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Press Release **25 September 2006**

Peach Holdings, Inc.

(“Peachtree” and, together with its subsidiaries, “the Group”)

Unaudited Interim Results

Peach Holdings, Inc. (AIM: PSF), a US specialty finance company, announces its unaudited interim results for the six months ended 30 June 2006.

Financial Highlights

- results in line with expectations at IPO
- cash flow and origination levels remain strong
- adjusted revenues decreased 14% to US$43.5 million (2005 US$52.8 million)
- PBT of US$4.3 million, a decrease of 81% (2005: US$22.6 million)
- pre-tax margin on adjusted revenues of 10% (2005: 43%)
- interim dividend of US$7 million (3.5 pence per share)
- cash generative (cash position at 30 June US$45.5 million)

Operational Highlights

- leader in personal factoring
- growth in primary business lines
- early success from new product offerings
- new credit facilities of US$250 million to support growth
- completed securitisation in March 2006 and one or more expected second half 2006
- successful AiM listing in March 2006

- Ends -

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Chairman's Statement & Chief Executive's Review

We are very pleased to report our unaudited interim financial results for the period ended 30 June 2006. Once again, cash flow and origination levels are in line with management's expectations. Adjusted revenue of US$43.5 million and pre-tax profit of US$4.3 million were higher than expected principally due to a change in accounting rules impacting our life settlement business (FTB 85-4-1). Consistent with our results, we are pleased to announce an interim dividend of US$7 million or US$0.067128 (3.5 pence) per share, to be paid on 15 November 2006 to shareholders on the register on 6 October 2006.

Implementation of the above-referenced accounting rule has caused a significant portion of life settlement revenues originally expected to be deferred to the second half of 2006 to be recognised in the interim period when such receivables were originated. Consequently, while our overall underlying origination activity was in line with management's expectations for the period, our revenue and profit before tax are greater than expected. Original management estimates provided for a loss at 30 June 2006 due to the prevailing US GAAP revenue recognition rules. As a result of this rule change, life settlement revenue will be earned more evenly through out the fiscal year, rather than in a 'lumpy' manner tied to periodic securitisations.

The revenue recognition rules applicable to our structured settlement business for 2006 result in the deferral of structured settlement revenue until such receivables are securitised, next scheduled for 4^{th} quarter 2006. In years prior to 2006, the accounting rules permitted Peachtree to recognise revenue as we originated the receivables through out the year. For 2006, we are unable to recognise the revenue until we securitise the underlying receivables, thus making a comparison of our 2005 and 2006 figures at 30 June more difficult. Management estimates that our structured settlement origination activity through 30 June generated approximately US$20 million of deferred revenue that will be recognised when such receivables are securitised in the second half of 2006.

Business Overview

Peachtree is active in various specialty factoring markets, which although similar in some respects, are distinct. The main drivers of revenue were the purchase of structured legal settlement payments and life insurance policies. In addition, Peachtree's more recently launched pre-settlement funding division has been growing nicely in accordance with management's expectations.

Structured Settlements

A structured settlement is the settlement of a personal injury claim for a series of instalment payments. The settling party typically purchases a commercial annuity to satisfy the ongoing payment obligation to the injured plaintiff. Often, post-settlement, an individual will desire liquidity and will seek to sell some or all of the future payments due under the structured settlement. Peachtree provides this liquidity to individuals throughout the United States. Each transfer of structured settlement payments must be approved by a court finding that the transfer is in the best interests of the selling party. For the first half of 2006 Peachtree processed approximately 1,000 such transactions. Due to the revenue recognition rules which mandate that gain only be recognised upon term securitisation, no new origination revenue is included in our interim results for 2006. Management expects to conduct a term securitisation in the fourth quarter of 2006 when that revenue will be recognised.

Through continued refinement and focus on our marketing efforts, Peachtree believes it can continue to increase its market penetration in the structured settlement arena. The growing use of structured settlements to resolve litigation means that the total addressable market for this aspect of our business continues to grow.

Life Settlements

A life settlement is the purchase of a life insurance policy that is no longer needed or wanted from an insured age 65 or above.

In the first half of 2006, Peachtree purchased policies with a face value of US$400 million generating gross revenue of US$24 million. In order to maintain strong growth in

Life Settlements, Peachtree requires continuous access to significant credit facility capacity. In early September 2006, Peachtree closed on a substantial increase to an existing credit facility for the acquisition of life settlements which is intended to provide capacity sufficient to fund originations through the end of the year. The Company believes that the ability to securitise an existing portfolio of Life Settlements is important to continued access to warehouse financing. Management is working to achieve this but several factors (e.g. rating agency guidance) have caused delays and imposed more uncertainty on the timing for the life settlements securitisation originally projected to occur in the 4th quarter which may now occur in 2007.

Peachtree's strategy is to continue expanding its life settlement origination activities through organic marketing and purchasing activities, and expanding penetration with insurance marketing organisations and brokers.

Lottery Prize Payments

Peachtree purchases lottery prize payments from an individual pursuant to a court order transfer process as permitted by state law. This is a mature and competitive business which was projected to have flat growth for 2006, but yet contribute approximately 8% of our total revenue for the year. Unfortunately, lottery revenue has fallen significantly short of expectations thus far in 2006 generating revenue for the period of only US$2.1 million which is less than half of 2005 revenue for the same period. Although the number of lottery transactions closed is actually up for the period, the average transaction size and margin on each transaction is down significantly. Management is in the process of implementing several initiatives to help reverse this trend.

Pre-Settlement Funding

Pre-settlement funding is the purchase of an interest in the proceeds of a pending personal injury case. Peachtree has rapidly grown its pre-settlement origination activity and we currently conduct pre-settlement funding transactions in 16 states. The U.S. tort markets are deep and wide and accordingly present a ripe area for growth. Peachtree believes that it is the lowest cost provider of pre-settlement funding in the U.S.

For the interim period, Peachtree originated nearly 900 transactions for total origination volume of US$5.7 million. Peachtree is in the process of closing a US$50 million credit facility to finance the continued growth of this business.

New Initiatives

Senior Leverage Policy Ownership (SLPO)

This is a new business for Peachtree launched in late 2005 and involves the financing of life insurance premiums for high net worth individuals aged 70 and above. For the first six months of 2006, SLPO generated revenue of US$3.6 million on policies with a net death benefit of US$67.45 million. There are, however, significant regulatory and legislative issues appertaining to this area and because of the close relationship SLPO has to life settlements, the prospect that legislative initiatives may adversely impact both SLPO and life settlements is significant.

