Business review

Group overview

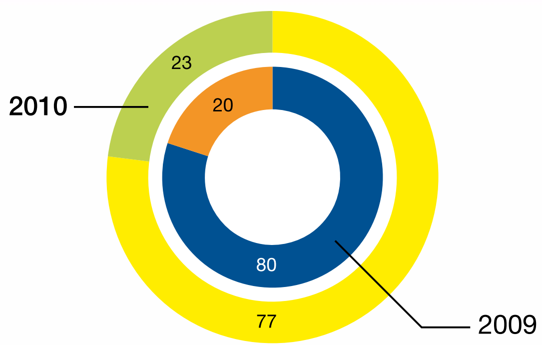
Financial statements

Stakeholders’ information

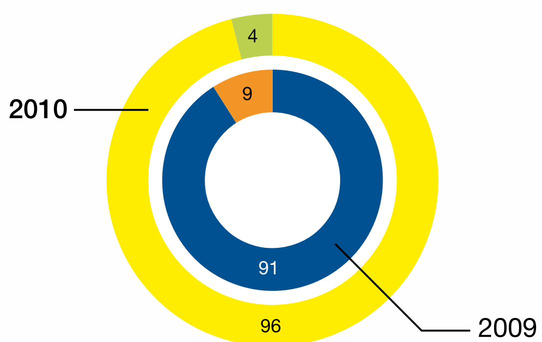
SEGMENTAL ANALYSIS

for the year ended 30 September 2010

GROUP REVENUE (%)



GROUP EBIT (%)



2010
South Africa
United States

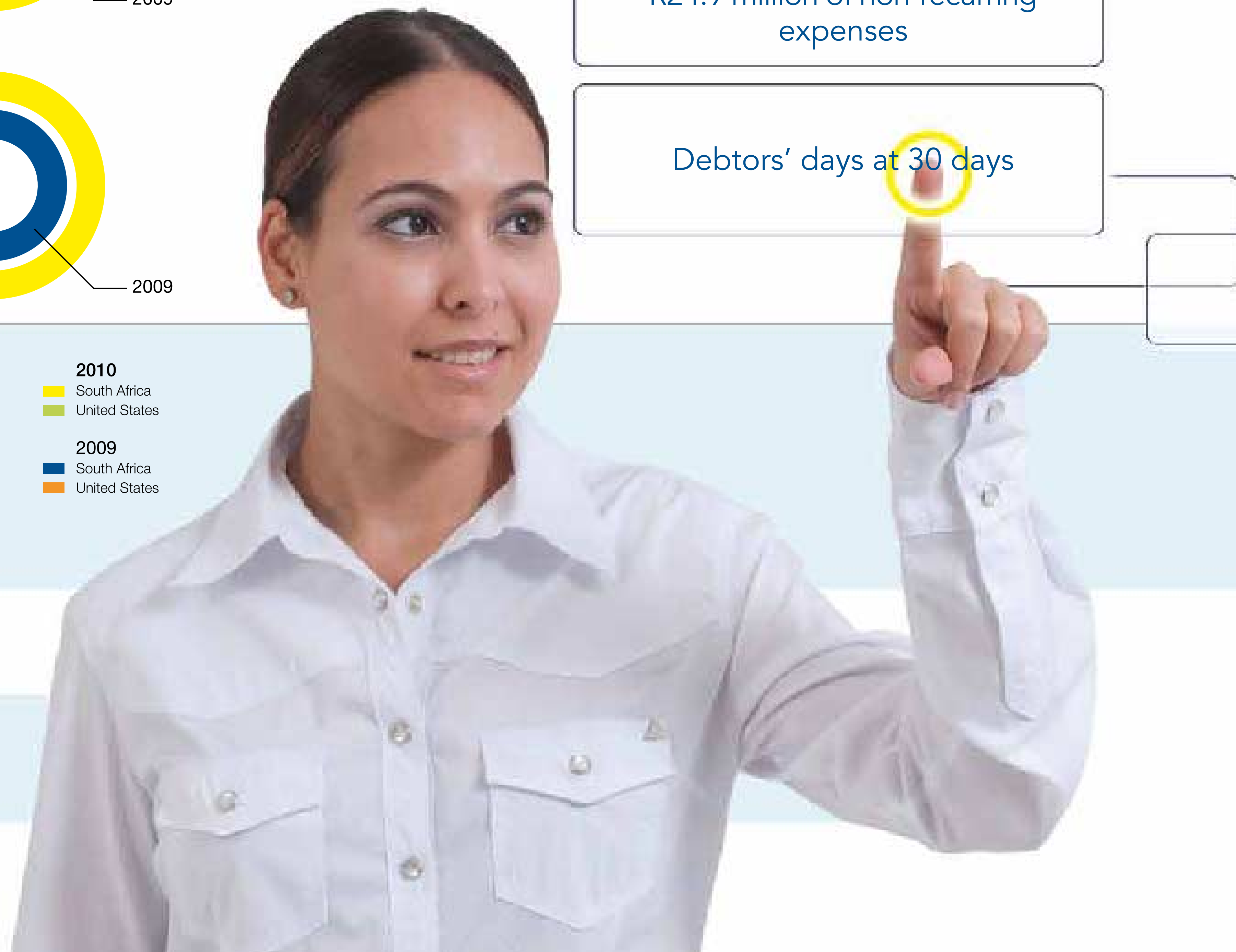
2009
South Africa
United States

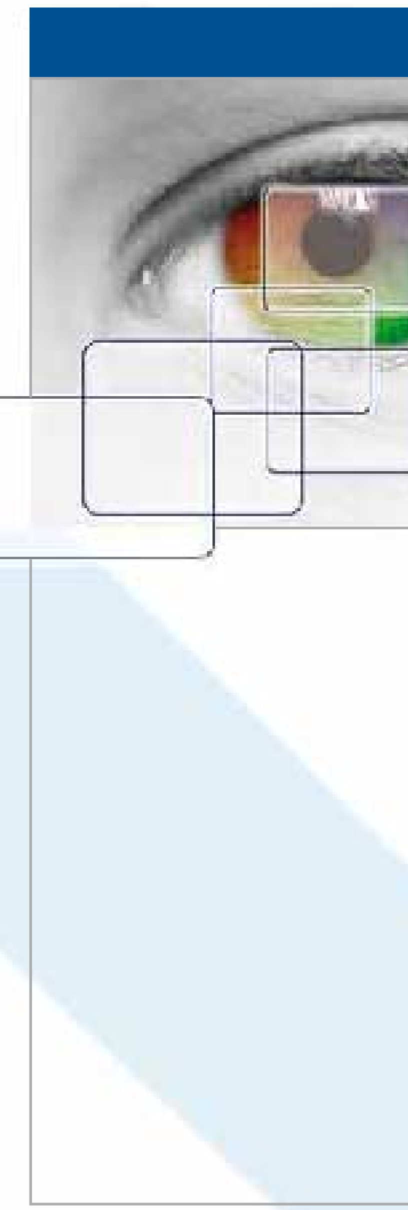
Group remains profitable and operations cash generative

Revenue from group operations increased by 2% to R2.05 billion

EBITDA – R51.8 million after R24.9 million of non-recurring expenses

Debtors' days at 30 days





The Kelly Group

KELLY GROUP LIMITED

Registration number: 1999/026249/06
Share code: KEL
ISIN: ZAE000093373

CORPORATE PROFILE

Kelly Group Limited, trading under the name "Kelly" in the support services – business training and employment agencies sector of the JSE Limited (JSE code: KEL), is the parent company of a group of businesses engaged in the provision of comprehensive employment services, IT skills development and outsource solutions.

Its activities consist of permanent recruitment, temporary staffing, executive search, ad response handling, consulting, payroll, contact centre and business process outsourcing, vendor management, skills development, online talent management solutions and brand alignment interventions. These are designed to help raise a company's business performance by unlocking the full potential of its human capital.

With sector-leading brands, consisting of Kelly, Executive Secretary Appointments, PAG, Accountants On Call, Frontline, Renwick Talent, Kelly Industrial, Torque IT, InnStaff, Paxsal Business Process Outsourcing, K-log and TalentOcean, the Kelly Group is South Africa's leading service provider in the employment industry. It also has a substantial operation in the USA through M Squared Consulting Inc and Collabrus Inc, based in San Francisco.

Leadership blueprint

Our vision
To unlock the power of people in the world of work

Our mission
To create value for all our stakeholders

Our promise
To listen, partner and deliver on our promises

Our values
- Honesty
- Empathy
- Ubuntu
- Respect
- Teamwork

Our culture
- Diversity and equal opportunity
- EQ rich
- Balance
- Choice
- Results driven
- Thought leadership
- Excellence
- Passion
- Innovation

Our stakeholders
- Shareholders
- Clients
- Candidates
- Our people
- Community

KEY PERFORMANCE INDICATORS

Financial
- Real growth in top and bottom line
- Deliver on current budgets
- Reduce debt and improve cash flow
- Deliver on shareholder expectations
- To continuously reduce costs in real terms

Customer service
To continuously improve the Customer Satisfaction Index (CSI) as researched and measured by an independent external and technically qualified research organisation.

Our people relationships
To continuously improve our relationships and leadership effectiveness with our people as measured by independent research organisations.

Productivity
To continuously improve productivity and be a low cost producer in real terms as measured by the number of transactions handled per employee at 6% per annum.

OUR STAKEHOLDERS' NEEDS

Shareholders

- Real growth in return on investment (ROI)
- Strong dividend flow
- High standard of corporate governance
- Transparency, candour and clarity
- Timeous communication
- Corporate social responsibility

Clients

- Timeous supply of comprehensive HR services and innovative solutions

Suppliers

- Partnerships
- Reciprocity
- Fair terms
- Timeous payments

Our people/candidates

- Decent work
  - Employment security and creation
  - Standards and rights at work
  - Social dialogue
  - Social protection

Community

- Job creation
- Education
- Aids awareness
- Empowering people with disabilities

KEY STRATEGIC IMPERATIVES

- We are consistently driving for improvements in our service levels and thus improving loyalty and profitability through unlocking the power of our people.
- Through effective performance management, remuneration, reward and recognition systems, we are focused on attracting, hiring, developing and retaining the best people in the industry.
- We are aggressively focused on achieving BEE and gender targets at all levels in the organisation from shareholder representation to procurement practices.
- We are focused on positively impacting the long-term sustainability of our society and the communities in which we operate, promoting decent work and focused corporate social responsibility initiatives, as well as gaining loyalty for our brands.
- We are aggressively driving to achieve and improve upon the lowest cost position in all our key client segments.
- We are developing and marketing new value propositions (with economic cost structures) tailored to specific client and candidate needs.
- We are leveraging our scale position (economies of scale) and technology to create competitive advantage.
- We have a strategic intent to be acknowledged as the leading brand and to be the benchmark in the world of work.
- We have a strategic intent to dominate all client and candidate acquisition channels.

SERVICES PROVIDED

- Permanent placements
- Temporary (flexi) staffing
  - Contingency
  - Outsourcing
  - Employee leasing
  - Contracting
- Executive search and scarce skills
- Recruitment process outsourcing
  - Vendor management services
  - Managed services provider
- Candidate assessments
- Ad response handling
- Consulting services
- Payroll services and compliance
- People resource planning solutions
- Staff loans
- Interim management
- Skills development services
- Online talent management solutions
- Brand alignment interventions

Group at a glance

STAFFING

With 40 years of talent management expertise, a national footprint of over 50 branches, recruitment centres and on-site offices, **Kelly** is undoubtedly South Africa's leading staffing brand. Kelly provides permanent, temporary and outsourced staffing services for over 100 job categories across many industry sectors.

Executive Secretary Appointments (ESA) offers specialised secretarial staffing solutions (from personal assistants, junior secretaries and office admin assistants to executive secretaries and receptionists) in temporary, permanent and contract capacities.

The **Professional Assignments Group** (PAG) is a niche recruitment partner focusing on financial, technical, international, freight, education and disability specialisations.

Accountants On Call (AOC) specialises in the placement of accounting, financial and auditing staff on temporary and contract assignments.

Frontline is the market leader in the upper end of the permanent financial recruitment market. It also offers contract assignments in order to provide an all-inclusive financial placement solution.

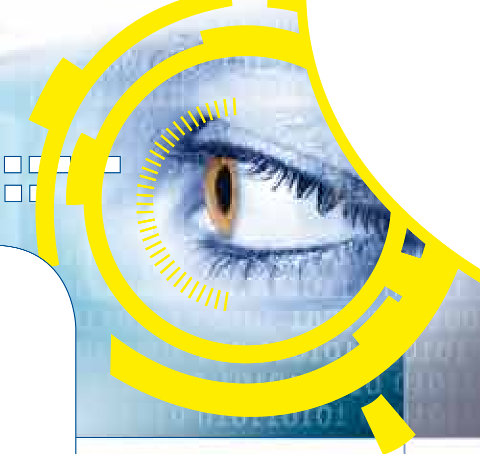
Renwick Talent is a leading professional executive search firm, partnering companies at board level in the search for best-of-breed executive talent.

Kelly Industrial is South Africa's leading specialist in light industrial staffing. With 15 branches countrywide, Kelly Industrial is able to mobilise the right people, flexi or permanent, to help its clients, from a broad spectrum of industries, achieve their business objectives.

InnStaff provides outsourced, flexible staffing and permanent recruitment services to the South African hospitality and catering industries. It is a leading player in the hospitality staffing industry and has volume contracts at many of the premium brand hospitality establishments and resorts in South Africa.

Sizano Staffing Services (Pty) Ltd is a black economic empowerment (BEE) joint venture set up by New Age Placements (NAPS) and Kelly Group. Sizano provides a flexible staffing solution for a large blue-chip company nationwide.

Marula Staffing (Pty) Ltd is a black economic empowerment (BEE) staffing company set up by Kelly Group and Ndaba Ekude Solutions CC. Marula provides a flexible staffing solution for a large parastatal.



INTERNATIONAL OPERATIONS

M Squared Consulting helps clients attain market leadership through the intelligent use of a high-end flexible workforce. M Squared Consulting provides on demand consulting solutions, contract professionals, and compliance services to companies in a wide range of industries, leveraging its innovative cloud consulting model.

Collabrus provides payroll and benefit administration as well as independent contractor compliance evaluation services. It is a subsidiary of M Squared Consulting.

SKILLS DEVELOPMENT

Torque IT is the leading training solutions provider to blue chip companies, the public sector and the youth in Africa and beyond. It enjoys the highest levels of accreditation with global technology leaders.

VALUE ADDED SERVICES

K-log is a powerful people resource planning system, which can achieve savings of up to 15% on payroll costs and as much as 40% on administration costs. K-log is compatible with any payroll software, has an exceptional roster scheduling ability, provides automated real-time reporting and optimises on-site staff levels.

PayTalent is a web-based payroll system designed specifically for the domestic employee/employer and small company payrolls with up to 250 staff.

Paxsal Payroll Outsourcing provides a comprehensive and scaleable payroll and leave management service.

PayAccSys offers a reliable, cost effective, third party payment service and secure method of transferring funds electronically.

TalentOcean is an online talent management portal that brings job seekers and employers together and also offers tailormade HR software solutions.

Logical Staff Loan Solutions, a registered credit provider with the National Credit Regulator, offers permanent and temporary staff affordable loans with easy repayment terms and access to debt counsellors. It also develops tailored staff loan solutions for external companies.

