

ING Private Equity Access Limited

ABN 48 107 843 381

Half-yearly report to investors
31 December 2006



Review

ING Private Equity Access Limited (the Company) enjoyed continued progress in the first six months of the 2007 financial year with the further development of the private equity portfolio and support from strong equity markets.

Significant events included:

- payment of a tax advantaged dividend of 4.50 cents per share
- the IPO of Emeco Holdings, resulting in a return of almost four times the initial investment by Archer Capital
- continued growth in the Company's net tangible assets, up by 8.6% (including dividends)
- a significant increase in private equity exposure to 58% of the Company's assets, with 18 new underlying companies

Subsequent to the end of the half year, the Company has:

- declared a fully franked dividend of 2.10 cents per share
- enjoyed the benefit of another private equity realisation through the sale of Auscap by Hastings Private Equity, which returned 1.7 times its original cost over 18 months.

The investment portfolio has performed well and it is encouraging that the share price has increased strongly over the six months, moving from \$0.84 to \$0.97, while also paying a 4.5 cent per share dividend. More recently the price has been stable above \$1.00. We remain optimistic about the outlook for the Company's portfolio and confident that this encouraging recognition should continue.

Set out below is more detail on the Company's activities. To keep up to date with the Company's progress and its investment portfolio, investors are encouraged to visit the website at www.ingpeal.com.au.

Private equity in the press

A feature of the past six months has been increased media attention regarding private equity. Many of the commentaries and press articles have been informed and well-balanced but there have also been some alarmist and ill-informed claims.

The media's focus has been on less than a dozen, large, high profile deals (or attempted deals) involving companies such as Qantas, Myer, Coles, PBL, Repco and the Seven Network. We have frequently seen emotive terms and concerns expressed about the impact these proposed deals might have on debt levels, potential for failure, the prices being paid for assets and, also, an alleged lack of transparency.

Our experience with the funds in the Company's portfolio paints a more balanced picture:

- Our portfolio of private equity assets contains companies of various sizes, stages of maturity, industry sectors and generally low profiles. The private equity investment sector is highly diverse – and not just the large leveraged buyouts that the media often represents.
- Our experienced managers understand that leverage can be a powerful financial tool but are acutely aware that it needs to be tailored to the particular circumstances of each company. We have frequently seen comments of "80% debt" in the press recently. An analysis of the investments in our portfolio shows an average debt level of 52% at the time of the acquisition – hardly excessive.
- The pricing of private equity deals has increased in the last few years with the increases more marked in the larger deals rather than the small to mid sized deals. We back experienced managers who aim to generate superior performance not just do deals.
- Companies in Australia's large private sector are just that, private, so criticisms of a "lack of transparency" seem misplaced. We are sure that the bankers to those private companies are ensuring that the transactions that they analyse are carefully researched and transparent.
- Business failure is a fact of life. Private equity backed companies will fail too and that is why private equity funds have a portfolio of companies – to diversify the risk – and why our portfolio has adopted a fund of funds strategy.

The private equity sector in Australia is highly diverse. The portfolio managers that we back are carefully chosen to capitalise on that diversity and to produce a portfolio that can absorb some failures while still generating the returns that have made private equity investing attractive. The sector may be new to some commentators but we, in common with other experienced investors, remain confident of the outlook for a properly diversified portfolio.

Profit and Dividends

The Company's run of strong profit announcements continues. Net profit after tax at 31 December 2006 was \$3.53 million (2005: \$3.23m), due to gains in both the listed equity and private equity portfolios.

The Company's dividend policy is to distribute as much of the realised profit, dividends and interest income earned on its investments that it considers prudent. In line with this policy, the Board is pleased to announce a 20% increase in the interim dividend and declare a fully franked dividend of 2.10 cents per share (2006: 1.75cps, fully franked) which will be paid on 20 March 2007, with a record date of 7 March 2007. Combined with the dividend paid in September 2006 (4.50cps), this equates to a yield of approximately 6.8% on the 31 December 2006 closing share price. Unless the investment markets turn-down in a significant way, the Company expects that the dividend to be announced with the full year result will show a similar 20% increase over last year's dividend.

As the private equity component of the portfolio increases over the next few years, investors should be aware that the Company's profits and dividends are expected to fluctuate and there may be some periods where smaller or no dividends are declared.

Portfolio Performance

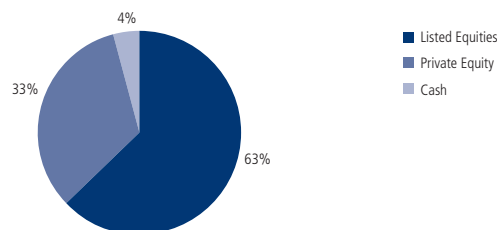
The value of the overall investment portfolio rose by 11.8% over the period, buoyed mainly by the appreciation of the Australian listed equity portfolio but with increasing contributions also coming from the maturing private equity allocation. This result again validates the Company's strategy to invest predominantly in listed equities rather than cash while the private equity portfolio is being built.