Class Action Litigation Funding

Certain class action or mass tort settlements present unique opportunities for Peachtree. The inherent complexity of mass tort or class action settlements means that they take time to work their way through the judicial system. Although the dollar amounts of the settlement are typically known, the date of payment is far less clear. Peachtree believes that many individuals holding these settlement rights are interested in immediate cash for all or a portion of their settlement proceeds. Peachtree is presently purchasing certain Exxon gasoline dealer settlements and is evaluating other mass tort/class action settlements.

Leverage Bonus Plan (LBP)

Peachtree's Leverage Bonus Plan is a solution for firms seeking to provide executive retirement benefits without the complexity, tax and compliance risks which typically come from traditional arrangements. LBP is a turn key solution that uses premium-financed life insurance to emulate traditional retirement arrangements at a fraction of the cost. We have recently identified a particularly strong application for LBP with regard to companies utilising the so called '401K safe harbor' provisions of the tax code to permit greater retirement savings for senior and highly compensated executives. Through the first six months of 2006, revenue has been modest and well below management expectations. We have seen an increase in our pipeline activity over the past 90 days with our new LBP 401K Plus solution and management is optimistic based on this market feedback. However, the timing, actual closing statistics and hence revenue generation are still unknown.

New financing facilities

As referenced above, in early September 2006 the Company closed on an increase to an existing credit facility for US$250 million to facilitate continued purchases of life settlement policies.

Peachtree is near closing on a US$50 million facility to fund its growing pre-settlement funding business. This facility will allow us to refinance and immediately monetise over US$12 million of receivables currently held on balance sheet.

Peachtree is also near closing on a US$50 million facility to financing SLPO premium finance transactions. This facility should allow the Company to refinance and immediately monetise US$8-10 million of receivables currently held on balance sheet and expand its SLPO origination activity.

Taxes

The interim financial results reflect a material book tax expense related to the formation of Peach Holdings, Inc. ("PHI") consummated in conjunction with the IPO in March of this year. PHI was formed as a taxable entity under US tax laws and, under US GAAP, PHI is required to establish a deferred tax account upon formation. In the aggregate, the formation of PHI resulted in a material net deferred tax asset. However, under US GAAP, the deferred tax liability portion of our deferred tax account is reported in income in the current period. Please reference the notes to the attached financial statements for a detailed analysis of the deferred tax account. As set forth in PHI's March 2006 admission document, Peachtree typically structures its credit relationships as 'financings' for tax purposes. Accordingly, revenue and cash flow from such transactions are generally disregarded for tax purposes as they are characterised as the proceeds of a loan. Consequently, while Peachtree is required to reflect a tax expense for US GAAP purposes, management expects actual cash tax expense to remain relatively low over the next 7-10 years.

Outlook

Peachtree's rapid growth, particularly in the life settlement area, creates some tension for management to timely add new credit capacity to meet the demands of our distribution networks and origination platform. By continuing to seek broader access to the capital markets with competitive financing rates and terms and by maintaining a high level of service to our customers, Peachtree believes it can continue to be the leader in personal factoring.

We are dedicated to increasing our penetration of key markets (Structured Settlements, Life Settlements) while continuing to innovate (Premium Financing, Pre-Settlements). Although these areas offer good opportunities for growth, legislative and regulatory risks are not insignificant particularly in the Life Settlement and SLPO areas.

Originations in the material lines of business (Structured Settlements, Life Settlements) are in accordance with the Board's expectations. The Board anticipates one securitisation in the second half of the current year in Structured Settlements. Although possible, a securitisation of Life Settlements in 2006 is looking far less likely and may now occur in 2007. The business remains strongly cash generative.

As previously announced on 12 September 2006 the special committee of the Directors is recommending that Peach Holding's stockholders approved a merger agreement to be acquired by Orchard Acquisition Company, an affiliate of DLJ Merchant Banking Partners. The Directors anticipate that the proxy statement relating to the transaction will be issued to shareholders in early October.

Dermot Smurfit — **James D. Terlizzi**
Chairman — **CEO**

Combined Balance Sheets
June 30, 2006 and 2005, and December 31, 2005

	Unaudited June 30, 2006 US$	Audited June 30, 2005 US$	Audited December 31, 2005 US$
ASSETS (note 7**)**			
Cash	45,514,207	20,352,452	5,818,693
Restricted cash	1,704,083	7,631,557	3,232,930
Marketable securities	295,069,292	288,863,533	307,772,266
Finance receivables held for sale, net (note 1)	44,047,879	11,126,297	18,328,064
Finance receivables, net (note 3)	21,547,068	3,077,755	9,950,592
Life Receivables Net (note 2)	161,851,370	-	-
Advances receivable, net (note 3)	964,334	1,788,560	1,082,055
Other receivables	6,107,577	2,257,882	5,492,038
Due from affiliates (note 11)	714,111	4,205,747	1,562,583
Retained interests in receivables sold (note 4)	18,848,943	45,024,773	31,344,950
Equipment and leasehold improvements, net (note 5)	5,447,722	1,952,189	2,929,784
Deferred Taxes (note 10)	13,856,468	-	722,000
Other assets	4,384,321	1,125,567	3,135,126
Total Assets	**620,057,375**	**387,406,312**	**391,371,081**
LIABILITIES & MEMBERS' EQUITY			
Liabilities			
Accounts payable and accrued expenses	14,718,904	4,742,306	10,564,406
Unremitted asset servicing collections	528,883	2,718,872	994,519
Escrows held on contracts	659,861	528,331	615,156
Swap liabilities (note 8)	191,597	675,362	403,069
Other liabilities	1,205,238	6,195,544	1,173,691
Installment obligations payable (note 6)	295,518,101	288,863,533	308,221,416

Combined Balance Sheets cont.
June 30, 2006 and 2005, and December 31, 2005

Borrowings under lines of credit (note 7)	211,034,553	9,658,957	7,827,430
Total Liabilities	523,857,137	313,382,905	329,799,687
Stockholders' Equity (note 9)			
Capital stock (104,277,832 shares issued with a par value of $.001)	104,278	-	-
Additional paid-in capital	51,953,951	5,201,886	5,201,886
Retained earnings	31,939,725	47,046,196	39,005,610
Accumulated other comprehensive income	12,202,285	21,775,325	17,363,898
Total Stockholders' Equity	96,200,238	74,023,407	61,571,394
Total Liabilities and Stockholders' Equity	**620,057,375**	**387,406,312**	**391,371,081**

