

The Kelly Group

Kelly Group Limited

(Formerly LogicalOptions Staffing (Proprietary) Limited)
 (Incorporated in the Republic of South Africa)
 (Registration number 1999/026249/06)
 Share code: KEL ISIN: ZAE000093373
 ("the Kelly Group" or "the Company")

Abridged prospectus

relating to:

- a private placing by way of an offer for subscription of a maximum of 34,520,702 new ordinary shares of R0.0001 each in the share capital of the Kelly Group priced between R8.30 and R9.30 per share;
- a private placing by way of an offer for sale by Brait Private Equity Funds of a maximum of 4,084,842 ordinary shares of R0.0001 each in the share capital of the Kelly Group priced between R8.30 and R9.30 per share; and
- the subsequent listing of the Kelly Group on the JSE Limited ("JSE").

This abridged prospectus is not an invitation to the general public to subscribe for the Kelly Group ordinary shares ("ordinary shares"). The private placing is made to invited institutional investors, selected private clients and invited retail investors only.

The purpose of this abridged prospectus is to provide parties participating in the private placing and members of the investment community with information relating to the Kelly Group, its operations, its directors and management and financial information.

1 Introduction and rationale

The JSE has approved the listing of the entire issued share capital of a maximum of 100,000,000 ordinary shares of the Kelly Group, with effect from the commencement of business on 3 April 2007, in the 'Support Services - Business Training and Employment Agencies' sector of the JSE lists under the abbreviated name "Kelly". Prior to the listing, a minimum capital amount of R280 million is needed to be raised by the Kelly Group through a private placing of ordinary shares to invited institutional investors, selected private clients and invited retail investors only.

The proceeds from the private placing will be first applied to the offer for subscription which will recapitalise and restructure the Company's balance sheet by repaying the shareholder loans owed to Brait Private Equity Funds. Thereafter, the proceeds will be applied to the offer for sale which will allow Brait Private Equity Funds to partially realise their investment in the Company and will facilitate liquidity in the trading of the Kelly Group shares.

The subsequent listing will also:

- enhance investors' awareness of the Kelly Group;
- facilitate direct investment in the Kelly Group; and
- provide investors with a market for trading the ordinary shares.

The private placing is subject to:

- raising a minimum capital amount of R280 million before expenses; and
- achieving a spread of shareholders acceptable to the JSE.

The opening date of the private placing is Tuesday 13 March 2007 and the closing date is Monday 26 March 2007.

2 Overview of the Kelly Group

Kelly Group Limited, trading as the Kelly Group, is the parent company of a group of businesses that are engaged in the provision of human capital services and outsource solutions. Its activities include outsourcing, recruitment and consulting services as well as business process outsourcing (BPO) solutions. These services are designed to help raise a company's business performance by unlocking the full potential of its human capital. Companies that elect to partner with the Kelly Group stand to benefit from its:

- top brands, all focused in niche segments;
- proven track record in service delivery and years of experience in the staffing industry;
- cost reductions through its ability to leverage economies of scale and its state-of-the-art technology;
- access to the Kelly Group's 300,000 plus database of potential candidates and footprint of over 75 national branches;
- access to expert knowledge and experience in the field of staffing and recruitment utilising an innovative approach to strategic staffing solutions. Kelly pioneered the staffing industry in South Africa and has been at the forefront of leading the evolution of recruitment;
- passionate, committed and highly skilled staff;
- commitment to best practice and service excellence; and
- promotion of all interests.

3 Prospects of the Company

The Kelly Group has built a strong platform of complementary businesses with well-established brands and a diverse sector focus, from which it is ideally positioned to exploit favourable trading conditions in both the permanent placement and flexi-staffing services market. In addition, the fragmented state of its industry, which has more than 3,600 registered players, presents attractive opportunities for growth through acquisition and consolidation.

South Africa's robust economic growth rate and the Government's infrastructural development drive are generating an increasing demand for skills outsourcing, human resource management and information technology and back-office specialisation. The Group has embarked on an aggressive campaign to establish and sustain a strong presence in these sectors. It is also leveraging its proven expertise in the call centre sector to capitalise on Government's initiative for the development of the BPO and offshoring industries.

The Kelly Group's flagship brand, Kelly, is already a market leader in all forms of flexi-staffing and is focused on entrenching this position and maintaining its high growth rate. The financial recruitment operations have been expanded through the recent acquisition of Frontline which, together with PAG and Accountants On Call, has given the Kelly Group complete coverage of this sector, from clerical to the senior executive level, both in the permanent placement and flexi-staffing services market. The blue-collar staffing business, Kelly Industrial, stands to benefit from the boom in the construction and logistics industries in the run-up to the 2010 World Cup. InnStaff, which is already the market leader in the catering and hospitality industry, will also get a further boost leading up to the 2010 World Cup.

