europe           | Europe              | Buyout             | 0.6%   |
| 45   | Technology Crossover Management     | USA                 | Venture and Growth | 0.6%   |
| 46   | Sun Capital Partners                | USA                 | Special Situations | 0.6%   |
| 47   | Andreessen Horowitz                 | USA                 | Venture and Growth | 0.6%   |
| 48   | Baring Vostok Capital Partners      | Asia                | Venture and Growth | 0.6%   |
| 49   | Oak Investment Partners             | USA                 | Venture and Growth | 0.6%   |
| 50   | Veritas Capital                     | USA                 | Buyout             | 0.5%   |
| COVERAGE OF PIP'S TOTAL PRIVATE EQUITY ASSET VALUE |                                     |                     |                    | 58.8%  |

<sup>1</sup> Percentages look through feeders and funds-of-funds <sup>2</sup> Refers to the regional exposure of funds <sup>3</sup> The majority of PIP's remaining investments in EQT is held in EQT Greater China II

# The Largest 50 Companies by Value

## Largest 50 Companies by Value as at 30th June 2016<sup>1</sup>

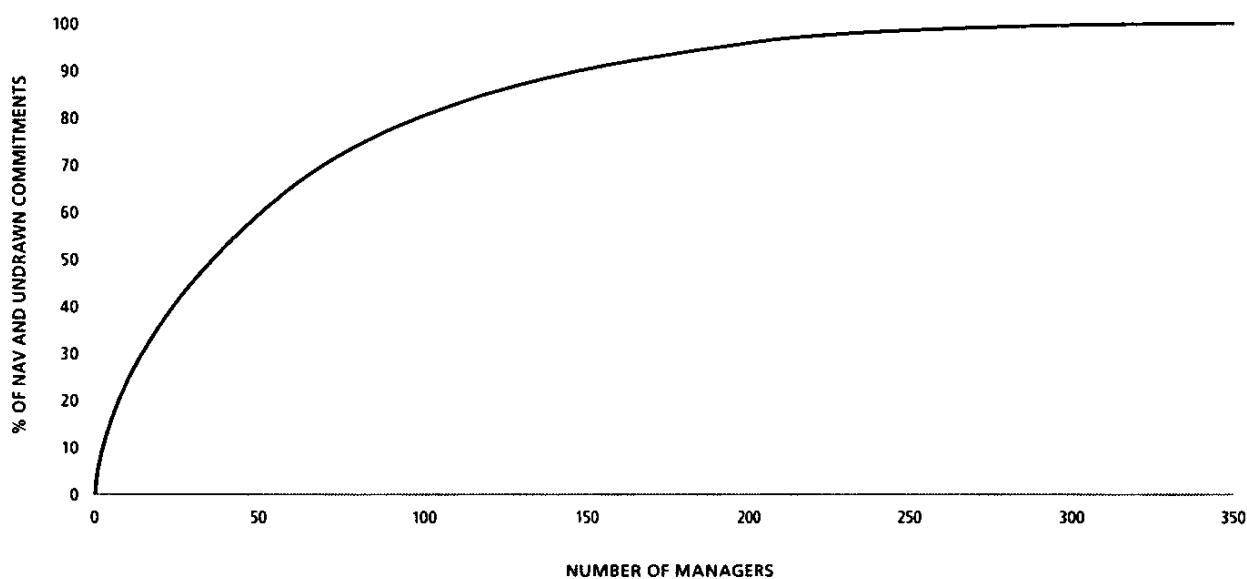
| NUMBER                            | COMPANY                                     | COUNTRY   | SECTOR                     | % OF PIP TOTAL<br>NET ASSET VALUE |
|-----------------------------------|---|-----------|----------------------------|-----------------------------------|
| 1                                 | LBX Pharmacy <sup>1</sup>                   | China     | Consumer                   | 1 22%                             |
| 2                                 | Spotify                                     | Sweden    | Information Technology     | 0 85%                             |
| 3                                 | Grupo Farmaceutico Biotoscana <sup>2</sup>  | Colombia  | Healthcare                 | 0 84%                             |
| 4                                 | ALM Media <sup>2</sup>                      | USA       | Consumer                   | 0 82%                             |
| 5                                 | GlobalTranz Enterprises <sup>2</sup>        | USA       | Industrials                | 0 66%                             |
| 6                                 | Abacus Data Systems <sup>2</sup>            | USA       | Information Technology     | 0 66%                             |
| 7                                 | ZenMax Media                                | USA       | Information Technology     | 0 65%                             |
| 8                                 | Standard Pacific <sup>1</sup>               | USA       | Consumer                   | 0 55%                             |
| 9                                 | StandardAero Business Aviation Services     | USA       | Industrials                | 0 55%                             |
| 10                                | American Tire Distributors <sup>2</sup>     | USA       | Consumer                   | 0 54%                             |
| 11                                | Blackboard                                  | USA       | Information Technology     | 0 53%                             |
| 12                                | Confidential <sup>2</sup>                   | USA       | Consumer                   | 0 53%                             |
| 13                                | Applied Medical Resources <sup>2</sup>      | USA       | Healthcare                 | 0 52%                             |
| 14                                | Vertical Bridge                             | USA       | Telecommunication Services | 0 50%                             |
| 15                                | Confidential <sup>2</sup>                   | Hong Kong | Industrials                | 0 50%                             |
| 16                                | McGraw-Hill Education <sup>1</sup>          | USA       | Consumer                   | 0 50%                             |
| 17                                | CPL Industries                              | UK        | Energy                     | 0 49%                             |
| 18                                | EUSA Pharma <sup>2</sup>                    | France    | Healthcare                 | 0 47%                             |
| 19                                | ConvaTec Healthcare                         | USA       | Healthcare                 | 0 47%                             |
| 20                                | IMS Health <sup>1</sup>                     | USA       | Healthcare                 | 0 46%                             |
| 21                                | Nord Anglia Education <sup>2</sup>          | Hong Kong | Consumer                   | 0 45%                             |
| 22                                | Alarm Com <sup>3</sup>                      | USA       | Information Technology     | 0 45%                             |
| 23                                | Financial company <sup>2</sup>              | Mexico    | Financials                 | 0 44%                             |
| 24                                | Confidential <sup>2</sup>                   | Singapore | Healthcare                 | 0 43%                             |
| 25                                | Burning Glass International <sup>2</sup>    | USA       | Information Technology     | 0 42%                             |
| 26                                | SoftBrands                                  | USA       | Information Technology     | 0 41%                             |
| 27                                | Ministry Brands <sup>2</sup>                | USA       | Information Technology     | 0 40%                             |
| 28                                | Verimatrix                                  | USA       | Information Technology     | 0 39%                             |
| 29                                | S-Process Equipment                         | Germany   | Industrials                | 0 39%                             |
| 30                                | Home Shopping Europe                        | Germany   | Consumer                   | 0 39%                             |
| 31                                | Univision                                   | USA       | Consumer                   | 0 39%                             |
| 32                                | ILX <sup>2</sup>                            | USA       | Energy                     | 0 38%                             |
| 33                                | Confidential <sup>2</sup>                   | UK        | Consumer                   | 0 38%                             |
| 34                                | BrightHouse                                 | UK        | Consumer                   | 0 38%                             |
| 35                                | Confidential                                | UK        | Industrials                | 0 37%                             |
| 36                                | Extraction Oil & Gas <sup>1</sup>           | USA       | Energy                     | 0 37%                             |
| 37                                | Rightpoint Consulting <sup>2</sup>          | USA       | Industrials                | 0 36%                             |
| 38                                | Standard Pacific <sup>1</sup>               | USA       | Consumer                   | 0 35%                             |
| 39                                | USI <sup>2</sup>                            | USA       | Financials                 | 0 34%                             |
| 40                                | Virgin Pulse <sup>2</sup>                   | USA       | Industrials                | 0 34%                             |
| 41                                | Confidential <sup>2</sup>                   | USA       | Financials                 | 0 34%                             |
| 42                                | Vitruvian Exploration                       | USA       | Energy                     | 0 34%                             |
| 43                                | Jimmy John's                                | USA       | Consumer                   | 0 33%                             |
| 44                                | Indus Towers                                | India     | Information Technology     | 0 33%                             |
| 45                                | Confidential                                | USA       | Information Technology     | 0 33%                             |
| 46                                | Michaels Stores <sup>1</sup>                | USA       | Consumer                   | 0 32%                             |
| 47                                | Confidential                                | USA       | Information Technology     | 0 31%                             |
| 48                                | Antero Resources Corporation <sup>2</sup>   | USA       | Energy                     | 0 31%                             |
| 49                                | Heptagon Advanced Micro-Optics <sup>2</sup> | Singapore | Information Technology     | 0 31%                             |
| 50                                | K Mac                                       | USA       | Consumer                   | 0 30%                             |
| COVERAGE OF PIP'S NET ASSET VALUE |   |           |                            | 23 36%                            |

<sup>1</sup> The largest 50 companies table is based upon underlying company valuations at 30th June 2016 adjusted for known calls, distributions, new investment commitments and post valuation information <sup>2</sup> Co-investments / directs <sup>3</sup> Listed companies

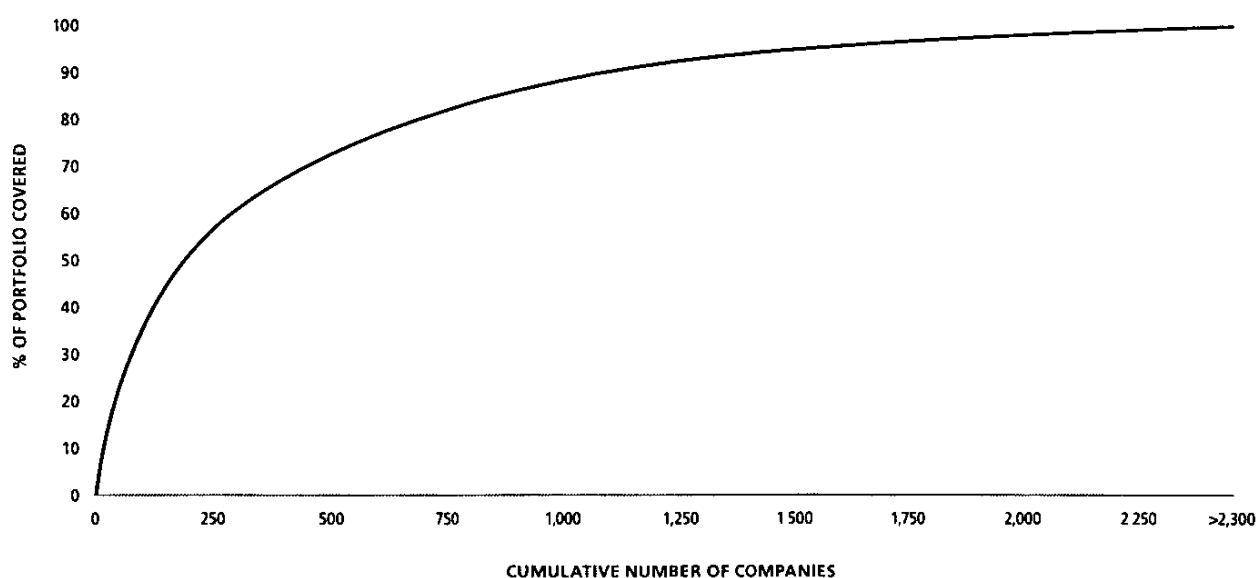
## Portfolio Concentration as at 30th June 2016

PIP's portfolio is well diversified by manager and company, with 101 managers accounting for 80% of the Company's exposure<sup>1</sup>

**Portfolio Concentration by Manager**



**Portfolio Concentration by Company**



<sup>1</sup> Exposure is equivalent to the sum of the company's NAV and Undrawn commitments



# Responsible Investment and Key Senior Personnel



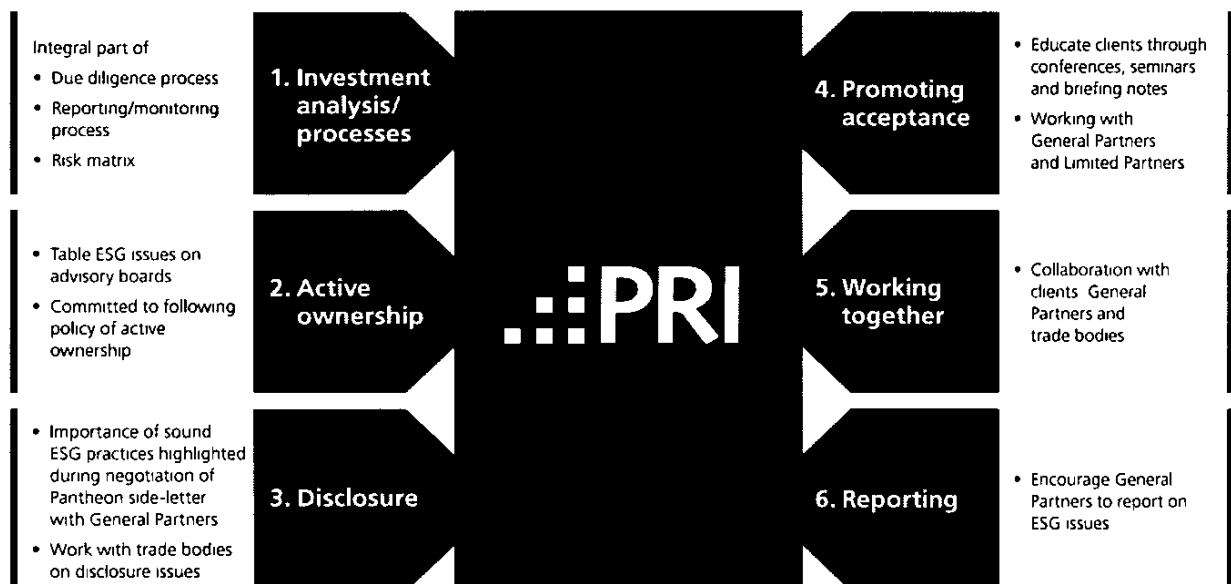
# Responsible Investment

Pantheon's policy in terms of responsible investment ("RI") is to seek to ensure that the environmental, social and governance ("ESG") considerations that it takes into account in its own day-to-day business are, as much as possible, reflected in the policy adopted by each of the individual private equity managers with whom it invests

## Commitment to the Principles for Responsible Investment

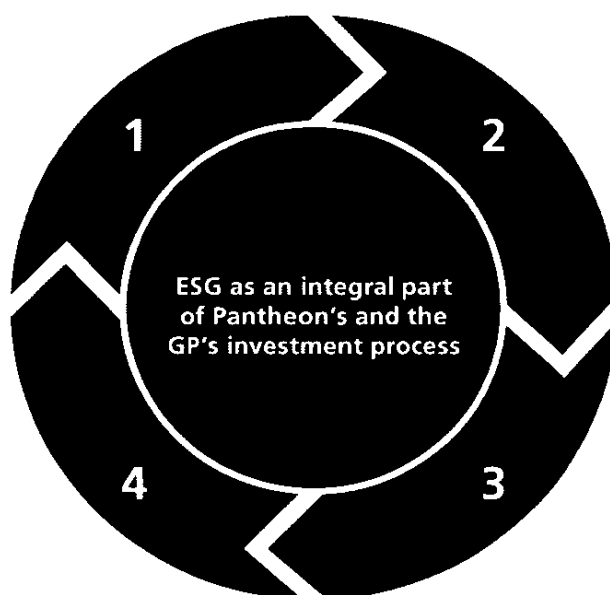
Pantheon is committed to responsible investing and, in 2007, was one of the first private equity fund investors to sign up to the Principles for Responsible Investment ("PRI"). Pantheon believes that the adoption of PRI initiatives is ultimately to the benefit of investors

Pantheon has an active engagement programme which covers the six PRI principles, as demonstrated in the chart below



Pantheon believes that consideration of environmental, social and governance risks form part of general risk management and its mitigation strengthens downside protection and enhances reputation which can also lead to value creation. In considering a new fund commitment, Pantheon is committed to understanding the manager's willingness to adhere to sound ESG practices, favouring those managers who understand the nature of ESG

risks and who seek to minimise them. Pantheon's due diligence process ascertains the extent to which the manager incorporates ESG risks in their analysis and the measures they take to mitigate them before and after investment. The chart opposite demonstrates how Pantheon integrates RI considerations and ESG risk management at all stages of its investment process.



#### 1. Origination, screening and initial due diligence

- Investigate whether the GP abides by the spirit of responsible investing and seeks to mitigate ESG risk in portfolio companies
- Awareness of ESG risks within specific sectors and regions/countries
- Advance notice to include ESG considerations, if any

#### 2. Advanced due diligence

- Understand how the GP generally tackles ESG risks
- Note if the GP has signed up to PRI
- Review investment strategy of GPs and the potential for high ESG risk investments
- Review ESG monitoring systems of the GP as well as governance arrangements
- Manager ESG rating (Strong/Adequate/Poor) and Fund ESG rating (High/Medium/Low)
- Discuss ESG risks during onsite due diligence (if relevant)
- Discuss ESG risks during referencing (if relevant)
- Specific ESG risks section included in the Investment Recommendation

#### 3. Commercial negotiation

- Reminder to the GP of the importance of sound ESG practices and Pantheon's adherence to PRI. Pantheon generally seeks to reference ESG practices in side-letters with underlying fund managers

#### 4. Post-investment monitoring

- ESG risk rating methodology included in the monitoring process
- Raising ESG issues with the GP through Advisory Boards and monitoring meetings
- Where GPs have effective control of companies or significant influence, expect to see them adopt a more active ESG stance
- Encourage inclusion of ESG reporting as part of regular investment reports

## Biographies of Key Senior Personnel



### Andrew Lebus Partner

Joined 1994, 31 years of private equity experience

Andrew is a senior member of Pantheon's investment team. He is responsible for co-ordinating the activities of Pantheon International Plc and is a member of the Asia Regional and Secondary Investment Committees. Andrew, who spent eight years in Pantheon's Hong Kong office, also participates in Asian investment including determining investment strategy and overseeing the selection and monitoring of investments. Prior to joining Pantheon, Andrew worked for a number of years in corporate finance with special emphasis on the private equity market, latterly at Credit Lyonnais Securities, and prior to that at its affiliate, Castleforth. Andrew is based in London.



### Helen Steers Partner

Joined 2004, 27 years of private equity experience

Helen leads Pantheon's European primary investment activity and chairs the European Investment Committee. She is also a member of the International Investment Committee and the Co-investment Committee. Helen joined the Council of the British Venture Capital and Private Equity Association (BVCA) in 2016, and is also on the Board and Limited Partner Council of Invest Europe (formerly known as EVCA). Helen joined Pantheon in 2004 from Russell Investments in Paris, where she was Managing Director with overall responsibility for private equity in Europe. Prior to joining Russell in 1999, Helen spent five years as Director, European Private Equity with the Caisse de dépôt et placement du Québec. From 1989 to 1994, Helen was a senior investment manager at the Business Development Bank of Canada in Montreal. Helen is based in London.



### Chris Meads Head of Investment

Joined 2001, 20 years of private equity experience

Chris is a member of Pantheon's Partnership Board and Head of Investment. Chris also leads Pantheon's Asian investment activity, chairs the Asia Regional Investment Committee and is a member of the International Investment Committee. Chris joined Pantheon from HSBC Hong Kong, where he was involved both in strategic acquisitions and the design and implementation of internal operating procedures. He was previously a senior investment analyst for Brierley Investments Ltd in both Hong Kong and New Zealand, and before that worked in a deal advisory capacity for CS First Boston (NZ) and as an economist for the National Bank of New Zealand and the Reserve Bank of New Zealand. Chris is based in Hong Kong.