Combined Statement of Operations
Six-months ended June 30, 2006 and 2005, and year ended December 31, 2005

	Unaudited June 30, 2006 US$	Audited June 30, 2005 US$	Audited December 31, 2005 US$
Revenues			
Gain on sales of receivables (note 4)	7,255,907	25,795,481	54,105,743
Life settlement origination fee income	24,020,319	16,392,906	22,472,421
Other fee income	4,400,399	5,318,296	11,465,421
Interest and dividend income	8,599,674	5,951,271	14,316,822
Net realised and unrealised gains on investments	6,374,010	-	9,650,950
Servicing and other revenue (note 11)	2,438,882	1,065,168	2,711,954
Total Revenues	53,089,191	54,523,122	114,723,311
Operating Expenses			
Salaries and related costs	15,524,992	11,046,963	22,587,145
Consulting fees	1,600,000	2,125,000	3,025,000
General and administrative	4,068,310	3,563,621	7,148,021
Professional fees	5,090,425	3,688,080	7,514,716
Broker fee expense	239,554	205,748	205,748
Occupancy	1,144,174	789,107	1,768,695
Marketing and advertising	7,138,475	6,030,897	12,882,198
Postage and courier	357,840	244,904	715,500
Interest expense	3,819,107	470,778	904,265
Provision for loss on receivables	175,003	520,989	384,499
Losses on acquisition of life settlements			1,958,626
Net realised and unrealised losses on investments	-	1,769,104	
Installment note expense	9,610,217	1,457,047	18,556,850
Total Operating Expenses	48,768,097	31,912,238	77,651,263
Income before taxes	**4,321,094**	**22,610,884**	**37,072,048**
Provision for income taxes (benefit) (note 10):			
Current taxes (benefit)	1,515,919	113,499	(384,751)
Income tax expense recognised in connection with change in tax status of reporting entity	11,210,000	-	-
Net Income	**(8,404,825)**	**22,610,884**	**37,456,799**

Combined Statement of Changes in Stockholders' Equity
Six-months ended June 30, 2006 (Unaudited)

	Paid-In Capital	Retained Earnings	Accum. Other Comprehensive Income	Total Stockholders' Equity
	US$	US$	US$	US$
Balance, December 31, 2005	5,201,886	39,005,610	17,363,898	61,571,394
Comprehensive income				
Net income (loss)	-	(8,404,825)	-	(8,404,825)
Other comprehensive income				
Unrealised gain on retained interest on receivables sold (note 5)	-	-	(5,161,613)	(5,161,613)
Total comprehensive income				(13,566,438)
Cumulative effect of change in accounting for life settlements	-	1,338,939	-	1,338,939
Income tax benefit of exercise of stock warrants	26,194,000	-	-	26,194,000
Sale of 4,277,778 shares of common stock (note 8)	20,662,343	-	-	20,662,343
Balance, June 30, 2006	52,058,229	31,939,724	12,202,285	96,200,238

Combined Statement of Cash Flows
Six-months ended June 30, 2006 and 2005, and year ended December 31, 2005

	Unaudited June 30, 2006	Audited June 30, 2005	Audited December 31, 2005
Cash flows from operating activities	**US$**	**US$**	**US$**
Net income	(8,404,825)	22,497,385	37,456,799
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortisation	587,391	(1,052,874)	584,992
Provision for losses on receivables and life settlements	286,003	520,989	2,343,125
Mark to market swap accrual	(539,472)	(120,830)	(393,123)
Deferred income taxes	12,337,532	-	(688,000)
Proceeds from sale of finance receivables held for sale	27,445,489	62,068,230	136,787,700
Gain on sale of finance receivables held for sale	(7,255,907)	(25,795,481)	(54,105,744)
Purchase of finance receivables held for sale	(37,843,073)	(31,658,103)	(74,536,484)
Fair value adjustment for life settlements	(22,897,470)	-	-
Increase (decrease) in trading securities	12,702,974	4,398,210	(14,510,523)
Interest accretion on retained interests	(798,026)	-	(2,117,202)
Structured note expense	9,610,217	1,457,047	18,556,850
Net decreases (increases) in assets			
Restricted cash	1,528,847	(5,536,230)	(1,137,603)
Advances receivable	110,021	51,829	818,364
Other receivables	(615,539)	36,663	(3,197,493)
Due from affiliates	848,472	1,701,489	4,344,653
Other assets	(1,260,643)	3,412,249	1,531,064
Net increases (decreases) in liabilities			
Accounts payable and accrued expenses	4,154,498	(1,425,527)	4,396,573
Unremitted asset servicing collections	(465,636)	962,650	(761,703)
Escrows held on contracts	44,705	16,072	102,897
Other liabilities	31,547	2,901,132	(2,120,721)
Net cash provided by operating activities	(10,392,896)	34,434,900	53,354,421
Cash flows from investing activities			
Originations and collections on finance receivables, net	(11,763,779)	(1,652,783)	(9,061,405)

Combined Statement of Cash Flows cont.
Six-months ended June 31, 2006 and 2005, and year ended December 31, 2005

Payment for purchase of presettlement receivables business	-	(3,059,236)	(3,059,236)
Collections of retained interest in receivables sold	-	621,290	621,290
Purchase of life settlements	(136,664,513)	-	(2,121,000)
Purchases of equipment and leasehold improvements	(3,039,233)	(974,164)	(2,324,375)
Net cash used in investing activities	(151,467,525)	(5,064,893)	(15,944,726)
Cash flows from financing activities			
Borrowings under lines of credit	233,433,835	25,887,027	27,325,470
Repayments under lines of credit	(30,226,712)	(28,787,655)	(32,057,625)
Issuance of installment notes payable	10,305,330	8,985,095	32,512,980
Repayments of installment notes payable	(32,618,862)	(18,205,808)	(39,475,613)
Cash received for installment notes payable	-	3,369,772	3,369,772
Common stock issued	20,662,343	-	-
Cash distribution to owners	-	(9,000,000)	(32,000,000)
Net cash used in financing activities	201,555,934	(17,751,569)	(40,325,016)
Increase in cash	39,695,514	11,618,438	(2,915,321)
Cash at beginning of year	5,818,693	8,734,014	8,734,014
Cash at end of year	45,514,207	20,352,452	5,818,693

Combined Statement of Cash Flows
Six-months ended June 30, 2006 and 2005, and year ended December 31, 2005

