

The Kelly Group

Kelly Group Limited

(Incorporated in the Republic of South Africa)
(Registration number 1999/026249/06)
Share code: KEL ISIN: ZAE000093373
("Kelly Group")

Acquisition by M Squared Consulting, Inc. (a Delaware Corporation and a subsidiary of Kelly Group) ("M Squared") of the class B common stock of M Squared representing 10% of the entire issued share capital of M Squared ("the sale shares") from certain members of management of M Squared ("management shareholders") ("the acquisition")

1 Introduction

Shareholders are advised that pursuant to the private placement circular issued in respect of the listing of Kelly Group, shareholders were advised that Kelly Group would in due course and after its listing, pursue the repurchase of the sale shares so as to constitute Kelly Group as the sole shareholder in Kelly Group's international subsidiary, M Squared.

Kelly Group and the management shareholders have reached agreement on the terms of the acquisition of the sale shares and the directors of Kelly Group intend to proceed with the acquisition to acquire the remaining minority interests in M Squared, currently held by Alexander Dodd ("Dodd") an alternate director of Kelly Group and a shareholder and director of M Squared, and Russel Orelowitz ("Orelowitz"), a shareholder and director of M Squared, and other management and shareholders of M Squared in exchange for varying combinations of cash and shares in Kelly Group.

2 The acquisition

Rationale

The acquisition constitutes the implementation of an agreement in principal reached with the management shareholders, prior to listing, to constitute Kelly Group as the sole shareholder in M Squared.

Terms of the acquisition and purchase consideration

M Squared will repurchase the sale shares for the aggregate gross purchase consideration of US\$3.026 million with effect from 31 January 2008. The purchase consideration will be reduced by an amount of US\$197 689 (plus interest of US\$4 392) owing by the management shareholders in terms of promissory notes they issued to M Squared for the original purchase of the sale shares by them ("the promissory notes"). 50% of the value of the promissory notes will be deducted from the original cash payment and the balance due on the promissory notes will be discharged at the same time, and in the same proportions, as the Kelly Group shares are released from the restrictions imposed on the disposal thereof as set out below.

US\$2.046 million (being the US dollar value of the 1 429 757 shares to be delivered) of the purchase consideration will be discharged by M Squared procuring the delivery of 1 429 757 listed shares in Kelly Group Limited ("Kelly shares") to the management shareholders, 1 092 460 of which will be subject to the following restrictions:

- 50% can be sold after 30 April 2008; and
- 50% of the balance after 30 April 2009,

provided that the Kelly shares will be released from any restrictions in the event that Kelly Group ceases to be the majority shareholder in M Squared or M Squared disposes of its business. The balance of the consideration is payable in cash.

The business of M Squared

M Squared is a professional services firm providing interim management solutions to clients across all industries. Since its formation in 1988, M Squared has successfully completed more than 3 000 projects for over 500 clients. It operates from San Francisco, Los Angeles, San Diego and the Silicon Valley helping companies, ranging from start-ups to Fortune 500s, achieve their business objectives. Some of these clients have included Cisco Systems, Wells Fargo Bank and the Union Bank of California.

M Squared is also the parent company of a wholly owned subsidiary Collabrus Inc. Collabrus provides consultant compliance services. It focuses on risk management services for independent contractors that include pay and management functions. Collabrus offers the following services:

- mitigation of tax and co-employment risk, including compliance and consultant due diligence, and background checks;
- project management, including time and milestone tracking;
- payroll services, including W-2 pay classifications and benefit plans;
- access to an exclusive network of top consultants through their affiliation with M Squared.

Pro forma financial effects of the acquisition

The table below sets out the unaudited pro forma financial effects of the acquisition on earnings per share ("EPS"), headline EPS, net asset value ("NAV") and net tangible asset value ("NTAV") per share.

The unaudited pro forma financial effects are the responsibility of the directors and have been prepared for illustrative purposes only to provide information about how the acquisition may impact shareholders on the relevant reporting date and because of its nature may not give a fair reflection of the Kelly Group's financial position, changes in equity, results of operations or cash flows after implementation of the acquisition or of the Kelly Group's future earnings.

	Before the acquisition ⁽¹⁾ (cents)	After the acquisition ^(2,3,4,5) (cents)	Change (%)
EPS	78.42	79.88	1.86
Headline EPS	78.46	79.92	1.86
NAV per share	207.81	207.81	0.00
NTAV per share	63.26	46.54	(26.44)

The financial effects are based on the assumptions set out below:

- 1 Based on the audited results of the Kelly Group for the year ended 30 September 2007.
- 2 Earnings and headline earnings effects are based on the following assumptions:
 - a the acquisition was effective 1 October 2006;
 - b the net purchase consideration of US\$2.824 million was financed from existing USA cash resources earning interest at 1.5% per annum; and
 - c the purchase consideration was translated at the exchange rate at 30 September 2007 (R6.9219:US\$1) and income statement minorities were converted at the average exchange rate for the 2007 financial year (R7.2085:US\$1).
- 3 NAV and NTAV effects are based on the following assumptions:
 - a the acquisition was effective 30 September 2007;
 - b the purchase consideration was translated at the exchange rate at (R6.9219:US\$1)
- 4 The number of ordinary shares in issue and weighted number of shares does not change as a result of the acquisition;
- 5 The acquisition is not a business combination as defined in IFRS 3. The acquisition was treated on the "parent equity method".

3 Small related party transaction

As Dodd is both an alternate director of Kelly Group and a director of M Squared and Orelowitz is a director of M Squared, the acquisition constitutes a small related party transaction under Section 10.7 of the Listing Requirements of the JSE Limited and requires a fairness opinion confirming that the acquisition is fair to Kelly Group shareholders.

As a consequence, Merchant Sponsors (Proprietary) Limited and Grant Thornton were appointed as joint experts ("the joint experts") to advise the board of Kelly Group on the fairness of the acquisition.

The joint experts have confirmed that the acquisition is fair and their joint opinion is available for inspection by Kelly Group shareholders at Kelly Group's registered office, 6 Protea Place, Sandton, Johannesburg, for 28 days commencing from 14 February 2008.

Sandton
14 February 2008

Sponsors to Kelly Group



Joint experts to Kelly Group board

Grant Thornton

Attorneys to Kelly Group

read hope phillips
ATTORNEYS

Attorneys to Kelly Group



Attorneys to M Squared

FARELLA BRAUN + MARTEL LLP