### Paul Ward Managing Partner

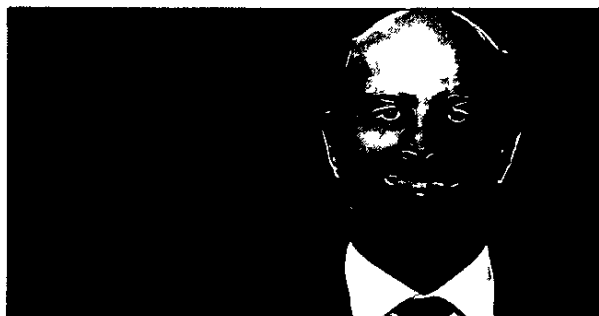
Joined 2003, 19 years of private equity experience

Paul is Pantheon's Managing Partner and is a member of the Partnership Board. Paul joined Pantheon from Lehman Brothers Private Equity Group, where he was Investment Director. Previously, he worked for Lehman Brothers Investment Bank in both New York and London on M&A and corporate finance advisory services and, prior to that, was a management consultant for PA Consulting. Paul is based in London.



### **Susan Long McAndrews Partner**

Joined in 2002, 21 years of private equity experience  
Susan is a member of Pantheon's Partnership Board and also leads Pantheon's North American primary fund investment activity. Susan is a member of the International Investment Committee, the U.S. Regional Investment Committee and the Global Infrastructure & Real Assets Committee. Prior to joining Pantheon, Susan was a principal at Capital Z Partners in Asia, where she was responsible for executing investments in private equity funds and in fund management companies. In addition, Susan was a Director at Russell Investments from 1995 to 1998 in its private equity group. Susan is based in San Francisco.



### **Dennis McCrary Partner**

Joined 2007, 22 years of private equity experience  
Dennis is Chair of the Co-investment Committee and the Global Secondary Investment Committee, and is a member of the U.S. Regional Investment Committee and the International Investment Committee. Dennis was previously the head of the US Partnership Team at Adams Street Partners where he was responsible for primary and secondary fund investments. Previously, Dennis held several investment banking and principal investing positions during a 20-year career with Bank of America and Continental Bank. Dennis is based in San Francisco and Chicago.



### **Elly Livingstone Partner**

Joined 2001, 19 years of private equity experience  
Elly is a member of the Global Secondary Investment Committee, the International Investment Committee and the Emerging Markets Investment Committee. Prior to joining Pantheon, Elly was an investment manager focused on the analysis, structuring and execution of direct investments at Actis Capital, an emerging markets private equity fund manager, having worked previously for Accenture and PricewaterhouseCoopers on a wide range of international consulting and corporate finance advisory assignments. Elly is based in London.



### **Tanu Chita Principal**

Joined 2004, 12 years of private equity experience  
Tanu is a senior member of Pantheon's European investment team and has responsibility for managing the investment activity for PIP. Tanu, who spent four years in Pantheon's San Francisco office, also has responsibility for the origination and execution of secondary investments. Tanu joined Pantheon from Deutsche Bank AG, where he worked in the investment banking division. Tanu is based in London.

# The Directors' Report





# The Directors



**Tom Bartlam**  
Chairman

Born December 1947 Appointed to the Board on 26th June 2003 Appointed as Chairman on 22nd July 2004

Tom Bartlam was Managing Director of Intermediate Capital Group PLC, the leading independent arranger and provider of mezzanine finance in Europe, until his retirement in 2005, he remained a Non-Executive Director until 2009 He is Chairman of Polar Capital Holdings Plc and Jupiter UK Growth Trust PLC Prior to founding Intermediate Capital Group PLC in 1989 he worked for Charterhouse Bank, where he was a Director involved in their corporate finance and private equity activities He is a chartered accountant

(a) (b) & (c)

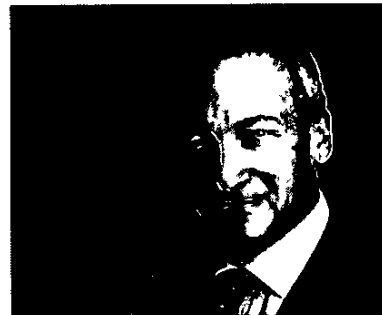


**Ian Barby**  
Audit Committee Chairman

Born in 1945 Appointed to the Board on 28th April 2005

Ian Barby practised as a Barrister before joining Warburg Investment Management as a Director and becoming a Vice Chairman of Mercury Asset Management plc He was latterly a Managing Director of Merrill Lynch Investment Management with responsibility for its investment trust division He is currently Non-Executive Chairman of Schroder Income Growth Fund plc, Invesco Perpetual UK Smaller Companies PLC and Ecofin Water & Power Opportunities plc

(a) (b) & (c)



**Sir Laurie Magnus**

Born September 1955 Appointed to the Board on 22nd November 2011

Sir Laurie Magnus is a senior adviser at Evercore, the US-listed corporate finance advisory business He has over 35 years of investment banking experience, primarily in corporate finance, initially at Samuel Montagu & Co Limited (subsequently HSBC Investment Bank) and then successively at Phoenix Securities, Donaldson Lufkin & Jenrette, Credit Suisse First Boston and Lexicon Partners (latterly as Chairman before it merged with Evercore in 2011) He is currently Chairman of The JP Morgan Income & Capital Trust plc and a Non-Executive Director of Fidelity Japanese Values plc and Aggregated Micropower Holdings plc He is a former Non-Executive Director of the Cayenne Trust plc He is Chairman of The Historic Buildings and Monuments Commission for England ("Historic England"), Chairman of Windsor Leadership Trust and a trustee of English Heritage Trust and All Churches Trust

(a) (b) & (c)

## KEY

(a) Member of the Audit Committee

(b) Member of the Management Engagement Committee

(c) Independent of the Manager

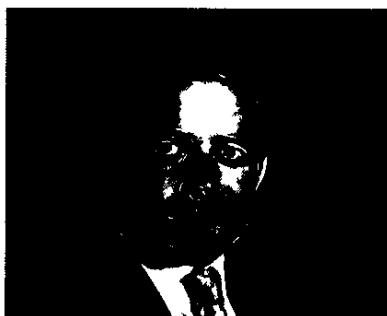




### Susannah Nicklin

Born February 1969. Appointed to the Board on 22nd November 2011. Ms Nicklin is an investment and financial services professional with 20 years of experience in executive roles at Goldman Sachs and Alliance Bernstein in the US, Australia and the UK. She has also worked in the social impact private equity sector with Bridges Ventures and the Global Impact Investing Network, and sits on the Investment Committee of Impact Ventures UK. Susannah is a Non-Executive Director of Amati VCT 2 plc and is a CFA charterholder and member of STEP.

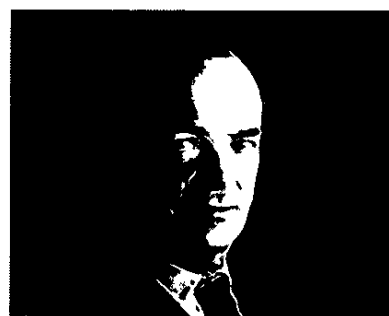
(a), (b) & (c)



### David Melvin

Born July 1960. Appointed to the Board on 23rd February 2015. David Melvin is an investment and financial services professional with almost 30 years' experience in investment banking and private equity. He is currently a Senior Adviser at Cenkos Securities plc, a UK-listed institutional stockbroking firm and a Senior Adviser of CITIC CLSA Securities, a CITIC Securities Company. Up to 2014, David was a Partner at TDR Capital, a European private equity firm, where he was a Member of the Investment Committee and Head of Investor Relations. Prior to that, he spent 24 years at Merrill Lynch, where he held a number of leadership positions, including Global Co-Head of Financial Sponsors and Chairman of EMEA Financial Sponsors and Leverage Finance. He is a qualified Chartered Accountant.

(a), (b) & (c)



### Rhoddy Swire

Born March 1951. Appointed to the Board on 7th August 1987. Rhoddy Swire is Pantheon's founder and has been a Director of Pantheon International PLC since its listing in 1987. In 1981, Rhoddy joined GT Management Ltd to oversee and manage unquoted investments and subsequently led the buyout from GT Management Ltd to form Pantheon. He was until 12th October 2011 a Director of Pantheon Ventures Limited, a parent undertaking of Pantheon Ventures (UK) LLP, and is a Director of a number of Pantheon funds. He is Chairman of Music Marketing Services Limited, the Hereford Cathedral Perpetual Trust and director of Lewmar Marine plc. He is a former Director of Ceravision Limited, The China Navigation Company Limited and Lindsell Train Investment Trust PLC.

# The Directors' Report

The Directors have pleasure in presenting their report, together with the audited financial statements of the Company for the year ended 30th June 2016

## Directors

The Directors of PIP were in office during the whole of the year ended 30th June 2016. Their full biographies can be found on pages 62 to 63.

Two directors will retire and stand for re-appointment at PIP's AGM in November 2016. Further details are on page 72.

The rules concerning the appointment and replacement of Directors are set-out in the Company's Articles of Association and are discussed on page 72. There are no agreements between the Company and its Directors concerning any compensation for their loss of office.

## Share Capital

As at 30th June 2016 and as at the date of this report, the Company had shares in issue as shown in the table below, all of which were admitted to the official list maintained by the FCA and admitted to trading on the London Stock Exchange. No shares were held in treasury at the year end.

During the year, there were no purchases of ordinary shares made by the Company.

During the year, 1,900,000 redeemable shares (with an aggregate nominal value of £19,000 and representing 5.9% of the redeemable share capital in issue on 30th June 2015) were purchased in the market for cancellation for a total consideration of £21.9m.

No purchases of either classes of shares have been made since 30th June 2016 to date.

| Share capital and voting rights at<br>19th September 2016 | NUMBER OF SHARES<br>IN ISSUE | VOTING RIGHTS<br>ATTACHED TO<br>EACH SHARE | NUMBER OF<br>SHARES HELD<br>IN TREASURY | % OF TOTAL VOTING<br>RIGHTS REPRESENTED<br>BY EACH CLASS |
|---|------------------------------|--|---|--|
| ORDINARY SHARES AT £0.67 EACH                             | 33,062,013                   | 1  | -                                       | 100  |
| REDEEMABLE SHARES AT £0.01 EACH                           | 30,297,534                   | -  | -                                       | -  |
| <b>TOTAL VOTING RIGHTS</b>                                | <b>33,062,013</b>            |  |   |  |

The rights attaching to each of the Company's classes of shares are set out in the Company's Articles of Association. Further details are included in Note 13 to the financial statements.

The redeemable shares do not carry any right to speak or vote at general meetings of the Company, including on resolutions authorising the issue or buyback of shares. However, holders of redeemable shares are entitled to receive notice of general meetings of PIP and to attend. Redeemable shares also carry the right for redeemable shareholders to vote at separate redeemable share class meetings. The sanction of holders of redeemable shares is required to authorise various corporate actions as set out in the Articles of Association.

The Company's ordinary shares and redeemable shares are freely transferable. However, the Directors may refuse to register a transfer of shares held in certificated form which are not fully paid unless the instrument of transfer is (i) lodged, duly stamped, at the Company's registered office, accompanied by the relevant share certificate(s) and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer, (ii) in respect

of only one class of share, and (iii) not in favour of more than four persons jointly. The Directors may decline to register a transfer of an uncertificated share in the circumstances set out in the Uncertificated Securities Regulations 2001 and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four. If the Directors decline to register a transfer, they are required to send notice of the refusal to the transferee within two months, giving reasons for their decision.

Unless the Directors otherwise determine, a holder of ordinary shares will cease to be entitled to attend or vote at general meetings of the Company or at class meetings or on any poll if he/she fails to comply with a request by the Company to provide details of any interest held by any person in his/her ordinary shares within 14 days of the request being made. Additionally, if the shares represent at least 0.25% of their class, any dividends payable in respect of the shares will be withheld by the Company and no transfers of any of the shares held in certificated form will be registered unless the shareholder is not him/herself in default as regards supplying the information required (and the Directors are satisfied that no person in default as regards supplying such information is interested in any of the

shares the subject of the transfer) or unless the transfer arises as a result of the acceptance of a takeover offer or a sale made through a recognised investment exchange (or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded) or is a transfer which the Directors are satisfied is made in consequence of a sale of the entire beneficial interest in the shares to a person who is unconnected with the shareholder and with any other person appearing interested in the shares

Save as described above there are no restrictions concerning the transfer of securities in the Company or on voting rights, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company, and no agreements which the Company is party to that might affect its control following a successful takeover bid

Amendment of the Company's Articles of Association and the giving of authority to issue or buy back the Company's shares require an appropriate resolution to be passed by shareholders. Proposals for the renewal of the Board's current authorities to issue and buy back shares are detailed on pages 67 to 69

## Dividends

No final dividend is being recommended

## Investment Trust Status

The Company has received written approval from HM Revenue & Customs ("HMRC") as an authorised investment trust under Sections 1158/1159 of the Corporation Tax Act 2010. The Directors are of the opinion that the Company has conducted its affairs in compliance with such approval and intends to continue to do so

## Financial Risk Management

The principal financial risks and the Company's policies for managing these risks are set out in Note 18 to the financial statements

## Management

The Company entered into a new Management Agreement with the Company's investment manager Pantheon Ventures (UK) LLP ("Pantheon Ventures") on 22nd July 2014, under which Pantheon Ventures was appointed as the Company's Alternative Investment Fund Manager ("AIFM") on the terms of and subject to the conditions of a new investment management agreement (the "Management Agreement") between the Company and Pantheon Ventures. Pantheon Ventures has been approved as an AIFM by the FCA

The arrangements in respect of the management fee and notice period remain materially unchanged

The Pantheon group is one of the world's foremost private equity fund-of-funds managers and has acted as Manager to the Company since its inception in 1987. Affiliated Managers Group, Inc. ("AMG"), alongside senior members of the Pantheon team, acquired the Pantheon group in 2010. The ownership structure, with Pantheon senior management owning a meaningful share of the equity in the business, provides a framework for long-term succession and enables Pantheon management to continue to direct the firm's day-to-day operations. AMG is a global asset management company with equity investments in leading boutique investment management firms

Under the terms of the Management Agreement Pantheon has been appointed as the sole and exclusive discretionary manager of all the assets of the Company from time to time and to provide certain additional services in connection with the management and administration of the Company's affairs, including monitoring the performance of, and giving instructions on behalf of the Company to other service providers to the Company

The Manager is entitled to a monthly management fee at an annual rate of (i) 1.5% on the value of the Company's investment assets up to £150 million and (ii) 1% on the value of such assets in excess of £150 million. In addition, the Manager is entitled to a monthly commitment fee of 0.5% per annum on the aggregate amount committed (but unpaid) in respect of investments up to a maximum amount equal to the total value of the Company's investment assets

The Manager is entitled to a performance fee from the Company in respect of each 12 calendar month period ending on 30th June in each year. The performance fee payable in respect of each such calculation period is 5% of the amount by which the net asset value at the end of such period exceeds 110% of the applicable "high-water mark", i.e. the net asset value at the end of the previous calculation period in respect of which a performance fee was payable, compounded annually at 10% for each subsequent completed calculation period up to the start of the calculation period for which the fee is being calculated. For the calculation period ended 30th June 2016, the applicable performance fee hurdle is a NAV per share of 2,506.49p

The performance fee is calculated using the adjusted net asset value, which excluded the derivative asset in previous periods

The performance fee is calculated so as to ignore the effect on performance of any performance fee payable in respect of the period for which the fee is being calculated or of any increase or decrease in the net assets of the Company resulting from any issue, redemption or purchase of any shares or other securities, the sale of any treasury shares or the issue or cancellation of any subscription or conversion rights for any shares or other securities and any other reduction in the Company's share capital or any distribution to shareholders

No performance fee is payable in respect of the year ended 30th June 2016 (2015: £nil)

# The Directors' Report

(CONTINUED)

The value of investments in and outstanding commitments to, investment funds managed or advised by the Pantheon group ("Pantheon Funds") are excluded in calculating the monthly management fee and the commitment fee. In addition, the Manager has agreed that the total fees (including performance fees) payable by Pantheon Funds to members of the Pantheon group and attributable to the Company's investments in Pantheon Funds shall be less than the total fees (excluding the performance fee) that the Company would have been charged under the Management Agreement had it invested directly in all of the underlying investments of the relevant Pantheon Funds instead of through the relevant Pantheon Funds.

The Management Agreement is capable of being terminated (without penalty to the Company) by either party giving two years' notice in writing. It is capable of being terminated by the Company (without penalty to the Company) immediately if, among other things, the Manager materially breaches its obligations (and cannot or does not remedy the breach) or goes into liquidation and on six months' notice if there is a change of control of the Manager or if certain "key man" provisions are triggered. The Manager has the benefit of an indemnity from the Company in respect of liabilities arising out of the proper performance by the Manager of its duties and compliance with instructions given to it by the Board and an exclusion of liability save to the extent of any negligence, fraud, wilful default or breach of duty.

Pantheon sources, evaluates and manages investments on the Company's behalf, allocating investments to the Company, in accordance with Pantheon's investment allocation policy, that are in line with the strategy agreed with the Board and the Company's investment objective and policy.

Under the terms of the Management Agreement the Company is entitled to participate in allocations made by the Pantheon group under its secondary investment programme, of opportunities to acquire secondary investments, other than certain co-investment opportunities in single companies or business entities in accordance with the allocation basis agreed from time to time between the Company and the Manager.

This basis for allocation to PIP of secondary investments applies until replaced by alternative allocation arrangements.

An alternative basis for the allocation to the Company of secondary investment opportunities may be applied by Pantheon in the context of a successor fund to Pantheon Global Secondary Fund V. In the event of Pantheon and the Company being unable to agree any such alternative allocation basis, Pantheon will cease to be entitled to any performance fee for calculation periods following that in which the alternative allocation basis takes effect and the Company will be entitled to terminate the Management Agreement (without penalty to the Company) on six months' notice.

The Board keeps the performance of the Manager under continual review, and the Management Engagement Committee carries out an annual review of the Manager's performance and the terms of the Management Agreement. The ongoing review of the Manager

includes activities and performance over the course of the year and review against the Company's peer group. The Board is of the opinion that it is in the interests of shareholders to continue the appointment.

The reasons for this view are that the investment performance is satisfactory and the Manager is well placed to continue to manage the assets of the Company according to the Company's strategy.

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

The Board has also appointed BNP Paribas Securities Services to act as the Company's Depositary (as required by the AIFM Directive) (the "Depositary") subject to the terms and conditions of a Depositary Agreement entered into between the Company, the AIFM and the Depositary. BNP Paribas Securities Services have also been appointed as Custodian.

Related party transactions are disclosed in Note 19 to the financial statements.

## Going Concern

The Company's business activities together with the factors likely to affect its future development, performance and position, including its financial position, are set out in the Strategic Report and Manager's Review.

At each Board meeting, the Directors review the Company's latest management accounts and other financial information. Its commitments to private equity investments are reviewed, together with its financial resources including cash held and the Company's borrowing capability. One-year cash flow scenarios are also presented to each meeting and discussed.

After due consideration of the Balance Sheet and activities of the Company and the Company's assets, liabilities, commitments and financial resources, the Directors have concluded that the Company has adequate resources to continue in operation for at least 12 months from the approval of the financial statements. For this reason, they consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

## Corporate Governance

The Board consists solely of non-executive Directors and no one individual has unfettered powers of decision. The Board has put in place levels of corporate governance which it believes are appropriate for an investment trust and to enable the Company to comply with the AIC Code of Corporate Governance (the "AIC Code") issued in February 2015 which addresses all the principles of the 2014 UK Corporate Governance Code. The Board's compliance with the AIC Code is set out in the Statement on Corporate Governance on pages 70 to 76.