	Unaudited June 30, 2006	Audited June 30, 2005	Audited December 31, 2005
	US$	US$	US$
Supplemental disclosure for cash flow information			
Cash paid for interest	2,679,201	452,103	900,377
Cash paid for income taxes	272,000	65,176	92,927
Supplemental disclosure of noncash investing and financing activity:			
Retained interests in receivables sold recognised upon sale of finance receivables	321,876	5,072,225	10,380,031
Adjustment of retained interests in receivables sold to fair value	(5,161,613)	9,521,222	5,109,795
Recognition of receivables and derecognition of retained interest from Peachtree Finance Company upon disqualification of status as qualified special purpose entity	-	-	7,961,274
Income tax benefit of warrant exercise	26,194,000	-	-

1. Finance Receivables Held For Sale

Finance receivables held for sale consist of the following:

	June 30, 2006	June 30, 2005	December 31, 2005
	US$	US$	US$
Finance receivables	116,922,467	24,316,323	36,641,055
Less unearned discount	(72,948,047)	(11,418,883)	(16,614,962)
Discounted receivables	43,974,420	12,897,440	20,026,093
Capitalised origination costs, net	2,080,596	306,876	309,108
Reserve for doubtful accounts	(2,007,137)	(2,078,019)	(2,007,137)
Finance receivables, net	44,047,879	11,126,297	18,328,064

Activity in the reserve for doubtful accounts was as follows:

	June 30, 2006	June 30, 2005	December 31, 2005
Balance, beginning	2,007,137	1,761,017	1,761,017
Provision for loss	-	351,614	(260,631)
Receivable sale adjustments	-	-	517,132
Settlements and judgments	-	(34,612)	(10,381)
Balance, ending	2,007,137	2,078,019	2,007,137

There was approximately US$1,100,000 and US$1,200,000 of delinquent lottery payment receivables held at June 30, 2006 and December 31, 2005 respectively. The Company fully reserved for these receivables at the discounted value as of June 30, 2006 and December 31, 2005 respectively. There was approximately US$1,115,000 and US$1,400,000 of delinquent structured settlement payment receivables held at June 30, 2006 and December 31, 2005 approximately US$629,000 which were identified as impaired and fully reserved at June 30, 2006 and December 31, 2005, respectively. No income was recognised on impaired lottery or structured settlement payment receivables during the period ended June 30, 2006.

2. Life Receivables

Through Life Settlement Corporation, PHI provides liquidity to persons or entities that own life insurance policies by facilitating the sale of their policies to trusts in which PHI owns the Unified Trust Interest. PHI also performs servicing functions related to mortality tracking and monthly reporting. PHI earns origination and servicing fees related to the life settlement transactions. Fees are based on a percentage of the net death benefit of the underlying life insurance policies.

PHI formed DLP Funding, LLC ("DLP"), a special-purpose entity and a wholly owned subsidiary effective December 23, 2005 to obtain funding from unrelated third parties for the purpose of acquiring and holding life settlements. In March 2006, the Financial Accounting Standards Board issued FASB Staff Position No. FTB 85-4-1, which provides the initial and subsequent measurement guidance for purchases of life settlement contracts by third party investors. Beginning in January 2006, PHI began utilising DLP to purchase life settlement contracts through PHI's affiliate, Life Settlement Corporation. Pursuant to FTB 85-4-1 DLP accounts for the purchases of these contracts under the 'fair value method'. Under the fair value method DLP accounts for these contacts initially at the transaction price and re-measures the investment at fair value at each subsequent reporting period. Under FTB 85-4-1, any change in fair value is recognised through earnings. For the period ending June 30, 2006, of the US$24.0 million of life settlement origination fee income, US$23.0 million resulted from fair value adjustments.

3. Finance and Advances Receivable

Finance receivables consist of the following:

	June 30, 2006	**June 30, 2005**	**December 31, 2005**
	US$	**US$**	**US$**
Pre-settlement receivables	12,572,088	2,699,894	7,453,447
Less: Deferred revenue	(892,499)	(118,807)	(527,344)
	11,679,589	2,581,087	6,926,103
Life insurance premium financing	10,611,066	537,167	3,600,772
	22,290,655	3,118,254	10,526,875
Less: Reserve for doubtful accounts	(743,586)	(40,498)	(576,283)
Finance receivables, net	21,547,068	3,077,755	9,950,592

Activity in the reserve for doubtful accounts for finance receivables was as follows:

	June 30, 2006	**June 30, 2005**	**December 31, 2005**
	US$	**US$**	**US$**
Balance, beginning	576,283	-	-
Provision for loss	167,303	140,498	676,283
Receivables charged off	-	(100,000)	(100,000)
Balance, ending	743,586	40,498	576,283

Pre-settlement receivables are usually outstanding for a period of time exceeding one year. Based on historical portfolio experience, the Company has reserved approximately US$66,000 as of June 30, 2006 and December 31, 2005. Reserves for life insurance premium finance receivables are based on the estimated fair value of the underlying insurance policies. At June 30, 2006 and December 31, 2005, approximately US$1,874,000 and US$1,262,000 of those receivables were determined to be impaired, with specific reserves of approximately US$677,000 and US $510,000 included in the reserve for doubtful accounts respectively. No interest income was recognised on impaired receivables for the period ended June 30, 2006.

Advances receivable consist of the following:

	June 30, 2006 US$	June 30, 2005 US$	December 31, 2005 US$
Lottery advances	893,536	1,769,185	1,028,184
Structured settlement advances	226,314	273,952	222,856
Other advances receivable	21,169	43,867	-
	1,141,019	2,087,004	1,251,040
Less: Reserve for doubtful accounts	(176,685)	(298,444)	(168,985)
Advances receivables, net	964,334	1,788,560	1,082,055

Activity in the reserve for doubtful accounts for advances receivable was as follows:

	June 30, 2006 US$	June 30, 2005 US$	December 31, 2005 US$
Balance, beginning	168,985	269,567	269,567
Provision for loss (recovery)	7,700	28,877	(31,153)
Receivables charged off	-	-	(69,429)
Balance, ending	176,685	298,444	168,985

The Company's lottery and structured settlements businesses in some cases will advance a portion of the purchase price to a customer prior to the closing of the transaction. These transactions usually close within 90 days and the advances are repaid at the time of closing. Based on historical experience, as transactions exceed the 90-day period, there is an increased risk the transaction will not close and the advance will not be repaid. The Company reserves 50% of all structured settlement advances over 90 days and 100% of all advances over 180 days outstanding. In the case of lottery, the Company reserves 100% of all advances over 180 days outstanding.

