

MOODY'S ASSIGNS Baa1 LOCAL AND Baa2 FOREIGN CURRENCY LONG-TERM AND Aa3.za/P-1.za NATIONAL SCALE RATINGS TO IMPERIAL HOLDINGS (SOUTH AFRICA)

First-Time Ratings

Madrid, July 26, 2004 -- Moody's Investors Service today assigned Baa1 local currency and Baa2 foreign currency issuer ratings to Imperial Group (Pty) Ltd, fully and unconditionally guaranteed by Imperial Holdings Ltd (Imperial). The foreign currency issuer rating is at the same level as the foreign currency rating of The Republic of South Africa.

Moody's also assigned to Imperial long- and short-term issuer National Scale Ratings (NSR) of Aa3.za and Prime-1.za, respectively. All ratings assigned carry a stable outlook.

Moody's NSR are not globally comparable, but address credit risk among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. National Scale Ratings employ the same set of upper- and lower-case letters from Aaa to C that Moody's already uses, but include a modifier to signify the relevant country, e.g. 'Aa3.za' for South Africa. (For further information on Moody's approach to national scale ratings, please refer to Moody's Special Comment of November 1999 entitled "Moody's Introduces National Scale Ratings".)

All ratings assigned factor Imperial's diversified and highly integrated mix of related businesses operating in a common value chain around the transport and mobility sectors, Moody's said. The rating agency expects that Imperial will remain the sole or joint market leader in South Africa in all of its core businesses, except for its financial services operations (which include short-term insurance, life assurance services as well as a 49.9% shareholding in Imperial Bank Limited), in which its market share is weaker.

The ratings also take into account Imperial's high-quality and experienced management team, which will continue to implement a strategy entailing the provision of value to customers across the mobility value chain from transaction originators (motor dealers, distributors, tour operators and aircraft sales) through to transaction enhancement companies (i.e. motor and aircraft financing, leasing, vehicle leasing, vehicle and credit life insurance, insurance, tourism and car rental activities).

Moody's has also factored the challenges encompassed in the group's expansionary strategy outside South Africa. This includes the continued international growth in its logistics business which is being pursued in compliance with a conservative financing plan.

Another key rating driver is Imperial's extremely high level of discretion in capex, which provides it with high financial flexibility to weather downsides in the business cycles. In addition, the group enjoys a natural hedging to currency volatility thanks to the diversified nature of its businesses, according to Moody's.

As the largest private sector transport and mobility group in South Africa, Imperial has balanced the intrinsic business risk profile of each of its business segments with the relative strength of future debt protection ratios (in excess of 25% cash flow from operations after dividend payments over adjusted net debt), considering the highly discretionary nature of capex and also the use of operating leases in some market segments. Within this context, Moody's has factored that management has identified an amount of approximately ZAR500 million per year for either strategic acquisitions or extraordinary remuneration to shareholders.

Imperial has, over the past two years, decided to step up its shareholder remuneration policy, which has led to a degree of deterioration in its key cash flow-to-debt metrics. In addition, Moody's expects the group to generate negative free cash flow over the projected period, as a result of high (discretionary) capex supporting the growth momentum of its key underlying businesses.

The group's two most important business segments are (1) logistics & transport and (2) car dealership & distributorship. Although Moody's has factored its perception of intrinsic business risk in these sectors, it has also taken into account their good growth track record, strong market positions and the fact that the group has weathered economic cycles and currency volatility risk for many years.

Moody's has assessed the group's banking business as having a neutral to marginally positive impact on its overall credit strength. Although it enhances the integrated nature of the group, given that it offers financial services to support the commercial strategy of various businesses (mainly motor finance), it also potentially exposes the group to some relatively riskier areas such as commercial property and aircraft financing. Moody's has also taken into consideration the ownership structure of Imperial Bank and the strong support it receives from Nedbank.

The highest risk segment factored in Moody's rating has been the aviation leasing business. Although the rating agency recognises management's expertise and sound track record in this business, it views the operation as carrying a high risk relative to the rest of the businesses in the group. Moody's identified as key concerns the age of the aircraft in the fleet, the short tenor of some of the leases and the counterparties involved. However, the rating agency gave credit to management's ability to avoid any substantial loss in this business derived from past disruptions as some companies in this field have gone out of business. Credit was also given to the fact that many leases are of value added nature and that considerable earnings are derived from full contract operations and services provided to international clients, for example the United Nations, Oil Spill response organizations and major international freight and courier clients. No direct aircraft capacity risk is assumed by the group.

Imperial currently enjoys a strong financial profile with significant financial flexibility and an adequate liquidity risk supported by its strong operating cash flow, the successful ZAR1 billion bond offering in 2003 and excellent banking relationships. Moody's has also factored into the rating no substantial structural nor contractual subordination as it expects the majority of the funding of the group to take place at the centralized holding level on a senior unsecured basis, with a relatively low external funding at operating subsidiary level.

Imperial Holdings Limited is domiciled in Edenvale, Republic of South Africa. Imperial Holdings Limited is the 100% owner of Imperial Group Pty Ltd. The group is active in the transport and related services industries both in the Republic of South Africa and abroad. Imperial has interests in Europe, Asia, the UK, Ireland, the Americas, Australia and Southern Africa, creating a global exposure in Imperial's core businesses. Imperial's activities include a wide range of services relating to transportation and mobility in its broader context, including transportation and logistics, vehicle and forklift leasing and fleet outsourcing, aviation leasing and sales, car rental and tourism, motor vehicle importation and distribution, motor vehicle retailing and a related financial services arm including short-term insurance, life assurance services and via its 49.9% shareholding in Imperial Bank Limited. Imperial enjoys sole or joint market leadership in South Africa in all of its core businesses, except for its financial services operations. Imperial is the largest private sector transport and mobility group in South Africa.