Financial performance

Key performance indicators

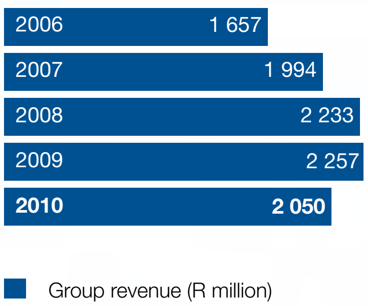
for the year ended 30 September 2010

	Group 2010	Group 2009
Growth analysis (%)		
Revenue*	**2.2**	1.1
Gross profit	**(5.0)**	0.6
EBITDA	**(54.8)**	(27.7)
Operating profit	**(67.4)**	(32.9)
Earnings per share	**(53.7)**	(40.0)
Headline earnings per share	**(54.0)**	(39.7)
Growth analysis - SA operations (%)		
Revenue*	**1.6**	(0.4)
EBITDA	**(53.2)**	(25.0)
EBITDA percentage	**3.0**	5.7
Operating profit	**(65.7)**	(30.2)
Operating profit percentage	**2.0**	5.0
Profitability analysis (%)		
Gross profit	**22.7**	21.7
EBITDA	**2.5**	5.1
Operating profit	**1.6**	4.4
Effective tax rate	**(100.7)**	29.0
Solvency, liquidity and productivity analysis		
Interest bearing debt to equity (gearing)	**51.4**	71.4
Interest cover (times)	**1:1.3**	1:4.3
Cash conversion ratio	**191**	107
Debtors' days	**30**	29
Cash generated from operations (R000)	**61 421**	105 466

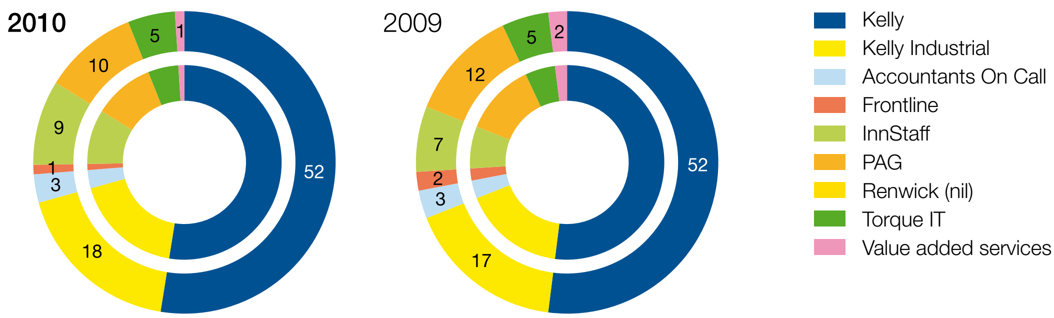
* *For the 12 months ended 30 September 2010, revenue growth is based on entities controlled by the group and the 2009 base restated accordingly. Refer to page 71 and 85.*

Group revenue

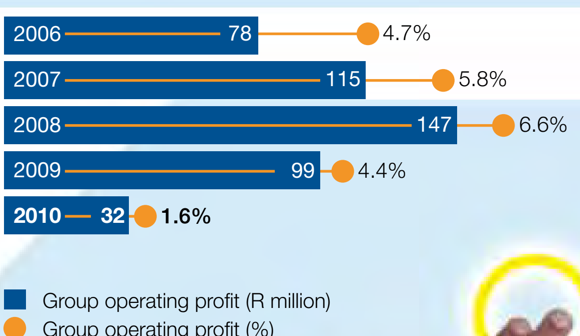
for the years ended 30 September 2006 to 2010



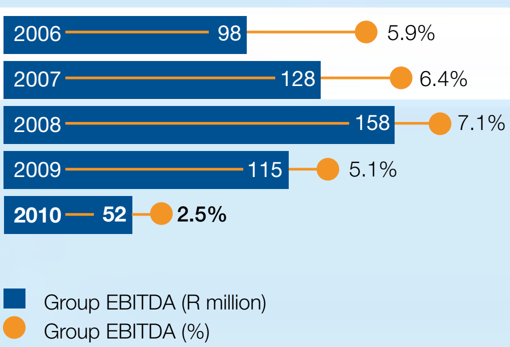
SA revenue by division (%)
excluding head office and shared services



Group operating profit
for the years ended 30 September 2006 to 2010



Group EBITDA
for the years ended 30 September 2006 to 2010



SA operating profit by division (Rm)
excluding head office and shared services

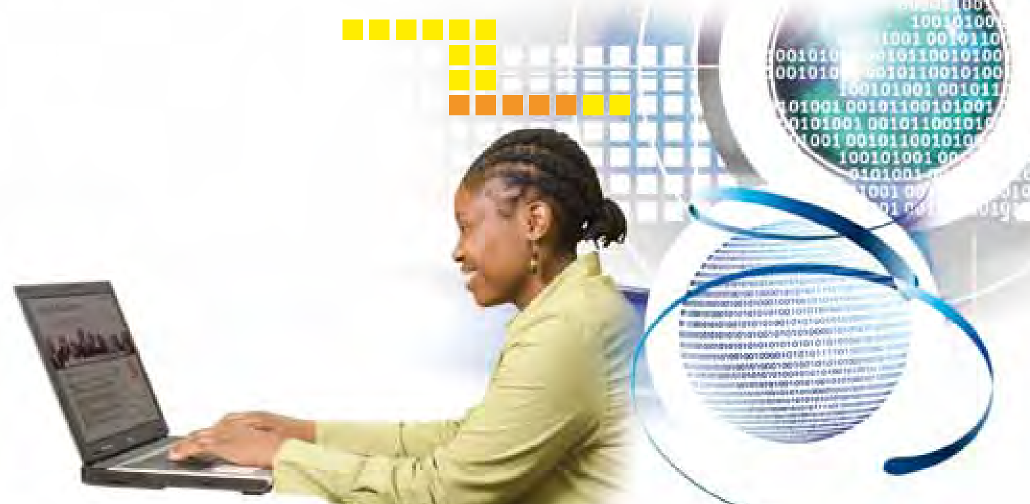
	Group 2010	Group 2009
Kelly	**70.4**	94.7
Kelly Industrial	**11.8**	8.5
Accountants On Call	**4.3**	10.9
Frontline	**(3.3)**	2.8
InnStaff	**0.8**	4.9
PAG	**2.6**	14.8
Renwick	**(2.5)**	(3.5)
Torque IT	**7.6**	3.1
M Squared Africa	**(2.4)**	(2.8)
Value added services	**(6.4)**	-

Five year review

for the years ended 30 September 2006 to 2010

R000	**Audited 12 months Sep 2010**	Audited 12 months Sep 2009	Audited 12 months Sep 2008	Audited 12 months Sep 2007	Audited 12 months Sep 2006
Abridged statement of comprehensive income					
Revenue*	**2 049 956**	2 256 968	2 232 929	1 994 019	1 657 483
EBITDA	**51 831**	114 638	158 478	128 113	98 172
Depreciation and amortisation	**(19 672)**	(16 044)	(11 535)	(13 308)	(19 926)
Operating profit	**32 159**	98 594	146 943	114 805	78 246
Impairment of loan	**(5 945)**	-	-	-	-
Share of profit from joint ventures	**1 583**	-	-	267	-
Net financing costs	**(14 690)**	(15 817)	(12 921)	(33 306)	(52 009)
Profit before taxation	**13 107**	82 777	134 022	81 766	26 237
Taxation	**13 202**	(24 013)	(36 736)	(17 498)	(11 480)
Profit for the year	**26 309**	58 764	97 286	64 268	14 757
Non-controlling interests	**(231)**	(2 507)	(1 761)	(1 792)	(731)
Attributable profit	**26 078**	56 257	95 525	62 476	14 026
Abridged statement of financial position					
ASSETS					
Non-current assets	**255 259**	222 437	182 078	196 528	165 990
Property, plant and equipment	**18 317**	22 022	17 502	17 802	21 621
Intangible assets	**204 444**	190 715	149 726	140 216	93 847
Investment in joint ventures	**3 082**	-	-	267	601
Deferred taxation	**29 416**	9 700	14 850	38 243	49 921
Current assets	**369 940**	391 747	395 153	320 028	333 799
Inventories	**2 391**	978	11	135	135
Trade and other receivables	**252 622**	245 673	240 043	214 430	220 698
Other financial assets	**19 040**	-	-	-	-
Taxation	**6 688**	7 296	2 101	2 252	1 117
Cash and cash equivalents	**89 199**	137 800	152 998	103 211	111 849
Total assets	**625 199**	614 184	577 231	516 556	499 789
EQUITY AND LIABILITIES					
Equity capital and accumulated loss	**238 946**	235 346	201 660	206 631	(145 224)
Share capital and share premium	**280 970**	280 848	269 091	328 243	32 328
Equity due to change in control of interest	**(18 038)**	(18 038)	(18 038)	-	-
Foreign currency translation reserve	**10 539**	12 629	15 330	7 789	15 785
Share appreciation rights reserve	**2 483**	1 221	-	-	-
Accumulated loss	**(37 885)**	(44 204)	(67 406)	(134 450)	(196 926)
Non-controlling interests	**877**	2 890	2 683	5 049	3 589
Non-current liabilities	**122 146**	6 422	160 514	132 385	432 358
Shareholders' loans	**-**	-	-	-	324 061
Interest-bearing borrowings	**119 467**	1 479	160 514	132 385	108 297
Deferred taxation	**2 679**	4 943	-	-	-
Current liabilities	**264 107**	372 416	215 057	177 540	212 655
Trade and other payables	**156 226**	294 437	116 028	80 671	127 806
Accruals for staff benefits	**99 161**	74 519	97 186	94 395	57 160
Taxation	**5 009**	3 460	1 843	2 474	-
Bank overdraft	**3 711**	-	-	-	27 689
Total equity and liabilities	**625 199**	614 184	577 231	516 556	499 789

* *Prior years include revenue from subsidiaries that are now equity accounted. Refer to note 6 on page 85.*



R000	**Audited 12 months Sep 2010**	Audited 12 months Sep 2009	Audited 12 months Sep 2008	Audited 12 months Sep 2007	Audited 12 months Sep 2006

Abridged statement of cash flows

Cash flows from operating activities	**18 977**	37 580	120 967	78 857	26 440
Profit before taxation	**13 107**	82 777	134 022	81 766	26 237
Adjustments for non-cash flow items	**40 180**	34 455	24 541	46 673	71 985
Operating profit before working capital changes	**53 287**	117 232	158 563	128 439	98 222
Decrease/(increase) in working capital	**8 134**	(11 766)	17 577	(11 695)	(5 633)
Cash generated from operations	**61 421**	105 466	176 140	116 744	92 589
Net financing costs	**(14 690)**	(15 817)	(12 921)	(33 306)	(52 009)
Dividends paid	**(20 227)**	(35 355)	(28 706)		
Taxation paid	**(7 527)**	(16 714)	(13 546)	(4 581)	(14 140)
Cash flows from investing activities	**(30 341)**	(48 878)	(101 248)	(83 231)	(31 492)
Cash flows from financing activities	**(43 510)**	(679)	24 462	25 771	4 565
Net (decrease)/increase in cash and cash equivalents	**(54 874)**	(11 977)	44 181	21 397	(487)
Cash held by former subsidiaries now under joint control	**4 305**	-	-	-	-
Forex translation difference on offshore cash	**(1 743)**	(3 220)	5 605	(2 345)	3 291
Cash and cash equivalents at beginning of year	**137 800**	152 997	103 211	84 160	81 356
Cash and cash equivalents at end of year	**85 488**	137 800	152 997	103 212	84 160

Key ratios

Revenue growth percentage*	**2.2**	1.1	12.0	20.3	19.0
EBITDA percentage	**2.5**	5.1	7.1	6.4	5.9
EBITDA growth percentage	**(54.8)**	(27.7)	23.7	30.5	78.7
Operating profit percentage	**1.6**	4.4	6.6	5.8	4.7
Operating profit growth percentage	**(67.4)**	(32.9)	28.0	46.7	80.5
Effective tax percentage	**(100.7)**	29.0	27.4	21.4	43.8
Debtors' days	**30**	29	26	27	30
Cash flows from operating activities	**18 977**	37 580	120 967	78 857	26 440

* *For the 12 months ended September 2010, revenue growth is based on entities controlled by the group and the 2009 base restated accordingly. Refer to page 71 and 85.*

Chairman's statement

This was another challenging year for the Kelly Group and the South African labour market, which has now shed an estimated one million jobs since the onset of the recession late in 2008.

Even though economic conditions have been improving slightly since the third quarter last year, employment trends tend to lag general economic activity and have been further hampered by continuing job losses. At the same time, wage increases in the private and public sectors have continued to outpace both the rate of inflation and the country's GDP growth.

Against this background, the Kelly Group managed to grow revenue marginally by 2% to R2.05 billion but earnings before interest, tax, depreciation and amortisation (EBITDA) were down by 55% on the previous year. Net profit after tax and earnings per share were also down by 55%.

The macro environment

During the year, South Africa's official unemployment rate reached its highest level since 2003 at 26%. This figure however grows to 37% when those too discouraged to look for work and those without the means to look for work are factored into the calculation.

In the current year alone a further 158 000 jobs were shed and while the unemployment rate keeps growing, so too are wages. In the nine months to September, wage settlements averaged 8%, while inflation was only 5% and GDP growth less than 3%.

According to the latest statistics from Stats SA, the typical unemployed individual is a first time job seeker, has been unemployed for longer than a year and has not completed secondary level education. This profile is in part a reflection of our country's labour laws, which have been formulated primarily to provide job security for those who are already employed. Higher labour costs and minimum wages reduce the number of employment opportunities for those unemployed people with few skills. It prevents them from gaining work experience because their productivity is not high enough to justify the wages employers would be compelled to pay them. Without experience they cannot find work and without work they cannot gain the necessary experience.

It is also due to poor education standards that South Africa's youth are not competitive in the job market. In the World Economic Forum Global Competitiveness Report for 2010/2011, South Africa's education system was ranked 130th out of 139 countries, faring far worse than its neighbours with Botswana ranked at 48 and Zimbabwe at 46.

Group revenue

for the years ended 30 September 2006 to 2010

Comparatives include revenue from investments in joint ventures previously consolidated that are now equity accounted. Refer to pages 71 and 85.

We welcome government's new growth path because among other things it is committed to identifying areas where employment creation will be possible on a large scale as a result of substantial changes in the economy. However, those changes are dependent on a range of policy options that will facilitate realisation of employment creation. The social partners intend engaging in a process at the level of National Economic Development and Labour Council (NEDLAC) in finalising comprehensive and integrated policy options for the country's growth path.

The value of the TES industry

The temporary employment services industry (TES) has played a pivotal role in providing first-time work entrants and unemployed members of our society an opportunity to broaden their skills sets and to join the mainstream labour market. Since 2000, the TES industry has introduced around 3.5 million temporary, part-time and contract employees into the South African labour force. Approximately two million of these employees were first time work seekers, 92% were previously disadvantaged and 85% were aged between 18 and 35. More than 32% of these employees secured traditional employment within 12 months and 47% did so within three years. The size of the industry is R26bn and contributes R5bn towards the fiscus. It also contributed R415 million to the Services SETA.

The TES industry also provides an essential service to businesses, especially those which need a flexible labour supply. TES providers maintain a large pool of readily available labour that can be quickly deployed as and when the need arises. The ability to choose workers from a large pool and the ability to return them to that pool when no longer required, enhances the efficiency of the labour market. Such a system also improves the chances of a worker to find a suitable job and allows different companies and industries to share scarce skills.

Changes in the labour laws

It is our opinion that while certain changes to the current labour laws are inevitable, these changes will most likely result in more stringent regulatory controls to ensure that temporary employees are not exploited by unscrupulous elements in the industry. As we have stated before, the Kelly Group and its brands support a model of regulation which would rid the industry of the fringe, rogue players who give it a bad name and would also enhance professionalism and best practice.

Our opinion is also informed by the fact that we have had a direct influence on the negotiations within NEDLAC and the Department of Labour (DoL), through our affiliation with Business Unity South Africa (BUSA) and the Confederation of Associations in the Private Employment Sector (CAPES), of which the group's human resources director Elias Monage is president.

The ruling earlier in 2010 by the Namibian Supreme Court that found a total ban on labour broking unconstitutional has a significant bearing on South Africa's own debate regarding the value of the TES industry and its role in the promotion of decent work for a-typical employees.

