



**PANNELL
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CHARTERED ACCOUNTANTS

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March 29, 2000

The Directors
I.C. Mutual Ltd.
First Floor, Shirley Hou
50 Shirley Street
P.O. Box SS-19690
Nassau, Bahamas

Dear Sirs,

Procedures Review of I.C. Mutual Ltd. as of February 29, 2000

Report of Independent Public Accountants

As requested by yourselves, we have performed the agreed upon procedures review of the internal controls and procedures of the assets of I.C. Mutual Ltd. ('the Company') and more specifically with reference to its relationship within the Imperial Consolidated Group ('The Group'). This review also included certain aspects of the financial performance of Imperial's activities, and other procedural and operational reviews.

For the purpose of the review, as of the date February 29, 2000, the connected entities within the Group related to:

- (1) I.C. Mutual Ltd.
- (2) I.C. Financiers Limited (B.V.I.)
- (3) Imperial Consolidated Financiers Limited (U.K.)
- (4) I.C. Phoenix Capital Limited (B.V.I.)
- (5) Imperial Phoenix Finance Limited (U.K.)

The Group's management is responsible for establishing and maintaining a system of internal accounting controls. The objectives of a system of internal controls and the practices and procedures adopted are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with International Accounting Standards.

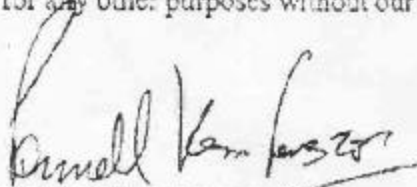
Representing the Arthur Andersen Worldwide Organization in The Bahamas

Because of the inherent limitations in any system of internal controls of the practices and procedures referred to above, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

Based on our review as of February 29, 2000 (see Appendix on pages 3 & 4) we are of the opinion that:

- (1) The Group's internal controls and procedures with reference to the transfer of cash in connection with the loan notes are adequate.
- (2) The loan notes issued by I.C. Financiers Limited (B.V.I.), I.C. Phoenix Capital Limited (B.V.I.), Imperial Consolidated Financiers Limited (U.K.) and Imperial Phoenix Finance Limited (U.K.) to I.C. Mutual Ltd. have a first charge over, and are adequately covered by, the cash and/or receivables as shown in the financial statements of I.C. Financiers Limited (B.V.I.), I.C. Phoenix Capital Limited (B.V.I.), Imperial Consolidated Financiers Limited (U.K.) and Imperial Phoenix Finance Limited (U.K.).
- (3) The Group's credit process, including credit application, underwriting and approval procedures, are adequate.
- (4) The Group's procedures for monitoring and reporting on the credit-worthiness of the underlying credit portfolio are adequate.
- (5) The insurance policies that are in effect are adequate.

This report is intended solely for the information of I.C. Mutual Ltd. and should not be used for any other purposes without our prior permission.



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Appendix - Work performed in relation to a review of I.C. Mutual Ltd.
as of February 29, 2000

1. The Group's internal control and procedures with reference to the transfer of cash in connection with the loan notes:
 - PKF obtained a schedule of loan notes issued between the B.V.I. lending companies and the U.K. borrowing companies.
 - Each loan note amount was traced to receipt into the U.K. companies' bank account.
 - Each loan note amount was vouched to the loan note document signed off by the relevant parties of both the B.V.I. company and the U.K. company.

2. The loan notes issued by I.C. Financiers Limited (B.V.I.), I.C. Phoenix Capital Limited (B.V.I.), Imperial Consolidated Financiers Limited (U.K.) and Imperial Phoenix Finance (U.K.) to I.C. Mutual Ltd. have a first charge over and are adequately covered by the cash and/or receivables as shown in the unaudited management financial statements of I.C. Financiers Limited (B.V.I.), I.C. Phoenix Capital Limited (B.V.I.), Imperial Consolidated Financiers Limited (U.K.) and Imperial Phoenix Finance Limited (U.K.):
 - PKF obtained a copy of the Certificate of The Registration of a Mortgage or Charge which stated 'that a debenture dated the 23rd July 1999 and created by Imperial Consolidated Financiers Limited for securing all monies due or to become due from the company to I.C. Financiers Limited on any account whatsoever was registered pursuant to Chapter 1 Part XII of the (United Kingdom) Companies Act 1985 on the 24th July 1999'.
 - The above charge was agreed to the Register of Charges of Imperial Consolidated Financiers Limited.
 - Obtained a copy of the Certificate of The Registration of a Mortgage or Charge which stated 'that a debenture dated the 21st July 1999 and created by Imperial Phoenix Finance Limited for securing all monies due or to become due from the company to I.C. Phoenix Capital Limited on any account whatsoever was registered pursuant to Chapter 1 Part XII of the (United Kingdom) Companies Act 1985 on the 22nd July 1999'.
 - The above charge was agreed to the Register of Charges of Imperial Phoenix Finance Limited.
 - Obtained a listing of current (class loan and microloan) receivables included in the unaudited management financial statements of Imperial Consolidated Financiers Limited as at February 29, 2000 and noted that the total on this listing exceeded the total amount of loan notes issued between the B.V.I. lending companies and the U.K. borrowing companies. A further review of individual loan balances indicated that on extrapolation the overall recoverability of the total receivable exceeded the total amount on the loan notes.

3. The Group's credit process, including credit application, underwriting and approval procedures:
 - PKF reviewed the credit process, including credit application, underwriting, and approval procedures by discussion and observation with the relevant client personnel of the systems in place.
 - A random sample of loans existing at February 29, 2000 was selected and the customer credit files were reviewed and agreed that the credit process was being properly adhered to.

4. The Group's procedures for monitoring and reporting on the credit-worthiness of the underlying credit portfolio:
 - PKF reviewed the procedures for monitoring and reporting on the credit-worthiness of the underlying credit portfolio by discussion and observation with the relevant person in the collections department.
 - A sample of loans classed as non-performing as at February 29, 2000 were taken from the listing of current (class loan and microloan) receivables and verified that the collection department had initiated collection procedures as per the system.

5. The insurance policies that are in effect:
 - PKF obtained a copy of the cover note in relation to Professional Indemnity Insurance and noted the period of coverage was from December 1, 1999 to November 30, 2000; the assured was Imperial Consolidated Securities S.A.; the insurance type was second excess professional indemnity; the limit was US\$50million any one claim and in all including costs and expenses in excess of the underlying policies for US\$10million any one claim and in all including costs and expenses; the premium was US\$50,000 and the security was 100% with certain underwriters at Lloyd, London.
 - Loan protection cover. This is in place to cover the Group if an individual defaults on his loan due to death, accident, sickness or involuntary unemployment. The Group offers a Payment Protection Plan ("PPP") which is promoted to each individual who wishes to obtain a loan. Per the management of the Group, 99% of all individuals currently take the PPP.
 - A random sample of microloans existing as at February 29, 2000 was taken from the listing of current receivables and the PPP was noted in all cases as having been taken by the individual.