MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Imperial's existing ratings and rates its new ZAR10 billion DMTN programme

Global Credit Research - 16 Sep 2010

Approximately USD 1 billion of rated debt securities affected

Johannesburg, September 16, 2010 -- Moody's Investors Service today affirmed all of Imperial Group's existing ratings with a stable outlook. At the same time, Moody's indicated that the company's proposed two local currency senior unsecured note issuances of tenors of 5 and 7 years for a total combined size of up to ZAR2 billion would likely be rated Baa3/A2.za, subject to final documentation with terms and conditions. Both notes are being issued under Imperial Group (Proprietary) Limited's ("Imperial") new ZAR10 billion Domestic Medium-term Note ("DMTN") Programme that is also being rated.

Ratings affirmed:

Imperial Group (Pty) Ltd ("Imperial")

- Global Scale long term foreign and domestic currency issuer rating: Baa3

- National Scale long/short term rating: A2.za/P-1.za

- R1 billion senior unsecured bonds due 2010 (Baa3/Stable, A2.za/P-1.za)

- R1.5 billion senior unsecured bonds due 2014 (Baa3/Stable, A2.za/P-1.za)

Imperial Capital Ltd

- R500 million senior secured bonds due 2012

- National Scale Domestic Medium Term Note programme long/short term issuer ratings of A1.za/P-1.za

Moody's also affirmed the Baa3 rating on Imperial's EUR300 million 4.75% Eurobond due 2013, issued by Imperial Mobility Finance B.V., guaranteed by Imperial Holdings Limited.

All the above ratings have a stable outlook.

Moody's has also assigned the following provisional ratings to Imperial's new ZAR10 billion Domestic Medium-term Note Programme, subject to final documentation with the terms and conditions for each drawdown:

- Senior secured issuances on a global local currency basis: (P)Baa3

- Senior secured issuances on South Africa's national scale rating: (P)A2.za

- Senior unsecured issuances on a global local currency basis: (P)Baa3

- Senior unsecured issuances on South Africa's national scale rating: (P)A2.za

- Subordinated issuances on a global local currency basis: (P)Ba1

- Subordinated issuances on South Africa's national scale rating: (P)A3.za

- Commercial paper issuances on South Africa's national scale rating: (P)P-1.za

RATINGS RATIONALE

"The affirmation of Imperial Group's existing ratings recognize among other factors, the group's prudent financial and operating policies that contributed towards improved operating margins in most of its businesses and overall debt protection measures during the latest fiscal year and global economic downturn," explained Moody's VP Senior Analyst, Soummo Mukherjee. "The affirmation also recognizes Imperial's further improved prospects from a more favourable economic environment going forward balanced by the company's growth strategies that will likely increase the company's leverage from current levels," added Mukherjee.

Imperial plans to issue two senior unsecured notes under the new DMTN programme with a tenor of 5 and 7 years and that will amount to a total of up to ZAR2 billion. Both notes; therefore, will likely be rated Baa3/A2.za once they are issued, subject to final documentation and terms and conditions.

The issuer ratings of Imperial Group (Pty) Ltd, fully and unconditionally guaranteed by Imperial Holdings, global scale ratings reflect Imperial's global default and loss expectation, while the A2.za/Prime-1.za national scale ratings reflect the standing of Imperial's credit quality relative to its domestic peers.

Imperial's Baa3 rating continues to be based on Moody's perception of the group's business risk profile, combined with its level of debt protection ratios, its diversified business structure which mitigates its complex organization structure and its high concentration in one single market (South Africa) -- close to 80% of revenues and operating profit. Imperial's long history and solid reputation in South Africa, its track record of growth, its strong market position, quality of management, and the fact that the group has successfully weathered South Africa's currency volatility risk for many years also support its Baa3/A2.za rating.

All ratings factor Imperial's diversified and integrated mix of related businesses operating in a common value chain around transport and mobility sectors, although the group's focus has narrowed to a more consumer-facing business following the recent disposal of many non-core and underperforming businesses.

Moody's notes that, in order for Imperial Capital Limited to achieve a higher long term rating on a national scale than that of Imperial Group, a security structure is in place similar to that used in a securitisation, whereby a bankruptcy-remote entity (Imperial Capital Guarantor (Pty) Limited holds cessions and a general notarial bond on behalf of lenders. Both Imperial Capital Limited and Imperial Group (Pty) Limited (Imperial Group) are 100% owned by Imperial Holdings Limited (IHL).

Moody's views Imperial's liquidity as strong, supported by the availability of committed facilities together with the substantial cash position and cash generation capabilities.

The stable outlook reflects Moody's expectation that despite the impact of weaker operating environments both domestically and abroad, Imperial's credit profile is currently and will continue to be solidly positioned within the Baa3 rating category under its restructured business profile and future growth plans.

Eventual upward pressure on Imperial's rating would arise through a sustained maintenance of the company's Retained Cash flow (RCF) to Net Debt above 20% and trending, on a sustainable basis, towards the mid twenties, stable operating margins, and increased debt protection levels that will result in FFO Interest Cover exceeding 4x on a sustainable basis. Although we note that most of the above mentioned financial metrics were achieved in Imperial's latest fiscal year ending on 30 June 2010, upward momentum on its rating depends on sustaining such levels in light of the company's growth plans that may include higher than current leverage levels. All metrics are according to Moody's standard adjustments and definitions.

On the other hand, negative pressure on Imperial's rating or outlook would arise due to: a) weakness in operating performance, resulting in lower debt protection measures with FFO Interest Cover sustainably below 4x, or lower operating margins; b) an average Retained Cash flow (RCF) to Net Debt ratio that on a prospective basis, trends below 20% considering past and expected future performance; or c) should the debt protection measures weaken, failure to adjust financial policies and cost structure such that the company generates positive free cash flow on a sustained basis through conservative capex spend and adjusted shareholder remuneration policies.

Moody's previous rating action on 24 November 2009 was an affirmation of Imperial Group's global long-term and short-term ratings with a change in outlook from negative to stable and an upgrade of the national scale rating of Imperial to A2.za from A3.za and of Imperial Capital's DMTN programme's long-term rating to A1.za from A2.za.

For the assignment of this rating, Moody's has evaluated factors we believe are relevant to the credit profile of the issuer, such as i) the business risk and competitive position of the company versus others within its industry, ii) the capital structure and financial risk of the company, iii) the company's exposure to volatile consumer oriented end markets and the expected decrease in demand will impact the projected performance of the company over the near to intermediate term. These attributes were compared against other issuers both within and outside the company's core industry subsectors and our ratings are believed to be comparable to those of other issuers of a similar credit risk.

Imperial Holdings Limited is domiciled in Bedfordview, Republic of South Africa, and is the 100% owner of Imperial Group Pty Ltd.. Imperial Holdings Limited is the largest private sector transport and mobility group in South Africa. Imperial's core activities include a range of services relating to transportation and mobility in their broader context, including logistics, car rental, tourism, motor vehicle dealerships and distributorships, as well as automotive insurance.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, public information, confidential and proprietary Moody's Investors Service's information.

Moody's Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of maintaining a credit rating.

MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

The date on which some Credit Ratings were first released goes back to a time before Moody's Investors Service's Credit Ratings were fully digitized and accurate data may not be available. Consequently, Moody's Investors Service provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com for further information.

Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

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