The banning of labour broking in Namibia was a key premise in the argument of COSATU and the Labour Ministry to do away with the practice here. The Namibian Supreme Court ruling is therefore significant not only because it has made a dent in the case against TES but also because a similar challenge could be made in the South African courts should legislation banning labour broking be brought before parliament. It is worth noting that our constitution, like that of Namibia, protects the right to carry on a trade or business.

It is important to note that government's new growth path in respect of labour policies intends to amend the current labour legislation to reduce worker vulnerability by addressing problems experienced in contract work, sub-contracting, outsourcing and labour broking, including decent work considerations.

The NEDLAC negotiations will resume early next year regarding the labour legislative amendments as the Bills are available for public comment. We remain reasonably confident that the process of the negotiations will be concluded mid year.

Since the Kelly Group has subscribed to a corporate philosophy of providing fair wages, employment security, benefits and a safe working environment long before these were enshrined in the ILO's decent work agenda, the likely revisions to the labour laws will have little, if any, impact on our current operations or the way we do business.

Board changes

During the course of the year, Kholofelo Molewa and John Gnodde resigned as non-executive directors of the company and Babalwa Ngonyama joined the board of directors as a non-executive director. Ms Ngonyama is the chief financial officer of Safika Holdings and the past group chief internal auditor of Nedbank. She is also a former audit partner in Deloitte's Financial Institutions Services Team (FIST) and was the founding chairman of the African Women Chartered Accountants (AWCA). The board would like to thank Messrs Molewa and Gnodde for their contribution to the strategic guidance of the group.

In addition, post 30 September 2010, Rolf Hartmann resigned from the board and Mike Ilsley was appointed as an independent non-executive director. As a chartered accountant and former CFO and acting CEO of listed and regulated financial services companies, Mr Ilsley brings valuable insight and experience to this board.

In August 2010, the directors of the Kelly Group removed Mthunzi Mdwaba from the board and suspended him as an employee. The reason for this action was Mr Mdwaba's failure to disclose a number of debt judgements against him and the potential risk liability on the group. In a private arbitration, a settlement was reached, as part of which Mr Mdwaba accepted that there was no reasonable prospect to continue as an employee of the company given the rift that had developed between him and the board.

Dismissing the allegations

In the course of the dispute with Mr Mdwaba, the group was subjected to a number of allegations to the effect that it was targeting black executives and window-dressing its empowerment credentials. The group has emphatically rejected these unsubstantiated and anonymous allegations as scurrilous and without foundation.

It is worth noting in this regard that Mr Mdwaba has disassociated himself from these allegations and has publically confirmed that the company strives to be a world class employer with codes of conduct in accordance with good corporate governance.

Stakeholders should also note that the highly respected and independent rating agency Empowerdex has re-confirmed the group's status as a level two contributor to meaningful broad-based black economic empowerment.

The Kelly Group has a proud record of advancing the careers and wellbeing of its employees. Nowhere is this more evident than in its pioneering work in the field of human capital reporting. Called our People Value Statements, this section of our annual report not only provides stakeholders with an insight into our human capital practices but acknowledges our people as a prime stakeholder group and pays tribute to their collective efforts in realising the group's objectives.

Prospects

It is clear that the road ahead will continue to be a rocky one but we are cautiously optimistic about our prospects. Thanks to the efforts of the group to diversify and enhance its offerings, we believe we are in a good position to take advantage of a rebound in the market and to capitalise on any growth opportunities.

Acknowledgements

In conclusion, I take this opportunity of expressing my appreciation to Grenville Wilson, his management team, my colleagues on the board and all the people in the group for their efforts over the past year. The results they achieved reflect their undiminished commitment to our promise of listening, partnering and delivering on our promises. On behalf of all at the Kelly Group, I also thank our clients, candidates, shareholders, business partners, suppliers and associates for their continued support.

Moss Ngoasheng *Chairman*

Chief executive's report

The downturn in the markets has paradoxically brought some benefit to the Kelly Group. While it has taken its toll on the group's results, it has highlighted areas in need of attention both within our business and in the services we provide which were not identified before the recession hit in 2008. Over the past two years, management has vigorously addressed these areas, and thanks to the effectiveness of this wide-ranging effort, the Kelly Group is in far better shape than it was before.

The refocusing of the group has created a solid foundation for future growth. In addition, through leveraging technology to manage our costs down, optimise our workforces and improve efficiencies and productivity within the group, we have created systems that can be externalised to add value to the operations of the clients we serve.

That is why we have chosen *people driven technologies for the next generation workplace* as our theme this year, as it expresses our intent to move away from being just another staffing company to one that adds value at every link of the human capital management chain through constant innovation.

The highlights of the year include:

- a creditable performance from most of the group's businesses which had to contend with very difficult trading environments and still managed to maintain and in some cases even improve on their client and candidate satisfaction scores;
- the successful launch of the group's people resource planning solution K-log, which has proved capable of achieving significant savings on payroll and administrative costs in every staffing scenario it has been implemented;
- the roll-out of the group's online career management portal TalentOcean, which has gone live in more than 24 countries and continues to gain market acceptance; and
- the signing of a strategic global partnering agreement with Kelly Services Inc, one of the world's largest and most reputable staffing companies.

Financial review

The Kelly Group reported revenue growth of 2% to R2.05 billion for the year ended 30 September 2010. A fragile local economy, which continued to lose jobs, impacted on the group's performance at most levels. Operating profit of R32.2 million was 67% down on the previous year, while net profit after tax and EPS for the year decreased by 55% and 54% respectively. Operating expenditure increased by 10% due to the group's continued investment in new and diversified business ventures.

Revenue from high-margin permanent placements remained under pressure and was down 26% to R85.1 million. Annuity revenue from the group's outsourced business increased slightly by 2% at similar gross margins to 2009, while skills development reflected healthy growth.

The group's US operations posted a strong performance but the 26% revenue growth in US Dollar terms was more than offset by the Rand's appreciation, resulting in only a 4% increase in Rand terms. Torque IT increased its revenue by 6% and net profit before tax by 136%. Kelly Industrial grew revenue by 4% and EBIT by 39% during the year.

During the year, the group concluded 1 075 learnerships at an exit rate of 82%, well above the industry average of 38%. This enabled it to access tax allowances of more than R70 million while simultaneously enhancing the skills set of its temp staff contingent.

Operational review

The South African staffing operations returned a mixed bag of financial results. Business units that derive significant revenue from permanent placement fees were hardest hit and PAG, Frontline and Renwick declined significantly year on year.

Kelly managed to minimise the impact of the slump in the sector and came in slightly down on 2009. InnStaff benefited from being a preferred supplier to the World Cup as well as a steady hospitality and tourism market.

Kelly Industrial exceeded expectation thanks to growth strategies introduced in 2008, including a restructuring exercise, headcount reductions and leadership changes, which are now paying dividends and will place the company in a good position going forward.

Torque IT also had a remarkably strong year given that training spend is traditionally viewed as discretionary and a prime area to cut back on in tough times. The company's strategy to grow market share at the expense of margin has proved successful.

K-log grew revenue by 309%, although admittedly from a low base. The group successfully launched the mobile application of K-log during the World Cup and demonstrated its ability to effectively manage large groups of workers (as many as 1 500 per match) outside normal staffing parameters while, at the same time, reducing administrative costs and enhancing the speed of payment and invoicing. The sales pipeline is full and with the launch of the second generation software, this product's main inhibitor of growth is deployment capacity.

Leadership changes at M Squared Consulting in the USA have had an immediate impact on the business. The refocused organisation ended the year continuing on the growth path started last year in June/July with record revenue achieved in October this year. The sales pipeline is strong and the company is returning to profitability levels last seen before the global financial crisis.

The group continues to closely monitor business units returning less than satisfactory results and it has already implemented measures to discontinue or restructure two of the ongoing lossmaking operations. In addition the group remains acutely aware of the tough environment in which it continues to operate. To this end, it has implemented a number of austerity measures, including delaying the roll-out of some projects, curtailing headcount growth and reducing discretionary spend across the entire group.

New securitisation funding programme

During the year, the Kelly Group entered into a long-term debtors' securitisation funding programme, in terms of which it raised R120 million from Investec Bank for a period of three years. As part of this transaction, the group repaid the previous commitment of R160 million and enhanced its debt to equity ratio by reducing its long-term debt by R40 million.

The transaction is underpinned by the quality of the group's debtor's book underscored by the fact that days sales outstanding remained at the 30-day mark at the end of the year and because the allowance for bad and doubtful debts was less than 1% of the total book outstanding.

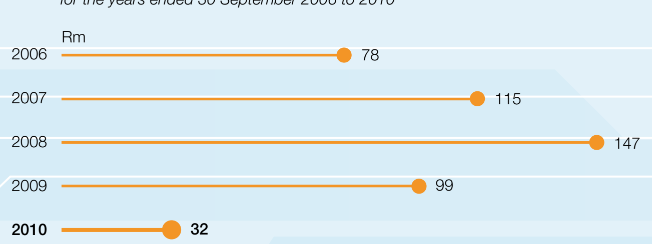
Leveraging technology

The group's focus on diversifying the business through the development of new, high-margin technology products and services, such as K-log and TalentOcean, remains a key strategic initiative.

K-log has proved to be an effective people resource planning system and one of the easiest ways to improve

Group operating profit

for the years ended 30 September 2006 to 2010



productivity. It measures, monitors and analyses human resource metrics and feeds this data into a company's top decision-making framework through up to date management reports. It allows companies to align their human resources with their strategic objectives by knowing exactly and immediately which departments or operations or even employees, no matter their number or location, are performing optimally or below standard, and taking the necessary action.

In fact, K-log has achieved a payroll saving of up to 15% where it has been implemented and a 40% reduction in costs associated with workforce administration. Wherever the group has deployed these solutions, it has benefited from significant reductions in the cost to serve large accounts. Efficiency is enhanced, human error and rework is eliminated and managers and frontline staff are freed up to focus on value-adding activities. These benefits resonate with the group's clients, who are also trying to grow in an environment characterised by rising costs.

Global partnering agreement with Kelly Services

Another significant development during the year was the signing of a three year global partnering agreement with Michigan-based Kelly Services Inc, a global leader in workforce solutions with annual revenues of approximately US$4.3 billion.

In terms of the three-year agreement, the Kelly Group will extend its portfolio of services to Kelly Services' clients in Africa and the Middle East while Kelly Services will offer its services to Kelly Group's clients in the rest of the world. This partnership allows both parties to improve their ability to serve their clients outside their traditional geographical areas and to strengthen customer relationships.

In addition, Kelly Services will engage M Squared to provide high-level consulting and project management services to its clients throughout the United States. The agreement also allows both parties to bid jointly for any global requests for proposals.

The road ahead

The investment in new products and services has enhanced the product offering of the group and given it a very real competitive advantage.

We do not expect to see an improvement in the trading environment in the foreseeable future but the necessary steps we have taken to diversify into vertical markets has lessened our exposure to the staffing market, which by nature is highly cyclical, with low barriers to entry and which has become increasingly commodified.

While these new products and services are still in their infancy and have not yet started contributing to the group's bottom line, they are pure margin businesses that will not only help during difficult periods but will also place the group in a strong position when trading conditions improve.

Grenville Wilson *Chief executive*

The board

Grenville Wilson

Chief executive officer

Grenville, a chartered accountant, spent many years with Avis in various positions including managing director of Avis Rent a Car Southern Africa. After Avis listed in 1997, he was appointed chief operating officer and later chief executive of Avis Southern Africa until the company delisted following its acquisition by Barloworld Motor Holdings. He joined the Kelly Group in 2005.

(left to right) Grenville Wilson, Elias Monage and Ferdie Pieterse

Moss Ngoasheng

Non-executive chairman

Moss holds degrees in economics, politics and industrial sociology and has an M Phil in development studies. He was pivotal in the industrial policy development of the ANC and was a former economic adviser to ANC-led government. He is also a co-founder of Safika and sits on the boards of SAB, Didata and Freeworld Coatings.

Rolf Hartmann

Rolf is a director of Brait's private equity business. He joined Brait in 2003 and his current responsibilities include transaction execution and support activities with executive responsibility for investment in tourism, outsourcing and food processing. Rolf is a chartered accountant and previously worked in corporate finance in London and South Africa, after qualifying at Deloitte. He graduated with a Bachelor of Commerce (Honours) degree at of the University of the Witwatersrand. *Rolf resigned from the board on 22 November 2010.*

INDEPENDENT NON-EXECUTIVES

Malcolm McCulloch

Independent non-executive; deputy chairman and lead independent director

A chartered accountant who completed an Advanced Management Programme in the USA, Malcolm is the chairman of Wilderness Holdings. He is also a director of WBHO, Capital Africa Steel and Symo.

Dr Yvonne Dladla

Yvonne holds a doctorate in philosophy in sociology and social work from Boston University in the USA. She is currently an executive director of Productivity SA (formerly NPI) and has previously held a number of senior management positions at South African National Parks including director of social ecology and chairman of the transformation task group. She is currently the owner and managing director of YD Consulting (Pty) Ltd.

Michael Ilsley

A chartered accountant, Michael is the former chief financial officer of Alexander Forbes Limited as well as a former acting chief executive of Medscheme Life Assurance Company Limited, where he now serves as a non-executive director. He is also a non-executive director and chairman of the audit committee of The Federated Employers Mutual Assurance Company Limited.

(left to right) Malcolm McCulloch, Dr Yvonne Dladla, Michael Ilsley, Peet van der Walt and Corrie Roodt

EXECUTIVES

Elias Monage

Human resources executive

Elias served the South African labour movement for over 15 years as the national collective bargaining negotiator for the National Union of Metal Workers of South Africa (NUMSA). He completed a communications course at the University of Witwatersrand and is currently studying towards a Diploma in Insolvency Law and Practice at the University of Johannesburg. Elias is a former president of the Association of Personnel Services Organisation (APSO) and is currently president of the Confederation of Associations in the Private Employment Sector (CAPES) and represents Business Unity South Africa (BUSA) on the National Skills Authority as well as on the governing body of the Commission for Conciliation, Mediation and Arbitration (CCMA).

Ferdie Pieterse

Group financial director

A chartered accountant, Ferdie is a former chief executive of Louis Dreyfus Commodities (Africa) and chief financial officer of Citigroup Africa. He has also held various senior positions at Nedbank Group Limited including chief financial officer of Nedbank Africa, divisional chief internal auditor and senior manager: group and central operations audit of Nedbank.

NON-EXECUTIVES

Babalwa Ngonyama

Babalwa Ngonyama is Safika's chief financial officer. She was formerly group chief internal auditor of Nedbank and a former audit partner in Deloitte's Financial Institutions Services Team (FIST) division. Babalwa was the founding chairman of the African Women Chartered Accountants (AWCA) an organisation focused on accelerating the development and advancement of women chartered accountants. She is a former member of the Education and Academic Review Committees of the South African Institute of Chartered Accountants (SAICA) and the former chairman of the Technical Committee of Transnet auditors (APF).

(left to right) Moss Ngoasheng, Rolf Hartmann and Babalwa Ngonyama

Corrie Roodt

Corrie was a principal of First SA Food Holdings Limited, listed on the JSE in 1997. In 1998, he merged First Food with First SA Lifestyle Holdings to form First Lifestyle. In 2000, he led the management buy-out and delisting of First Lifestyle. He was the CEO from 1997 until the company was sold to Foodcorp in June 2007. Corrie is a chartered accountant and former audit and corporate finance partner at PricewaterhouseCoopers. He is also a non-executive director of Silverstar Holdings Limited, an entertainment software company trading on Nasdaq.

Peet van der Walt

Peet joined Federale Group in 1964 where he served as an executive director (1981-1990) and managing director (1990-1992) until the company delisted and unbundled in 1992. He was instrumental in the creation of Servgro where he served as chief executive. Peet was also a former chairman of Avis Southern Africa, Teljoy, Alexander Forbes and Interleisure.