## Substantial Shareholdings

As at 30th June 2016, the Company had received notification of the following disclosable interests in the voting rights of the Company

| SHAREHOLDERS                         | NUMBER OF SHARES HELD | % OF TOTAL VOTING RIGHTS |
|--------------------------------------|-----------------------|--------------------------|
| Aberdeen Asset Managers Limited      | 1,767,016             | 5.34                     |
| Investec Wealth & Investment Limited | 1,738,187             | 5.25                     |
| Brewin Dolphin Limited               | 1,666,840             | 5.04                     |
| Rathbone Brothers Plc                | 1,659,558             | 5.02                     |
| East Riding of Yorkshire Council     | 1,300,000             | 3.93                     |
| Seven Investment Management Limited  | 1,176,273             | 3.56                     |

Since the 30th June 2016, the Company has received notification from Aberdeen Asset Managers Limited that their shareholding has reduced to 1,646,715 representing 4.98% of the total voting rights

## Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations nor does it have responsibility for any other emissions producing sources under Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, (including those within PIP's underlying investment portfolio)

## Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

## Annual General Meeting

The Company's next AGM will be held at 10.30am on 23rd November 2016 at The British Academy, 10-11 Carlton House Terrace, London SW1Y 5AH. The notice convening the meeting (the 'Notice of AGM') accompanies this Report and is set out on pages 104 to 105.

At the AGM, holders of ordinary shares are being asked to vote on various items of business that are routinely considered at the Company's annual general meetings. These are the receipt and adoption of the Strategic Report, Directors' Report and Auditors' Report and the audited financial statements for the year ended 30th June 2016, the receipt and approval of the Directors' Remuneration Report (other than the part of the report containing the Director's Remuneration policy), the re-appointment of Directors, the re-appointment of the Auditor, Grant Thornton UK LLP, the authorisation of the Directors to determine the remuneration of the Auditor, the granting of authorities in relation to the allotment of shares, the disapplication of pre-emption rights, the purchase by the Company of its own shares, and the approval of the holding of general meetings (other than annual general meetings) on not less than 14 clear days' notice.

Resolutions 1 to 7 to be proposed at the AGM will be proposed as ordinary resolutions and resolutions 8 to 10 as special resolutions.

A new Directors' remuneration reporting regime came into effect on 1st October 2013. Shareholders now have an annual advisory vote on the report on Directors' remuneration and a binding vote, to be held every three years, on the remuneration policy of the Directors. A binding ordinary resolution approving the Directors Remuneration Policy was approved by shareholders at the AGM held on 25th November 2014. Accordingly, shareholders are only being asked to vote on the receipt and approval of the Directors' Remuneration Report as set out on pages 79 to 81.

An explanation of the resolutions relating to the re-appointment of Directors and the recommendation of the Nomination Committee as to voting in this regard are set out in the Statement on Corporate Governance on page 72.

## Authority to Allot Shares and Disapplication of Statutory Pre-emption Rights

The authorities given to the Directors at the AGM held on 24th November 2015 to allot shares and to grant rights to subscribe for or convert securities into shares, and to allot equity securities (and sell shares held as treasury shares) for cash otherwise than in accordance with statutory pre-emption rights (which require that, when new shares are issued, or treasury shares are sold for cash, the shares are first offered to existing shareholders in proportion to their existing holdings of shares) will expire at the forthcoming AGM. No shares have been issued during the year under the existing authorities.

Resolution 7 set out in the Notice of AGM, an ordinary resolution, will, if passed, authorise the Directors for a period of 15 months from the date on which the Resolution is passed (or until the following AGM, if earlier) to allot ordinary shares and redeemable shares in the Company and to grant rights to subscribe for or convert a security into such shares and will replace the current authority granted to Directors at last year's AGM.

The authority conferred by Resolution 7, if passed, will permit the Company to allot up to £100,991,781 in redeemable share capital,

# The Directors' Report

(CONTINUED)

being one-third of the issued redeemable share capital of the Company at the date of this Report, and to allot up to £7,383,849.57 in ordinary share capital, being one-third of the issued ordinary share capital of the Company as at the date of this Report.

The maximum nominal amount of £7,484,841.35 which the Directors will be authorised to allot by the passing of Resolution 7 represents 33.3% of the issued ordinary share capital of the Company and includes redeemable share capital representing 33.3% of the issued redeemable share capital of the Company, as at the date of this Report. As at such date, the Company is not holding any ordinary shares or redeemable shares as treasury shares.

Resolution 8 set out in the Notice of AGM, a special resolution, will, if passed, authorise the Directors for a period of 15 months from the date on which the Resolution is passed (or until the following AGM, if earlier) to allot equity securities for cash pursuant to the authority conferred by Resolution 7 as described above and to sell for cash ordinary shares and redeemable shares held by the Company as treasury shares, in each case otherwise than by way of a pre-emptive offer to existing shareholders. Equity securities for this purpose means ordinary shares and redeemable shares in the Company and rights to subscribe for or convert a security into such shares. This authority will replace the current authority granted to Directors at last year's AGM.

Resolution 8, if passed, will have the effect of disapplying the statutory pre-emption rights referred to above in relation to (i) the allotment of new equity securities up to the maximum amount of share capital permitted by Resolution 7 and the sale from treasury of ordinary shares and redeemable shares where such securities or shares are offered to ordinary and redeemable shareholders in proportion to their existing holdings of ordinary and redeemable shares, except where exclusions are necessary or desirable to deal with fractional entitlements, regulatory requirements and/or legal or practical issues, (ii) the grant of subscription and conversion rights in relation to, and the allotment (including the sale from treasury) of, up to £30,297.53 in aggregate nominal amount of redeemable share capital (being 10% of the issued redeemable share capital of the Company as at the date of this Report), at a price per share not less than the most recently calculated net asset value per share at the time of issue (or sale) of such shares, and (iii) the grant of subscription and conversion rights in relation to, and the allotment (including the sale from treasury) of, up to £2,215,154.87 in aggregate nominal amount of ordinary share capital (being 10% of the issued ordinary share capital of the Company as at the date of this Report), at a price per share not less than the most recently calculated net asset value per share at the time of issue (or sale) of such shares.

The maximum amount in respect of which the statutory pre-emption rights are disapplied under Resolution 8 (other than in relation to sub-paragraph (i) above) represents 10% of the issued equity share capital of the Company as at the date of this Report,

and includes ordinary share capital representing 10% of the issued ordinary share capital of the Company and redeemable share capital representing 10% of the issued redeemable share capital of the Company, in each case as at the date of this Report.

The Directors intend to use the authorities to be conferred by Resolutions 7 and 8 to facilitate future issues (and sales from treasury) of redeemable shares and ordinary shares (at or above the prevailing net asset value per share at the time of issue (or sale) where the shares to be issued or sold are not offered to ordinary and redeemable shareholders in proportion to their existing holdings), to raise funds for investment by the Company in accordance with its investment policy, as and when required from time to time.

## Purchase of Own Shares

At last year's AGM, the Directors were authorised to make market purchases of up to 14.99% of each of the Company's classes of share, amounting to 4,955,995 ordinary shares and 4,826,410 redeemable shares. During the year, PIP has not bought back any ordinary shares under this authority. PIP has however used this authority to buy back 1,900,000 redeemable shares as detailed on page 64.

Resolution 9 set out in the Notice of AGM, a special resolution, will, if passed, renew this authority by authorising the Company for a period of 18 months (or until the following AGM, if earlier) to make market purchases of up to 14.99% of the redeemable shares in issue as at the date upon which the resolution is passed, representing 4,541,600 redeemable shares at the date of this report, and up to 14.99% of the ordinary shares in issue as at the date upon which the resolution is passed, representing 4,955,995 ordinary shares as at the date of this Report. The maximum price (exclusive of expenses) which may be paid by the Company in relation to any such purchase is the higher of (i) 5% above the average of the market values of shares of the relevant class for the five business days before the purchase and (ii) the higher of the price of the last independent trade and the highest current bid on the London Stock Exchange. The minimum price which may be paid is £0.01 per share in the case of a purchase of redeemable shares and £0.67 per share in the case of a purchase of ordinary shares.

As at the date of this Report, there are no outstanding warrants or options to subscribe for shares in the Company.

The Directors believe that the discount to net asset value at which redeemable shares and ordinary shares trade in the market from time to time may present an attractive investment opportunity relative to new investment commitments. In such circumstances, the Directors may cause the Company to undertake targeted buybacks of ordinary and redeemable shares instead of, or in addition to, new investments as a means of utilising cash generated from the Company's portfolio. In addition, the Directors intend that the Company should retain the ability to utilise, each year, any excess cash, up to 1% of the total net assets attributable to its redeemable shares and ordinary shares, for the purpose of buying in such shares.

Any buyback would only be undertaken in circumstances where the Directors believe that it would increase the net asset value per share. Otherwise, in circumstances where the Directors believe that cash generated from the Company's portfolio cannot advantageously be utilised in making new investment commitments or in buybacks as described above, the Company intends that it would generally seek, if market conditions are appropriate, to return such excess cash as the Directors determine is appropriate through the redemption of redeemable shares at NAV.

In repurchasing shares, the Company may repurchase redeemable shares or ordinary shares or both in any combination or proportions as the Directors consider to be appropriate. The Company will consider holding any of its own shares which it purchases pursuant to the authority to be conferred by Resolution 9, if passed, as treasury shares rather than cancelling them, if the Directors determine in connection with any such purchase that it would be advantageous for the Company to do so.

#### Notice Period for General Meetings

Resolution 10 set out in the Notice of AGM, a special resolution, will, if passed, renew the approval of 14 clear days as the minimum period of notice for all general meetings of the Company (other than annual general meetings). The approval will be effective until the Company's next AGM, when it is intended that renewal will be sought. The Directors will only call general meetings on '14 clear days' notice where they consider it to be in the best interests of shareholders to do so, and should such a meeting be called, the Company will offer facilities for all shareholders to vote by electronic means.

#### Recommendation

The Directors consider that all the resolutions to be proposed at the AGM are in the best interests of the Company and its members as a whole. The Directors unanimously recommend that ordinary shareholders vote in favour of all the resolutions to be proposed, as they intend to do in respect of their own beneficial holdings.

The Notice of AGM and full details of all resolutions can be found on pages 104 to 107.

## Audit Information

The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

## Auditor

Grant Thornton UK LLP has expressed its willingness to continue in office as Auditor of the Company and a resolution for its re-appointment will be proposed at the forthcoming AGM.

On behalf of the Board

**TOM BARTLAM**

Chairman

19th September 2016



# Statement on Corporate Governance

The Company is committed to maintaining high standards of corporate governance and the Directors are accountable to shareholders for the governance of the Company's affairs

This Statement forms part of the Directors' Report set out on pages 64 to 69

A list of funds in which the Company has an interest (those representing more than 0.05% of its NAV) can be viewed on the Company's website at [www.pipic.com](http://www.pipic.com)

## Statement of Compliance

The Board of PIP has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") published in February 2015. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code) will provide better information to shareholders.

The Financial Reporting Council ("FRC"), the UK's independent regulator for corporate reporting and governance responsible for the UK Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC Members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules.

A copy of the AIC Code and the AIC Guide can be obtained via the AIC website [www.theaic.co.uk](http://www.theaic.co.uk). A copy of the UK Code can be obtained at [www.frc.org.uk](http://www.frc.org.uk).

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, to the extent that they are relevant to the Company's business throughout the year ended 30th June 2016.

The UK Code includes provisions relating to

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

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

## Viability Statement

The Viability Statement can be found on page 16

## The Board of Directors

The Board consists of six non-executive Directors and the Company has no employees. The Board is responsible for all matters of direction and control of the Company and no one individual has unfettered powers of decision.

The Board seeks to ensure that it has the appropriate balance of skills, experience, ages and length of service amongst its members. The Directors possess a wide range of business and financial expertise relevant to the direction of the Company, and consider themselves as committing sufficient time to the Company's affairs.

The terms and conditions of the appointment of the non-executive Directors are set out in letters of appointment, copies of which are available for inspection at the registered office of the Company and will be available at the AGM. None of the Directors has a contract of service with the Company. Brief biographical details of the Directors, including details of their other directorships and significant commitments, can be found on pages 62 and 63.

A formal process exists for the selection of new Directors to the Company and the level of remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The appointment of a new Director is made on the basis of a candidate's merits and the skills/experience identified by the Board as being desirable to complement those of the existing Directors. A procedure for the induction of new Directors has been established, including the provision of an induction pack containing relevant information about the Company.

On appointment to the Board, Directors are fully briefed as to their responsibilities and are given the opportunity to talk to the relevant executive members of the management company throughout their terms in office.

The Company does not have a specific diversity policy, but diversity is one of the factors that would be taken into account when making a new appointment.



## Board Operation

The Directors of the Company meet at regular Board meetings, normally seven times throughout the year, and additional meetings and telephone meetings are arranged as necessary. Seven scheduled meetings were held during the year to 30th June 2016. Directors' attendance at Board and Committee meetings during the year was as follows:

|                    | SCHEDULED<br>BOARD<br>MEETINGS  |                    | AUDIT<br>COMMITTEE<br>MEETINGS  |                    | MANAGEMENT<br>ENGAGEMENT<br>COMMITTEE MEETINGS |                    | NOMINATION<br>COMMITTEE<br>MEETINGS |                    |
|--------------------|---------------------------------|--------------------|---------------------------------|--------------------|--|--------------------|-------------------------------------|--------------------|
|                    | NUMBER<br>ENTITLED<br>TO ATTEND | NUMBER<br>ATTENDED | NUMBER<br>ENTITLED<br>TO ATTEND | NUMBER<br>ATTENDED | NUMBER<br>ENTITLED<br>TO ATTEND                | NUMBER<br>ATTENDED | NUMBER<br>ENTITLED<br>TO ATTEND     | NUMBER<br>ATTENDED |
|                    |                                 |                    |                                 |                    |  |                    |                                     |                    |
| <b>T H BARTLAM</b> | 7                               | 7                  | 3                               | 3                  | 1  | 1                  | 2                                   | 2                  |
| <b>I C S BARBY</b> | 7                               | 7                  | 3                               | 3                  | 1  | 1                  | 2                                   | 2                  |
| <b>L H MAGNUS</b>  | 7                               | 7                  | 3                               | 3                  | 1  | 1                  | 2                                   | 2                  |
| <b>S E NICKLIN</b> | 7                               | 7                  | 3                               | 3                  | 1  | 1                  | 2                                   | 2                  |
| <b>R M SWIRE</b>   | 7                               | 7                  | n/a                             | n/a                | 1  | 1                  | 2                                   | 2                  |
| <b>D L MELVIN</b>  | 7                               | 7                  | 1                               | 1                  | 1  | 1                  | 1                                   | 1                  |

In order to review the effectiveness of the Board as a whole, its Committees and individual Directors, including the independence of each Director, the Company has implemented a thorough appraisal process, encompassing both quantitative and qualitative measures of performance in respect of the Board and its Committees. The appraisal process was conducted by the Chairman by way of an evaluation questionnaire and interviews which took place over the summer of 2016, it will be repeated annually. The appraisal of the Chairman followed the same process and was carried out by the Board as a whole under the leadership of Sir Laurie Magnus (the Senior Independent Director). The Board can confirm that it has the appropriate balance of skills, experience, ages and length of service amongst its members.

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense. The Company has arranged a Directors' and Officers' Liability insurance policy which includes cover for legal expenses.

The Company's Articles of Association take advantage of statutory provisions to indemnify the Directors against certain liabilities owed to third parties even where such liability arises from conduct amounting to negligence or breach of duty or of trust. In addition, under the terms of appointment of each Director, the Company has agreed, subject to the restrictions and limitations imposed by statute and by the Company's Articles of Association, to indemnify each Director against all costs, expenses, losses and liabilities incurred in execution of his office as Director or otherwise in relation to such office. Save for such indemnity provisions in the Company's Articles of Association and in the Directors' terms of appointment, there are no qualifying third party indemnity provisions in force.

## Chairman and Senior Independent Director

Mr Bartlam who was appointed to the Board in 2003 and became Chairman in 2004, will not be seeking re-election at the forthcoming Annual General Meeting in November 2016. He will also retire from the Board of Directors. Following Mr Bartlam's retirement from the Board, Sir Laurie Magnus will become Chairman of PIP. Sir Laurie Magnus is deemed to be independent by the other Directors.

Sir Laurie will remain Senior Independent Director of the Company until his appointment as Chairman, at which point Ms Susannah Nicklin will become the Senior Independent Director.

## Directors' Independence

In accordance with the Listing Rules that apply to closed-ended investment entities and taking into consideration the AIC Code, the Board has reviewed the status of its individual Directors and the Board as a whole.

Sir Laurie Magnus, Ms Nicklin and Mr Melvin are considered to be independent in both character and judgement.

Mr Bartlam was first elected in 2003 and Mr Barby was first elected in 2005. The Board considers that the independence in character and judgement of Messrs Bartlam and Barby is not compromised by their length of service but, on the contrary, is strengthened by continuity and experience and deem Mr Bartlam and Mr Barby to be independent.

Mr Swire was until 12th October 2011 a director of Pantheon Ventures Limited, a parent undertaking of Pantheon Ventures (UK).

# Statement on Corporate Governance

(CONTINUED)

LLP the Company's Manager, and was formerly a director and Senior Partner of Pantheon Holdings Limited. He is currently a director of a number of funds managed by the Pantheon Group. He is therefore not considered to be independent under the terms of the AIC Code.

Accordingly, five of the six Board members are considered by the Board to be independent and thus the majority of the Board comprises independent non-executive Directors.

## Re-appointment of Directors

Directors are subject to re-appointment by shareholders at intervals specified in PIP's Articles of Association, and in accordance with the AIC Code and the FCA's Listing Rules. The Directors consider that this meets the requirement of the UK Corporate Governance Code that Directors are appointed for specific periods and that their reappointment should not be automatic. Under the Articles of Association, new Directors appointed by the Board are required to retire at the first AGM following their appointment.

In accordance with the terms of the Articles of Association, one-third of Directors will retire by rotation at each AGM and no Director shall serve a term of more than three years before re-election.

The Board's policy with regard to tenure of office is that any Director having served for nine years since his/her first election will be required to seek annual re-appointment thereafter. Accordingly, Mr Barby is required to seek re-appointment at the forthcoming AGM and at each AGM thereafter.

For the purpose of compliance with the FCA Listing Rules in relation to board independence, for so long as any Director of the Company is also a director or employee of or a professional adviser to the Company's Manager (or any other company in the same group) or is a director of another investment company or fund managed by the Company's Manager (or any other company in the same group), that Director will seek re-appointment at each AGM. Accordingly, Mr Swire will seek re-appointment at the forthcoming AGM.

Resolutions to re-appoint Messrs Barby, and Swire are contained within the Notice of AGM on page 104.

As referred to on page 71 and in the Chairmans's Statement, Mr Bartlam will stand down as Chairman and resign as a Director at the Company's forthcoming AGM.

The Nomination Committee has reviewed the appointment of each Director retiring at the forthcoming AGM. Following a formal performance evaluation, the Nomination Committee members recommend that shareholders vote for the re-appointment of each of these Directors as they believe that their performance continues to be effective, that they demonstrate commitment to their roles as non-executive Directors of the Company and that they have actively contributed during meetings throughout the year.