4. Sales of Structured Settlement, Lottery and Tobacco Payments and Retained Interests

Information regarding sales of structured settlement, lottery and tobacco payments is as follows for the six-month period ended June 30, 2006:

	US$	US$
Proceeds of sale		27,445,489
Carrying amount of receivables sold	22,721,107	
Less: Retained interest	2,531,525	
Basis in receivables sold		20,189,582
Gain on sale		7,255,907

When the Company sells structured settlement payments to its QSPEs, it recognises a gain or loss on the sale and it retains an interest in the sold receivables. Gain or loss on sale of the receivables depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer. The retained interests are subordinated to the repayment of the financial institutions or investors that provide financing to the QSPEs. The carrying amounts at June 30, 2006 are derived based on the scheduled collections of purchased receivables held by the QSPEs and the assumed amortisation of amounts payable to the financial institution or investors using interest rates in effect at those respective dates. To obtain fair values, quoted market prices are used if available. However, quotes are generally not available for retained interests, so the Company generally estimates fair value based on the present value of future expected cash flows estimated using management's best estimates of the key assumptions-credit losses, prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved.

Key economic assumptions used in measuring the retained interests at the date of the financial statements are as follows:

	Assumptions			
Factor	**June 30, 2006**	**June 30, 2005**	**Dec. 31, 2005**	**Basis**
Prepayment Speed (annual rate)	0.00%	0.00%	0.00%	Prepayments are not permitted
Expected credit losses (a)	0.00%	0.00%	0.00%	Experience with court-ordered payment assignments
Residual cash flows discounted at	7.82%	6.96%	7.57%	Approximate market rate based on BBB rating

The actual amounts could vary significantly from those shown depending on changes in the amounts, terms or providers of funding to the QSPEs. At June 30, 2006, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate adverse changes in those assumptions are as follows (US$ in millions):

	PLMT	**PFC2**	**SRF #1**	**SRF #2**	**SRF #3**	**Total**
Carrying amount/fair value of retained interests	$0.7	$6.4	$4.3	$3.8	$3.6	$18.8
Weighted average life (in years)	8.6	14.4	13.4	15.4	17.9	15.3
Credit losses (annual rate)						
Impact on fair value for a .5% credit loss	$0.0	$0.4	$0.1	$0.2	$0.2	$1.0
Impact on fair value for a 1% credit loss	$0.0	$0.8	$0.3	$0.4	$0.4	$2.0
Residual cash flows discount rate						
Impact on fair value for a 10% adverse change	$0.0	$0.6	$0.3	$0.4	$0.4	$1.7
Impact on fair value for a 20% adverse change	$0.2	$1.1	$0.7	$0.7	$0.7	$3.4

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in increased credit losses), which might magnify or counteract the sensitivities.

The Company accounts for retained interests in receivables sold similar to available for sale securities. As such, unrealised gains or losses related to those interests are recognized as a separate component of other comprehensive income. Activity in other comprehensive income was as follows:

	Six months ended June 30, 2006	**Six months ended June 30, 2005**	**Twelve months ended December 31, 2005**
	US$	**US$**	**US$**
Fair value of retained interests received upon sale of receivables	352,107	8,491,050	18,150,855
Less allocated cost of receivables sold	321,876	5,072,225	10,380,031
	30,232	3,418,825	7,770,824
Unrealised gain on retained interests held	1,030,545	8,420,413	8,926,209
Less gain realised on sale of retained interest	6,114,458	2,318,016	11,504,363
	(5,083,913)	6,102,397	(2,578,154)
Amortisation of unrealised gain on PFC receivables	(107,932)	-	(82,875)
Other comprehensive income	(5,161,613)	9,521,222	5,109,795

5. Equipment and Leasehold Improvements

Equipment and leasehold improvements is summarised as follows:

	June 30, 2006	**June 30, 2005**	**December 31, 2005**
	US$	**US$**	**US$**
Computer software and equipment	3,303,904	1,712,703	2,021,481
Furniture, fixtures and equipment	1,129,020	809,912	891,991
Leasehold improvements	2,988,864	509,729	1,469,083
	7,421,788	3,032,344	4,382,555
Less: accumulated depreciation	(1,974,066)	(1,080,155)	(1,452,771)
Equipment and leasehold improvements, net	5,447,722	1,952,189	2,929,784

Depreciation expense for the period ended June 30, 2006 was US$521,295.

6. Installment Obligations Payable

Installment obligations issued by PSF Holdings trusts under the Structure totaled US$295,518,101 at June 30, 2006. Under the terms of the Structure, the obligations earn income or losses based on indexing options selected by the obligee, which may be based on equity or debt indices. Each obligation has an installment payment schedule agreed to by the obligee at the time of issuance of the obligation. An obligee may request an unscheduled installment payment which must be agreed to by the Company, and if so agreed the Company may charge a penalty up to 15% of the unscheduled installment amount. In addition, obligation balances are charged on a quarterly basis for a guarantee fee and an administration fee, both of which are paid to PSF Holdings, LLC, a wholly owned subsidiary of the Company. The obligations of the respective trusts under the installment obligations are guaranteed by Settlement Funding, LLC, another wholly owned subsidiary of the Company. A majority of the obligations are also guaranteed by bank letters of credit to the extent of assets held in related trust accounts.

The actual maturities of the obligations depend on market conditions. Estimated maturities for the next five years are as follows:

July 1, 2006 -December 31, 2006	23,346,475
Twelve Months Ending December 31,	**US$**
2007	26,207,165
2008	24,795,854
2009	25,040,794
2009	26,523,920
2010	27,602,506
Thereafter	142,001,387
	295,518,101

7. Borrowings Under Lines of Credit

Settlement Funding, LLC (“PSF”), a wholly owned subsidiary of the Company, has a revolving credit facility with a bank providing for a $10 million working capital line, and a $3 million lottery advance line. Up to $5 million of the working capital line is available for pre-settlement payments. The facility bears interest at prime plus 0.5% (8.75% at June 30, 2006) and has a termination date of September 30, 2006. Interest on the working capital line is payable monthly in arrears; interest on the lottery advance lines is payable at maturity of the advances made under the facility. The lottery advance line is secured by related lottery advance receivables. The working capital line is secured by a blanket lien on substantially all of the assets of Settlement Funding, LLC. A fee equal to .25% per annum on the average daily unused commitment is payable quarterly. The facility contains certain restrictive covenants and is guaranteed by another wholly owned subsidiary of the Company. At June 30, 2006, $0 was outstanding under the lottery advance line, while there was $4,500,000 outstanding with respect to the working capital line. At December 31, 2005, $0 and $482,408 were outstanding on the working capital and lottery advance lines, respectively.