Internationally, MSquared and Collabrus are also set for growth. A key trend in the American market is the development of specialist staffing and consulting services and both companies provide these within niche industry sectors where they are well established.

The Kelly Group has generated strong cashflows during the financial year to 30 September 2006. The directors believe that the Kelly Group will continue to generate strong cash flows in the South African operations for the financial years ending 30 September 2007 and 30 September 2008.

The strong cash flow will be aided by the impact of the assessed tax loss of approximately R140 million in the South African operations for the 2005 tax year.

4 Directors

The names, ages, business addresses, qualifications, occupations, nationalities and brief curricula vitae of the directors and senior management are set out below:

4.1 Non-executive directors

Director	Business address	Abbreviated curriculum vitae
Moss Ngoasheng Chairman (49) South African	11 Alice Lane 2nd Floor, West Wing Standard Bank Building Sandton South Africa, 2196	Moss obtained degrees in Economics and Politics (from UNISA in 1984), Industrial Sociology Honours (University of Natal, 1988) and an M.Phil in Development Studies (University of Sussex, 1990). He was pivotal in the industrial policy development of the African National Congress and was the economic advisor to President Thabo Mbeki from 1995 to 2000. He is also a co-founder of Safika and sits on the boards of Dimension Data Holdings plc and Coega Development Corporation (Proprietary) Limited. He is a Safika appointed director.
Malcolm McCulloch (52) South African	3 Autumn Street Rivonia Johannesburg South Africa, 2196	Malcolm is a chartered accountant who studied at the University of Cape Town (in 1976) and subsequently completed an Advance Management Programme at Wharton in Pennsylvania, USA (in 1990). Malcolm was previously a director of Murray & Roberts Holdings Limited and is currently chief executive officer of Wilderness Safaris (Proprietary) Limited. He is also a non-executive director of Wilson Bayly Homes-Ovcon Limited, Capital Africa Steel (Proprietary) Limited and Symo Limited.
John Gnodde (42) South African	9 Fricker Road Illovo Boulevard Illovo South Africa, 2196	John is an executive director of Brait, having previously led the management of the Brait Private Equity Funds. John joined Brait in 1995 and has been responsible for investments in consumer products, construction, pharmaceutical manufacture, beverages, resources, mobile telecommunications and recruitment outsourcing amongst others. Prior to joining Brait, John worked for Goldman Sachs International in London from 1989 to 1995 where he served in the investment banking division. He is a graduate of the University of Cape Town where he completed a degree in commerce in 1989. John is a Brait appointed director.
Vulindlela Cuba (51) South African	11 Alice Lane 2nd Floor, West Wing Standard Bank Building Sandton South Africa, 2196	Vuli holds a B.Sc in Land Surveying from the University of Fort Hare obtained in 1978, a B.Sc in Information Systems from UNISA obtained in 1986 and an MBA from the London Business School obtained in 1993. Vuli has solid experience in the development and transformation of public and private sector organisations in South Africa as well as extensive information technology consulting experience to the private sector. He is a co-founder and the current chief executive officer of Safika. He is a Safika appointed director.
Rolf Hartmann (32) South African	9 Fricker Road Illovo Boulevard Illovo South Africa, 2196	Rolf, a chartered accountant, has spent the past six years in corporate finance and private equity, during which time he has specialised in investing, mergers and acquisitions and capital raising across a wide range of industries in the United Kingdom and South Africa. Rolf is a graduate of the University of the Witwatersrand where he obtained a Bachelor of Commerce with Honours (Accounting) in 1996. He joined Brait in 2003. Rolf is a Brait appointed director.

4.2 Executive directors

The executive directors have the responsibility for the day-to-day running of the business and the execution of the Kelly Group's strategy. There is a clear division of responsibilities between the executive committee and the Board.

Director	Business address	Abbreviated curriculum vitae
Grenville Wilson Chief executive officer (53) South African	6 Protea Place Cnr. Fredman Drive Sandton South Africa, 2196	Grenville spent many years with Avis Limited ("Avis") in various positions including managing director of Avis Rent-a-Car Southern Africa. After Avis listed in 1997, he was appointed as chief operating officer and later as chief executive officer of Avis Southern Africa until the company delisted following its acquisition by Barloworld Motor Holdings. Grenville also serves on the board for Tourism Business Council of South Africa and is also the chairman of the Kurisani Trust. Grenville completed his studies at the University of Cape Town and qualified as a chartered accountant in 1980.
Johan du Toit Chief financial officer (41) South African	6 Protea Place Cnr. Fredman Drive Sandton South Africa, 2196	A chartered accountant (after completing a BCompt (Hons), CTA at UNISA in 1989), Johan has extensive financial experience in the running of the Kelly Group's accounting functions. He commands specialist skills in software re-engineering, networks and the development of intranets and human resource workflows, as well as tracking systems.
Gayleen Baxter Chief operating officer (47) South African	6 Protea Place Cnr. Fredman Drive Sandton South Africa, 2196	Gayleen joined the Kelly Personnel Group in 1984 where she served as general manager, marketing manager, national corporate accounts director and operations director. In 1998 she was appointed managing director of Kelly and appointed to the Kelmac board of directors. She was appointed as group operations director for the Kelly Group in 2002.