Before voting, shareholders are requested to note that, in the opinion of the other members of the Nomination Committee, each of the retiring Directors has many years' relevant experience of UK private equity and the investment trust industry which is of great value to the Company and its Board.

## Board Responsibilities and Relationship with the Manager

The Board is responsible for the determination and implementation of the Company's investment policy and for monitoring compliance with the Company's objectives. At each Board meeting the Directors follow a formal agenda to review the Company's investments and all other important issues, such as asset allocation, gearing policy, corporate strategic issues, cash management, peer group performance, marketing and shareholder relations, investment outlook, revenue forecasts and outlook, to ensure that control is maintained over the Company's affairs. The Board regularly considers its overall strategy and monitors the share price and level of discount.

The Board is responsible for the investment policy and strategic and operational decisions of the Company and for ensuring that the Company is run in accordance with all regulatory and statutory requirements. These procedures have been formalised in a schedule of matters reserved for decision by the full Board, which has been adopted for all meetings. These matters include:

- the maintenance of clear investment objectives, investment strategy 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, and
- review of matters delegated to the Manager, Administrator or Company Secretary.

The management of the Company's assets is delegated to Pantheon. At each Board meeting, a representative of Pantheon is in attendance to present verbal and written reports covering its activity, the portfolio and investment performance over the preceding period. Ongoing communication with the Board is maintained between formal meetings. The Manager ensures that Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made and contacts the Board as required for specific guidance on particular issues. Pantheon has discretion to manage the assets of the Company in accordance with the Company's investment objectives and policies, subject to certain additional investment restrictions (which may be amended by the Company from time to time with the consent of the Manager). The additional investment restrictions currently imposed on the Manager are as follows:

- at the time of making an investment, the aggregate of all amounts committed by the Company in respect of investments (excluding all amounts paid pursuant to such commitments and including any such commitments in respect of the investment to be made) shall not exceed 300% of the available cash and loan resources of the Company without the prior approval of the Board
- no direct or indirect investment in a single company shall form more than 5% of the gross asset value of the Company at the time the investment is made
- the amount invested (including amounts committed for investment) in respect of a single fund shall not exceed 10% of the aggregate of the gross asset value of the Company and the aggregate outstanding investment commitments of the Company at the time the investment is made,
- the prior approval of the Board is required for an investment (including investment commitments) in respect of a single secondary interest in an existing fund or a portfolio of secondary interests in existing funds and/or direct investments in one or more companies exceeding 3% of the net asset value of the Company at the time the investment is made and
- direct investment of £5m or more in respect of a single company requires the prior approval of the Board

In applying the above restrictions, the Company looks through holding and special purpose vehicles and investment vehicles established and managed or advised by the Manager or any other company in the Pantheon group. The Manager has also agreed that it will obtain the prior approval of the Board in relation to any primary investment in a new fund which is made otherwise than on a pro-rata basis with other Pantheon clients investing in the same fund and in relation to any investment in a vehicle managed by a member of the Pantheon group, other than holding, special purpose and feeder vehicles where no fee is charged by the Pantheon group.

The Board determines the parameters of investment strategy and risk management policies within which the Manager can exercise judgement, and sets the investment and risk management strategies in relation to currency exposure. The Company Secretary and Manager prepare briefing notes for Board consideration on matters of relevance, for example changes to the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice.

## Institutional Investors – Use of Voting Rights

The Company has delegated the exercise of its voting rights to the Manager. Pantheon has a policy of advising its clients to vote on all corporate actions in relation to investments, and does this on behalf of the Company. Pantheon consults with the Directors of the Company in the case of any corporate action where either there is a conflict of interest between PIP and other Pantheon clients, or where for any reason the proposed voting is inconsistent with the advice given to Pantheon's other clients.

## Conflicts of Interest

The Articles of Association permit the Board to consider and if it sees fit to authorise situations where a Director has an interest that conflicts or may possibly conflict, with the interests of the Company. There is in place a formal system for the Board to consider authorising such conflicts, whereby the Directors who have no interest in the matter decide whether to authorise the conflict and any conditions to be attached to such authorisations.

The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances. A register of potential conflicts is maintained by the Company Secretary and is reviewed at each Board meeting to ensure that any authorised conflicts remain appropriate. Directors are required to confirm at these meetings whether there has been any change to their position.

The Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

## Committees of the Board

The Board has appointed a number of Committees as set out below to which certain Board functions have been delegated. Each of these Committees has formal written terms of reference which clearly define their responsibilities and these can be inspected at the registered office of the Company.

### Audit Committee

The Audit Committee comprises Messrs Barby, Bartlam and Melvin, Sir Laurie Magnus and Ms Nicklin. Mr Barby, the Chairman of the Audit Committee, is a qualified barrister with wide experience of the investment management industry and of the investment trust sector. It is felt by the Committee that he is sufficiently qualified for the position of Chairman of the Audit Committee.

Mr Bartlam is a chartered accountant and it is considered appropriate for the Chairman of the Company to be a member of the Audit Committee as he provides a valuable contribution to the deliberations of the Committee.

Mr Melvin is also a qualified Chartered Accountant and contributes his knowledge and experience to the Audit Committee.

The Audit Committee met on three occasions during the year ended 30th June 2016. It is intended that the Committee will continue to meet at least three times a year to review the Half Yearly Report, to review the year-end valuation of investments and to approve the Company's Annual Report and Accounts.

The Report of the Audit Committee can be found on pages 77 and 78. The Chairman of the Audit Committee will be present at the AGM to answer any questions relating to the financial statements.

# Statement on Corporate Governance

(CONTINUED)

## Management Engagement Committee

The Management Engagement Committee comprises all the independent non-executive Directors and is chaired by Mr Bartlam. Following his forthcoming resignation at the 2016 AGM, chairmanship of the Management Engagement Committee will pass to Sir Laurie Magnus. The Management Engagement Committee met on one occasion during the year under review.

The Board keeps the performance of the Manager under continual review. In addition, in accordance with the requirements of the AIC Code, the Management Engagement Committee reviews the performance of the Manager's obligations under the Management Agreement and considers the need for any variation to the terms of this Agreement on an annual basis. The Management Engagement Committee then makes a recommendation to the Board about the continuing appointment of the Manager under the terms of the Management Agreement.

The Management Engagement Committee also reviews annually the performance of the Company Secretary, the Custodian, the Depository and the Registrar and any matters concerning their respective agreements with the Company.

## Nomination Committee

The Nomination Committee comprises the entire Board and is chaired by Mr Bartlam. Following his forthcoming resignation at the 2016 AGM, chairmanship of the Nomination Committee will pass to Sir Laurie Magnus.

The role of the Nomination Committee is to undertake the formal process of reviewing the balance and effectiveness of the Board and consider succession planning, identifying the skills and expertise needed to meet the future challenges and opportunities facing the Company and those individuals who might best provide them. The Nomination Committee makes recommendations to the Board with regard to the criteria for future Board appointments and the methods of selection as and when necessary, the appointment of a Senior Independent Director, membership of the Audit Committee, and the re-appointment of those Directors standing for re-election at AGMs.

The Nomination Committee is also responsible for assessing the time commitment required for each Board appointment and ensuring that the present incumbents have sufficient time to undertake them and for reviewing the Directors' performance appraisal process.

The Nomination Committee met once during the year ended 30th June 2016 and once since the financial year-end. A key focus for the Nomination Committee has been the succession planning ahead of Mr Bartlam's retirement as Chairman and Director in November 2016. The Nomination Committee carefully considered possible candidates for the new Chairman, particularly focussing on the balance of skills, knowledge and experience currently on the Board. After careful consideration it was agreed that Sir Laurie Magnus was the most appropriate appointment in order to ensure that the Board continues to operate effectively.

Mr Bartlam was not involved in any decision-making regarding the appointment of his successor.

## Remuneration Committee

As the Company has no employees and the Board is composed solely of non-executive Directors, it is not considered necessary to have a Remuneration Committee. It is the responsibility of the Board as a whole to determine and approve Directors' fees, following proper consideration. Having regard to the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, the time committed to the Company's affairs and remuneration levels generally within the investment trust sector, the Chairman's remuneration is decided and approved by the Board under the leadership of the Senior Independent Director.

Detailed information on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Report on pages 79 to 81.

## Internal Control Review

The Directors acknowledge that they are responsible for the Company's risk management and systems of internal control and for reviewing their effectiveness.

An ongoing process, in accordance with the guidance provided by the FRC on Risk Management, Internal Control and Related Finance and Business Reporting has been established for identifying, evaluating and managing risks faced by the Company. This process together with key procedures established with a view to providing effective financial control, has been in place throughout the year and up to the date the financial statements were approved. Full details of the principal risks and uncertainties faced by the Company can be found on pages 13 to 15.

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. It should be recognised that such systems can only provide reasonable, rather than absolute, assurance against material misstatement or loss.

## Internal Control Assessment Process

Regular risk assessments and reviews of internal controls and PIP's risk appetite are undertaken by the Board in the context of the Company's overall investment objective. The Board through delegation to the Audit Committee has undertaken a robust assessment and review of the principal risks facing PIP. Full details are on pages 13 to 15. The reviews cover 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,
- the cost to the Company and benefits related to the review of risk and associated controls of the Company, and
- the extent to which third parties operate the relevant controls.

Against this background 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 and compliance with laws and regulations
- relationship with service providers,
- and investment and business activities.

Given the nature of the Company's activities and the fact that most functions are sub-contracted, the Directors have obtained information from key third party suppliers regarding the controls operated by them. 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,
- identification and evaluation of risks and control objectives,
- assessment of the communication procedures, and
- assessment of the control procedures operated.

There were no significant matters of concern identified in the Board's review of the internal controls of its third party suppliers. Further details can be shown on page 78.

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

- Investment management is provided by Pantheon Ventures (UK) LLP. The Board is responsible for the implementation of the overall investment policy and monitors the action of the Manager at regular Board meetings.
- BNP Paribas Securities Services has been appointed as Depositary. Custody of assets is also undertaken by BNP Paribas Securities Services as the Company's Custodian for equities and bonds.
- The provision of administration, accounting and company secretarial duties is the responsibility of Capita Sinclair Henderson Limited.
- 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 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 Company Secretary on a regular 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. 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 various systems of internal controls as operated by the Company's main service providers during the year and found there to be no matters of concern.

# Statement on Corporate Governance

(CONTINUED)

## Company Secretary

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The Board has direct access to the advice and services of the Company Secretary Capita Sinclair Henderson Limited which is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with

The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that statutory obligations of the Company are met

## Dialogue with Shareholders

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Communication with shareholders is given a high priority by the Board and the Manager, and all Directors are available to enter into dialogue with shareholders. All shareholders are encouraged to attend and, where eligible, vote at the AGM, during which the Board and the Manager are available to discuss issues affecting the Company and shareholders have the opportunity to address questions to the Manager, the Board and the Chairmen of the Board's standing committees. At each AGM a presentation is made by the Manager to all shareholders present.

There is regular dialogue with institutional shareholders and a structured programme of shareholder presentations by the Manager to institutional investors takes place following publication of the Annual and Half-Yearly results. A detailed list of the Company's shareholders is reviewed at each Board meeting.

The Annual and Half Yearly Reports of the Company are prepared by the Board and its advisers to present a full and readily understandable review of the Company's performance.

Copies are dispatched to shareholders by mail and are also available for downloading from the Company's website [www.pipic.com](http://www.pipic.com). The Company always responds to letters from shareholders. Shareholders wishing to communicate directly with the Board should contact the Company Secretary at the registered office shown on page 109, who will arrange for the relevant Board member to contact them.

# Audit Committee Report

I am pleased to present the Audit Committee Report for the year ended 30th June 2016

The Audit Committee comprises myself as Chairman, with Mr Bartlam, Mr Melvin, Sir Laune Magnus and Ms Nicklin. I am a qualified barrister with wide experience of the investment management industry and of the investment trust sector. It is felt by the Board that I am sufficiently qualified for the position of Chairman of the Audit Committee. Mr Bartlam is a chartered accountant and it is considered appropriate for the Chairman of the Company to be a member of the Audit Committee as he provides a valuable contribution to its deliberations. Mr Melvin is also a qualified Chartered Accountant and contributes his knowledge and experience to the Committee. Audit Committee members consider that, individually and collectively, they are appropriately experienced to fulfil the role required. The constitution and performance of the Audit Committee is reviewed on a regular basis.

We meet at least three times a year, to review the Half Year Report to review the year-end valuation of investments and to approve the Company's Annual Report and Accounts.

## Role of the Audit Committee

Clearly defined Terms of Reference have been established and agreed with the Board. The primary responsibilities of the Audit Committee are:

- to monitor the integrity of the financial statements, the financial reporting process and the accounting policies of the Company
- to review the effectiveness of the internal control environment of the Company and its reporting processes and to monitor adherence to best practice in corporate governance
- to make recommendations to the Board in relation to the re-appointment of the Auditor and to approve the Auditor's remuneration and terms of engagement,
- to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process, and
- to provide a forum through which the Company's Auditor reports to the Board

The Audit Committee also reviews the Manager's whistleblowing procedures.

The Audit Committee has direct access to the Company's Auditor Grant Thornton UK LLP, and representatives of Grant Thornton UK LLP attend each Audit Committee meeting.

## Matters considered in the year

We met on three occasions during the year ended 30th June 2016 and twice post the year end. At those meetings the Audit Committee has:

- reviewed and agreed the half year and year end portfolio valuation and the net asset values,
- reviewed the Company's financial statements for the half year and year end and made formal recommendations to the Board,
- reviewed the internal controls and risk management systems of the Company and its third party service providers,
- agreed the audit plan and fees with the Auditor, including the principal areas of focus,
- reviewed the Company's deposit takers and banking arrangements, and
- reviewed the whistleblowing policy of the Manager.

The principal issues considered by the Committee were:

### a) Valuation process and ownership of assets

Discussions have been held with the Manager about the valuation process, ownership of assets and the systems in place at Pantheon to ensure the accuracy of the valuation of the Company's portfolio. The Audit Committee has received reassurances about the robustness of the Manager's valuation system from both Pantheon and the Auditor.

### b) Undrawn commitments

As an investor in private equity, the Company had outstanding commitments to fund investments. Approximately 25% of these uncalled commitments relate to funds that are outside their investment periods and it is likely that a portion of these will not be drawn. During the year, the Manager undertook a detailed process to review and reconcile the undrawn commitments and the results were discussed with the Audit Committee. The Audit Committee received assurances from Pantheon about the systems and controls in place to track the undrawn commitments as part of the data entry process used for updating valuations and undrawn commitments. The process was also reviewed by the Auditor as part of the year end audit.

### c) Maintenance of investment trust status

The Manager and Administrator have reported to the Committee to confirm continuing compliance with the requirements for maintaining investment trust status. The position is also discussed with the Auditor as part of the audit process.

# Audit Committee Report

(CONTINUED)

## d) Internal controls

The Audit Committee has reviewed and updated, where appropriate, the Company's risk matrix. This document is reviewed by the Audit Committee on a six monthly basis. The Audit Committee are satisfied with the extent, frequency and quality of the reporting of the Manager's monitoring to enable the Audit Committee to assess the degree of control of the Company and the effect with which risk is managed and mitigated. The Audit Committee has received reports on internal controls from each of its service providers. No incidence of significant control failings or weaknesses have been identified during the year ended 30th June 2016, within the Company or its third party suppliers.

The Company does not have an internal audit function as most of its day-to-day operations are delegated to third parties, all of whom have their own internal control procedures. The Audit Committee discussed whether it would be appropriate to establish an internal audit function, and agreed that the existing system of monitoring and reporting by third parties remains appropriate and sufficient.

## External Audit

The Audit Committee monitors and reviews the effectiveness of the external audit process for the publication of the Annual Report and makes recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditor.

Grant Thornton UK LLP's Audit of the Company in 2014 was chosen for review by the FRC's Audit Quality Review team. The Audit Committee are pleased to record that this review resulted in a "Good" rating – the highest rating available.

## Audit fees

The audit fee incurred for the review of the annual report and accounts was £39,000 (2015: £34,500). The increase for the annual audit included a one-off fee for an FRS 102 review. The Audit Committee continue to monitor the level of audit fees carefully.

## Non-audit fees/Independence and Objectivity of the Auditor

The Audit Committee reviews the scope and nature of all proposed other assurance services before engagement to ensure that the independence and objectivity of the Auditor are safeguarded. The Board's policy is that other assurance services may be carried out by the Company's Auditor unless there is a conflict of interest or someone else is considered to have more relevant experience.

Other assurance services amounting to £21,000 were provided during the year ended 30th June 2016 (2015: £19,000), relating to the review of the half year net asset value calculation and the review of the half-yearly report. The Audit Committee believes that it is appropriate for the Company's Auditor to provide these services to the Company.

The Audit Committee has received assurances from the Auditor that its independence is not compromised by the supply of these services.

## Continuing Appointment of the Auditor

Grant Thornton UK LLP, through Robson Rhodes with which it merged in 2007, has been the Company's Auditor since inception of the Company in 1987. A tender process for the Auditor has not been conducted since this time but will be undertaken by 2020. As part of its review of the continuing appointment of the Auditor, the Committee considers the length of tenure of the audit firm, its fees and independence, along with any matters raised during each audit. The need to put the audit out to tender will be considered by the Audit Committee on a regular basis.

The Company is aware that, as a result of the EU Audit Directive and Regulation, companies where the auditor was appointed on or before 16th June 1994 cannot renew or enter into an audit engagement with the auditor that extends beyond 2020.

The Audit Committee has recommended the re-appointment of Grant Thornton on each occasion since their initial appointment. The Audit Partner for the Company has been rotated in accordance with APB Ethical Standard 3 most recently in respect of the financial year ended 30th June 2013. In summer 2016, the Audit Partner for the Company has changed again and provides a fresh perspective on the audit responsibilities for PIP.

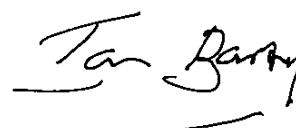
The Audit Committee has discussed with Grant Thornton its objectivity, independence and experience in the investment trust sector.

Grant Thornton has indicated its willingness to continue in office as Auditor of the Company. Following its review, the Committee considers that individually and collectively the Auditor is appropriately experienced to fulfil the role required and has recommended their re-appointment to the Board. A resolution for their re-appointment will be proposed at the forthcoming AGM.

As a result of the work performed, the Audit Committee has concluded that the Annual Report for the year ended 30th June 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board.

## Ian Barby

Audit Committee Chairman  
19th September 2016





# Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the "Independent Auditor's Report" on pages 83 to 85

## Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 30th June 2016

Shareholders may be aware that rules for the reporting of Directors' remuneration came into effect on 1st October 2013. These now require companies to ask shareholders to approve the annual remuneration report which includes the annual remuneration paid to Directors each year and formally to approve the Directors' Remuneration Policy on a three-yearly basis. Any change to the Directors' Remuneration Policy will require shareholder approval. The vote on the Directors' Remuneration

Report is, as previously, an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. A resolution to approve the Remuneration Policy was proposed at the AGM of the Company held on 25th November 2014. The resolution was passed, and the Remuneration Policy provisions will apply until they are next put to shareholders for renewal of that approval in November 2017.

A resolution to approve the Remuneration Report will be proposed at the AGM of the Company to be held on 23rd November 2016.

The Board consists entirely of non-executive Directors and the Company has no employees. We have not, therefore, reported on those aspects of remuneration that relate to executive Directors.

It is not considered appropriate for the Company to establish a separate Remuneration Committee. It is therefore the practice for the Board as a whole to consider and approve Directors' remuneration.