The value of the portfolio is reflected in the monthly NTA announcements. On 31 December 2006, the NTA of Ordinary Shares was \$1.28 before tax (\$1.18 after tax). On 30 June 2006, the NTA of Ordinary Shares was \$1.22 before tax (\$1.15 after tax).

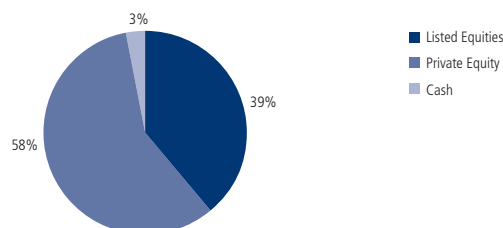
How are Your Funds Invested?

The Company's private equity exposure continues to expand and we anticipate that it will exceed 75% of the overall portfolio by 30 June this year.

Asset exposure at 30 June 2006



Asset exposure at 31 December 2006



Private Equity Portfolio

The Company's private equity commitments were unchanged over the last six months – with a total of \$77.1m spread across 11 different funds to produce a well diversified portfolio of 49 underlying investments at 31 December. We expect this number will grow over the next six months. We also anticipate additional commitments as we balance the sometimes conflicting positions of capital availability, investment opportunity and realised investment returns to produce an ongoing private equity exposure for our investors. There will be a number of our existing managers raising fresh capital over the balance of the year as well as other managers who will warrant close consideration.

Over the short term, we expect only a limited number of realisations within the portfolio given its relative immaturity. However, merger and acquisition activity is expected to remain strong which can be favourable for portfolio sales. The listed market conditions remain favourable for exits from some of the larger investments though, for private equity funds, sale via an IPO has always been much less common than a sale to a trade buyer.

Summary of Private Equity Funds

Portfolio holdings at 31 December 2006 are outlined below.

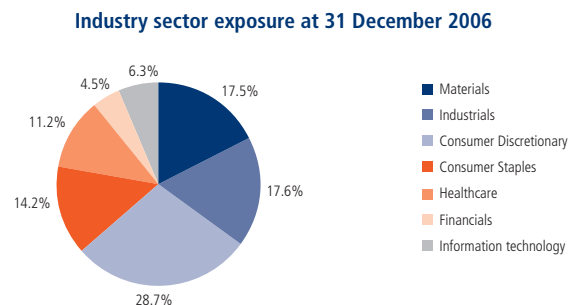
Fund name	Investment stage focus	Size of Fund \$m	ING PEAL Committed \$m	Capital drawn \$m	Capital still to be drawn \$m
Archer Capital Fund 3	MBO*	450.00	7.50	4.62	2.88
Catalyst Buyout Fund 1	MBO*	390.00	8.00	3.81	4.19
CM Capital 4	Venture Capital	125.50	8.00	0.80	7.20
Deutsche Private Equity Fund II	Expansion /MBO*	70.80	3.41	2.88	0.53
Direct Capital Partners III (\$A equiv)	Expansion /MBO*	59.50	7.16	1.81	5.35
Hastings Private Equity Fund 2	Expansion /MBO*	180.50	8.00	3.26	4.74
Ironbridge Capital 2003/4 Fund	MBO*	450.00	5.00	4.02	0.98
NBC Private Equity Fund II	Expansion /MBO*	98.60	6.00	1.92	4.08
Pacific Equity Partners III	MBO*	1,275.00	8.00	2.78	5.22
Quadrant Private Equity Fund No.1	Expansion /MBO*	265.00	8.00	5.36	2.64
Wolseley Partners Fund I	Expansion /MBO*	107.40	8.00	2.15	5.85
Totals			77.07	33.41	43.66

* MBO = Management buy-out

Summary of 20 Largest Private Equity Investments

Fund name	Investments	Business Description	Proportion of Total Assets at 31 Dec 2006
Archer Capital Fund 3	iNova Pharmaceuticals	Manufacture of branded prescription drug products	2.0%
	Emeco Holdings	Earth moving equipment	1.7%
	Onesource Group Limited	Distributor of office technology equipment	1.4%
	Paradise Foods Industries	Biscuit and snack food manufacturer	1.3%
Catalyst Buyout Fund 1	Aperio Group	Manufacture of flexible packaging products	1.3%
	Australian Discount Retail	Discount retailer	2.4%
	Moraitis Group	Fresh produce wholesaler and distributor	1.2%
	Metro Glasstech	Manufacture and installation of glass products	2.0%
Deutsche Private Equity Fund II	Pacific Apparel Solutions	Wholesale apparel business	2.1%
	Pacific Bereavement Solutions	Funeral service operator	2.2%
Hastings Private Equity Fund 2	Auscap Closure Systems	Manufactures metal closures for beverages and food	3.1%
Ironbridge Capital 2003/4 Fund	Super A-mart	Furniture retailer	1.5%
NBC Private Equity Fund II	Australian Water Systems	Manufacture polyethylene rainwater tanks	3.2%
Pacific Equity Partners III	Griffins Food	Snack food manufacturer	1.6%
	AAS Group	Superannuation fund administration	1.5%
Quadrant Private Equity Fund No. 1	Kathmandu	Outdoor clothing retailer	2.5%
	Tower Software	Electronic records management	2.0%
	ATF Hire	Temporary fencing hire	2.3%
Wolseley Partners Fund I	Pacific Services Group	Electrical contracting	1.3%
	Freshmax	Fresh produce wholesaler	2.0%