Peachtree LW Receivables I ("PLW"), a wholly owned subsidiary of the Company is the borrower under a non-committed US$25 million revolving credit facility (“LOC”) with a financial institution. At June 30, 2006 and December 31, 2005, advances under the facility totaled US$6,081,328 and US$6,941,022, respectively, and bore interest at fixed rates ranging from 7.4% to 8.2%. The facility has a termination date of September 30, 2006, which is expected to be extended. Advances under the facility are collateralised by PLW’s right, title and interest in, to and under the lottery receivables, including the Lockbox and Lockbox Account, as defined in the credit agreement. The credit facility is guaranteed by another wholly owned subsidiary of the Company.

LSC is the borrower under a revolving loan agreement with an investment bank. The agreement has an interest rate of one-month LIBOR plus 2.50% (7.75% at June 30, 2006), and is collateralised by all assets of LSC except life insurance policies and are payable on ten days written notice. At June 30, 2006 and December 31, 2005, there were outstanding balances of US$214,000 and US$404,000, respectively, under the agreement. Interest on advances under the revolving loan agreements is paid by an affiliate.

DLP Funding, LLC ("DLP"), a wholly-owned subsidiary of the Company, is the borrower under a US$225 million revolving line of credit with a financial institution to fund the acquisition and associated carrying costs of life insurance policies. The line bears interest at the one-month Eurodollar Rate plus 1.5% (6.87% at June 30, 2006). The line is secured by all of the life insurance assets acquired by DLP. The facility has a termination date of December 23, 2006. At June 30, 2006, borrowings under this line of credit totaled US$168,786,389. There were no borrowings as of December 31, 2005.

Peachtree LBP Warehouse, LLC, a wholly-owned subsidiary of the Company, obtained a US$50 million revolving line of credit with a financial institution to fund premium loans, originally effective January 1, 2004 and modified to be effective January 1, 2006. Proceeds under the line may be disbursed up to a maximum of US$10 million per year for five years from the effective date, as modified. The line bears interest at the one-year LIBOR rate plus 1.5% (7.19% at June 30, 2006). A commitment fee of .25% per annum on the daily average unused commitment is payable monthly. Advances under the line are due on maturity of the underlying premium loans. The line is secured by the underlying premium loans. There were no borrowings under this line of credit at June 30, 2006 or December 31, 2005.

Structured Receivables Finance #4, LLC ("SRF4"), a wholly owned subsidiary of the Company entered into a revolving line of credit agreement (the "Loan Agreement") with a financial institution (the "Lender") to fund US$145 million (the "Facility Limit") for the purchase of receivables from PSF. Borrowings bear interest at a floating rate, which is equal to the Lender's cost of funds rate (5.224.52% at June 30, 20064). The Loan Agreement is collateralized by SRF4's rights, title and interest in, to and under the structured receivables, including the Collection Account, the Reserve Account, the Lockbox and the Lockbox Account, as defined.

The Loan Agreement also requires PSF and SRF4 to maintain certain debt covenants. SRF4 is required to pay Lender and Liquidity Fees as follows:

Unused Fee – The unused fee is equal to 0.20% (annual rate) times the difference between 102% times the Facility Limit and the aggregate outstanding principal and is calculated daily. This amount is paid monthly in arrears to the Lender on each Distribution Date, as defined, through the Termination Date.

Administrative Fee – The administrative fee is equal to 0.10% (annual rate) times the difference between the Facility Limit and the aggregate outstanding principal and is calculated daily. This amount is paid monthly in arrears to a member of the Lender on each Distribution Date, until the first date, after the Termination Date, that all obligations have been paid in full.

8. Interest Rate Swaps

Under the terms of a revolving LOC agreement with PLW, the lender enters into interest-rate swaps to manage its exposure to changes in interest rates related to PLW's borrowings under the Loan Agreement. Under the terms of the LOC, if the Lender realises a gain on termination of the swaps as a result of any payment of principal on outstanding advances, the Lender will pay the gain to PLW, and if the Lender realises a loss on termination of the swap, PLW will reimburse the

Lender for such loss. These embedded derivative instruments have been separated from the host contract and carried at fair value. Hedge accounting has not been applied to these interest rate swaps. At June 30, 2006, PLW had US$7,110,762 in notional amount of embedded interest rate swaps, with an unfavorable fair value of US$196,069.

SRF4 enters into interest-rate swaps to manage its exposure to changes in interest rates related to its borrowings under the Loan Agreement. At June 30, 2006, SRF4 had approximately US$31,731,640 in notional amount of interest rate swaps. However, the notional amount of interest rate swaps does not measure the credit risk exposure of SRF4; it is substantially less than the notional amount. The maximum credit risk is the estimated cost of replacing favorable interest rate swaps if the counterparty defaults. Since SRF4 was in an overall favorable interest rate swap position to the counterparty at June 30, 2006 in the amount of US$328,000, SRF4 had a credit risk exposure from them. However, there is no credit risk to the Company because any gain to be received from the embedded swaps will be offset against principal payments made on outstanding advances. Additionally, as of June 30, 20064, SRF4 held no collateral from its counterparty.

9. Stockholders' Equity

As of December 31, 3005, members' equity of Peach Holdings LLC ("PHL") was comprised of 7,750,000 common units of membership, of which 697,500 were directly owned by Peachtree Settlement Funding Corporation ("PSFC"), and 7,052,500 were directly owned by Funding Investors, LLC ("FI"), and 2,250,000 Series A convertible preferred units of membership, owned by LLR Equity Partners, LP and its affiliates ("LLR"), and Greenhill Capital Partners, LP and its affiliates ("Greenhill") (collectively the "Investment Partners").

On February 27, 2006, Peach Holdings, Inc. ("PHI") was formed. Contemporaneously with the offering of PHI shares on the London Stock Exchange, all of the Series A convertible preferred units were first converted to common units, and then each of the members of PHL exchanged each of their common units of membership in PHL for 10 shares of common stock issued by PHI. On March 30, 2006, PHI completed an offering on the Alternative Investment Market of the London Stock Exchange plc, under which the stockholders sold approximately 40% of their shares of common stock and the Company issued and sold 4,277,832 new shares of common stock at a price of US$5.42 per share, resulting in proceeds of approximately US$20.7 million, net of offering costs.