During the year ended 30th June 2016 the fees were set at the rate of £55,000 per annum for the Chairman (2015: £50,000), £44,000 per annum for the Chairman of the Audit Committee (2015: £40,000) and £33,000 for the other Directors (2015: £30,000).

## Directors' Fees for the Year (audited)

The Directors who served during the year received the following emoluments

|                               | FEES           |                | TOTAL          |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | YEAR TO        | YEAR TO        | YEAR TO        | YEAR TO        |
|                               | 30TH JUNE 2016 | 30TH JUNE 2015 | 30TH JUNE 2016 | 30TH JUNE 2015 |
|                               | £              | £              | £              | £              |
| <b>T H BARTLAM (Chairman)</b> | <b>55,000</b>  | 50 000         | <b>55,000</b>  | 50 000         |
| <b>I C S BARBY</b>            | <b>44,000</b>  | 40 000         | <b>44,000</b>  | 40 000         |
| <b>L H MAGNUS</b>             | <b>33,000</b>  | 30 000         | <b>33,000</b>  | 30 000         |
| <b>S E NICKLIN</b>            | <b>33,000</b>  | 30 000         | <b>33,000</b>  | 30,000         |
| <b>R M SWIRE</b>              | <b>33,000</b>  | 30 000         | <b>33,000</b>  | 30 000         |
| <b>D L MELVIN*</b>            | <b>33,000</b>  | 10 536         | <b>33,000</b>  | 10 536         |
| <b>J P A READMAN**</b>        | -              | 12 083         | -              | 12 083         |

\* appointed as a Director on 23rd February 2015

\*\* resigned as a Director on 25th November 2014

No travel expenses or any other expenses were claimed by Directors from the Company during the year ended 30 June 2016 or as at the date of this Report.

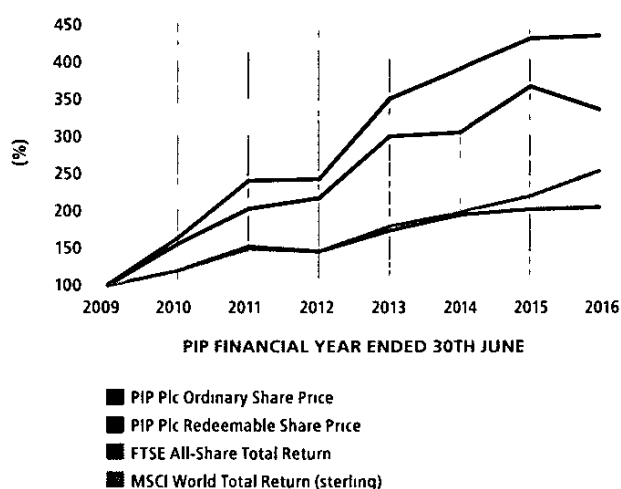
# Directors' Remuneration Report

(CONTINUED)

## Company Performance

The graph below shows the total return to ordinary shareholders compared to the total shareholder returns of the FTSE All-Share Total Return Index and MSCI World Return (sterling) Index. These indices have been selected as the most relevant, although there is no listed index that is directly comparable to the Company's portfolio.

### Total Return vs FTSE All-Share Total Return and MSCI World Total Return (Sterling) – Rebased from June 2009



## Directors' Interests (audited)

There is no requirement under the Company's Articles of Association or the terms of their appointment for Directors to hold shares in the Company.

The interests of the Directors and any persons closely associated in the shares of the Company are set out below.

|                               |                   | 30th June 2016 | 30th June 2015 |
|-------------------------------|-------------------|----------------|----------------|
| <b>T H BARTLAM (Chairman)</b> | Ordinary shares   | 12,000         | 12,000         |
|                               | Redeemable shares | -              | -              |
| <b>I C S BARBY</b>            | Ordinary shares   | 24,000         | 24,000         |
|                               | Redeemable shares | -              | -              |
| <b>L H MAGNUS</b>             | Ordinary shares   | 5,000          | 5,000          |
|                               | Redeemable shares | -              | -              |
| <b>S E NICKLIN</b>            | Ordinary shares   | -              | -              |
|                               | Redeemable shares | 132            | 132            |
| <b>D L MELVIN</b>             | Ordinary shares   | 3,000          | 3,000          |
|                               | Redeemable shares | -              | -              |
| <b>R M SWIRE</b>              | Ordinary shares   | 77,430         | 77,430         |
|                               | Redeemable shares | 5,798          | 5,798          |

There have been no changes to any holdings between 30th June 2016 and the date of this Report.

## Relative Importance of Spend on Pay

The table below sets out, in respect of the financial year ended 30th June 2016 and the preceding financial year, the total remuneration paid to Directors, the Management fee and share buybacks and the percentage change between the two periods.

|                                      | YEAR TO 30TH JUNE 2016 | YEAR TO 30TH JUNE 2015 | CHANGE |
|--------------------------------------|------------------------|------------------------|--------|
|                                      | £ 000                  | £ 000                  | %      |
| Total remuneration paid to Directors | 231                    | 203                    | 13.79  |
| Management fee                       | 11,249                 | 9,972                  | 12.81  |
| Share buybacks                       | 22,022                 | 10,188                 | 116.16 |

## Voting at Annual General Meeting

The Directors' Remuneration Report for the year ended 30th June 2015 and the Directors' Remuneration Policy were approved by shareholders at the AGMs held on 24th November 2015 and 25th November 2014 respectively. The votes cast by proxy were as follows:

| REMUNERATION REPORT             | NUMBER OF VOTES | % OF VOTES CAST |
|---------------------------------|-----------------|-----------------|
| <b>For</b>                      | 13,807,227      | 99.95           |
| <b>Against</b>                  | 626             | 0.00            |
| <b>At Chairman's discretion</b> | 6,859           | 0.05            |
| <b>Total votes cast</b>         | 13,814,712      | 100.00          |
| <b>Number of votes withheld</b> | 3,295           | -               |

| REMUNERATION POLICY             | NUMBER OF VOTES | % OF VOTES CAST |
|---------------------------------|-----------------|-----------------|
| <b>For</b>                      | 15,302,509      | 99.99           |
| <b>Against</b>                  | 1,914           | 0.01            |
| <b>At Chairman's discretion</b> | 448             | 0.00            |
| <b>Total votes cast</b>         | 15,304,871      | 100.00          |
| <b>Number of votes withheld</b> | 3,066           | -               |

## Directors' Remuneration Policy

The Board's policy is that remuneration of non-executive Directors should reflect the experience of the Board as a whole, and is determined with reference to comparable organisations and appointments. The level of remuneration has been set in order to attract individuals of a calibre appropriate to the future development of the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs.

There are no performance conditions attaching to the remuneration of the Directors as the Board does not believe that this is appropriate for non-executive Directors. The Directors do not receive pension benefits, long-term incentive schemes or share options.

All Directors act in a non-executive capacity and the fees for their services are approved by the whole Board. The fees for the Directors are determined within the limits (not to exceed £300,000 per year in aggregate) set out in the Company's Articles of Association, or any greater sum that may be determined by ordinary resolution of the Company. The Chairman does not participate in any discussions relating to his own fee which is determined by the other Directors.

Under the Company's Articles of Association, if any Director performs, or undertakes to perform, services which the Board

considers go beyond the ordinary duties of a Director, he/she may be paid such special remuneration (whether by way of fixed sum, bonus, commission, participation in profits or otherwise) as the Directors may determine. However, as the Directors do not receive performance related pay, any additional remuneration would not be based on a percentage of profits.

Directors are entitled to be paid all travelling, hotel or other expenses properly incurred by them in connection with their attendance at Director or shareholder meetings or otherwise in connection with the discharge of their duties as Directors.

## Directors' Service Contracts

None of the Directors have a contract of service with the Company. Each Director has entered into terms of appointment as a non-executive Director of the Company. There has been no other contract or arrangement between the Company and any Director at any time during the year. Under the Articles of Association, each Director shall retire and be subject to re-appointment at the first AGM following appointment, and at least every three years thereafter. After nine years' service, Directors are subject to annual re-appointment. There are no agreements between the Company and its Directors concerning compensation for loss of office.

|   | EXPECTED FEES FOR YEAR TO 30TH JUNE 2017 | FEES FOR YEAR TO 30TH JUNE 2016 |
|---|--|---------------------------------|
|   | £  | £                               |
| <b>Chairman basic fee</b>                           | 55,000                                   | 55,000                          |
| <b>Non-Executive Director basic fee</b>             | 33,000                                   | 33,000                          |
| <b>Audit Committee Chairman additional fee</b>      | 11,000                                   | 11,000                          |
| <b>Total aggregate annual fees that can be paid</b> | 300,000                                  | 300,000                         |

No other additional fees are payable for membership of the Board's committees.

Fees for any new Director appointed will be made on the above basis. Fees payable in respect of subsequent periods will be determined following an annual review. Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board.

## Approval

The Directors Remuneration Report was approved by the Board of Directors on 19th September 2016 and signed on its behalf by

**TOM BARTLAM**  
Chairman



# Statement of Directors' Responsibilities

## IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of 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 UK 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 keeping adequate accounting records that 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 2006

The Directors are responsible for ensuring that the Strategic Report, Directors' Report and other information in the Annual Report is prepared in accordance with company law in the United Kingdom, and that the Annual Report includes information required by the Listing Rules of the FCA. They also have responsibility for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

The Directors consider that the Annual Report, and financial statements taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy

The Directors confirm that, to the best of their knowledge

- the financial statements have been prepared in accordance with UK accounting standards, give a true and fair view of the assets, liabilities, financial position and return of the Company, and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces

On behalf of the Board

**TOM BARTLAM**

*Chairman*

19th September 2016



# Independent auditor's report to the members of Pantheon International Plc

## Our opinion on the financial statements is unmodified

### In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its return for the year then ended,
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and
- have been prepared in accordance with the requirements of the Companies Act 2006

## Who are we reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## What we have audited

Pantheon International Plc's financial statements for the year ended 30 June 2016 comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

## Overview of our audit approach

- Overall materiality: £20.8 million, which represents 1.75% of the company's net assets value, and
- Key audit risks were identified as existence and valuation of investments.



## Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit.

### Audit risk

#### Existence and valuation of investments

The Company's primary investment objective is to maximise capital growth by investing in a diversified portfolio of private equity funds and directly in private companies. As a consequence of this, the Company has significant exposure to investments which are the main drivers for maximising capital growth, with the investment portfolio valued at £1,072m, which forms 90% of net assets. There is a risk that investments shown in the Balance Sheet may not exist or are incorrectly valued.

There is estimation uncertainty in determining the fair value of investments at the measurement date. The Directors apply a consistent valuation process based on the information available at the measurement date which includes valuation statements as at 31 March 2016 and known cash movements to 30 June 2016. Following the measurement date relevant information is received and monitored but only considered for adjustment if in the view of the Directors it would have a significant impact. The Directors have determined a significant impact to be 5% of the portfolio valuation. We therefore identified existence and valuation of investments as risks that required particular audit attention.

### How we responded to the risk

Our response on existence: Our audit work included, but was not restricted to:

- obtaining confirmation of ownership of a sample of the investments directly from the underlying private equity fund managers,
- agreeing a sample of investment calls and distributions to deal slips and bank records, and
- agreeing the reconciliation of movements in investments held to supporting schedules.

Our response on valuation: Our audit work included, but was not restricted to:

- understanding, assessing and challenging management's process and methodology for valuing investments, including their application of the International Private Equity and Venture Capital Valuation Guidelines,
- considering whether the investment has been valued in accordance with the stated accounting policy.

# Independent auditor's report to the members of Pantheon International Plc

(CONTINUED)

## How we responded to the risk (continued)

- testing the accuracy of management's valuations by comparing against later valuations received from the underlying private equity fund managers to assess whether or not a significant valuation difference has or could occur,
- discussing the valuation basis with the Investment Manager,
- obtaining a sample of investment valuations directly from the underlying private equity fund managers assessing the quality of a sample of the valuations by comparing the information on the valuation to periodic audited financial statements,
- observing the review procedures implemented by the Investment Manager on investment valuations by reading the valuation committee minutes, and
- assessing management's consideration of other factors that might require adjustment to the valuation resulting from the normal process

The Company's accounting policy on the valuation of investments is shown in Note 1(D) and its disclosures about investments held at the year-end are included in Note 9. The valuation information received subsequent to the measurement date is disclosed in Note 9b. The Audit Committee also identified the valuation process and ownership of assets as a principal issue in its report on page 77, where the Committee also describes how it addressed this issue.

## Our application of materiality and an overview of the scope of our audit

### Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £20.8m, which is 1.75% of the Company's net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance. We use a different level of

materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

Materiality for the current year is higher than the level that we determined for the year ended 30 June 2015 to align our benchmark with what those charged with governance and users of the financial statements would consider to be material to the financial statements.

We determined the threshold at which we will communicate misstatements to the audit committee to be £1.0m. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

### Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work was focussed on obtaining an understanding of, and evaluating, relevant internal controls at both the Company and third-party service providers. This included a review of controls reports prepared by a third-party auditor on the description, design and operating effectiveness of internal controls implemented by the investment management operations of the Manager and at other relevant third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks.

## Other reporting required by regulations

### Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

#### In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Under the Listing Rules, we are required to review

- the directors' statement in relation to going concern and longer-term viability set out on page 66, and
- the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is

- materially inconsistent with the information in the audited financial statements, or
- apparently materially incorrect based on, or materially inconsistent with our knowledge of the company acquired in the course of performing our audit, or
- otherwise misleading

In particular, we are required to report to you if

- we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable, or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed

We have nothing to report in respect of the above

We also confirm that we do not have anything material to add or to draw attention to in relation to

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the or company including those that would threaten its business model, future performance, solvency or liquidity
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated,
- the directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements and
- the directors' explanation in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

## Responsibilities for the financial statements and the audit

### What the Directors are responsible for

As explained more fully in the Statement of Directors' Responsibilities set out on page 82, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### What we are responsible for

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



### Paul Flatley

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
19th September 2016

# Income Statement

YEAR ENDED 30TH JUNE 2016

|  |      | 2016             |                  |                 | 2015             |                  |                 |
|--|------|------------------|------------------|-----------------|------------------|------------------|-----------------|
|  | NOTE | REVENUE<br>£'000 | CAPITAL<br>£ 000 | TOTAL*<br>£'000 | REVENUE<br>£ 000 | CAPITAL<br>£ 000 | TOTAL*<br>£ 000 |
| Gains on investments at fair value through profit or loss**                                      | 9b   | -                | 191,298          | 191,298         | -                | 101 905          | 101 905         |
| Currency gains on cash and borrowings  | 16   | -                | 22,864           | 22,864          | -                | 6 337            | 6 337           |
| Investment income  | 2    | 11,832           | -                | 11,832          | 14 959           | -                | 14 959          |
| Investment management fees   | 3    | (11 249)         | -                | (11,249)        | (9 972)          | -                | (9 972)         |
| Other expenses   | 4    | (1,531)          | (896)            | (2,427)         | (1 284)          | (437)            | (1 721)         |
| <b>RETURN ON ORDINARY ACTIVITIES BEFORE FINANCING</b>  |      |                  |                  |                 |                  |                  |                 |
| <b>COSTS AND TAX</b>   |      | (948)            | 213 266          | 212,318         | 3 703            | 107 805          | 111 508         |
| Interest payable and similar charges/finance costs   | 6    | (1,261)          | -                | (1 261)         | (1 510)          | -                | (1 510)         |
| <b>RETURN ON ORDINARY ACTIVITIES</b>   |      |                  |                  |                 |                  |                  |                 |
| <b>BEFORE TAX</b>  |      | (2,209)          | 213,266          | 211,057         | 2,193            | 107 805          | 109 998         |
| Tax on ordinary activities   | 7    | (1,985)          | -                | (1,985)         | (1 437)          | -                | (1 437)         |
| <b>RETURN ON ORDINARY ACTIVITIES FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> |      |                  |                  |                 |                  |                  |                 |
|  |      | (4,194)          | 213,266          | 209,072         | 756              | 107 805          | 108,561         |
| <b>RETURN PER ORDINARY AND REDEEMABLE SHARE</b>  |      |                  |                  |                 |                  |                  |                 |
|  | 8    | (6 47)p          | 328 99p          | 322 52p         | 1 15p            | 164 05p          | 165 20p         |

\* The Company does not have any income or expense that is not included in the return for the year and accordingly the return for the year is also the total comprehensive income for the year. The total column of the statement represents the Company's Statement of Total Comprehensive Income prepared in accordance with Financial Reporting Standards ("FRS"). The supplementary revenue and capital columns are prepared under guidance published in the Statement of Recommended Practice ("SORP") issued by the Association of Investment Companies ("AIC").

\*\* Includes currency movements on investments

All revenue and capital items in the above statement relate to continuing operations

No operations were acquired or discontinued during the year

There were no recognised gains or losses other than those passing through the Income Statement

The Notes on pages 90 to 101 form part of these financial statements



# Statement of Changes in Equity

YEAR ENDED 30TH JUNE 2016

|  | SHARE<br>CAPITAL<br>£'000 | SHARE<br>PREMIUM<br>£'000 | CAPITAL<br>REDEMPTION<br>RESERVE<br>£'000 | OTHER<br>CAPITAL INVESTMENTS<br>RESERVE<br>£'000 | CAPITAL<br>RESERVE ON<br>HELD<br>£'000 | SPECIAL<br>RESERVE*<br>£'000 | REVENUE<br>RESERVE*<br>£'000 | TOTAL<br>£'000   |
|--|---------------------------|---------------------------|---|--|--|------------------------------|------------------------------|------------------|
| <b>Movement for the year ended</b>             |                           |                           |   |  |  |                              |                              |                  |
| <b>30th June 2016</b>                          |                           |                           |   |  |  |                              |                              |                  |
| OPENING EQUITY SHAREHOLDERS' FUNDS             | 22,475                    | 283,555                   | 3,070                                     | 409,584  | 324,062                                | 13,010                       | (55,692)                     | 1,000,064        |
| Return for the year                            | -                         | -                         | -   | 115,148  | 98,118                                 | -                            | (4,194)                      | 209,072          |
| Redeemable shares bought back for cancellation | (19)                      | -                         | 19  | (9,012)  | -                                      | (13,010)                     | -                            | (22,022)         |
| <b>CLOSING EQUITY SHAREHOLDERS' FUNDS</b>      | <b>22,456</b>             | <b>283,555</b>            | <b>3,089</b>                              | <b>515,720</b>                                   | <b>422,180</b>                         | <b>-</b>                     | <b>(59,886)</b>              | <b>1,187,114</b> |
| <b>Movement for the year ended</b>             |                           |                           |   |  |  |                              |                              |                  |
| <b>30th June 2015</b>                          |                           |                           |   |  |  |                              |                              |                  |
| OPENING EQUITY SHAREHOLDERS' FUNDS             | 22,787                    | 283,555                   | 2,758                                     | 337,152  | 288,689                                | 23,198                       | (56,448)                     | 901,691          |
| Return for the year                            | -                         | -                         | -   | 72,432   | 35,373                                 | -                            | 756                          | 108,561          |
| Ordinary shares bought back for cancellation   | (308)                     | -                         | 308                                       | -  | -                                      | (5,799)                      | -                            | (5,799)          |
| Redeemable shares bought back for cancellation | (4)                       | -                         | 4   | -  | -                                      | (4,389)                      | -                            | (4,389)          |
| <b>CLOSING EQUITY SHAREHOLDERS' FUNDS</b>      | <b>22,475</b>             | <b>283,555</b>            | <b>3,070</b>                              | <b>409,584</b>                                   | <b>324,062</b>                         | <b>13,010</b>                | <b>(55,692)</b>              | <b>1,000,064</b> |

\* Reserves that are distributable by way of dividends. In addition, the Special Reserve and Other Capital Reserve can be used for share buybacks.