Private Equity Industry sector exposure



Listed Equity Portfolio

The listed equity portfolio returned 11.6% over the six months to 31 December 2006 and the All Ordinaries Index finished the calendar year close to an all time high which has subsequently been exceeded.

The Company's allocation to listed equities declined from 63% to less than 40% over the six months under review which was a consequence of the increasing private equity exposure. Our strategy of holding a defensive listed equity portfolio that is to be wound down over time has proved to be very sound in protecting our capital and generating strong returns. The listed equity contribution to the Company's returns is declining over time and by 30 June 2007 the allocation could be less than 25%.

Top 10 holdings as at 31 December 2006

<u>Company</u>	<u>% of total assets</u>
BHP Billiton	3.7
National Australia Bank	2.9
ANZ Banking Group	2.9
Commonwealth Bank	2.5
Westpac Banking Group	2.0
Woolworths Limited	1.7
QBE Insurance Group	1.6
Toll Holdings	1.3
Westfield Group	1.2
Rio Tinto Limited	1.2

Financial Statements

Condensed income statement For the 6 months ended 31 December 2006

	31 December 2006	31 December 2005
Income	\$'000	\$'000
Change in market value of equities	2,457	3,436
Dividends and distributions	2,972	888
Interest	54	8
Other revenue	29	13
	5,512	4,345
Expenses		
Manager's fees	272	238
Other expenses	336	174
	608	412
Profit before tax	4,904	3,933
Income tax expense	(1,371)	(701)
Net profit after tax (NPAT)	3,533	3,232

Condensed balance sheet As at 31 December 2006

	31 December 2006	30 June 2006
Assets		
Cash on hand	1,744	2,146
Receivables	78	431
Cash trust	3	3
Private Equity	33,754	17,161
Listed Equity	21,520	32,900
Deferred tax assets	31	15
Total assets	57,130	52,656
Liabilities		
Manager's and Directors' fees payable	137	133
Current and deferred tax liabilities	4,909	3,040
Other payables	269	133
Total liabilities	5,315	3,306
Net assets	51,815	49,350
Equity		
Share capital	41,815	41,769
Asset revaluation reserve	1,399	583
Retained earnings	8,601	6,998
Total equity	51,815	49,350

Note: The above figures represent a summary version of the Company's accounts as released to the ASX on 21 February 2007.

The information in this summary is provided by ING Private Equity Access Limited (ING PEAL) and is not meant to nor does it constitute financial or taxation advice and is:

- of a general nature and does not take into account individual circumstances, financial position, needs or objectives;
- not to be relied upon in acquiring any investment;
- provided in good faith and derived from sources believed to be accurate at the time but no warranty of accuracy or reliability is given and no responsibility arising in any other way including by reason of negligence for errors or omission herein is accepted.

Before acting on any information, the appropriateness of it should be assessed having regard to your specific investment objectives, financial circumstances or needs and independent financial advice should be obtained prior to acquiring a financial product.

References to currency in this report are in Australian dollars, unless otherwise specified. Investments in ING PEAL are not deposits with or other liabilities of nor guaranteed by any entity of the ING Group in Australia or elsewhere and are subject to investment risk including loss of income or capital invested.

Directory

ING Private Equity Access Limited

ABN 48 107 843 381

Directors

Geoff Brunsdon
(Independent and
Non Executive Director
and Chairman)

Donald Stammer
(Independent and
Non-Executive Director)

Jon Schahinger
(Managing Director)

Grant Bailey
(Non-Executive Director)

Company Secretaries

Graham Batten
Peter McDonald

Registered Office of the Company

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Auditor

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Stock Exchange Listing

A member of the official
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Exchange Limited
Ordinary Shares ASX Code:
IPE
Options ASX Code:
IPEO

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Annual Report Election and Email Notification Service

Investors are able to update their shareholder details – including Annual Report Elections – online.

To directly access your shareholder records and change your own Annual Report Election online:

1. Visit the share registrar's website at www.linkmarketservices.com.au

2. Select the **Select Holding** option

3. From the Company Name menu select **ING Private Equity Access Limited**

4. Enter your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), your surname or company name and your postcode to access your details

5. Select **Communication Option** to change your Annual Report Election

Alternatively, you may choose to contact Link Market Services on the details below:

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