10. Income Taxes

The provision for income taxes for the period ended June 30, 2006 reflects current income taxes, computed by applying the estimated annual effective income tax rate for 2006 to taxable income of those entities subject to income taxes during the period, and the change in deferred income taxes for those same entities. For the period ended June 30, 2006, income tax expense computed at the Federal statutory income tax rate for taxable entities differs from the recorded amount of income tax expense due primarily to the change in the tax status of the reporting entity on March 30, 2006. In March 2006, the formation of PHI resulted in the reporting entity becoming a tax paying entity. The recognition of deferred tax liabilities existing at the date of the change in tax status is included in the provision for income taxes for the period ended June 30, 2006.

The provision for income taxes for the six months ended June 30, 2005 and the year ended December 31, 2005 reflects current income taxes, computed by applying the estimated annual effective income tax rate for 2005 to taxable income of those entities subject to income taxes, and the change in deferred income taxes for those same entities. For the year ended December 31, 2005, income tax expense computed at the Federal statutory income tax rate for taxable entities differs from the recorded amount of income tax expense due to changes in the valuation allowance related to deferred tax assets, primarily related to utilisation of net operating loss carry forwards.

The provision for income taxes (benefit) charged to operations consists of the following:

	Six months ended June 30, 2006 US$	**Six months ended June 30, 2005 US$**	**Year ended December 31, 2005 US$**
Current:			
Federal	348,552	101,859	286,071
State	39,834	11,641	17,178
	388,386	113,500	303,249
Deferred taxes related to current period:			
Federal	1,011,888	-	(675,000)
State	115,645	-	(13,000)
	1,127,533	-	(688,000)
Income tax expense (benefit) on current earnings	1,515,919	113,500	(384,751)
Deferred tax liabilities recognised in connection with change in tax status:			
Federal	10,060,256	-	-
State	1,149,744	-	-
	11,210,000	-	-
Income tax (benefit) expense	12,725,919	113,500	(384,751)

A summary of the deferred tax assets is as follows:

Deferred Income Taxes:	**June 30, 2006 US$**	**June 30, 2005 US$**	**December 31, 2005 US$**
Receivables held for sale	(58,190,000)	-	-
Life receivables	(3,255,000)	34,000	722,000
Asset basis adjustment			
LLR-Greenhill transaction	14,855,000	-	-
Peach Holdings Inc. formation	32,125,000	-	-
Net operating loss carry forward	28,321,468	-	-
Total deferred tax asset	13,856,468	34,000	722,000

The receivables held for sale and the basis adjustments related to the transactions noted are primarily a result of the tax effect of the difference between the book and tax basis of the

Company's investment in structured settlement receivables. The net operating loss carry forward is a result of additional tax-deductible expenses associated with the formation of PHI.

11. Related Party Transactions and Servicing Revenue

The Company furnishes certain services (including administration and overhead) and performs certain product servicing for the QSPEs under servicing and administrative agreements. For the period ended June 30, 2006, the Company received approximately $932,600, which is included in servicing revenue. The Company has also advanced funds to the QSPEs as needed in years prior to 2005. At June 30, 2006, balances due from these affiliates were $713,025. Amounts due from other affiliates were not significant at June 30, 2006. Amounts due from affiliates bear interest at the one-month LIBOR rate (5.35% at June 30, 2006).

12. Equity in Earnings of Joint Venture

In 2001, the Company entered into a joint venture in the Life Settlement business with an unrelated third party. In June 2005, the joint venture received proceeds of US$14,250,000 in connection with the transfer of residual interests in life insurance policies held by a subsidiary. The Company recognised fee income of US$7,125,000 as its share of the joint venture's revenue, which is included in life settlement origination fee income in the accompanying statement of operations for the six months ended June 30, 2005 and the year ended December 31, 2005.

13. Risks and Uncertainties

At June 30, 2006, the Company's balance of finance receivables held for sale are primarily lottery winnings (which are obligations of state governments) and obligations of insurance companies. Therefore, the exposure to concentration of credit risk with respect to these receivables is generally limited due to the number of insurance companies and states comprising the receivable base, their dispersion across geographical areas, and state insurance guarantee funds. However, as of June 30, 2006 the highest concentrations, approximately 15.01% and 10.90% of total finance receivables, are due from two insurance companies. The Company is subject to risks associated with purchasing structured settlement receivables, which include, but are not limited to, insolvency of an insurance company, and potential risks of regulations and changes in legislation.

The Company facilitates the sale of life insurance policies to affiliates. Through December 31, 2005, the affiliates, in turn, issued trust interests respecting those policies to a single investor. During the year ended December 31, 2005, approximately US$21.4 million of the Company's revenue was earned in connection with the sale of trust interests to this investor. Beginning in 2006, the Company has begun retaining its interests in a majority of these policies. The Company is subject to risks associated with purchasing life insurance contracts, which include, but are not limited to, insolvency of a life insurance contract issuer, and potential risks of regulations and changes in legislation. As of June 30, 2006, approximately 34% of total purchased life insurance contracts are issued from five insurance companies.

The Company maintains cash balances at financial institutions in excess of FDIC insurance limits. Management does not believe the company is exposed to significant risk of loss related to uninsured deposits.

14. Earnings Per Share

On March 30, 2006, Peach Holdings Inc. issued 10 shares of common stock in exchange for each unit of membership in Peach Holdings, LLC. The following table sets forth the computation for the period ended June 30, 2006 the pro forma earnings per share for Peach Holdings Inc. as though the exchange had occurred on January 1, 2006:

Earnings per share:	**US$**
Numerator - Net income (loss) per the combined statement of operations	(8,404,825)
Adjust for net income of Life Settlement Corporation, owned by other shareholders	477,298
Net income (loss) available to common stockholders	(8,882,123)
Pro forma earnings per common share:	
Denominator for basic and diluted earnings per common share – weighted-average shares outstanding	102,138,916
Basic and diluted earnings (loss) per common share	(0.09)

15. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Investments – The estimated fair value of investments in marketable securities is based on quoted market prices.

Finance receivables, net – The estimated fair value of finance receivables, net (including finance receivables held for sale) is estimated by discounting the expected cash flows at market interest rates for comparable investments.

Life receivables, net – The estimated fair value of life receivables, net is equal to the carrying amount.

Advances receivable, net and other receivables – The estimated fair value of advances receivable and other receivables, which are generally recovered in less than three months, is equal to the carrying amount.