The Notes on pages 90 to 101 form part of these financial statements.

# Balance Sheet

AS AT 30TH JUNE 2016

|  | NOTE | 2016<br>£'000    | 2015<br>£ 000    |
|--|------|------------------|------------------|
| <b>Fixed assets</b>  |      |                  |                  |
| Investments at fair value                                  | 9a/b | 1,071,876        | 862,029          |
| <b>Current assets</b>                                      |      |                  |                  |
| Debtors  | 11   | 3,654            | 1 805            |
| Cash at bank   |      | 115,522          | 137 483          |
|  |      | <b>119,176</b>   | <b>139,288</b>   |
| <b>Creditors Amounts falling due within one year</b>       |      |                  |                  |
| Other creditors  | 12   | 3,938            | 1 253            |
|  |      | <b>3,938</b>     | <b>1 253</b>     |
| <b>NET CURRENT ASSETS</b>                                  |      | <b>115,238</b>   | <b>138 035</b>   |
| <b>NET ASSETS</b>  |      | <b>1,187,114</b> | <b>1 000 064</b> |
| <b>Capital and reserves</b>                                |      |                  |                  |
| Called-up share capital                                    | 13   | 22,456           | 22 475           |
| Share premium  | 14   | 283,555          | 283 555          |
| Capital redemption reserve                                 | 14   | 3,089            | 3 070            |
| Other capital reserve                                      | 14   | 515,720          | 409 584          |
| Capital reserve on investments held                        | 14   | 422,180          | 324 062          |
| Special reserve  | 14   | -                | 13 010           |
| Revenue reserve  | 14   | (59,886)         | (55 692)         |
| <b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>                    |      | <b>1,187,114</b> | <b>1 000 064</b> |
| <b>NET ASSET VALUE PER SHARE - ORDINARY AND REDEEMABLE</b> | 15   | <b>1,873 62p</b> | <b>1 532 44p</b> |

The Notes on pages 90 to 101 form part of these financial statements

The financial statements were approved by the Board of Pantheon International Plc on 19th September 2016 and were signed on its behalf by

TOM BARTLAM  
Chairman

Company No 2147984



# Cash Flow Statement

YEAR ENDED 30TH JUNE 2016

|  | NOTE | 2016<br>£'000   | 2015<br>£ 000 |
|--|------|-----------------|---------------|
| <b>Cash flow from operating activities</b>                 |      |                 |               |
| Investment income received                                 |      | 11,664          | 14,855        |
| Deposit and other interest received                        |      | 159             | 60            |
| Investment management fees paid                            |      | (11,011)        | (9 876)       |
| Secretarial fees paid                                      |      | (232)           | (209)         |
| Depository fees paid                                       |      | (193)           | (148)         |
| Other cash payments  |      | (1,730)         | (1 370)       |
| Withholding tax deducted                                   |      | (1,985)         | (1,437)       |
| <b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b> | 16   | <b>(3,328)</b>  | 1 875         |
| <b>Cash flows from investing activities</b>                |      |                 |               |
| Purchases of investments                                   |      | (263,203)       | (171 799)     |
| Disposals of investments                                   |      | 244,540         | 225 971       |
| <b>NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES</b> |      | <b>(18,663)</b> | 54 172        |
| <b>Cash flows from financing activities</b>                |      |                 |               |
| Ordinary shares purchased for cancellation                 |      | -               | (6 872)       |
| Redeemable shares purchased for cancellation               |      | (22,022)        | (4 389)       |
| Loan commitment and arrangement fees paid                  |      | (992)           | (1 953)       |
| <b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>          |      | <b>(23,014)</b> | (13 214)      |
| <b>(DECREASE)/INCREASE IN CASH IN YEAR</b>                 |      | <b>(45,005)</b> | 42 833        |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>      |      | <b>137,483</b>  | 88,346        |
| <b>FOREIGN EXCHANGE GAINS</b>                              |      | <b>23,044</b>   | 6,304         |
| <b>NET CASH AND CASH EQUIVALENTS AT END OF YEAR</b>        |      | <b>115,522</b>  | 137 483       |

The Notes on pages 90 to 101 form part of these financial statements

# Notes to the Financial Statements

## 1 Accounting Policies

Pantheon International Plc is a listed public limited company incorporated in England and Wales. In November 2015, ordinary shareholders approved the simplification of the Company's name from Pantheon International Participations Plc. 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 Company applies UK GAAP in preparing its financial statements on a going concern basis and has adopted FRS 102 for its financial year ended 30th June 2016. FRS 102 became mandatory for companies with a financial year beginning from 1st January 2015. The date of transition to FRS 102 was 1st July 2014 and the results for the year ended 30th June 2016 represent the Company's first annual financial statements prepared on this basis and have been prepared in accordance with its accounting policies under FRS 102. The Directors have determined these financial statements to be compliant with FRS 102. They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when indicated otherwise.

The financial statements have been prepared on a going concern basis and under the historical cost basis of accounting, modified to include the revaluation of certain assets at fair value.

The Directors have undertaken an assessment of the impact of adoption of FRS 102 and have concluded that there are no impacts with regards to the recognition and measurement of asset, liabilities, income and expenses on adoption of FRS 102. In substance the accounting policies are consistent with those set out in the financial statements for the year ended 30th June 2015. There has been no measurement impact on the Company's Income Statement, Balance Sheet or Statement of Changes in Equity (previously called the Reconciliation of Movements in Equity Shareholders' Funds) for years previously reported. The Cash Flow Statement previously reported has been restated to comply with the new disclosure requirements of the revised reporting standard.

The Company has early adopted the amendments made in FRS 102 paragraphs 34-22 issued in March 2016, revising the fair value hierarchy disclosure requirements.

### (B) AIC SORP

The financial statements have been prepared in accordance with the SORP (as amended in November 2014) for the financial statements of investment trust companies and venture capital trusts issued by the AIC.

### (C) Segmental Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

### (D) Valuation of Investments

Given the nature of the Company's assets which comprise predominantly unlisted fund investments, while the Company operates a robust and consistent valuation process, there is significant estimation uncertainty in the underlying fund valuations, as these are comprised

of individual unlisted company valuations estimated at a point in time. Accordingly, while the Company considers circumstances where it might be appropriate to apply an override, for instance in response to a market crash, this will be exercised only where it is judged necessary to show a true and fair view. Similarly, while relevant information received after the measurement date is considered, the Directors will only consider an adjustment to the financial statements if it were to have a significant impact. In the view of the Directors a significant impact would be a movement of greater than 5% of the overall estimate of the value of the investment portfolio made at the measurement date.

The Company has fully adopted sections 11 and 12 of FRS 102.

All investments held by the Company are classified as "fair value through profit or loss". As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, investments are recognised at fair value on initial recognition. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy. For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business at the Balance Sheet date. For investments that are not actively traded in organised financial markets, fair value is determined using reliable valuation techniques as described below.

(i) Unquoted fixed asset investments are stated at the estimated fair value.

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 and recorded up to the measurement date. Such valuations are necessarily dependent upon the reasonableness of the valuations by the fund managers of the underlying investments. In the absence of contrary information the values are assumed to be reliable. These valuations are reviewed periodically for reasonableness and recorded up to the measurement date. If a class of assets were sold post year end, management would consider the effect, if any, on the investment portfolio.

The Company may acquire secondary interests at either a premium or a discount to the fund manager's valuation. Within the Company's portfolio, those fund holdings purchased at a premium are normally revalued to their stated net asset values at the next reporting date. Those fund holdings purchased at a discount are normally held at cost until the receipt of a valuation from the fund manager in respect of a date after acquisition, when they are revalued to their stated net asset values, unless an adjustment against a specific investment is considered appropriate.

In the case of direct investments in unquoted companies, the initial valuation is based on the transaction price. Where better indications of fair value become available, such as through subsequent issues of capital or dealings between third parties, the valuation is adjusted to reflect the new evidence. This information may include the valuations provided by private equity managers who are also invested in the company. Valuations are reduced where the company's performance is not considered satisfactory.

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 valuation is adjusted to reflect this.

(ii) Quoted investments are valued at the bid price on the relevant stock exchange.

The Company may engage in financing transactions if payment for an investment is deferred beyond normal business terms. If the arrangement constitutes a financing transaction, the Company initially measures the financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The difference between the present value and the discounted value is amortised over the life of the transaction and shown as a finance cost in the revenue column in the Income Statement.

### (E) 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 interest rate on the security.

Other interest receivable is included on an accruals basis.

### (F) Taxation

Corporation tax payable is based on the taxable profit for the year. The charge for taxation takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen but not reversed by the Balance Sheet date.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the marginal method.

Dividends receivable are recognised at an amount that may include withholding tax (but excludes other taxes such as attributable tax credits). Any withholding tax suffered is shown as part of the revenue account tax charge.

### (G) 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 or disposal of an investment are treated as capital costs and separately identified and disclosed in Note 9
- expenses of a capital nature are accounted for through the capital account, and
- investment performance fees

### (H) Foreign Currency

The currency of the Primary Economic Environment in which the Company operates (the functional currency) is pounds sterling ("sterling"), which

is also the presentation currency. Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. 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 Income Statement. For non-monetary assets these are covered by fair value adjustments.

### (I) Other Capital Reserve

The following are accounted for in this reserve:

- investment performance fees,
- gains and losses on the realisation of investments,
- realised exchange differences of a capital nature, and
- expenses of a capital nature.

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; any gain will be recognised as realised only when the cost has been reduced to nil.

### (J) Capital Reserve on Investments Held

The following are accounted for in this reserve:

- increases and decreases in the value of investments held at the year end.

### (K) Investment Performance Fee

The Manager is entitled to a performance fee from the Company in respect of each 12 calendar month period ending on 30th June in each year. The performance fee payable in respect of each such calculation period is 5% of the amount by which the net asset value at the end of such period exceeds 110% of the applicable "high-water mark", i.e. the net asset value at the end of the previous calculation period in respect of which a performance fee was payable, compounded annually at 10% for each subsequent completed calculation period up to the start of the calculation period for which the fee is being calculated. For the calculation period ended 30th June 2016, the notional performance fee hurdle is a net asset value per share of 2,506.49p. The performance fee is calculated using the adjusted net asset value.

The performance fee is calculated so as to ignore the effect on performance of any performance fee payable in respect of the period for which the fee is being calculated or of any increase or decrease in the net assets of the Company resulting from any issue, redemption or purchase of any shares or other securities, the sale of any treasury shares or the issue or cancellation of any subscription or conversion rights for any shares or other securities and any other reduction in the Company's share capital or any distribution to shareholders.

### (L) Significant judgements and estimates

The preparation of financial statements requires the Manager to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the financial reporting date and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. Details of any estimates are provided in Section (D) of this Note in the Valuation of Investments policy and also within the Market Price Risk section in Note 18.

# Notes to the Financial Statements

(CONTINUED)

## 2 Income

|  | 30TH JUNE 2016 | 30TH JUNE 2015 |
|--|----------------|----------------|
|  | £'000          | £ 000          |
| <b>Income from investments</b>             |                |                |
| Investment income                          | 11,673         | 14 898         |
|  | <b>11,673</b>  | <b>14,898</b>  |
| <b>Other income</b>                        |                |                |
| Interest                                   | 159            | 59             |
| Other income                               | -              | 3              |
| Exchange difference on income              | -              | (1)            |
|  | <b>159</b>     | <b>61</b>      |
| <b>TOTAL INCOME</b>                        | <b>11,832</b>  | <b>14 959</b>  |
| <b>Total income comprises</b>              |                |                |
| Dividends                                  | 11,673         | 14 898         |
| Bank interest                              | 159            | 59             |
| Other income                               | -              | 3              |
| Exchange difference on income              | -              | (1)            |
|  | <b>11,832</b>  | <b>14 959</b>  |
| <b>Analysis of income from investments</b> |                |                |
| Unlisted                                   | 11,673         | 14,898         |
|  | <b>11,673</b>  | <b>14,898</b>  |
| <b>Geographical analysis</b>               |                |                |
| UK   | 505            | 1 709          |
| US   | 6,929          | 6 352          |
| Other overseas                             | 4,239          | 6 837          |
|  | <b>11,673</b>  | <b>14 898</b>  |

## 3 Investment Management Fees

|                                   | 30TH JUNE 2016 |          |               | 30TH JUNE 2015 |          |              |
|-----------------------------------|----------------|----------|---------------|----------------|----------|--------------|
|                                   | REVENUE        | CAPITAL  | TOTAL         | REVENUE        | CAPITAL  | TOTAL        |
|                                   | £'000          | £'000    | £'000         | £ 000          | £ 000    | £ 000        |
| <b>Investment management fees</b> | <b>11,249</b>  | <b>-</b> | <b>11,249</b> | <b>9,972</b>   | <b>-</b> | <b>9 972</b> |
|                                   | <b>11,249</b>  | <b>-</b> | <b>11,249</b> | <b>9 972</b>   | <b>-</b> | <b>9 972</b> |

The investment management fee is payable monthly in arrears at the rate set out in the Directors' Report on pages 65 and 66

During the year, services with a total value of £11,824,000 (2015 £10,563,000), being £11,249 000 (2015 £9,972,000) directly from Pantheon Ventures (UK) LLP and £575,000 (2015 £591 000) via Pantheon managed fund investments were purchased by the Company

The value of investments in and outstanding commitments to, investment funds managed or advised by the Pantheon group ("Pantheon Funds") are excluded in calculating the monthly management fee and the commitment fee. The value of holdings in investments managed by the Pantheon group totalled £34,855,000 as at 30th June 2016 (2015 £47,730,000). In addition, the Manager has agreed that the total fees (including performance fees) payable by Pantheon Funds to members of the Pantheon group and attributable to the Company's investments in Pantheon Funds shall be less than the total fees (excluding the performance fee) that the Company would have been charged under the Management Agreement had it invested directly in all of the underlying investments of the relevant Pantheon Funds instead of through the relevant Pantheon Funds

At 30th June 2016 £1 080 000 (2015 £842,000) was owed for investment management fees. No performance fee is payable in respect of the 12 calendar month period to 30th June 2016 (2015 £nil). The basis upon which the performance fee is calculated is explained in Note 1(K) and in the Directors' Report on pages 65 and 66.

#### 4 Other Expenses

|  | 30TH JUNE 2016   |                  |                | 30TH JUNE 2015   |                  |                |
|--|------------------|------------------|----------------|------------------|------------------|----------------|
|  | REVENUE<br>£'000 | CAPITAL<br>£'000 | TOTAL<br>£'000 | REVENUE<br>£'000 | CAPITAL<br>£'000 | TOTAL<br>£'000 |
| Secretarial and accountancy services   | 225              | -                | 225            | 219              | -                | 219            |
| Depositary fees  | 194              | -                | 194            | 180              | -                | 180            |
| Fees payable to the Company's Auditor for the<br>audit of the annual financial statements            | 39               | -                | 39             | 35               | -                | 35             |
| Fees payable to the Company's Auditor for<br>– audit-related assurance services - Half-Yearly report | 8                | -                | 8              | 7                | -                | 7              |
| – other assurance services - net asset value calculations  | 13               | -                | 13             | 12               | -                | 12             |
| Directors' remuneration (see Note 5)   | 231              | -                | 231            | 203              | -                | 203            |
| Employer's National Insurance  | 22               | -                | 22             | 9                | -                | 9              |
| Irrecoverable VAT  | 134              | -                | 134            | 61               | -                | 61             |
| Legal and professional fees  | 282              | 896              | 1,178          | 200              | 437              | 637            |
| Printing   | 53               | -                | 53             | 46               | -                | 46             |
| Other  | 330              | -                | 330            | 312              | -                | 312            |
|  | <b>1 531</b>     | <b>896</b>       | <b>2,427</b>   | <b>1 284</b>     | <b>437</b>       | <b>1 721</b>   |

The Directors do not consider that the provision of other assurance services to the Company affects the independence of the Auditors.

#### 5 Directors' Remuneration

Directors' emoluments comprise Directors' fees and reclaimed travel expenses. A breakdown is provided in the Directors' Remuneration Report on page 79.

#### 6 Interest Payable and Similar Charges

|   | 30TH JUNE 2016<br>£'000 | 30TH JUNE 2015<br>£'000 |
|---|-------------------------|-------------------------|
| Amortised costs associated with finance transaction | 35                      | -                       |
| Loan commitment and arrangement fees                | 1,226                   | 1,510                   |
|   | <b>1,261</b>            | <b>1 510</b>            |

On 14th November 2014, the Company renewed its 4 year multi-currency revolving credit facility agreement with improved terms and a revised maturity date of November 2018. The size of the facility with The Royal Bank of Scotland plc and Lloyds Bank plc remains £100m equivalent which, using exchange rates as at 14th November 2014, has been redominated to \$100m and €46m. The agreement also contains an accordion feature that would allow the total facility to expand by a further £50m, subject to the Company obtaining additional commitments to the accordion facility and complying with financial covenants. Each individual drawdown bears interest at a variable rate agreed for the period of the drawdown and a commitment fee of 0.94% per annum is payable in respect of the amounts available for drawdown in each denomination. The Company paid to The Royal Bank of Scotland Group plc an upfront fee of £900,000 representing 0.90% of the total facility. This fee is being amortised over the life of the facility.

# Notes to the Financial Statements

(CONTINUED)

## 7 Tax on Ordinary Activities

|   | 30TH JUNE 2016   |                  |                | 30TH JUNE 2015   |                  |                |
|---|------------------|------------------|----------------|------------------|------------------|----------------|
|   | REVENUE<br>£'000 | CAPITAL<br>£'000 | TOTAL<br>£'000 | REVENUE<br>£ 000 | CAPITAL<br>£'000 | TOTAL<br>£ 000 |
| Withholding tax deducted from distributions | 1,985            | -                | 1,985          | 1,437            | -                | 1 437          |

### Tax Charge

The tax charge for the year differs from the standard rate of corporation tax in the UK for the prior year only (20%). The differences are explained below

|  |         |          |          |         |          |          |
|--|---------|----------|----------|---------|----------|----------|
| Net return on ordinary activities before tax                     | (2,209) | 213,266  | 211,057  | 2 193   | 107 805  | 109 998  |
| Theoretical tax at UK corporation tax rate of 20% (2015 20.75%)* | (442)   | 42,653   | 42,211   | 455     | 22,370   | 22 825   |
| Non-taxable investment, derivative and currency gains            | -       | (42,832) | (42,832) | -       | (22 461) | (22 461) |
| Effect of expenses in excess of taxable income                   | -       | 179      | 179      | -       | 91       | 91       |
| Utilised management expenses                                     | 442     | -        | 442      | (455)   | -        | (455)    |
| Withholding tax deducted from distributions                      | (1,985) | -        | (1,985)  | (1 437) | -        | (1,437)  |
|  | (1,985) | -        | (1,985)  | (1 437) | -        | (1,437)  |

\* The corporation tax rate applied is based on the average tax rates for the financial years ended 30th June 2016 and 30th June 2015  
The actual rates were 21% until 31st March 2015 and 20% from 1st April 2015

### Factors That May Affect Future Tax Charges

The Company is an investment trust and therefore is not subject to tax on capital gains. Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to meet for the foreseeable future) the conditions for approval as an investment trust company.