Staffing

South African staffing pioneer Kelly provides permanent and temporary staffing services ranging from outsourced staffing, employee leasing and managed staffing solutions to contact centre and value added services. It operates in the office, clerical, junior, finance and technical sectors. Kelly has over 50 branches and onsite offices nationwide.

In the 2010 financial year, good progress was made in expanding Kelly's recruitment offering through new productivity management solutions and outsourced administration services at several key clients.

However, business conditions remained challenging during the year with turnover remaining at similar levels to 2009.

Operating profit was some 18% down year on year, impacted largely by lower high-margin permanent placement revenue. The continued effect of the economic downturn and jobless recovery resulted in a decline in our temporary workforce headcount. This was further exacerbated by margin pressures as clients sought to manage their costs. High conversion levels from temp to perm at some of our large projects added to the decline, as companies sought to retain valuable skills. The financial services sector has generally remained under pressure but certain contracts have produced exceptional results, while the telecommunications sector has shown pleasing growth yet again.

The permanent division has been the most severely impacted by the depressed economy, as job orders decreased significantly, resulting in a 17% decline in permanent revenue. The demand for certain skills, however, remained buoyant, but finding these scarce skills remained a challenge.

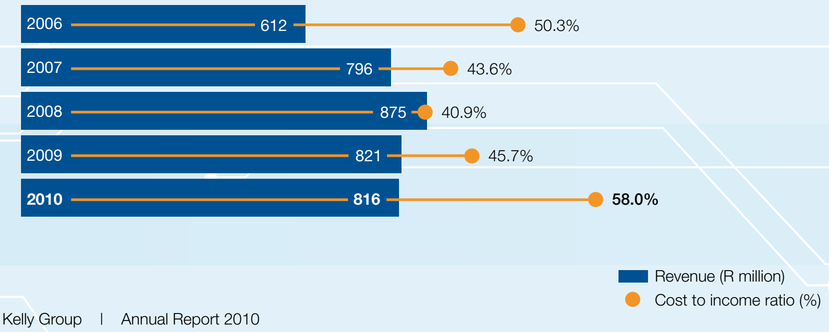
The leadership team was restructured at the beginning of the financial year to focus on growth strategies that would provide for a broader sector and business mix. The restructured leadership team will also look at generating new income streams through value added services in order to minimise Kelly's reliance on traditional recruitment income.

A highlight of the year was the successful implementation of a managed service provider solution for one of South Africa's leading financial services organisations.

Lawrence Wordon - divisional managing director

KELLY REVENUE

for the years ended 30 September 2006 to 2010



The project involves the management and risk compliance of all non-permanent workers as well as the third party vendors supplying these services. All hiring, management, administration and payroll processing of the non-permanent workforce is facilitated and managed by an onsite Kelly team.

Another development during the year was the roll-out of the Living Leadership Programme, designed to earmark and develop Kelly's management pipeline. This proved popular and successful and assisted with the induction of the newly identified leaders. Kelly's equity committee was active in assisting with this selection and appointment process and good progress is being made in developing and promoting talent from within Kelly.

It was pleasing to see an overall improvement in the annual Leadership Index Survey and in the bi-annual Employee Relationship Index. Kelly also achieved 5th place in the annual Deloitte's Best Company to Work for Survey in the medium size company category; its best result in four years. Kelly's expressed intent of exceeding clients' expectations was again confirmed in the Client Satisfaction Index which averaged in the mid-eighties during the year.

Kelly stands to benefit significantly from the global partnering agreement that was signed between the Kelly Group and Michigan-based global workforce solution provider Kelly Services Inc. In terms of this agreement, Kelly Group's services will be offered to Kelly Services' clients in Africa and the Middle East, while also allowing both parties to bid jointly for any global requests for proposals.

FINANCIAL INDICATORS

	2010	2009
Revenue growth (%)	**(1)**	(6)
Operating profit growth (%)	**(18)**	(18)
Debtors' days	**28**	25
Headcount growth per employee (%)	**(2)**	18
Growth in placements per employee (%)	**31**	(23)
Growth in cost per employee (%)	**40**	21

Executive Secretary Appointments

Since its inception 40 years ago, Executive Secretary Appointments (ESA) has become renowned as the leading provider of professional administrator and specialised secretarial staffing solutions. Despite its location in Sandton, the ESA team is able to offer clients nationwide a unique and personalised service. Repeat business from clients is a testament to this niche business's ability to provide candidates of the highest calibre. As the majority of ESA's assignments involve very specific client requirements for skilled and experienced expertise, the business has not been that adversely affected by the economic downturn. As these skills are difficult to openly source, ESA remains optimistic about business prospects for the new financial year.

Professional Assignments Group

Established in 1976, PAG is trusted by many successful companies and skilled candidates as South Africa's leading recruitment solutions provider in delivering professional talent and first-class employment opportunities, with the focus on financial, technical, international, freight, disability and education specialisations.

The global slowdown in the economy and its effects on recruitment impacted PAG's overall financial performance to a larger degree than what was anticipated. Activity in the labour market was further depressed during the FIFA 2010 World Cup.

Overall revenue for the year was 16% down in comparison with the previous year and operating profit decreased by 83%. This was largely due to declines in the number of permanent placements and the impact of headcount freezes, resulting in a loss of conversion revenue.

The company implemented management changes to strengthen the team. It appointed an operations director and made a number of branch management changes during the year, the positive effects of which could be seen in productivity increases towards the end of the year under review.

Productivity gains for PAG can be seen specifically in the average headcount per temp consultant with gains of 37%. The company has managed its permanent staff headcount numbers through natural attrition and performance management and is evident in the headcount reduction of 36% on the previous year.

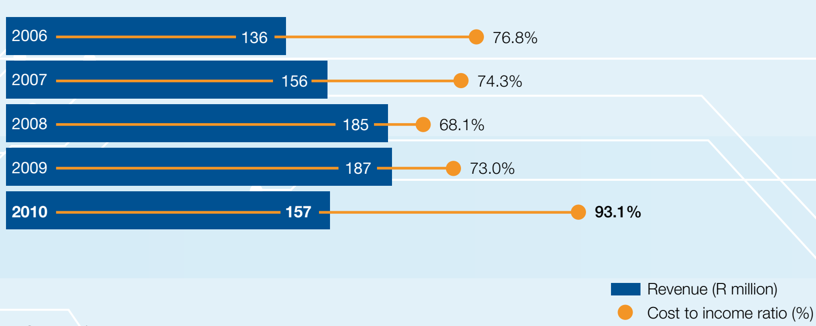
During the year, PAG maximised its use of social media platforms such as Facebook, Twitter and LinkedIn and positioned itself as the industry leader in social media by creating a new innovative communication channel with its stakeholders. PAG also enhanced its public relations initiatives, reducing the need for traditional high cost advertising and ensuring greater visibility of its brand.

PAG's emphasis on a strong people-orientated culture paid dividends in the past year. It was awarded 7th place in the small company category of the 2010 Deloitte's Best Company To Work For Survey and received the Standard of Excellence accolade in the same survey.

Vicki Marais-Swanepoel - divisional managing director

PAG REVENUE

for the years ended 30 September 2006 to 2010



While the demand for administrative skills is expected to remain depressed for several more months, the demand for scarce skills will continue to impact PAG positively, especially given the increased need for engineering and skilled talent from a large number of infrastructure projects in Africa. The company's network of professional candidates along with its new innovative digital candidate acquisition channel enables the company to facilitate the movement of talent both locally and overseas.

PAG's focus on disabled recruitment continues to attract interest and the company has appointed a specialist to lead its disability recruitment division. The company considers people with disabilities an untapped workforce and encourages the employment of more disabled people to enable them to play a productive role in society.

FINANCIAL INDICATORS

	2010	2009
Revenue growth (%)	**(16)**	1
Operating profit growth (%)	**(83)**	(19)
Debtors' days	**22**	25
Headcount growth per employee (%)	**21**	16
Growth in placements per employee (%)	**(9)**	(25)
Growth in cost per employee (%)	**17**	20

Furthermore, the Employment Act of 1998 states that 2% of a company's workforce must be represented by people with disabilities and this offering will help companies meet their employment equity targets.

With the company's focused efforts on differentiating the brand as the leading provider of specialist recruitment services, the division remains confident that it is able to withstand the current market conditions and is well set for the economic recovery.

FINANCIAL INDICATORS

	2010	2009
Revenue growth (%)	**(13)**	(7)
Operating profit growth (%)	**(61)**	(26)
Debtors' days	**31**	33
Headcount growth per employee (%)	**(8)**	12
Growth in placements per employee (%)	**(28)**	(20)
Growth in cost per employee (%)	**(5)**	9

Graham Burnside - divisional managing director

Accountants On Call specialises in the placement of accounting and financial staff on temporary and contract assignments.

The financial review period was an extremely difficult year. Revenue was 13% lower than the previous year. Although outsource margins only decreased by an average of 4% and average permanent placement fees declined by just under 1%, overall volumes were down in line with the economic downturn and reduced activity in the labour market.

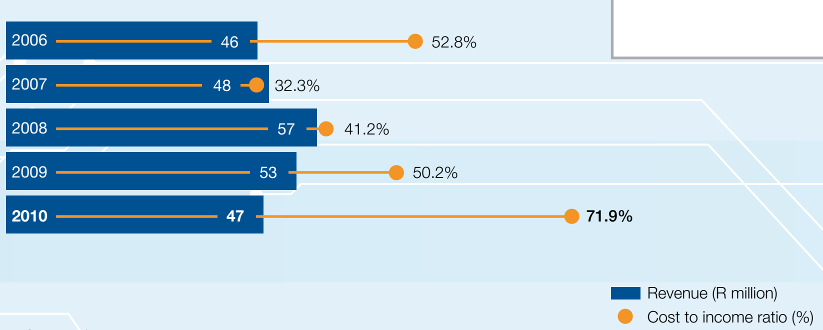
During the year, the company kept its focus on stringent cost control measures. Total costs only increased by 4% despite the opening of four branches in Cape Town, Port Elizabeth, Pretoria and Bloemfontein. The branches made a small positive contribution to the bottom line, and are expected to show significant growth in the forthcoming period.

In addition, a new division specialising exclusively in risk, assurance and governance positions was opened in January 2010. This niche offering has done exceptionally well in the nine months it has been in existence, placing specialised candidates across a broad spectrum of industries.

Since March 2010, business conditions have shown some improvement. This improvement, although volatile, is expected to continue into the new financial year.

ACCOUNTANTS ON CALL REVENUE

for the years ended 30 September 2006 to 2010



FRONTLINE

Frontline is the market leader in the upper end of the permanent financial placement recruitment market. It also offers contract assignments in order to provide an all inclusive financial placement solution.

Frontline experienced harsh trading conditions for the year under review as demand for permanent financial staff, particularly from large blue chip clients across all industry sectors, dropped significantly.

Turnover decreased by 33% and EBIT by 114% compared to the previous year.

Despite such a disappointing performance, one highlight of the year was Frontline's appointment as the exclusive recruitment partner to ABASA (Association for the Advancement of Black Accountants in South Africa).

From 1 October 2010, Accountants On Call and Frontline Recruitment will operate from the same premises. This will have significant cost saving implications and improved operational synergies.

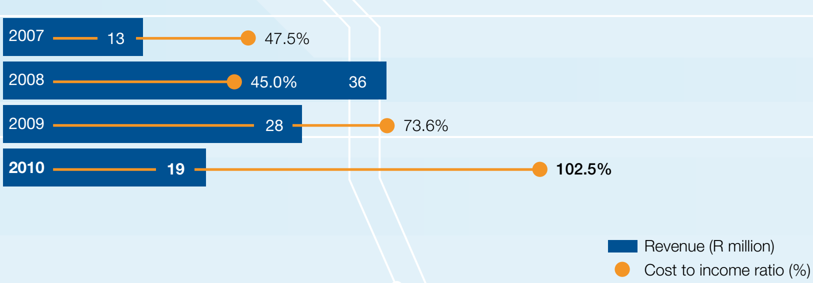
FINANCIAL INDICATORS

	2010	2009
Revenue growth (%)	**(33)**	(22)
Operating profit growth (%)	**(114)**	(71)
Debtors' days	**34**	27
Headcount growth per employee (%)	**(21)**	242
Growth in placements per employee (%)	**(44)**	(10)
Growth in cost per employee (%)	**(18)**	13

Paul Jacka - divisional managing director

FRONTLINE REVENUE

for the years ended 30 September 2007 to 2010



RENWICK
talent

Renwick Talent is an executive search firm with a proven track record of over 40 years. The division consults at board level on a retainer basis and performs executive and scarce skills searches on their behalf. Renwick Talent also specialises in interim management solutions, executive coaching and talent mapping.

During the year under review, the business continued to feel the pinch of the economic slowdown and a depressed labour market. This resulted in a decrease in revenue of 46% on the previous year and a decrease in EBIT of 29%. The company managed to reduce costs in line with the level of business activity and the fewer number of retained searches.

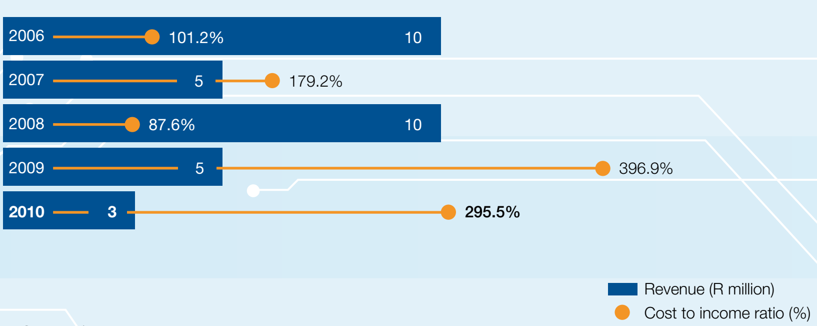
Aggressive business development throughout the year has yielded some positive results and in the last quarter a significant increase in orders and business activity has occurred. These positive developments place the company in a good position to capitalise on an upturn in the economy.

FINANCIAL INDICATORS

	2010	2009
Revenue growth (%)	**(46)**	(50)
Operating profit growth (%)	**(29)**	(590)
Debtors' days	**44**	107
Growth in placements per employee (%)	**(9)**	(54)
Growth in cost per employee (%)	**8**	(29)

RENWICK TALENT REVENUE

for the years ended 30 September 2006 to 2010



Kelly Industrial recruits skilled, semi-skilled and unskilled labour in the blue collar and some sectors of the white collar workforce.

A restructuring exercise completed in 2008 has come to fruition and Kelly Industrial exceeded its prior year turnover by 4% in what can be described as the toughest market in recent memory.

The trading conditions in the blue collar sector continued to be challenging. The first quarter, traditionally a peak period for the company, did not live up to expectation. The jobless recovery of South Africa's economy resulted in, among others, clients preferring longer hours with controlled overtime instead of increased headcount in an effort to improve productivity.

The business continued its focus on the logistics, manufacturing and distribution sectors which contributed significantly to the bottom line. Turnover, however, was constantly under pressure. Delays in the finalisation of the regulation of labour brokers extended the uncertainty noted in 2009 and, as a result, a number of clients, as pre-emptive measures, either rebalanced temp to perm ratios and, in some instances, ended outsourcing arrangements.

Further emerging trends seen this year included more clients going out to tender in an effort to attract suppliers with similar BBBEE goals, values and strategies, while also looking to enhance compliance, shared risk, innovation and lower margins.

Kelly Industrial achieved its satisfactory results off the back of continued stringent cost controls and improved productivity.

Judy Rossouw, who has been with Kelly Industrial for nine years, took over as the managing director this year and her appointment resulted in a seamless succession with no disruption to the business.

Kelly Industrial is positioned to take advantage of growth opportunities in the new financial year. Although the economy is still shedding jobs and consumer spending is weak, the sales pipeline is strong with a number of secured deals in place.