4.3 Alternates to directors of the Kelly Group

Director	Business address	Abbreviated curriculum vitae
Alexander Dodd (47) (Alternate to Grenville Wilson) British	111 Sutter Street Suite 850 San Francisco California, USA	Alex obtained a BSc First Class Honours degree in civil engineering and an MSc degree in management science from Imperial College, University of London obtained in 1981. He has been the chief executive officer of a number of companies in South Africa and the United States and has also advised a number of private equity firms and their portfolio companies on growth and turnaround strategies. He is currently the chief executive officer of MSquared Incorporated.
Kholofelo Molewa (26) (Alternate to Vulindlela Cuba) South African	11 Alice Lane 2nd Floor, West Wing Standard Bank Building Sandton South Africa, 2196	Having obtained qualifications in Law and Tax from the University of Witwatersrand in 2004, Kholofelo has worked in different areas of investment banking, including corporate and structured finance. Having been involved in the acquisition and leverage finance units for First National Bank Private Clients and Rand Merchant Bank Private Bank, his experience ranges from deal making to policy and strategic implementation (for a period of 2 years from 2005 to 2006). He was appointed as an executive at Safika in 2007.

Marc Ber, who is the chief financial officer of Safika, was the previous alternate director to Vuli Cuba. At the Board meeting held on 12 February 2007, Kholofelo Molewa replaced Marc Ber in that capacity.

It is intended that, post the last practicable date but prior to the date of listing, Vuyi Radebe and Mashoele Elias Monage will be appointed as executive directors of the Kelly Group. Their profiles are tabled below:

Vuyisile Radebe (33) (Alternate to Malcolm McCulloch) - Deputy chief executive officer South African	6 Protea Place Cnr. Fredman Drive Sandton South Africa, 2196	Vuyi holds a BA degree from Dartmouth College in the USA obtained in 1995. He has worked in corporate finance, private equity and strategy consulting and has experience across a wide range of industries. Prior to joining the Kelly Group in 2004, he was a consultant with Bain & Company in South Africa and the USA.
Mashoele Elias Monage (41) Group human resource executive South African	6 Protea Place Cnr. Fredman Drive Sandton South Africa, 2196	Mashoele has extensive experience in labour and industrial relations, having held key labour consultant and negotiator positions at National Union of Metalworkers of South Africa, Jay Pema and Associates as well as the D & T Trust. Prior to being appointed as the Kelly Group's human resource executive, he was the director for organised labour and Government at Kelly Industrial. He sits on the boards of many committees including the National Skills Authority and the Metal and Engineering Industries Bargaining Council and is the vice-president of the Association of Personnel Service Organisations and CAPES. He is currently completing his Masters degree in engineering business management.

5 Share Capital

The authorised and issued share capital of the Kelly Group, before and after the private placing, is set out below:

	Rand
Authorised share capital of the Kelly Group before and after the private placing 1,000,000,000 ordinary shares of R0.0001 each	100,000
Issued share capital of the Kelly Group before the private placing 65,479,298 ordinary shares of R0.0001 each	6,548
Share Premium	55,790,557
Issued share capital of the Kelly Group after the private placing	
A maximum of 100,000,000 ordinary shares of R0.0001 each	10,000
Share premium*	332,324,003

* Calculated using an assumed issue price of R8.30, being the bottom of the range of the subscription price per Kelly Group share and allowing for the write-off of certain listing costs amounting to R9,984,902.

All the issued shares of the Kelly Group are of one class, namely ordinary shares with a nominal value of R0.0001 each, ranking pari passu in all respects. Subject to the minimum capital amount of R280 million being raised and the shareholder spread requirements of the JSE Listings Requirements being achieved, the entire issued share capital of the Kelly Group will be listed on the JSE. The securities will be issued in dematerialised form.

6 Copies of this prospectus

Copies of this prospectus (in English only) can be obtained by qualifying investors during normal business hours from Tuesday 13 March 2007 to Monday 26 March 2007, both days inclusive from the Company's registered office. The registered office of the Kelly Group: 6 Protea Place, Cnr. Fredman Drive, Sandton, 2196, (P O Box X44, Benmore, 2010)

Sandton
13 March 2007

Bookrunner, merchant bank and sponsor



Reporting accountants and auditors

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