No deferred tax asset has been recognised in respect of excess management expenses and expenses in excess of taxable income as they will only be recoverable to the extent that there is sufficient future taxable revenue. As at 30th June 2016, excess management expenses are estimated to be in excess of £135m (2015 £133m).

At 30th June 2016, the Company had no unprovided deferred tax liabilities (2015 £nil).

## 8 Return per share

|   | 30TH JUNE 2016 |         |            | 30TH JUNE 2015 |         |            |
|---|----------------|---------|------------|----------------|---------|------------|
|   | REVENUE        | CAPITAL | TOTAL      | REVENUE        | CAPITAL | TOTAL      |
| Return on ordinary activities after tax for the financial year in £ 000 | (4,194)        | 213,266 | 209,072    | 756            | 107 805 | 108 561    |
| Weighted average ordinary and redeemable shares                         |                |         | 64 823 481 |                |         | 65 716 081 |
| Return per ordinary and redeemable share                                | (6.47)p        | 328.99p | 322.52p    | 1.15p          | 164.05p | 165.20p    |

There are no dilutive effects to earnings per share.



## 9a Movements on Investments

|   | 30TH JUNE 2016<br>£'000 | 30TH JUNE 2015<br>£'000 |
|---|-------------------------|-------------------------|
| Book cost brought forward                       | 539,089                 | 527,392                 |
| Acquisitions at cost                            | 264,900                 | 187,546                 |
| Capital distributions – proceeds                | (246,470)               | (242,380)               |
| Capital distributions – realised gains on sales | 93,299                  | 66,531                  |
| BOOK COST AT 30TH JUNE                          | 650,818                 | 539,089                 |
| <b>Unrealised appreciation of investments</b>   |                         |                         |
| Unlisted investments                            | 420,667                 | 320,535                 |
| Listed investments                              | 391                     | 2,405                   |
| VALUATION OF INVESTMENTS AT 30TH JUNE           | 1,071,876               | 862,029                 |

## 9b Analysis of Investments

The method of valuation of the fixed asset investments is described in Note 1D on page 90. 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 available information at the measurement date. Since the measurement date, 29 July 2016, investment valuations have been received for 87% as a proportion of the total number of funds in the portfolio which, whilst incomplete, would indicate a valuation uplift of £27.8m. As per the accounting policy this is less than the 5% tolerance set by the Directors, beyond which an adjustment would be considered, and therefore no adjustment has been made. Investments are principally comprised of unlisted limited partnership interests.

|   | 30TH JUNE 2016<br>£'000 | 30TH JUNE 2015<br>£'000 |
|---|-------------------------|-------------------------|
| <b>Sterling</b>   |                         |                         |
| Unlisted investments  | 51,508                  | 49,048                  |
|   | 51,508                  | 49,048                  |
| <b>US dollar</b>  |                         |                         |
| Unlisted investments  | 798,276                 | 647,812                 |
| Listed investments  | 1,369                   | 3,225                   |
|   | 799,645                 | 651,037                 |
| <b>Euro</b>   |                         |                         |
| Unlisted investments  | 201,600                 | 150,536                 |
| Listed investments  | -                       | 450                     |
|   | 201,600                 | 150,986                 |
| <b>Other</b>  |                         |                         |
| Unlisted investments  | 19,123                  | 10,958                  |
|   | 19,123                  | 10,958                  |
|   | 1,071,876               | 862,029                 |
| Realised gains on sales   | 93,299                  | 66,531                  |
| Amounts previously recognised as unrealised appreciation on those sales | 2,405                   | (8)                     |
| Increase in unrealised appreciation                                     | 95,713                  | 35,381                  |
| Revaluation of amounts owed to brokers                                  | (119)                   | 1                       |
| GAINS ON INVESTMENTS  | 191,298                 | 101,905                 |

Further analysis of the investment portfolio is provided in the Manager's Review on pages 17 to 54. Transaction costs, (incurred at the point of the transaction) incidental to the acquisition of investments totalled £nil (2015: £nil) and to the disposals of investments totalled £15,000 (2015: £8,000) for the year. In addition, legal fees incidental to the acquisition of investments totalled £896,000 (2015: £437,000) as disclosed in Note 4 have been taken to the capital column in the Income Statement since they are capital in nature.

# Notes to the Financial Statements

(CONTINUED)

## 9c Material Investment

At the year end, the Company held the following material holdings in the following investments

| INVESTMENT               | % OWNERSHIP | CLOSING NET ASSETS VALUE £M |
|--------------------------|-------------|-----------------------------|
| PASIA V LP               | 6.2         | 25.0                        |
| Monteverdi               | 26.7        | 22.3                        |
| Pantheon Midway Series A | 15.2        | 20.6                        |

## 10 Fair Value Hierarchy

### Financial Assets at Fair Value Through Profit or Loss at 30th June 2016

|                   | LEVEL 1<br>£'000 | LEVEL 2<br>£'000 | LEVEL 3<br>£'000 | TOTAL<br>£'000 |
|-------------------|------------------|------------------|------------------|----------------|
| Unlisted holdings | -                | -                | 1,070,507        | 1,070,507      |
| Listed holdings   | 1,369            | -                | -                | 1,369          |
|                   | 1,369            | -                | 1,070,507        | 1,071,876      |

### Financial Assets at Fair Value Through Profit or Loss at 30th June 2015

|                   | LEVEL 1<br>£'000 | LEVEL 2<br>£'000 | LEVEL 3<br>£'000 | TOTAL<br>£'000 |
|-------------------|------------------|------------------|------------------|----------------|
| Unlisted holdings | -                | -                | 858,354          | 858,354        |
| Listed holdings   | 3,675            | -                | -                | 3,675          |
|                   | 3,675            | -                | 858,354          | 862,029        |

## 11 Debtors

|                                  | 30TH JUNE 2016<br>£'000 | 30TH JUNE 2015<br>£'000 |
|----------------------------------|-------------------------|-------------------------|
| Amounts owed by investment funds | 2,996                   | 875                     |
| Prepayments and accrued income   | 658                     | 930                     |
|                                  | 3,654                   | 1,805                   |

## 12 Creditors Amounts Falling Due Within One Year

|                              | 30TH JUNE 2016<br>£'000 | 30TH JUNE 2015<br>£ 000 |
|------------------------------|-------------------------|-------------------------|
| Investment management fees   | 1,080                   | 842                     |
| Amounts owed to brokers      | 2,213                   | -                       |
| Other creditors and accruals | 645                     | 411                     |
|                              | <b>3,938</b>            | <b>1 253</b>            |

## 13 Called-up Share Capital

|   | 30TH JUNE 2016<br>£'000 | 30TH JUNE 2015<br>£ 000 |
|---|-------------------------|-------------------------|
| <b>Allotted, called-up and fully paid</b>                 |                         |                         |
| 33 062 013 (2015 33 062 013) ordinary shares of 67p each  | 22,153                  | 22 153                  |
| 30,297 534 (2015 32,197 534) redeemable shares of 1p each | 303                     | 322                     |
|   | <b>22,456</b>           | <b>22 475</b>           |

During the year 1,900,000 (2015 375,000) redeemable shares and nil (2015 460,000) ordinary shares were bought back in the market for cancellation. The total consideration paid, including commission and stamp duty, was £22,022,000 (2015 £4,389,000) and £nil (2015 £5 799,000) respectively.

Redeemable shares rank equally with ordinary shares regarding dividend rights and rights on winding up or return of capital (other than a redemption or purchase of shares). The holders of redeemable shares have the right to receive notice of and attend all general meetings of the Company but not to speak or vote. Each holder of ordinary shares is entitled, on a show of hands, to one vote and, on a poll, to one vote for each ordinary share held.

The redeemable shares are redeemable at the option of the Company, at the prevailing net asset value per share, within 60 days following the end of each monthly NAV calculation date or within 60 days of any other business day which is determined by the Directors to be a NAV calculation date.

# Notes to the Financial Statements

(CONTINUED)

## 14 Reserves

|   | SHARE<br>PREMIUM<br>£ 000 | CAPITAL<br>REDEMPTION<br>RESERVE<br>£'000 | OTHER<br>CAPITAL<br>RESERVE<br>£'000 | CAPITAL<br>RESERVE ON<br>INVESTMENTS<br>HELD<br>£'000 | SPECIAL<br>RESERVE*<br>£'000 | REVENUE<br>RESERVE*<br>£'000 |
|---|---------------------------|---|--------------------------------------|---|------------------------------|------------------------------|
| Beginning of year                               | 283,555                   | 3,070                                     | 409,584                              | 324,062   | 13,010                       | (55,692)                     |
| Net gain on realisation of investments          | -                         | -   | 93,299                               | -   | -                            | -                            |
| Increase in unrealised appreciation             | -                         | -   | -                                    | 95,713  | -                            | -                            |
| Transfer on disposal of investments             | -                         | -   | -                                    | 2,405   | -                            | -                            |
| Revaluation of amounts owed to brokers          | -                         | -   | (119)                                | -   | -                            | -                            |
| Exchange differences on currency                | -                         | -   | 23,044                               | -   | -                            | -                            |
| Exchange differences on other capital items     | -                         | -   | (180)                                | -   | -                            | -                            |
| Legal and professional costs charged to capital | -                         | -   | (896)                                | -   | -                            | -                            |
| Share cancellations                             | -                         | 19  | -                                    | -   | -                            | -                            |
| Share buybacks                                  | -                         | -   | (9,012)                              | -   | (13,010)                     | -                            |
| Revenue return for the year                     | -                         | -   | -                                    | -   | -                            | (4,194)                      |
| END OF YEAR                                     | 283,555                   | 3,089                                     | 515,720                              | 422,180   | -                            | (59,886)                     |

\* Reserves that are distributable by way of dividends

In addition, the Special Reserve and Other Capital Reserve can be used for share buybacks

## 15 Net Asset Value per Share

|   | 30TH JUNE 2016 | 30TH JUNE 2015 |
|---|----------------|----------------|
| Net assets attributable in £ 000                    | 1,187,114      | 1,000,064      |
| Ordinary and redeemable shares                      | 63,359,547     | 65,259,547     |
| Net asset value per share - ordinary and redeemable | 1 873 62p      | 1 532 44p      |

## 16 Reconciliation of Return on Ordinary Activities Before Financing Costs and Tax to Net Cash Flow from Operating Activities

|  | 30TH JUNE 2016<br>£'000 | 30TH JUNE 2015<br>£ 000 |
|--|-------------------------|-------------------------|
| Return on ordinary activities before finance costs and tax | 212,318                 | 111 508                 |
| Withholding tax deducted                                   | (1,985)                 | (1,437)                 |
| Gains on investments                                       | (191,298)               | (101 905)               |
| Currency gains on cash and borrowings                      | (22,864)                | (6 337)                 |
| Increase in creditors                                      | 466                     | 141                     |
| Decrease/(increase) in other debtors                       | 35                      | (95)                    |
| NET CASH FLOW FROM OPERATING ACTIVITIES                    | (3 328)                 | 1 875                   |

## 17 Contingencies, Guarantees and Financial Commitments

At 30th June 2016 there were financial commitments outstanding of £381.9m (2015: £256.3m) in respect of investments in partly paid shares and interests in private equity funds.

Further detail of the available finance cover is provided in Note 18.

## 18 Analysis of Financial Assets and Liabilities

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, 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 regularly receive financial information, which is used to identify and monitor risk.

In accordance with FRS 102 an analysis of financial assets and liabilities, which identifies the risk to the Company of holding such items, is given below.

### 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 regular basis.

There are times when opportunities for the Company to acquire secondary unquoted portfolios of interests or co-investments may be limited due to the cyclical nature of their occurrence. As a result, at times of low investment opportunity, some funds may be held on deposit or invested in gilts and other fixed interest government bonds. It is the nature of investment in private equity that a commitment (see Note 17 for outstanding commitments as at 30th June 2016) to invest will be made and that calls for payments will then be received from the unlisted investee entity. These payments are usually on an ad-hoc basis and may be called at any instance over a number of years. The Company's ability to meet these commitments is dependent upon it receiving cash distributions from its private equity investments and, to the extent these are insufficient, on the availability of financing facilities. In order to cover any shortfalls, the Company has entered into a multi-currency revolving credit facility with The Royal Bank of Scotland plc and Lloyds Bank plc, due to expire in November 2018, and comprising facilities of \$100m and €46m of which at 30th June 2016 the sterling equivalent of £nil (30th June 2015: £nil) was drawn down (see Note 6 on page 93 for further information).

The principal covenant that applies to the loan facility is that gross borrowings do not exceed 30% of adjusted gross asset value.

Total available financing as at 30th June 2016 stood at £228.7m (2015: £233.8m), comprising £115.5m (2015: £137.5m) in cash balances and £113.2m (2015: £96.3m) (sterling equivalent) in undrawn bank facilities. The available financing along with the private equity portfolio exceeded the outstanding commitments by 3.4 times (2015: 4.3 times).

### Interest Rate Risk

The Company may use gearing to achieve its investment objectives and manage cash flows and uses a multi-currency revolving credit facility for this purpose.

Interest on the revolving credit facility is payable at variable rates determined subject to drawdown. Variable rates are defined as LIBOR or EURIBOR + 2.35%, dependent on the currency drawn. The interest rate is then fixed for the duration that the loan is drawn down. At 30th June 2016 the sterling equivalent of £nil funds drawn down on the loan facilities (30th June 2015: £nil). A commitment fee of 0.94% per annum is payable in respect of the amounts available for drawdown in each facility.

### Non-interest rate exposure

The remainder of the Company's portfolio and current assets are not subject to interest rate risks.

# Notes to the Financial Statements

(CONTINUED)

Financial assets for 2016 and 2015 consisted of investments, cash and debtors (excluding prepayments). As at 30th June 2016, the interest rate risk and maturity profile of the Company's financial assets was as follows

|   |                  | NO               | MATURES | MATURES | FIXED         |
|---|------------------|------------------|---------|---------|---------------|
|   |                  | MATURITY         | WITHIN  | AFTER   | INTEREST      |
|   | TOTAL            | DATE             | 1 YEAR  | 1 YEAR  | AVERAGE       |
| 30TH JUNE 2016                                | £'000            | £ 000            | £'000   | £'000   | INTEREST RATE |
|   |                  |                  |         |         | %             |
| <b>No interest rate risk financial assets</b> |                  |                  |         |         |               |
| Sterling                                      | 79,547           | 79,547           | -       | -       | -             |
| US dollar                                     | 885,464          | 885,464          | -       | -       | -             |
| Euro  | 204,627          | 204,627          | -       | -       | -             |
| Other   | 20,817           | 20,817           | -       | -       | -             |
|   | <b>1,190,455</b> | <b>1,190,455</b> | -       | -       | -             |

The interest rate and maturity profile of the Company's financial assets as at 30th June 2015 was as follows

|   |                  | NO               | MATURES | MATURES | FIXED         |
|---|------------------|------------------|---------|---------|---------------|
|   |                  | MATURITY         | WITHIN  | AFTER   | INTEREST      |
|   | TOTAL            | DATE             | 1 YEAR  | 1 YEAR  | AVERAGE       |
| 30TH JUNE 2015                                | £'000            | £ 000            | £'000   | £'000   | INTEREST RATE |
|   |                  |                  |         |         | %             |
| <b>No interest rate risk financial assets</b> |                  |                  |         |         |               |
| Sterling                                      | 49,640           | 49,640           | -       | -       | -             |
| US dollar                                     | 784,923          | 784,923          | -       | -       | -             |
| Euro  | 154,342          | 154,342          | -       | -       | -             |
| Other   | 11,576           | 11,576           | -       | -       | -             |
|   | <b>1,000,481</b> | <b>1,000,481</b> | -       | -       | -             |

## Financial Liabilities

At 30th June 2016 the Company had drawn the sterling equivalent of £nil (2015: £nil) of its four-year committed revolving dollar and euro credit facilities, expiring November 2018, of \$100m and €46m respectively with The Royal Bank of Scotland plc and Lloyds Bank plc. Interest is incurred at a variable rate as agreed at the time of drawdown and is payable at the maturity date of each advance. At the year end, interest of £nil (2015: £nil) was accruing.

At 30th June 2016 and 30th June 2015, all financial liabilities were due within one year and comprised short-term creditors.

## Market Price Risk

The method of valuation of the fixed asset investments is described in Note 1(D) on pages 90 and 91. 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 recent available information from the underlying investments.

PIP's portfolio is well diversified by the sectors in which the underlying companies operate. This sectoral diversification helps to minimise the effects of cyclical trends within particular industry segments.

If the investment portfolio fell by 20% from the 30th June 2016 valuation, with all other variables held constant, there would have been a reduction of £216,519,000 (2015 based on a fall of 20% £174,130,000) in the return before taxation. An increase of 20% would have increased the return before taxation by £212,231,000 (2015 based on a 20% increase £170,682,000).

### 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 pages 26 and 27. Although it is permitted to do so, the Company did not hedge the portfolio against the movement in exchange rates during the financial year.

The investment approach and the Manager's consideration of the associated risk are discussed in further detail in the Strategic Report on pages 13 to 15 and the Manager's Review on pages 17 to 54.

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

|                   | 30TH JUNE<br>2016<br>ASSETS<br>£'000 | 30TH JUNE<br>2016<br>LIABILITIES<br>£'000 | 30TH JUNE<br>2015<br>ASSETS<br>£'000 | 30TH JUNE<br>2015<br>LIABILITIES<br>£'000 |
|-------------------|--------------------------------------|---|--------------------------------------|---|
| US dollar         | 85,818                               | 2,213                                     | 133,886                              | -   |
| Euro              | 3,027                                | -   | 3,356                                | -   |
| Swedish krone     | 1,465                                | -   | 54                                   | -   |
| Norwegian krone   | 6                                    | -   | 28                                   | -   |
| Australian dollar | 223                                  | -   | 511                                  | -   |
| Japanese Yen      | -                                    | -   | 25                                   | -   |
|                   | 90,539                               | 2,213                                     | 137,860                              | -   |

### Fair Value of Financial Assets and Financial Liabilities

The investments of the Company are held at fair value and the remaining financial assets, and all of the financial liabilities are held at amortised cost, which is not materially different from fair value.

### Managing Capital

The Company's equity comprises ordinary shares and redeemable shares as described in Note 13. Capital is managed so as to maximise the return to shareholders while maintaining a capital base that allows the Company to operate effectively in the marketplace and sustain future development of the business.

As at 30th June 2016 and 30th June 2015 the Company had bank debt facilities to increase the Company's liquidity. Details of available borrowings at the year end can be found earlier in this Note.

The Company's assets and borrowing levels are reviewed regularly by the Board of Directors with reference to the loan covenants.

The Company's capital requirement is reviewed regularly by the Board of Directors.

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 30th June 2016, realised exchange losses of £180,000 (2015 realised exchange gains of £33,000) and realised gains relating to currency of £23,044,000 (2015 realised gains of £6,304,000) have been taken to the capital reserve.

The Company's exposure to foreign currency excluding private equity investments is shown below. In relation to this exposure, if the sterling/dollar and sterling/euro exchange rate had reduced by 10% from that obtained at 30th June 2016, it would have the effect, with all other variables held constant, of increasing equity shareholders' funds by £7,932,000 (2015 £14,631,000). If there had been an increase in the sterling/dollar and sterling/euro exchange rate of 10% it would have the effect of decreasing equity shareholders' funds by £9,570,000 (2015 £13,095,000). The calculations are based on the financial assets and liabilities and the exchange rate as at 30th June 2016 of 1.3368 (2015 1.5727) sterling/dollar and 1.2033 (2015 1.4115) sterling/euro.