K-log has significantly strengthened Kelly Industrial's value proposition by enhancing Kelly Industrial's workforce optimisation and will help to bring additional revenue streams to the group. Kelly Industrial will also continue with its philosophy of "life-long learning" for both its flexi employees and permanent staff through initiatives aligned to the Skills Development Act such as learnerships and recognition of prior learning (RPL) programmes.

Next year, Kelly Industrial will embark on a client acquisition strategy based on sourcing high margin, low risk business and developing innovative and customised offerings to the market by leveraging the synergies inherent in the group.

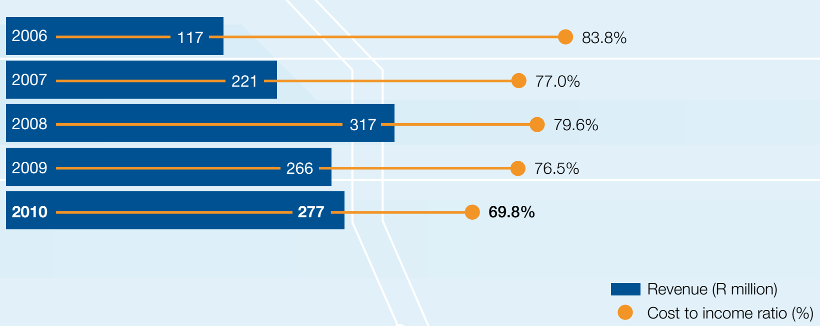
FINANCIAL INDICATORS

	2010	2009
Revenue growth (%)	**4**	(16)
Operating profit growth (%)	**39**	2
Debtors' days	**28**	30
Headcount growth per employee (%)	**20**	6
Growth in placements per employee (%)	**18**	(38)
Growth in cost per employee (%)	**20**	(7)

Judy Rossouw - divisional managing director

KELLY INDUSTRIAL REVENUE

for the years ended 30 September 2006 to 2010



InnStaff provides outsourced, flexible staffing and permanent recruitment services to the South African hospitality and catering industries. It is a leading player in the hospitality staffing industry and has volume contracts at renowned five star establishments in South Africa.

FINANCIAL INDICATORS

	2010	2009
Revenue growth (%)	**27**	7
Operating profit growth (%)	**(16)**	21
Debtors' days	**35**	32
Headcount growth per employee (%)	**24**	(12)
Growth in placements per employee (%)	**(10)**	(2)
Growth in cost per employee (%)	**28**	(1)

Peter Czakan - divisional managing director

Trading conditions for the year under review proved to be more difficult than anticipated. The hospitality and gaming industry, to which InnStaff is a major supplier, was greatly affected by the global economic downturn, resulting in job shedding and retrenchments.

This trend was particularly evident in the upper end of the market, especially in Cape Town. Despite this trend, InnStaff was able to grow turnover by 27%. All branches, other than the Cape Town, East London and permanent branches, grew turnover by between 15% and 21% through the acquisition of new contracts as opposed to organic growth. The newly opened Eastern Cape branch did not meet growth expectations but is showing promising activity that could translate into growth.

The permanent recruitment division was the most severely affected as clients scaled down their usage of permanent placement services and froze the recruitment of management positions.

InnStaff was a major supplier to the FIFA 2010 Soccer World Cup and supplied approximately 7 500 hospitality staff to all stadia nationally. The anticipated number of hospitality staff required for the event did not materialise, resulting in reduced staffing numbers and projected turnover. In addition, the cost of delivery significantly exceeded budgeted costs. This event has however assisted InnStaff to bolster its database. The experience gained has been invaluable and will allow the company to expand its capacity to serve the hospitality and catering industries.

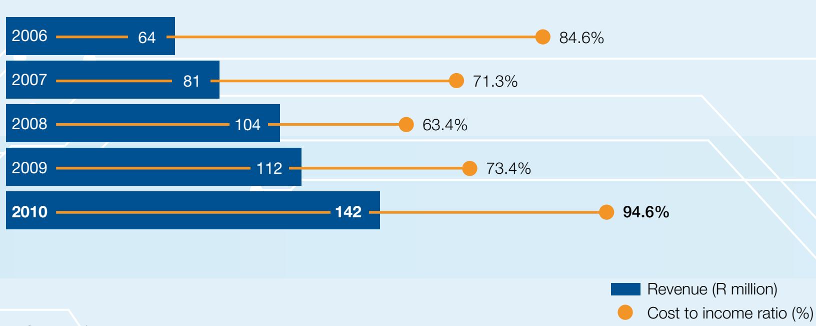
In preparation for the World Cup, InnStaff secured and implemented 250 learnerships in the Eastern Cape as well as in Gauteng. The participants in the learnerships were all unemployed youth who, in addition to the NQF-level 3 certification in a generic management programme, received hospitality training from InnStaff and the World Cup itself served as work experience for the youth in order to improve their employability.

InnStaff is optimistic about prospects for the 2011 financial year. A strong sales pipeline is in place and indications are that the hospitality industry is increasing its flexible labour contingent to counter the effects of the economic slump by matching labour input costs with variable market demand.

Furthermore, a number of new opportunities have been identified, such as a premium product, which will positively impact on margin. The focus for the forthcoming financial year will be improved payroll processing efficiencies through the roll out of K-log. In addition, a streamlined management structure will enable InnStaff to take advantage of market opportunities and turn around underperforming branches.

INNSTAFF REVENUE

for the years ended 30 September 2006 to 2010



Sizano Staffing Services (Pty) Ltd is a black economic empowerment (BEE) joint venture set up by New Age Placements (NAPS) and Kelly. The joint venture has been in operation for more than eight years with great success. The venture provides jobs to more than 1 400 black candidates nationally and has established a successful reputation in the ICT sector's call centre environment.

Sizano experienced a challenging year as the effects of the economic downturn negatively impacted on the company's outsource headcount. Revenue declined 6% year on year, while EBIT declined by 8%.

Sizano assisted with the management and administration of some 200 learnerships during the year, contributing to the much needed skills development in the telecommunications sector. Sizano is proud of the longstanding association with its blue chip client base and is well placed for the anticipated recovery in the temporary employment services sector.

(left to right) Lawrence Wordon - director, Jabulani Sithole - director, Elias Monage - director and Josta Nkosi - director

MARULA STAFFING

Marula Staffing (Pty) Ltd is a black economic empowerment (BEE) staffing company set up by Kelly and Ndaba Ekude Solutions CC. The joint venture has been in operation for more than ten years, providing a contingent workforce to a large parastatal.

Marula established a new centralised branch office in Oakdene in the south of Johannesburg comprising a core operational team that looks after the client's transport and logistics requirements. The joint venture provides jobs to some 1 600 BEE candidates.

The company's proven track record, new branch and sales structure, will allow Marula to expand its client portfolio during the coming financial year. Results were acceptable, given the economic climate, with revenue and profit flat year on year.

(left to right) Elias Monage - director, Themba Mahlangu - director, Ferdie Pieterse - director, Lawrence Wordon - director and Immar Dzingwa - director

WF MANAGEMENT

Workforce Management was a joint venture between the Kelly Group and Solly Tshiki and Associates (Pty) Ltd.

While Workforce Management enjoyed a satisfactory year up to February 2010, its main contract was cancelled, effectively bringing the joint venture to its natural conclusion as envisaged in the shareholders agreement. Efforts are currently being directed towards the finalisation of administrative matters with a view to liquidate the legal entity in the near future.

Skills development

TORQUE IT

Torque IT is the leading ICT training solutions provider to blue chip companies, the public sector and the youth in Africa and beyond.

Trading conditions in the market for technical IT training remained tougher than what was experienced before the economic slowdown but encouraging signs started to emerge during the second term of the financial year. Large multi-national clients started to free the reign on the tight training budget restrictions which were implemented at the height of the global crisis and we saw three-digit percentage growth when compared to the prior year.

In line with the strategy to grow our client base by accepting and delivering on lower margin transactions, Torque IT managed to grow its turnover by 6% during the past year. We have a firm belief that the increased market share will result in a significant improvement in gross profits as the economy continues on the slow road to recovery.

Tight controls over discretionary expenditure, assisted by the strong local currency and only marginal increases in fixed overhead costs due to delayed plans to expand our infrastructure, resulted in strong EBITDA growth of 84%. It was encouraging to see the earnings growth converting into cash with cash inflow from operational activities increasing by 62%.

Gains in market share across almost all technologies were again achieved this year. No new vendors were signed on, in line with the strategy to consolidate existing positions. This strategy will be reviewed in the coming year with the possible addition of technologies which will be complementary to the current offering and infrastructure. Numerous new offerings from existing vendors will further aid strong organic growth. Existing infrastructure, especially in Johannesburg, will be expanded, both in terms of floor space and IT equipment, to cater for increases in demand and volumes that cannot currently be accommodated in a satisfactory manner.

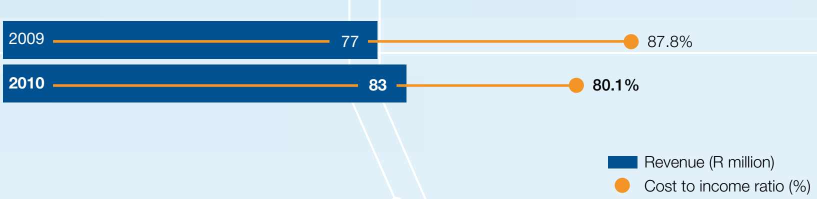
FINANCIAL INDICATORS

	2010	2009
Revenue growth (%)	6	n/a
Operating profit growth (%)	145	n/a
Debtors' days	45	43
Growth in cost per employee (%)	2	n/a

(left to right) Gerhard de Beer - financial director, Carl Raath - technical director and Tebogo Makgotho - sales and marketing director

TORQUE IT REVENUE

for the years ended 30 September 2009 and 2010



International operations

M Squared Consulting

collabrus

Founded in 1988, M Squared Consulting Inc ("M Squared") is the leading provider of project experts to large enterprises for tackling important business challenges. As a pioneer and leader in the growing flexible workforce industry, M Squared offers unparalleled expertise from its premier network of project professionals. M Squared's subsidiary Collabrus Inc provides payroll and benefit as well as independent contractor compliance evaluation services.

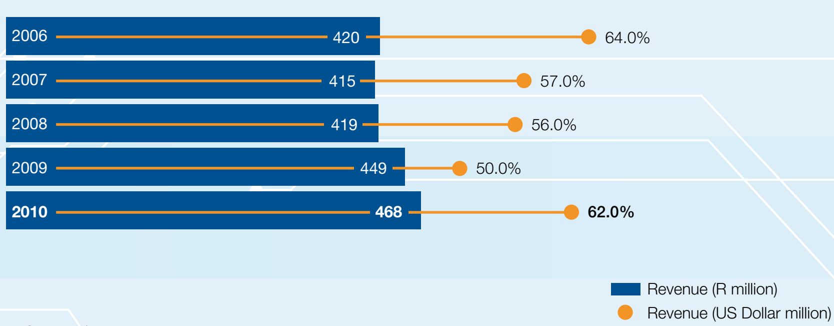
M Squared posted robust results in the 2010 financial year with revenues increasing from US$49.5 million in 2009 to US$62.5 million, an increase of 26%. Its gross margins declined slightly from 27.1% in 2009 to 26.8% in 2010 as a result of industry-wide pricing pressures due to the depressed economy. M Squared generated EBIT of US$0.6 million in 2010, after raising provisions for what it estimated to be the total cost to resolve a class action lawsuit.

The US economy in general, and the services sector specifically, continued with a slow recovery from the global recession during the year under review. Key economic benchmarks in the US economy reflect limited investment, slow growth and high levels of unemployment. Of note is the jobless recovery where in spite of modest growth, unemployment numbers remain unchanged.

John Kunzweiler - CEO

CONSOLIDATED REVENUE

for the years ended 30 September 2006 to 2010



As a result, a flexible workforce is becoming an emerging trend in the US economy. Increasingly, companies are using flexible staff for jobs throughout the organisation and this development is a positive one for M Squared. As many as 15% of workers at Fortune 500 companies, a strong contingent of M Squared's client portfolio, are independent contractors of some type. This trend is expected to continue and may in fact become part of the new way to work, playing to the strengths of M Squared and Collabrus.

During the year, John Kunzweiler was named M Squared's new CEO, replacing company founder Marion McGovern, who will remain as a board member. Kunzweiler is an experienced consulting executive, having served 26 years at Accenture in key leadership positions including overseeing that company's alliances, joint ventures and venture capital. Also during the year, the company appointed Dirk Sodestrom as chief financial officer and Meg Hanna as vice president of human resources.

At the end of the financial year, M Squared announced a significant restructuring of its back-office activities to be effective in 2011. After the restructuring, the sales function will be strictly focused on sales and client development, while the client service, engagement management and operations personnel will move to a new shared services group. The company will also introduce a group focused on its consultants, which will be responsible for implementing specific programmes and activities to build a much stronger connection.

CONSOLIDATED FINANCIAL INDICATORS (US DOLLAR)

	2010	2009
Revenue growth (%)	**26**	(11)
Operating profit growth (%)	**(87)**	(49)
Debtors' days	**44**	37

CONSOLIDATED FINANCIAL INDICATORS (RAND)

	2010	2009
Revenue growth (%)	**4**	7
Operating profit growth (%)	**(89)**	(38)

The company has a cautious outlook for the new financial year. On the positive side, the US financial recovery continues and expansion of the economy should create demand for the high-level consulting expertise that M Squared offers the market. Similarly, increased governmental scrutiny to ensure employers and contractors are compliant should be beneficial to Collabrus.

The primary challenge going forward continues to be the fragile economy. In addition, price and contract terms pressure may accelerate as clients react to their increased use of consultants by demanding deep price cuts, extended payment terms, or shifting risks to M Squared. Also, many clients are now hiring third party vendor managers to serve as a contracting vehicle for the many consultants they use; these vendor managers have become an additional procurement layer, resulting in higher costs and pressure on margins. M Squared looks forward to meeting these challenges in the coming year.

Value added services

Paxsal Business Process Outsourcing (Paxsal) forms part of the value added services division of the Kelly Group and consists of three business units that are either marketed as a holistic solution or as separate offerings. These are Paxsal Payroll Outsourcing (payroll administration), PayAccSys (electronic fund transfer management) and Logical Staff Loan Solutions (staff loans).

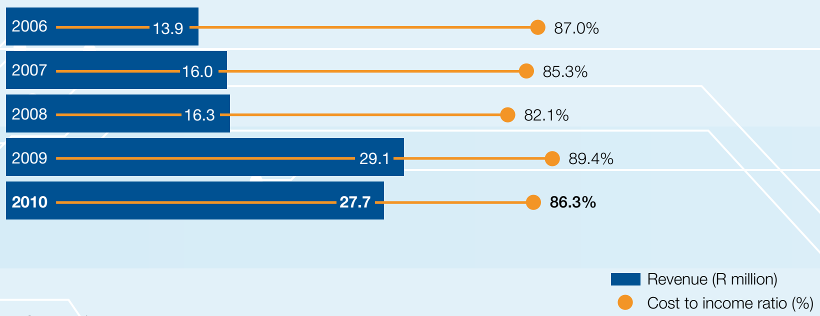
Given the growth and strategic significance to the group of K-log (people resource planning system), it has become a separate reporting entity while PayZone (micro-payroll) has been rebranded as PayTalent and has been included as part of TalentOcean's suite of offerings.

Paxsal Payroll Outsourcing's results for the 2010 financial year did not meet expectations with revenue declining by 5% year on year as a result of new client acquisitions and increased volumes not materialising. In addition, a 4% decrease in payslip volumes processed from existing clients, further impacted the top line. With volumes decreasing, cost control remained the focus for the year and we are pleased with the 3% year on year saving achieved, which translated into a 2% reduction in cost per unit (payslip processed) produced. This proven scaleable solution has significant unexploited potential that we will convert through the aggressive pursuit of new client acquisitions resulting in volume growth while maintaining the focus on efficiency to maintain and improve per unit cost.