Due from affiliates – The estimated fair value of due from affiliates and due to affiliates, which bear interest at a variable rate equal to current short-term rates, is equal to the carrying amount.

Retained interests in receivables sold – The estimated fair value of retained interest in receivables sold is determined by discounting the expected residual cash flows at estimated market interest rates for comparable investments.

Unremitted asset servicing collections – The estimated fair value of unremitted asset servicing collections is equal to the carrying amount.

Installment Obligations payable – Obligations payable are reported at fair value determined based on changes in the measuring indices selected by the obligees under the terms of the obligations over the lives of the obligations.

Borrowings under line of credit – Based on the borrowing rates currently available to the Company for debt with similar terms and remaining maturities, the Company estimates that the carrying value of its borrowings approximate fair value.

Swap liability -- The estimated fair value of interest rate swaps is based upon market quotes from a large U.S. bank.

The estimated fair values of the Company's financial instruments are as follows:

	June 30, 2006 US$	**US$**	**June 30, 2005 US$**	**US$**	**December 31, 2005 US$**	**US$**
	Estimated Fair Value	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**
Financial assets						
Investments	295,069,292	295,069,292	288,863,533	288,863,533	307,772,266	307,772,266
Finance receivables held for sale, net	70,043,547	44,047,879	16,185,733	11,126,297	22,409,265	18,328,064
Life Receivables Net	161,851,370	161,851,370	-	-	-	-
Finance receivables, net	21,547,068	21,547,068	3,077,755	3,077,755	9,950,592	9,950,592
Advances receivable, net	964,334	964,334	1,788,560	1,788,560	1,082,055	1,082,055
Other receivables	6,107,577	6,107,577	2,257,882	2,257,882	5,492,038	5,492,038
Due from affiliates	714,111	714,111	4,205,747	4,205,747	1,562,583	1,562,583
Retained interest in receivables sold	18,848,943	18,848,943	45,024,773	45,024,773	31,344,950	31,344,950
Financial liabilities						
Unremitted asset servicing collections	528,883	528,883	2,718,872	2,718,872	994,519	994,519
Installment obligations payable	295,518,101	295,518,101	288,863,533	288,863,533	308,221,416	308,221,416

Borrowings under line of credit	211,034,553	211,034,553	9,658,957	9,658,957	7,827,430	7,827,430
Swap liability	191,597	191,597	675,362	675,362	403,069	403,069

16. Commitments and Contingencies

In the normal course of business, the Company is subject to various legal proceedings and claims, the resolution of which, in management's opinion, will not have a material adverse effect on the financial position or the results of operations of the Company.

The Company has had discussions with the Internal Revenue Service (the "IRS") relating to certain federal income tax matters arising from Peachtree's ordinary business activities. The discussions pertained to (i) a refund of the federal income tax withheld on two purchased lottery prizes and (ii) the issuance by Peachtree of a series of installment obligations in exchange for purchased lottery prizes and other non-lottery receivables. On March 30, 2004, the Office of Chief Counsel issued a Chief Counsel Advice, which resolved the majority of the issues raised as to the aforementioned lottery transactions.

Thereafter, the IRS issued a series of Information Document Requests primarily regarding (i) the manner in which Peachtree accounted for its installment obligation liability and (ii) Peachtree's use of installment obligations to purchase certain non-lottery receivables, including the structure's legal rationale, manner of operation, creation, development, and marketing. The Company has provided responses to all Information Document Requests. The subject matter of the inquiry concerns issues the IRS has described as "debatable." The Company and the IRS are currently working toward a settlement to resolve the matter. The Company has not accrued any liability for any potential settlement because management does not believe any material loss is probable. Management does not believe any potential settlement of this matter will have a material adverse effect on the financial position or the results of operations of the Company.

The Company has indemnified a non-affiliated lending institution for all costs and damages associated with legal actions related to loans made by the entity which are collateralised by structured settlement payments. No significant costs have been incurred to date related to this indemnification.

The Company entered into a consulting agreement with an unrelated company in 2003 for assistance with the development of financing facilities. Under the terms of the agreement, the Company will pay from US$150,000 to US$200,000 per month through March 2006 and also pay up to US$1 million per year related to successful securitizations. For the period ended June 30, 2006, the Company paid US$1,600,000 under this agreement.

The Company leases office space and equipment under varying lease arrangements. None of the agreements contain unusual renewal or purchase options. Leases for office space and equipment having an initial or remaining non-cancelable term in excess of one year at June 30, 2006 require the following minimum future rental payments:

	US$
July 1, 2006 -December 31, 2006	226,827
Twelve Months Ending December 31,	
2007	674,557
2008	689,890

2009	596,019
2010	557,500
2011 and thereafter	187,667
	2,932,459

Rental expense for the period ended June 30, 2006 was US$404,415

17. Employee Benefit Plan

The Company maintains a Savings Plan under Section 401(k) ("the Plan") under the Internal Revenue Code which was established effective January 1, 1998. The Plan covers all eligible employees. The Company's contributions to the Plan are based upon a percentage of employee contributions. Plan expense for the Period ended June 30, 2006 was US$155,522.

18. Subsequent Event

On September 12, 2006, PHI announced that it executed a definitive merger agreement to be acquired by Orchard Acquisition Company, an affiliate of DLJ Merchant Banking Partners ("DLJMB"). Under the terms of the merger agreement all shareholders will receive £3.85 per share in cash. Orchard Acquisition Company is a newly formed company to be owned by an investor group that is led by DLJMB and also includes the senior management of Peach Holdings, Credit Suisse, LLR Equity Partners and Greenhill Capital Partners.

The board of directors of Peach Holdings, on the recommendation of a special committee of directors, has approved the merger agreement and recommended that Peach Holding's stockholders approve the merger. The transaction, together with an expected cash dividend of approximately US$7 million (approx. 3.5 pence per share) in the aggregate permitted under the Merger Agreement, values Peach Holdings at approximately £404 million as of the date of the definitive agreement.

In the event the merger agreement is terminated under certain circumstances, including the execution of a definitive agreement for a superior proposal, Peach Holdings would be required to pay Orchard Acquisition Company a break-up fee of US$21.5 million plus certain related expenses.

The transaction is currently expected to close in the fourth quarter of 2006. The transaction will be financed through a combination of equity contributed by DLJ Merchant Banking Partners and the investor group and debt financing, and is subject to receipt of debt financing, approval of Peach Holding's shareholders and other closing conditions.

- Ends -