### 19 Transactions with the Manager and Related Parties

The amounts paid to the Manager, together with the details of the Investment Management Agreement, are disclosed in Note 3. The existence of an Independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under the AIC SORP, the Manager is not considered to be a related party.

The Company's related parties are its Directors. Fees paid to the Company's Board are disclosed in the Directors' Remuneration Report on pages 79 to 81.

There are no other identifiable related parties at the year end.

# AIFMD Disclosures

The Company is an alternative investment fund ("AIF") for the purposes of the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) ("AIFMD") and the Manager was appointed as its alternative investment fund manager ("AIFM") for the purposes of the AIFMD with effect from 21st July 2014.

The AIFMD requires certain disclosures to be made in the Annual Report of the Company. Many of these disclosures were already required by the listing rules and/or United Kingdom Accounting Standards and these continue to be presented in other sections of the Annual Report principally the Strategic Report (pages 1 to 16) the Manager's Review (pages 17 to 54) and the financial statements (pages 86 to 101). This section completes the disclosures required by the AIFMD.

## Assets subject to special arrangements

The Company holds no assets subject to special arrangements arising from their illiquid nature.

## Remuneration disclosure

The total number of staff of the Manager for the year ended 30th June 2016 was approximately 209, of which 14 were senior management or other members of staff whose actions have a material impact on the risk profile of the Company ("Identified Staff"). Some staff performing certain activities on behalf of the Manager in respect of the Company are remunerated by affiliates of the Manager.

The total remuneration paid by the Manager and its affiliates to staff of the Manager in respect of the financial year ended 30th June 2016 attributable to work relating to the Company was as follows:

|                   | Fixed<br>£'000 | Variable<br>£'000 | Total<br>£'000 |
|-------------------|----------------|-------------------|----------------|
| Senior management | 763            | 846               | 1,609          |
| Identified staff  | 358            | 373               | 731            |
| Total Staff       | 1,912          | 1,520             | 3,432          |

No carried interest was paid in respect of the Company during the year.

The above disclosures reflect only that element of the individuals' remuneration which is attributable to the activities of the Manager relating to the Company. It is not possible to attribute remuneration paid to individual staff directly to income received from any fund and hence the above figures represent a notional approximation only calculated by reference to the assets under management of the Company as a proportion of the total assets under management of the Pantheon group.

In accordance with the FCA's guidance on the AIFMD remuneration code, the information above relates only to the financial year of the Company ended 30 June 2016, being the first full financial year following the Manager's authorisation as an AIFM. It would not be useful to provide a remuneration disclosure for the previous financial year of the Company because it would not provide a meaningful basis for like-for-like comparison. Comparative data will be provided in coming years.

General information relating to the Pantheon Ventures Group's remuneration policies and practices for staff can be found at [www.pantheon.com](http://www.pantheon.com).

## Leverage

The AIFMD requires the Manager of the Company to set leverage limits for the Company. For the purposes of the AIFMD, leverage is any method by which the Company's exposure is increased, whether through the borrowing of cash or by the use of derivatives or by any other means. The AIFMD requires leverage to be expressed as a ratio between the Company's exposure and its net asset value and prescribes two methodologies: the gross method and the commitment method (as set out in Commission Delegated Regulation No. 231/2013), for calculating such exposure.

The following leverage limits have been set for the Company:

- (i) borrowings shall not exceed 100% of the Company's net asset value or such lower amount as is agreed from time to time with the Company's lenders;
- (ii) leverage calculated as the ratio between the exposure of the Company calculated in accordance with the gross method referred to above and its net asset value shall not exceed 200%, and
- (iii) leverage calculated as the ratio between the exposure of the Company calculated in accordance with the commitment method referred to above and its net asset value shall not exceed 200%.

Using the methodologies prescribed under the AIFMD, the Company's leverage as at 30th June 2016 is shown below:

|                | Gross method | Commitment method |
|----------------|--------------|-------------------|
| Leverage ratio | 92%          | 102%              |



**Risk profile and risk management**

The principal risks to which the Company is exposed and the approach to managing those risks are set out in the Strategic Report (pages 13 to 15) and also in Note 18 of the financial statements (pages 99 to 101). The risk limits currently in place in relation to the Company's investment activities are set out in the Investment Policy (page 12) and under "Board Responsibilities and Relationship with the Manager" in the Statement on Corporate Governance (pages 72 and 73). Additionally, the individual counterparty exposure limit for deposits with each of the Company's bank counterparties has been set at £60m or the equivalent in foreign currencies. The Manager's risk management system incorporates regular review of the principal risks facing the Company and the risk limits applicable to the Company and the establishment of appropriate internal control processes to mitigate the risks. These risk limits have not been exceeded in the period to 30th June 2016.

**Article 23(1) disclosures to investors**

The AIFMD requires certain information to be made available to investors in the Company before they invest and requires that material changes to this information be disclosed in the Annual Report of the Company. The information required to be disclosed is contained in the document "Information for Investors" which is available on the Company's website at [www.pipic.com](http://www.pipic.com).

There have been no material changes to this information requiring disclosure.

# Notice of Annual General Meeting

TO BE HELD ON 23RD NOVEMBER 2016

## This Document is Important and Requires your Immediate Attention

If you are in any doubt about the action to take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 (as amended) without delay. If you have sold or transferred all of your ordinary shares of £0.67 each or redeemable shares of £0.01 each in the capital of Pantheon International Plc (the "Company") and, as a result, no longer hold any shares in the Company, please send this document and the accompanying form of proxy as soon as possible to the purchaser or transferee or to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

An explanation of the business proposed to be transacted at the Annual General Meeting convened by this notice and the Directors' recommendation as to how to vote at the Meeting are set out in the Directors' Report on pages 67 to 69 of this document.

Notice is hereby given that the Annual General Meeting of the Company will be held at The British Academy, 10-11 Carlton House Terrace, London SW1Y 5AH on Wednesday, 23rd November 2016 at 10.30am to consider and, if thought fit, pass the following resolutions, of which numbers 1 to 7 will be proposed as ordinary resolutions and numbers 8 to 10 as special resolutions.

## Ordinary Business

### Ordinary Resolutions

- 1 To receive and adopt the Strategic Report, Directors' Report and Auditors' Report and the audited Accounts for the year ended 30th June 2016
- 2 To receive and approve the Directors' Remuneration Report for the year ended 30th June 2016 (other than the parts of such Report containing the Directors' Remuneration Policy)
- 3 To re-appoint Mr I C S Barby as a Director
- 4 To re-appoint Mr R M Swire as a Director
- 5 To re-appoint Grant Thornton UK LLP as Auditor to the Company to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company
- 6 To authorise the Directors to determine the remuneration of the Auditor
- 7 **That** the Directors of the Company be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company, and to grant

rights to subscribe for, or to convert any security into, shares in the Company, up to an aggregate nominal amount equal to the sum of £7,484,841.35, and comprising not more than £100,991.78 in nominal amount of redeemable shares of £0.01 each in the capital of the Company ("Redeemable Shares") and not more than £7,383,849.57 in nominal amount of ordinary shares of £0.67 each in the capital of the Company ("Ordinary Shares") 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 on which this Resolution is passed and expiring at the conclusion of the next annual general meeting of the Company or the date occurring 15 months from the date on which this Resolution is passed, whichever is the earlier (the "Period of Authority"), save that the Company may before the expiry of such authority make an offer or agreement which would or might require shares in the Company to be allotted and/or rights to subscribe for, or to convert any security into, shares in the Company to be granted after the expiry of the said period and the Directors may allot such shares and/or grant such rights in pursuance of any such offer or agreement as if the authority conferred by this Resolution had not expired and so that the authority hereby given shall be in substitution for all subsisting authorities under Section 551 of the Act.

### Special Resolutions

- 8 **That** subject to the passing of Resolution 7 above, the Directors of the Company be and are hereby empowered until the conclusion of the Period of Authority, pursuant to Section 570 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred upon them under Resolution 7 above as if Section 561 of the Act did not apply to any such allotment and pursuant to Section 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) held by the Company as treasury shares (within the meaning of Section 724(5) of the Act) for cash as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to
  - (a) the allotment of equity securities in connection with a rights issue, open offer or any other offer in favour of holders of ordinary shares (within the meaning of Section 560 of the Act) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by or deemed to be held by them on the record date of such allotment, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws or requirements of any territory or the requirements of any regulatory authority or any stock exchange,

(b) the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount equal to the sum of £2,245,452.40, and comprising not more than £30,297.53 in nominal amount of Redeemable Shares and not more than £2,215,154.87 in nominal amount of Ordinary Shares, and, in respect of any such allotment, on terms that the shares constituting the equity securities allotted or for or into which the equity securities allotted give a right to subscribe or convert (as the case may be) shall be subscribed for or issued or sold (as the case may be) at a price per share not less than the net asset value per share calculated pursuant to the Articles of Association of the Company as at the Calculation Date (as defined in the Articles of Association of the Company) immediately preceding the issue (or sale) of such shares, save that the Company may, before the expiry of the Period of Authority, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired

#### 9 That

the Company be and is hereby generally and, subject as hereinafter provided, unconditionally authorised in accordance with Section 701 of the Act, in substitution for all subsisting authorities under Section 701 of the Act, to make market purchases (within the meaning of Section 693 of the Act) of Ordinary Shares and Redeemable Shares and provided that

- (a) the maximum number of Redeemable Shares hereby authorised to be purchased is such number (rounded down to the nearest whole number) as is equal to 14.99% of the number of Redeemable Shares in issue (excluding any Redeemable Shares held by the Company as treasury shares (within the meaning of Section 724(5) of the Act)) as at the date this Resolution is passed
- (b) the minimum price which may be paid for a Redeemable Share is £0.01,
- (c) the maximum price (exclusive of expenses) which may be paid for a Redeemable Share shall be the higher of (i) 5% above the average of the middle market quotations for the Redeemable Shares as derived from the London Stock Exchange's Daily Official List for the five business days before the purchase is made, and (ii) the higher of the price of the last independent trade and the highest current independent bid, as stipulated by regulatory technical standards adopted pursuant to article 5(6) of Regulation (EU) No 596/2014 of the European Parliament and of the Council (the 'Market Abuse Regulation'),

(d) the maximum number of Ordinary Shares hereby authorised to be purchased is such number (rounded down to the nearest whole number) as is equal to 14.99% of the number of Ordinary Shares in issue (excluding any Ordinary Shares held by the Company as treasury shares (within the meaning of Section 724(5) of the Act)) as at the date this Resolution is passed,

(e) the minimum price which may be paid for an Ordinary Share is £0.67,

(f) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be the higher of (i) 5% above the average of the middle market quotations for the Ordinary Shares as derived from the London Stock Exchange's Daily Official List for the five business days before the purchase is made and (ii) the higher of the price of the last independent trade and the highest current independent bid, as stipulated by regulatory technical standards adopted pursuant to article 5(6) of the Market Abuse Regulation, and

(g) unless renewed, varied or revoked, the authorities hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or the date occurring 18 months from the date on which this Resolution is passed, whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Redeemable Shares and/or Ordinary Shares which will or may be completed or executed wholly or partly after such expiry and may make a purchase of Redeemable Shares and/or Ordinary Shares in pursuance of any such contract

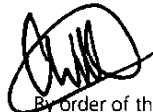
#### 10 That

a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice

Dated 19th September 2016

Registered office: Beaufort House

51 New North Road Exeter EX4 4EP



By order of the Board

**CAPITA SINCLAIR HENDERSON LIMITED**

Secretary

# Notice of Annual General Meeting

(CONTINUED)

## Notes

- 1 A holder of ordinary shares entitled to attend this meeting may attend the meeting in person or may appoint one or more persons as his/her proxy to attend, speak and/or vote on his/her behalf. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. A form of proxy for holders of ordinary shares is provided with this notice. The appointment of a proxy will not prevent a holder of ordinary shares from attending the meeting and voting in person if he/she so wishes. A holder of ordinary shares present in person or by proxy shall have one vote on a show of hands and on a poll every holder of ordinary shares present in person or by proxy shall have one vote for every ordinary share of which he/she is the holder. To appoint more than one proxy, a separate form of proxy in relation to each appointment should be completed (ordinary shareholders may photocopy the form of proxy) stating clearly on each form of proxy how many ordinary shares the proxy is appointed in relation to. A failure to specify the number of ordinary shares each proxy appointment relates to or specifying an aggregate number of ordinary shares in excess of those held by the shareholder will result in the proxy appointment being invalid. Ordinary shareholders are requested to indicate on the form of proxy if the proxy instruction is one of multiple instructions being given. All forms of proxy must be signed and should be returned together in the same envelope.
- 2 A holder of redeemable shares entitled to attend this meeting may attend the meeting in person or may appoint one or more persons as his/her proxy to attend (but not vote) on his/her behalf. A proxy need not be a member of the Company. A form of proxy for holders of redeemable shares is provided with this notice. The appointment of a proxy will not prevent a holder of redeemable shares from attending the meeting in person if he/she so wishes. Holders of redeemable shares are not entitled to speak or vote at the meeting.
- 3 Only those shareholders registered on the Register of Members of the Company by close of business on 21 November 2016 (or in the event that the meeting is adjourned, only those shareholders registered on the Register of Members of the Company as at close of business on the day which is two days prior to the adjourned meeting (weekends and public holidays excluded)) shall be entitled to attend in person or by proxy and, in the case of holders of ordinary shares, vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after the specified time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting or, if adjourned, at the adjourned meeting.
- 4 To be valid, a form of proxy, together with any power of attorney or other authority under which it is signed or a notarially certified copy thereof, should be lodged, in the case of proxies appointed by holders of ordinary shares, at the office of the Company's Registrar, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4TU and, in the case of proxies appointed by holders of redeemable shares, at the office of the Company's Registrar, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in each case not later than 48 hours before the time of the meeting or any adjournment thereof. The termination of the authority of a person to act as proxy must be notified to the Company in writing. Amended instructions must be received by the Company's Registrar by the deadline for receipt of proxies.
- 5 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting and any adjournment of it by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent ID RA10 by the latest time for receipt of proxy appointments specified in Note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 6 Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the Annual

General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise), (ii) it is defamatory of any person, or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.

7. Members satisfying the thresholds in Section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
8. Any question relevant to the business of the Annual General Meeting may be asked at the meeting by anyone permitted to speak at the meeting. You may alternatively submit your question in advance by letter addressed to the Company Secretary at the registered office.
9. In accordance with Section 319A of the Companies Act 2006, the Company must cause any question relating to the business being dealt with at the meeting put by a member attending the meeting to be answered. No such answer need be given if (a) to do so would (i) interfere unduly with the preparation for the meeting, or (ii) involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
10. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in Notes 1 to 5 above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.
11. As at 19th September 2016, the Company's issued voting share capital and total voting rights amounted to 33,062,013 ordinary shares of £0.67 each carrying one vote each. As at such date, the Company's issued non-voting share capital amounted to 30,297,534 redeemable shares of £0.01 each.
12. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way, and if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
13. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting, or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
14. The Annual Report incorporating this notice of Annual General Meeting, the total number of shares in the Company and the shares of each class, in respect of which members are entitled to exercise voting rights at the meeting, the totals of the voting rights that members are entitled to exercise at the meeting in respect of the shares of each class and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website [www.pipic.com](http://www.pipic.com).
15. Copies of the letters of appointment of the Chairman and the non-executive Directors of the Company will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at Pantheon's offices, 4th Floor, 10 Finsbury Square, London, EC2A 1AF.

# Glossary of Terms

## Buyout funds

Funds that acquire controlling interests in companies with a view towards later selling those companies or taking them public

## Call rate

Capital calls in the period divided by opening outstanding commitments

## Capital call

Call to limited partners ("LP") to pay-in a portion of the LP's committed capital when the general partner ("GP") has identified a new investment for purchase

## Co-investment

Direct shareholding in a company alongside a private equity fund

## Commitment

The amount of capital that each limited partner agrees to contribute to the fund when and as requested by the GP

## Cost multiple

Calculated by dividing the fund's cumulative distributions and remaining value by paid-in capital. It measures fund performance by showing the fund's total value as a multiple of cost

## Distribution

Cash or stock returned to the LPs after the fund has exited from an investment

## Distribution rate

Distributions for the period divided by opening portfolio value

## Earnings before interest, taxes, depreciation and amortisation ("EBITDA")

A measure of earnings before interest and taxes that exclude non-cash expenses. Valuation methods are commonly based on a comparison of private and public companies' value as a multiple of EBITDA

## Enterprise value

The sum of a company's market capitalisation and total debt, less cash and cash equivalents

## Exit

Realisation of an investment through trade sale, sale by public offering (including IPO), or sale to a financial buyer

## Fund-of-funds

Private equity fund that, instead of making direct investments in companies, invests in a number of private equity funds to achieve broader diversification of risk, including individual manager risk

## General partner ("GP")

The entity managing a private equity fund that has been established as a limited partnership, also commonly referred to as the private equity manager

## Initial public offering ("IPO")

The first offering of stock by a company to the public on a regulated stock exchange

## Internal rate of return ("IRR")

The IRR, a common measure of private equity performance, is calculated as an annualised compounded rate of return based on the timing of cash flows

## Investment period

Period, typically five years, during which the GP is permitted to make new investments

## J-Curve

Illustrates the historical tendency of private equity funds to experience capital outflows and negative returns in early years, and cash flow distributions and investment gains in future years as portfolio companies mature

## Limited partner ("LP")

Institutions or individuals who commit capital to a private equity fund established as a limited partnership. Limited partners are generally protected from legal actions and any losses beyond their original investment

## Liquidation

The sale of all remaining assets of a fund prior to its final cessation of operations

## Management fee

Annual fee, typically charged as a percentage of LP commitments to the fund during the investment period and attenuating thereafter, intended to cover the costs of running and administering a fund

## Net asset value ("NAV")

Amount by which the value of assets of a fund exceeds liabilities, reflecting the value of an investor's attributable holding

## Net portfolio cash flow

Income and gains from funds following exit realisations less capital calls to finance investments or expenses

## Outstanding commitments

Undrawn portion of total commitment

## Paid in capital

Cumulative amount of capital that has been drawn down

## Portfolio company

A company that is an investment within a private equity fund

## Primaries

Commitments made to a private equity fund at the time a fund is formed

## Private equity

Investments made in non-public companies through privately negotiated transactions

## Secondaries

Purchasing existing private equity fund interests and commitments from an investor seeking liquidity in such funds

## Uplift

Increase in value received upon realisation of an investment relative to its carrying value prior to realisation

## Valuation multiples

Multiple of earnings (typically EBITDA or net income) or revenue applied in valuing a business enterprise

## Venture capital

Investment in early and development-stage companies, often used to finance technological product and market development

## Vintage

The first year that the private equity fund makes an investment

# Directors and Contacts

## Directors

Tom Bartlam (Chairman)  
Ian Barby  
Sir Laurie Magnus  
David Melvin  
Susannah Nicklin  
Rhoddy Swire

## Depository

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10 Harewood Avenue  
London  
NW1 6AA

## Manager

**Pantheon Ventures (UK) LLP**  
*Authorised and regulated by the FCA*

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EC2A 1AF

**PIP Investor Relations**    pip.ir@pantheon.com  
**PIP website**                www.pipic.com  
**Pantheon website**        www.pantheon.com

## Registrars

### Capita Asset Services

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34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

\* Telephone 0871 664 0300  
*Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. We are open 09 00 – 17 30 Monday to Friday excluding public holidays in England and Wales*

\* Telephone from overseas +44 (0)20 8639 3399

## Secretary and Registered Office

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## Auditors

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## Brokers

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