PayAccSys had a good year, processing 2.6 million transactions during the year to the value of R8.6 billion. Transactional volumes and revenue were up 6% on the previous year. These results were achieved despite a decrease in volumes relating to salary payments that decreased by 4% for the staffing companies. In 2011 a new payment platform solution with enhanced features will be introduced. This will see the current product offering being extended to include debit order processing while also enhancing the user experience.

PAXSAL REVENUE

for the years ended 30 September 2006 to 2010



We rebranded our staff loans operation during the year from LogicalBucks to Logical Staff Loan Solutions in order to give it a more descriptive name aligned with its primary business function.

Trading conditions for this business segment were tough as lenders in the small to medium loans market remained heavily indebted and, in line with our philosophy of responsible lending, that meant that growth became a secondary focus during 2010. As the business matures, growth potential from its existing base also reduced. The total value of advances grew 8% year on year with the number of new loans granted remaining flat. The gross lending book reduced by 14% year on year. Overall revenue was down 7% in a declining interest rate environment, with the business breaking even at an EBIT level.

We are pleased with the tangible improvements that resulted from new processes, systems and controls implemented during 2009/2010, most significant bad debt percentages from business written in the current year reflected at 5.55% to book, compared to 14.8% in the prior year.

This success gave the board the confidence to approve and increase the gross lending book on a limited basis and to extend products to staff of external companies. This development opens the way for Logical Staff Loan Solutions to start providing staff of external employees with affordable staff loans and will complement these companies' existing wellness programmes.

(left to right) Gary Colling - Logical Staff Loans Solutions operations manager and Blessing Mtumbara - PayAccSys sales and marketing manager

FINANCIAL INDICATORS

	2010	2009
◻ Revenue growth (%)	**(5)**	(78)
◻ Operating profit growth (%)	**(20)**	(21)
◻ Debtors' days	**31**	30
◻ Growth in cost per employee (%)	**13**	(20)

K-log is a powerful people resource planning system, which can achieve savings of up to 15% on payroll costs and as much as 40% on administration costs. K-log is compatible with any payroll software, has an exceptional roster scheduling ability, provides automated real-time reporting and optimises on-site staff levels.

K-log enjoyed a good 2010 financial year with sales revenue increasing fourfold from R0.9 million in 2009 to R3.8 million. Increased operating costs in the 2010 financial year, resulted in a R1 million loss. However, by the end of the calendar year, sales had reached breakeven point at an EBITDA level and thanks to growing annuity revenue streams, we are projecting that revenue will exceed operating costs in the 2011 financial year.

K-log has proven to be a highly attractive solution for customers during the recent adverse economic climate. K-log's selling proposition is cost-savings and efficiency improvements around the management of employees, the number one cost for most companies. For the Kelly Group's staffing brands, K-log allows the group to offer its customers more effective management of their staffing costs, a critical value add and competitive advantage. As a result, trading conditions have allowed strong growth in the review period and the order book and sales pipeline will support K-log's continued growth.

The second generation of the K-log product was delivered during the 2010 financial year. This version of the product builds on the experience and lessons learnt during the initial deployment of the first generation product. The new generation K-log allows for much faster deployment and a reduced support load by enabling customers to be more self-sufficient. This is an important factor in accelerating the growth of the business going forward.

As a result of this improved technology, the second generation K-log was successfully deployed at all of the World Cup stadia and demonstrated the company's ability to effectively manage large groups of workers (up to 7 500 for the entire event and as many as 1 500 per match) outside normal staffing parameters while, at the same time, reducing administrative costs and enhancing the speed of payment and invoicing. In addition, the first fully integrated and end-to-end automated call centre to payroll system was delivered to one of the leading mobile telecoms operators in South Africa. This unique offering positions K-log excellently for growth in the call centre sector in 2011.

Looking ahead, tough economic conditions have placed increased emphasis on cost saving, efficiency and productivity improvements. Organisations are realising that the automation of business processes related to operational staffing management represents the greatest opportunity for cost saving in today's business environment. Staffing companies are seeking to differentiate and add value to their offerings and provide total managed staffing solutions rather than just a headcount. The requirement for process automation around the human resource has moved beyond the foundation of time and attendance and payroll towards automation of the entire human capital value chain.

For the 2011 financial year, further re-structuring is planned for the marketing and sales of K-log's operations to create business teams that will focus on the key growth sectors which have been identified as internal brands, external blue chip companies, international companies, call centres and government.

Due to the value proposition that is ideal for today's market, K-log currently has a very strong sales pipeline that will drive further aggressive growth during 2011.

Mark Robson - operations director

talentocean

paytalent

TalentOcean is an online talent management portal that brings job seekers and employers together, while also offering tailormade HR software solutions.

TalentOcean is a relatively new offering from the Kelly Group. During the year, the TalentOcean career portal went live in more than 24 countries and was also recreated into more than 30 niche sites catering specifically to different sectors. In total, more than 70 commercial websites were created in the course of the 2010 financial year.

On the back of the career portal success, the TalentOcean media business was launched, which enables companies to advertise on the TalentOcean websites. TalentOcean was successful in signing up several clients and turning this into a new revenue-generating stream for the Kelly Group.

During the year, TalentOcean launched a new offering called TalentLoyalty which provides online employee surveys based on the group's Employee Relationship Index (ERI) and the ability for clients to publish customised surveys. In addition, two online monthly career magazines were launched called TalentOcean Careers and Talented Women.

The group's micro-payroll solution PayZone was rebranded as PayTalent, and added to the TalentOcean suite of offerings. In addition, extra features were added to the payroll solution for SMME businesses and, as a result of this development, TalentOcean was able to secure additional clients including a 500 person payroll contract. PayTalent has also been optimised, in order to make it easy to whitelabel for large clients while maintaining a low cost base.

Looking forward to the 2011 financial year, TalentOcean will be completed and will announce two highly strategic additional online commercial products which are geared to make a notable difference for internal users and for commercial clients.

Corporate divisions

Risk and internal audit

The group recognises that an effective risk management function is fundamental to its business. Taking international best practice into account, its comprehensive risk management process involves identifying, quantifying, managing and mitigating the risks associated with each of its businesses. Risk awareness, control and compliance are embedded in all its day-to-day activities.

The internal audit division is responsible for identifying the significant risks to which the Kelly Group is exposed through the provision of objective assurance to management and the board through the group audit committee. Internal audit recommends enhancements to risk management, control and governance processes to address any identified weaknesses.

An internal audit charter, which is approved by the group audit committee and reviewed annually, governs the internal audit activity. The charter defines the role, objectives and authority and responsibilities of the function.

The head of internal audit reports at each audit committee meeting and has a direct reporting line to the chairman of the audit committee. It operates independently of executive management but has access to the chief executive and the chairman of the audit committee. For administrative purposes the head of internal audit also reports to the financial director. The function has adopted, and complies with, the International Standards for the Professional Practice of Internal Auditing.

During the year, internal audit prepared its annual risk-based internal audit plan, which was approved by the audit committee. High risk businesses and processes were audited with other areas covered at regular intervals based on their risk profile. Internal audit also liaised with the external auditors to enhance efficiencies. The annual plan is reviewed regularly to ensure it remains relevant and responsive given changes in the operating environment. The audit committee approves any changes in the plan.

Internal audit also proactively reviewed its practices and resources for adequacy and appropriateness in order to meet the increasingly demanding corporate governance and regulatory environment including the requirements of King III.

Significant control weaknesses were reported, in terms of an escalation protocol, to the audit committee where rectification procedures and progress were considered and monitored by management. The audit committee received a report on significant issues and actions taken by management to enhance related controls.

Procurement, property and insurance

In line with the Kelly Group's strategic key imperative of being a low cost producer, individuals and departments responsible for general procurement, IT procurement, tenant installations, insurance and the property portfolio were combined into a centralised function. Over and above the obvious benefits of cost reduction and enhanced efficiency through standardisation of practices and processes other initiatives such as the development of an integrated e-procurement tool that will be launched in 2011, have been progressed at pace.

We continue to focus on low hanging fruit such as the optimisation of the already adopted fully automated travel solution for domestic travel, which saw a 15% reduction in travel spend this year; the negotiation of enhanced rental agreements at lower rates while property markets remain depressed; and the containment of insurance premium increases particularly in view of the group's good claims experience. All of this has been achieved while we continue to champion corporate responsible procurement as is evident from the 100% score achieved for Preferential Procurement in terms of the BEE codes.

Planning and forecasting

The planning and forecasting department further enhanced the predictive capability of the group through enhancing the annual budget process and enriching the forecasting methodology. Leveraging the integrated data warehouse, the department continued to provide pertinent information, business intelligence and management reporting to both internal and external stakeholders.

There is ongoing evaluation of new business offerings to ensure these deliver strong commercial returns and the effective allocation of scarce resources occurs while maximising long-term profitability. In continued tough trading conditions, a critical review capability of existing client accounts proved invaluable in enhancing returns and selling strategies.

(left to right) Bev Jack - group skills executive, Greg Turner - planning and forecasting executive, Charlene Wilson - group risk and internal audit

The department continued to support the drive for cost containment through focusing on continuous improvements in productivity and the lowering of fixed overheads.

Group skills

Economic competitiveness is measured not only by the skills of the workplace, but more importantly, by the flexibility and capability of the workforce to adapt to the rapid changes in technology, production and work structure.

The Kelly Group's skills development strategy translates into formal and explicit activities which equips individuals to reach their full potential.

Central to this strategy is accelerated development which ensures a better match between supply and demand for human resources. The Kelly Group takes purposeful actions to elevate the level of skills in the permanent and temporary workforce, thus maximising opportunities for individuals.

Despite the tough economic environment in 2010, the Kelly Group continued to grow skills development as an essential service to all its employees and other stakeholders. These service offerings are significant elements of the group's overall talent management offering.

The group's focus has been on participating in sector skills programmes, including ICT, business process outsourcing and tourism. The 2010 FIFA World Cup created opportunities for the group to initiate a work readiness programme and generic service skills related to hospitality and service roles.

Through its knowledge of the labour market and ownership of Torque IT, the Kelly Group has also been able to address some of the skills needs of the ICT sector.

Highlights of the year include receiving the Services SETA stakeholder recognition award 2010 for most valued contribution to professional practice; and the successful completion of learnership programmes by some 1 075 learners.

During the year, the group continued to play an industry leadership role, among other things by heading the Education Portfolio Committee for APSO; representing the industry on a range of business structures including Services SETA, BUSA and NEDLAC; representing the sector at international conferences in Europe and South America; and undertaking study tours to explore opportunities to enhance public private partnerships.

Training and skills development are critical for successful participation in the rapidly global knowledge-based economy. The Kelly Group has an excellent platform to competitively offer a full talent management solution and continue to unlock the power of people in the world of work.

Marketing

The group marketing department provides guidance and support to the business units that enable brands and business units to comply with the group's leadership blueprint. The marketing department is also responsible for the coordination of the group's internal and external communication, investor and media relations programme, the production of materials and presentations to the market.

The Kelly Group has a diverse portfolio of brands, enabling it to penetrate and build recognition in distinct markets. Most of the Kelly Group brands have been in existence for more than 30 years and command leadership positions in the sectors they operate in, particularly the group's flagship brand Kelly which is considered synonymous with the staffing industry.

Some very specialist or new brands, which do not enjoy the same brand equity as the more established businesses in the group, benefit from a policy of intergroup co-operation and a full exploitation of the potential synergies that exist within the group's operations. Through the group's diversified brand portfolio, it is able to target both niche and diverse markets. The group's brand strategy also ensures alignment with the group's values and culture and in particular its brand promise of listening, partnering and delivering on its promises.

The group continues to drive its digital strategy initiatives with a key focus to dominate client and candidate acquisition channels.

The focus for the year ahead will be to maintain the interest K-log and TalentOcean have generated in the market. This will be achieved through a number of marketing initiatives such as client roadshows and internal educational campaigns for the Kelly Group's people.

The Kelly Group will also be participating in the Kelly Global Workforce Index in one of the first collaborative projects with Kelly Services Inc, the global workforce provider which Kelly Group partnered earlier this year.

The Kelly Global Workforce Index is an annual survey of opinions about work and the workplace from a generational viewpoint. This survey has previously been conducted in North America, Europe and Asia Pacific and will now also include South Africa.

Group IT

During the 2010 financial year, Group IT positioned itself as a project-based organisation with the establishment of a project management office which undertook many projects and completed them successfully.

A key project for the year was to upgrade the group's IT infrastructure and servers were replaced in the group's data centre and mail server farm. As a result of the improved infrastructure, monthly call volumes to the group's IT support centre were greatly reduced. The Kelly Group's internet links and networking connections were also upgraded as part of this focus on infrastructure stabilisation and improvement.

During the financial year, Group IT drove the Least Cost Cell Routing project, geared at reducing the telephony cost for calls made from landlines to cell phones. Though the project initially hit rocky ground, it was turned around and delivered successfully. The Kelly Group is now enjoying notable monthly cost savings as a result of this project. At the same time, Group IT renegotiated the infrastructure outsourcing contract, which resulted in a monthly cost saving of close to 50%.

Looking forward to the next financial year, Group IT will be focusing on two key initiatives which will further enhance the group's digital strategy. These are Enterprise Architecture Mapping, and laying the foundations for Legacy Application Transformation, including Business Process Transformation (HR, finance and e-learning).

Business development

The Business Development strategy remains a long-term action plan for increasing the group's business and market share through brand synergy and collaboration, while continuing to position the group as a leader within the industry. It was identified during the formation of this department that innovative ways of attracting new business, retention of existing business and strategic alliances be sought for effective market share gain, which yielded positive gains for the group including new business in the retail, insurance, financial and public sectors.

The year has not been without its challenges, as many clients have had headcount freezes and raised concerns regarding the proposed changes to the labour laws. However, the introduction of new value added services such as K-log and TalentOcean have helped to increase the competitiveness of the group's brands by allowing them to offer a holistic human capital management service.

There's an opportunity to increase the skills development/ training business given the pressing need for the country to upskill the youth, thus leading to employment opportunities. This is demonstrated by the strategic alliances the group entered into with various organisations focusing mostly on improving South Africans economically and socially.

Looking forward, the group will continue to focus on client retention and building new relationships with businesses both

small and large. This division has identified the IT, media, telecommunications and transport sectors as well as the public sector as potential growth areas in the new financial year.

Finance and accounting

The finance and accounting department underwent a radical restructure during the year, bringing it in line with client- and process-centric functions of modern international best practice philosophies. During the year two distinct teams were created. These are an operations team that concentrates on performing a standard process and delivering a consistent output in the most efficient way and a reporting team that focuses on delivering decision-useful information to the department's internal clients.

The restructure required reassessing every function, process and skills requirement within the department and creating a structure which could deliver on the new requirements.

Now that this structure is in place, the department is poised to leverage it in the new year. The operations team will concentrate on improving efficiencies, a large part of which will be replacing manual processes with an automated procurement and payment process. The reporting team will continue to align its service and outputs with the needs of the businesses it serves, providing an increasingly advisory function in the financial affairs of these clients, similar to a mini-CFO type service.

Human resources and industrial relations

The human resource and industrial relations department is responsible for enhancing business performance by ensuring that the human capital of the group is productive, competent, fairly remunerated and functions within a best practice environment.

It also engages with the unions and bargaining councils with regards to its contingent of temporary and contract employees, and liaises with the various industry councils and associations concerning mutual interests and challenges.

Chief among these has been the debate on the value of the temporary employment services (TES) industry and its role in the protection and promotion of decent work of a-typical workers in South Africa. While COSATU has called for an outright ban on the practice of non-compliant labour-broking due to perceived exploitative practices by fringe players, it is important to note that the Department of Labour is not requesting a ban but rather improved enforcement and regulation in order to rid the industry of practitioners of poor repute and to ensure the provision of decent work through a minimum standard of rights and benefits for TES assignees.

This department, through the Confederation of Associations in the Private Employment Sector (CAPES) in which the group's human resource director Elias Monage is president, has therefore been actively involved in the dialogue regarding the contribution the TES industry has made to the economy. CAPES is affiliated to Business Unity South Africa (BUSA) and as a result has direct representation on a number of National Economic and Labour Council (NEDLAC) committees.

While a number of changes to the existing Labour Relations Act are expected, these are still subject to debate before being tabled at parliament. The Kelly Group expects these changes to consist of improved regulation of the industry as opposed to an outright ban, a position it has always supported.

The Kelly Group already complies with the decent work standards set by the International Labour Organisation but has nevertheless used the opportunity during the financial year to ensure that its human resource practices are aligned to international benchmarks. In this regard, the group is looking at, and has already implemented, a range of additional benefits for its temporary and permanent staff contingents including extra medical aid and pension cover.

During the year, the department was also involved in streamlining the administration process for new employees, ensured compliance by the various brands and business units to the group's human resource processes and has created more awareness of and engagement with the group's employee assistance programme.

In addition, the department has engaged in a number of initiatives with regards to its employment equity with a view of improving its empowerment status from a level 2 to a level 1 contributor to meaningful broad-based black economic empowerment.

(left to right) Tracey Czakan - group marketing executive, Elias Monage - group human resources executive, Richard Thomas - group financial manger and Connie Motshumi - business development executive

Corporate governance

The Kelly Group is fully committed to the principles of the Code of Corporate Practices and Conduct as set out in the King Report on corporate governance (the Code) as well as the Listings Requirements of the JSE Limited (JSE). The purpose of the Code is to promote the highest level of corporate governance in South Africa. In supporting the Code, the directors recognise the need to conduct the group with integrity and in accordance with generally accepted corporate practices.

Key governance developments

During the year under review, the following developments were key to the Kelly Group's corporate governance processes:

- ongoing compliance with the Code and the Listings Requirements;
- the implementation of the Kelly Group Leadership Blueprint throughout the group's South African operations, which sets out minimum standards of ethical behaviour for all employees of the company;
- increasing the resources of the internal audit department;
- the creation of a separate risk function; and
- keeping abreast of all relevant legislation and regulations as well as major developments that could impact on the group and its operations.

Compliance with the code

The Listings Requirements require that JSE listed companies report on the extent to which they comply with the principles incorporated in the Code. The directors are of the opinion that the Kelly Group complies with, and has applied, the requirements of King Code II, for the duration of the period under review. The King Code of governance principles for South Africa 2009 (King III) was launched on 1 September 2009 and we will be required to report on our compliance thereof in the 2011 Annual Report. It should however be noted that the Kelly Group has already begun assessing its compliance with King III as well as taking steps in this regard to improve our corporate governance.

Board of directors and board committees

The group is governed by a unitary board of directors, assisted by the following group committees:

- management committee (manco);
- group remuneration (incorporating nominations) committee;
- group audit committee;
- group risk committee; and
- group acquisition committee.

Each committee acts within agreed terms of reference and the chairman of each committee reports to the board at its scheduled meetings. Where appropriate, the minutes of the committee are tabled at board meetings. The chairman of the board is a non-executive director. The roles of chairman and chief executive officer are separated, with a clear division of responsibility to ensure a clear distinction of duties and responsibilities between them. The chairman has no executive functions. The role of all directors is to bring independent judgment and experience to the board's decision-making and a clear division of responsibilities are defined to ensure a balance of power and authority with no one individual having unfettered decision making ability. Directors are advised that they may take independent advice, at a cost to the company, in the proper execution of their duties as directors. They have direct and unfettered access to the external auditors, professional advisors and the advice of the company secretary. There are 10 directors. Three are executive and seven are non-executive, of whom five non-executives are independent.

Board appointments and succession planning

Non-executive directors on the board are appointed for specific terms and re-appointment is not automatic. The board as a whole, within its powers, selects and appoints directors, including the chief executive officer and non-executive directors, on the recommendation of the nominations committee. The nominations committee considers non-executive director succession planning and makes appropriate recommendations to the board. This encompasses an evaluation of the skills, knowledge and experience required to add value to the group. All appointments are made in terms of a formal and transparent procedure and are subject to confirmation by the shareholders at the annual general meeting.

Board performance assessment

The board annually assesses the contribution of each director up for re-election, using an individual director evaluation process that is conducted by the remuneration committee. The board as a whole considers the outcomes of the above processes. This culminates in a determination by the board as to whether the board will endorse a retiring director for re-election. Where a director's performance is not considered satisfactory, the board will not endorse the re-election.

Individual director performances are assessed against the following criteria:

- time, availability and commitment to performing the function of a director;
- strategic thought and specific skills, knowledge and experience brought to the board;
- the director's views on key issues and challenges facing the group;
- the director's views on his/her own performance as a board member;
- any training needs; and
- other areas or roles where the director's specific skills could be utilised.

One third of the directors are subject, by rotation, to retirement and re-election at the annual general meeting in terms of the company's articles of association. In addition, all directors are subject to election by shareholders at the first annual general meeting after their initial appointment. The board recommends that all the directors up for election at the forthcoming annual general meeting be elected.

Interests in contracts and conflict of interest

During the year ended 30 September 2010, none of the directors had a significant interest in contracts or arrangements entered into by the group or its subsidiaries. Directors are required to inform the board timeously of conflicts or potential conflicts of interest that they may have in relation to particular items of business and are obliged to recuse themselves from discussions or decisions in relation to such matters.

Share dealings by directors

In terms of the group's policy, directors and participants in the share incentive scheme are precluded from dealing in Kelly Group shares from the date the period ends with respect to the group's interim and final results until they are released to the public. Details of directors' dealings in Kelly Group shares are disclosed to the JSE through the Securities Exchange News Service (SENS) in compliance with the JSE Listings Requirements.

Advice

Directors have unlimited access to the company secretary, who acts as an advisor to the board and its committees on issues including compliance with rules and procedures, statutory regulations and the Code. Furthermore, any director may, in appropriate circumstances and at the expense of the group, obtain independent professional advice. The directors are also entitled, with the prior knowledge of the chief executive officer, to have access to senior management and to all relevant group information.

Insurance

Adequate insurance cover for directors and officers has been taken out by the group. No claims under the relevant policy were lodged during the year under review.

Board charter

Composition of the board

The company subscribes to a unitary board, consisting of non-executive and executive directors, which both leads and controls the company. The board will at all times consist of a majority of non-executive directors, with at least three being independent, as defined in the King Report on corporate governance for South Africa - 2002 (King II).

The chairman of the board shall not be an executive director and shall preferably be independent and representative of all shareholders. He or she shall not be a member of the audit committee. The composition of the board shall reflect the need to protect the interests of all the company's shareholders, as well as the demographics of the country.

Membership

Appointments to the board shall be dealt with by the board as a whole on recommendation from the nominations committee of the board. In order to qualify as a board member, proposed candidates should have adequate strategic, analytical, communication and knowledge competencies. In general, he/she should:

- have the ability to make informed decisions;
- be entrepreneurial;
- be able to appreciate the wider business picture and perspective;
- have integrity in personal and business dealings; and
- be objective at all times about what is in the best interest of the company.

Size of the board

The board membership shall be large enough to ensure a wide range of skills, knowledge, views and experience to achieve the balance necessary to meet its strategic objectives. The board shall regularly consider whether its size, diversity and demographics make it effective.

Period of office

New directors shall only hold office until the next AGM at which they will retire and become available for re-election. All directors shall be subject to retirement by rotation and re-election by shareholders at least every three years. Only executive directors shall be engaged by means of service/employment contracts.

Termination of service/employment contracts of executive directors shall automatically include their resignation from the board.

Any non-executive director is at liberty to accept other board appointments provided such appointment is not in conflict with the business of the company and shall not detrimentally affect the director's contribution. Directors are therefore requested to carefully consider the number of appointments they take in this capacity. Executive directors may not accept other board appointments outside the Kelly Group of companies without approval from the nominations committee of the board.

Retirement age for an executive director is 63 years of age and for a non-executive director 70 years of age. These dates may however be extended by agreement of the board on recommendation by the nominations committee.

Role and responsibilities of the board

The board accepts that it is ultimately accountable and responsible for the affairs of the company. To this end, the board shall:

- retain full and effective control of the company;
- give strategic direction to the company;
- monitor management in implementing plans and strategies as approved by the board;
- appoint the chief executive;
- ensure that succession is planned;
- identify and regularly monitor key risk areas and key performance indicators of the business;
- ensure that the company complies with relevant laws, regulations and codes of business practice;
- ensure that the company communicates with shareholders and relevant stakeholders openly and promptly;
- identify and monitor relevant non-financial matters;
- establish a formal and transparent procedure for appointment to the board, as well as a formal orientation programme for incoming directors;
- regularly review processes and procedures to ensure effectiveness of internal systems of control and accept responsibility for the total process of risk management; and
- assess the performance of the board, its committees and its individual members on a regular basis.

Board procedures

The conduct of directors shall be consistent with their accountability to the company and responsibility to all stakeholders. The board shall be disciplined in carrying out its role, with the emphasis on strategic issues and policy.

The board's discussions shall at all times be open and constructive. The chairman shall seek a consensus in the board but may, where considered necessary, call for a vote in whatever manner the chairman, in his sole discretion, decides. Discussions and records shall remain confidential unless with specific direction from the board to the contrary. The board has sole authority over its agenda. However, any director may request the addition of an item on the agenda. The agenda shall be exercised through the chairman.

The directors are entitled to have access, at reasonable times, to all relevant company information and to management. Professional advice shall only be taken as per the approval procedure. The directors are expected to strictly observe the restrictions to the use and the confidentiality of company information. At each quarterly directors' meeting, the board shall consider:

- operational reports from the relevant executive directors;
- a report from the group financial director;
- reports on the activities from the company's individual business units;
- financial forecasts for the remainder of the financial year;
- specific proposals for capital expenditure and acquisitions; and
- major issues and opportunities for board consideration.

At intervals of not more than one year, the board shall:

- review the company's goals;
- review the strategies for achieving the company's goals;
- approve the annual budget;
- approve the annual and half-yearly financial statements, reports to shareholders and public announcements;
- approve the directors' statutory report to be published in the annual report;
- consider and, if appropriate, declare or recommend the payment of dividends;
- review the board's performance, composition, structure and succession;
- review the company's internal and external audit reports;
- review the performance of, necessity for, and composition of board committees;
- review the directors' remuneration;
- review the chairman's remuneration;
- review the chief executive officer's remuneration;
- review remuneration policies and practices in general, including superannuation and incentive schemes for management;
- review risk assessment policies and controls, including compliance with legal and regulatory requirements;
- review the company's code of conduct and ethical standards;
- review shareholder and client relations;
- review donations and sponsorships;
- review the corporate governance performance of the company and the board in general; and
- settle the following year's work plan.

Committees

The board is authorised to form committees to assist it in the execution of its duties, powers and authorities. It has standing committees, namely the audit, risk, nominations, remuneration and acquisition committees. Each committee will have formal terms of reference as approved by the board.

Matters reserved for board decision

The following matters shall be reserved for decision by the board, on the basis of any recommendation as may be made from time to time by the committees of the board:

Financial

- the adoption of any significant change or departure in the accounting policies and practices of the company;
- the raising of incremental borrowing facilities involving amounts in excess of R50 million;
- the approval of the strategy, business plans and annual budgets and of any subsequent material changes in strategic direction or material deviations in business plans;
- the approval of the annual financial statements, the approval of the interim report, the valuation of significant unlisted investments, the declaration of dividends and the forfeiture of unclaimed dividends; and
- the recommendation to shareholders of any increase, reduction or alteration to the share capital of the company and the allotment, issue or other disposal of shares of the company (except for shares allotted under any share incentive scheme).

Statutory and administrative

- recommending amendments to the memorandum or articles of the company;
- the appointment, removal or replacement of the external auditor of the company;
- the frequency of board meetings;
- the convening of general meetings of shareholders of the company;
- the approval of proxy forms for annual and general meetings of shareholders of the company;

- the prosecution, defence or settlement of legal or arbitration proceedings where material, and except in the ordinary course of business;
- the appointment of responsible persons as may be required in terms of any Act in South Africa or elsewhere in respect of the company;
- the approval of the rules and amendments to pension and provident funds having a material effect on the liabilities of the company towards those funds;
- the granting of general signing authorities pursuant to the articles of the company;
- the appointment, removal or replacement of the company secretary;
- establishing any overseas branch or duplicate register of shareholders of the company;
- the variation of the rights attaching to shares where such powers are vested in the directors; and
- the formulation of amendment of the company's code of ethics.

Regulatory

- the approval of terms and conditions of the company's rights issues, public offers, capital issues or issues of convertible securities including shares or convertible securities issued for acquisitions;
- the approval and authority to issue circulars to shareholders;
- the approval of and authority to issue prospectuses, listing particulars, rights offers or takeover or merger documents;
- recommending to shareholders that they approve any ordinary or special resolutions in respect of the company;
- recommending that the shareholders take a particular course of action proposed by the company; and
- any decision to list the company's shares on any stock exchange or terminate any such listing.

Manpower

- appointments to and removals from the board including the appointment of the chairman, any deputy chairman, chief executive officer, executive directors and non-executive directors, and the approval of nominations of alternate directors (if any);
- the appointment, terms of reference and changes in the composition of the nominations, audit and risk committees;
- any increase of directors' fees;
- the approval of any share incentive or general bonus scheme, the rules applicable to any such scheme and any amendment to such rules as recommended by the remuneration's committee, for submission to shareholders, if applicable; and
- the formulation of recommended policies in relation to equal opportunity employment, black empowerment, environment, health, safety and AIDS.

Board's relationship with shareholders

The board shall endeavour to familiarise itself with issues of concern to shareholders. It shall evaluate economic, political, social and legal issues on a regular basis, as well as any other relevant external matters that may influence or affect the development of the business or the interests of the shareholders and, if appropriate, obtain outside expert advice.

Management of risks

The board accepts its responsibility for the total process of risk management in the company. An effective, ongoing process shall be in place to identify risks, measure their impact and proactively manage these. The board shall set the risk strategy in liaison with the executive directors and senior management. Formal risk assessments shall be taken at least annually. The audit and risk committees shall be responsible to assist the board in reviewing the risk management process.

Corporate governance

The board shall be ultimately responsible for ensuring that an adequate and effective process of corporate governance is established and maintained. The process shall be consistent with the nature, complexity and risk inherent in the company's activities. The process shall also respond to changes in the company's environment and conditions. The board may appoint supporting committees to assist with its responsibilities, as and when required.

Remuneration

Non-executive directors shall receive:

- a basic fee as ordinary remuneration;
- additional remuneration (an extra fee) - as chairman of a board committee;
- additional remuneration (an extra fee) - as a member of a board committee; and
- additional remuneration (an extra fee) - for any special services as a director. The chairman and chief executive officer shall be paid a level of fee appropriate to their office, which shall be reviewed annually by the board after taking independent advice. No additional fees shall be paid to executive directors as directors other than in accordance with their specific service/employment contracts.

Executive directors are remunerated in accordance with the remuneration policy contained on page 46.

Meetings - frequency/quorum and board attendances

Meetings of the board shall be held at such time and at such venue as the board deems appropriate, but it shall normally meet at least four times a year or at the call of the chairman of the board. The quorum necessary for the transaction of business of the directors shall be as determined by the articles of association. Directors shall use their best endeavours to attend board meetings and to prepare thoroughly. Directors are expected to participate fully, frankly and constructively in board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the board table. Directors who are unable to attend should advise the chairman at an early date and confirm this with the company secretary.

Proceedings of meetings

Unless varied by these terms of reference, meetings and proceedings of the board shall be governed by the company's articles. At some stage during the board meeting, at least once annually, the non-executive directors should meet independently of the executive directors to discuss any issues which may be of relevance. Except under exceptional circumstances, at least five days' notice shall be given of a meeting of the board. Such notice shall, where possible, include the agenda and any supporting papers.

Minutes of meetings shall be taken by the company secretary and shall be circulated to all members of the board.

Professional or business services provided by directors

Non-executive directors should, as a general rule, not provide any such services of an ongoing nature to the company. The company may, for the purpose of a special assignment, engage the services of a non-executive director (specific field or expertise). The terms of the engagement must be competitive, clearly recorded and all legal requirements with regards to disclosure must be complied with.

Board evaluations
An induction programme aimed at the understanding of the company, the business, the environment and market in which the company operates shall be conducted for all newly appointed directors. Directors shall receive essential board and company information and shall keep themselves abreast of changes and trends in the business and company's environment and markets. Directors shall also keep abreast of changes and trends in the economic, political, social and legal climate in general.

A formal board evaluation process shall be followed at least annually.

Declaration of interests
Directors shall at all times observe the legal requirements in respect of the declaration of interests and do everything reasonably possible to avoid a conflict of interest in the execution of their duties and responsibilities to the company. Any possible conflict of interest shall at all times be declared up front and the director concerned shall not participate in a discussion, or vote, on the subject matter.

General
The board, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice, as it considers necessary to carry out its duties. These terms of reference may from time to time be amended by the board, as and when required.

Board committees

A number of board-appointed committees have been established to assist the board in discharging its responsibilities. The membership and principal functions of these committees are set out below.

Management committee (MANCO)
Members
Comprises the chief executive, group financial director as well as other various heads of business units.

Composition and meeting procedures
Manco is chaired by the chief executive. Meetings are every two weeks. The committee is responsible for strategy and operations of the group within the parameters defined by the board. Where necessary decisions or recommendations of manco are referred to the board for final approval, while in other instances manco's authority may be delegated to a subcommittee.

Group remuneration (incorporating nominations) committee (GRC)
Members
Peet van der Walt (chairman), Rolf Hartmann and Malcolm McCulloch

Composition and meeting procedures
The GRC comprises non-executive directors of the Kelly Group. The group's chief executive, who is the executive responsible for people management, attends the meetings by invitation but does not participate in the committee's deliberations. Meetings are held at least three times a year.

Role, purpose and principal functions
Consideration and recommendation to the board on matters such as succession planning, general staff policies, remuneration and benefits, performance bonuses, executive remuneration, directors' remuneration and fees, service contracts, the share purchase and option schemes and group retirement funds. In considering executive directors' emoluments, share and option allocations and other benefits, the committee is cognisant of responsibility, individual performance and the Kelly Group's retention strategies. To this end, the committee relies on external market surveys and industry reward levels as benchmarks. Remuneration packages are structured in such a way that short and long-term incentives are linked to the achievement of business objectives and the delivery of shareholder value. Non-executive directors receive fees for their contribution to the boards and committees on which they serve. The GRC recommends proposed fees for approval by the board, after due consideration of comparable fee structures and market practices.

The nominations aspect of the GRC advises the board in ensuring that the board comprises individuals who are best able to discharge the responsibilities of directors, having regard to the highest standards of governance. This committee makes recommendations to the board on the appointment of executive and non-executive directors and the composition of the board generally.

Abbreviated remuneration policy
Objective
This policy is prepared to assist shareholders in obtaining clarity on the methodology applied when remunerating all qualifying employees of the Kelly Group.

Scope
This policy applies to all employees.

Compliance
Awareness and understanding of the policy is the responsibility of each employee.

Waiver of guideline
Unless elsewhere stated, waiver from these guidelines requires signed authorisation in advance from the remuneration committee.

Philosophy
The group complies with the four pillars of decent work as defined by the ILO namely:
- Fair wage
- Employment security
- Benefits
- Safe working environment

As the nature of our business is such that we rely on the intellectual capital of our people to remain competitive it is necessary that we have a three tier structure to lock in the intellectual capital for the short, medium and long-term which is reflected in the structure below.
- Short-term remuneration
  Total cost to company
  The group remunerates all employees on a total cost to company basis.
  Regardless of the salary structure all benefits (both employee and employer contributions) are included in this value.
  All remuneration is paid out in compliance with all South African Revenue Service regulations.
  The average increase rate is determined with CPIX as the initial reference point. Lesser or no increases will be awarded to those employees who have not performed according to expectation. Any increases over and above the CPIX are at the discretion of the manager's recommendation (performance driven), as approved by the chief executive. Any increases are however subject to the discretion of the remuneration committee.

- Medium-term remuneration
  This applies only to qualifying employees

Group Incentive Scheme
Incentive compensation will be based on qualitative and quantitative criteria.
The base amount of the incentive package is calculated as the percentage of the employee's annual total cost to company. Should the employees not achieve their quantitative criteria they may still be awarded an incentive payment of up to 20% of their incentive package. This will be based on the achievement of the qualitative criteria and must be approved by the remuneration committee.

Quantitative as well as qualitative criteria are set at the beginning of each financial year and are unique to each employee and reflective of the position that the employee will be occupying in the financial year.

- Long-term remuneration
  Kelly Group executive director incentive scheme
  In line with international best practice for executive director incentive schemes, the group is developing a new scheme exclusively for the executive directors. The objective of the scheme is to align the needs of shareholders (long-term sustainable profitability and growth that exceeds the general market return) with the behaviour of the executive directors as a team.

  Top Hat Scheme
  This scheme applies to certain qualifying employees as recommended by the chief executive and ratified by the remuneration committee.
  The Top Hat target is agreed every year. Once the target is exceeded, an amount at the discretion of GRC goes into the Top Hat fund. The annual amount allocated to the fund, is distributed to each of the current members according to a formula.
  Allocated funds will accrue interest annually at the average cost of debt to the Kelly Group less 1%, on the last day of the financial year.
  When a member terminates employment any funds which are still in the Top Hat fund or any portion thereof may be paid out to the terminating member at the discretion of GRC depending on the circumstances of termination.
  In the event that shareholders' interests are not best served at time of payout due to management's operational performance subsequent to payments into the Top Hat scheme the GRC may make any adjustments it deems fit at its sole discretion.

  The Kelly Group Share Appreciation Scheme
  For details pertaining to the Kelly Group Share Appreciation Scheme please refer to the scheme documentation as approved by the shareholders.

Basic conditions of payment of incentives within the Kelly Group:
- unqualified audit reports of all entities;
- incentive payments are subject to applicable taxes;
- the employee must be employed by the Kelly Group at 30 November;
- payments will only be effected once the packs for the 12 month review have been signed by the external auditors; and
- this policy is subject to cancellation or amendment at the discretion of the remuneration committee at any time.

Group audit committee (GAC)
See full group audit committee report on page 49.

Group risk committee
Members
Non-executives: Rolf Hartmann (chairman), Corrie Roodt and Malcolm McCulloch
Executives: Grenville Wilson, Ferdie Pieterse, Amanda Joubert, Charlene Wilson and Evans Munyuki

Composition and meeting procedures
The committee consists of three non-executive directors, two executive directors and three other executives (from risk, internal audit and IT). The committee meets at least twice a year.

Role, purpose and principal functions
To review and recommend risk management policies, procedures and profiles pertaining to the group. The committee's principal responsibilities are:
- reviewing and recommending to the board for approval the enterprise-wide risk management policy;
- reviewing and recommending to the board for approval the group's risk appetite and tolerance;
- dealing with the risk-reward profiles (including financial, operational, and strategic) and, where necessary, recommending improvement strategies;
- reviewing and recommending improvements regarding outstanding actions on risk management plans at group and business unit level;
- evaluating risks identified in those strategic plans of the group that require board approval to determine their impact on the group's risk-reward profile;
- evaluating the risk profile and risk management plans drafted for major projects, acquisitions, new ventures and new products or services to determine the impact on the group's risk-reward profile;
- making the necessary enquiries to ensure that all risks to which the group is exposed are identified and managed in a well-defined controlled environment; and
- collaborating with and reviewing issues for consideration as identified by the GAC.

Group acquisition committee
Members
Malcolm McCulloch (chairman), Rolf Hartmann and Corrie Roodt

Composition and meeting procedures
Members of the group acquisition committee are non-executive directors. Members of executive management attend by invitation. The committee meets as and when required.

Role, purpose and principal functions
The role of the group acquisition committee is to review all potential acquisitions and make recommendations to the board on the acquisitions.

Ethics
Confidence, trust and integrity are the values that have underpinned the success of the Kelly Group over past years. In a world where ethics in business are challenged daily, the Kelly Group aspires to be a role model in business that attracts and retains the finest people.

The Kelly Group is committed to a policy of fair dealing and integrity in the conduct of its business. This commitment is based on the belief that business should be conducted honestly, fairly and legally. The Kelly Group subscribes to an independently managed ethics and fraud hotline service to facilitate the reporting of possible fraudulent, corrupt and unethical behaviour in the group. The hotline is available 24 hours a day, seven days a week, 365 days a year for the use of the group's employees and third parties. All incidents involving potential fraudulent activities are investigated and corrective action is taken.

□ Attended
AP Apologies
BI By invitation
\- Not applicable

Meeting attendance

	Appointed	Resigned	23 Nov 2009	23 Feb 2010	13 May 2010	29 Jul 2010	24 Aug 2010
Board of directors							
MM Ngoasheng *(Chairman)*			□	□	□	□	□
MW McCulloch *(Deputy chairman and lead independent director)*			□	□	AP	□	□
Y Dladla			□	□	AP	□	□
JA Gnodde		22 Feb 2010	□	-	-	-	-
RM Hartmann			□	□	□	□	□
PM Mdwaba *(removed 24 Aug 2010)*			□	□	□	□	□
K Molewa		23 Feb 2010	□	□	-	-	-
ME Monage			□	□	□	□	□
B Ngonyama	23 Feb 2010		-	□	□	□	AP
F Pieterse			□	□	□	□	□
CJ Roodt			□	□	□	□	□
PJJ van der Walt			□	□	□	□	□
GJ Wilson			□	□	□	□	□

	19 Nov 2009	16 Feb 2010	10 May 2010	12 Jul 2010
Audit committee				
RM Hartmann *(Chairman)*	□	□	□	□
MM McCulloch	□	□	□	□
CJ Roodt	□	□	□	□
B Ngonyama	-	-	BI	BI
GJ Wilson	BI	BI	BI	BI
PM Mdwaba *(removed 24 Aug 2010)*	AP	BI	BI	BI
F Pieterse	BI	BI	BI	BI
C Wilson	BI	BI	BI	BI
R Thomas	-	BI	BI	BI
J Hern	BI	BI	BI	BI
R Boonzaaier	BI	BI	BI	BI
E How	BI	BI	BI	BI
M Jonker	-	BI	BI	BI
A Amiradakis	BI	-	-	BI

	Resigned	23 Nov 2009	13 May 2010	28 Jul 2010	16 Sep 2010
Remuneration and nominations committee					
PJJ van der Walt *(Chairman)*		□	□	□	□
MM McCulloch		□	AP	□	□
J Gnodde	22 Feb 2010	□	-	-	-
RM Hartmann		-	□	□	□
CJ Roodt		-	-	BI	-
GJ Wilson		BI	BI	BI	BI
PM Mdwaba *(removed 24 Aug 2010)*		BI	BI	BI	-
F Pieterse		BI	AP	BI	BI
ME Monage		-	-	-	BI

	16 Feb 2010	12 Jul 2010
Risk committee		
RM Hartmann	□	□
MM McCulloch	□	□
CJ Roodt	□	□
GJ Wilson	□	□
PM Mdwaba *(removed 24 Aug 2010)*	□	□
F Pieterse	□	□
E Munyuki	□	□
C Wilson	□	□
F Jack	-	□

Audit committee report

This report is issued in compliance with section 270(1)(f) of the Companies Act and was approved by the group audit committee ("GAC").

Members

Rolf Hartmann (outgoing chairman appointed 18 September 2006), Corrie Roodt (appointed 6 August 2007); Malcolm McCulloch (appointed 6 August 2007); and Mike Ilsley (appointed 13 October 2010).

Composition and meeting procedures

Pursuant to Section 269A(1) of the Companies Act, the GAC was appointed by the board of directors for the year ended 30 September 2010. The chairman and members of the GAC are independent non-executive directors. All of the members of the committee are financially literate and make efforts to keep abreast of current and emerging trends in accounting standards. The GAC meets four times a year. In respect of the financial year ended 30 September 2010, the dates and attendance of these meetings are set out on page 48. All these meetings were attended by the external auditors, the group internal audit executive and, on invitation, members of executive management, including those involved in risk management and control and finance. The GAC met separately with the external auditors, group internal audit executive and members of the executive management to discuss any matters arising from the year-end audit and other matters that they wished to discuss.

Role, purpose and principal functions

The GAC assists the board with regard to reporting financial information, selecting and properly applying accounting policies, monitoring the group's internal control systems and various compliance-related matters. The GAC conducts itself in accordance with terms of reference that have been approved by the board of directors. The GAC has discharged the functions delegated to it in terms of its terms of reference and ascribed to it in terms of section 270A(1)(f) of the Corporate Laws Amendment Act.

The functions carried out by the GAC during the course of this financial year include:

- reviewed and approved internal audit, compliance and forensic services policies, plans, reports and findings;
- confirmed the internal audit charter and internal audit plan for the 2010 financial year;
- confirmed that adequate "whistle blowing" facilities were in place throughout the group and reviewed and considered action taken with regard to incidence reports;
- dealt with matters relating to financial and internal control, accounting policies, reporting and disclosure;
- reviewed and recommended to the board interim and annual financial statements, as well as profit and dividend announcements (including trading statements) published on SENS and in the press;
- satisfied itself that the external auditors, as well as auditors of subsidiary companies, are independent;
- nominated the external auditors for shareholder approval and agreed the fees payable to the external auditors;
- reviewed and approved the external audit plans, findings and reports;
- evaluated the performance of the external auditors; and
- monitored the non-audit related services which the external auditors are permitted to provide to the Kelly Group and reviewed the policy for the use of the external auditors for non-audit related services.

The GAC has resolved that it will perform the functions required under Section 270A(1) on behalf of Kelly Group's subsidiary companies.

Furthermore, in terms of paragraph 3.84(h) of the JSE Listings Requirements, the GAC evaluated and satisfied itself as to the appropriateness of the expertise and experience of the company's financial director.

The board annually reviews the performance of the GAC to evaluate how effectively it has discharged its duties as per its terms of reference. The board has confirmed that it is satisfied with the effectiveness of the GAC.

Risk management

The long-term sustained growth, continued success and reputation of the group are critically dependent on the quality of risk management. Risk management is one of the group's core capabilities and management is committed to applying international best practice and standards. The group's risk practice philosophy is underpinned by its objective of shareholder value creation through sustainable profitable growth, in a manner that is consistent with shareholders' expectations of the group's risk bearing capacity and its risk appetite. The group's objective in this regards is to ensure that a quality risk management culture is sustained throughout its operations.

The culture is built on the following main elements:

- adhere to the value system of the group;
- an integrated holistic risk management approach to achieve optimal business decision-making;
- proactive risk management;
- disciplined and effective risk management processes and controls;
- management standards and limits; and
- compliance with the relevant statutory, regulatory and supervisory requirements.

The management of risk is fundamental to the group's business and allows management to operate more effectively in an environment characterised by uncertainty and risk.

Risk-taking in an appropriate manner is an integral part of business. Success relies on optimising the trade-off between risk and rewards.

The group risk management approach is that all risk must be identified and managed and that the returns must be commensurate with the risks taken, relative to the Kelly Group's risk appetite. Risk Management in the group is guided by several principles the most important being:

- integrity and reliability of the financial and operational information that is used internally and for public reporting;
- safeguard and maintenance of assets;
- detection and minimisation of fraud, potential liability, loss and material misstatement;
- compliance with applicable laws, regulations and policies;
- efficient and effective operations;
- the assignment of appropriate responsibilities and accountabilities; and
- independent review.

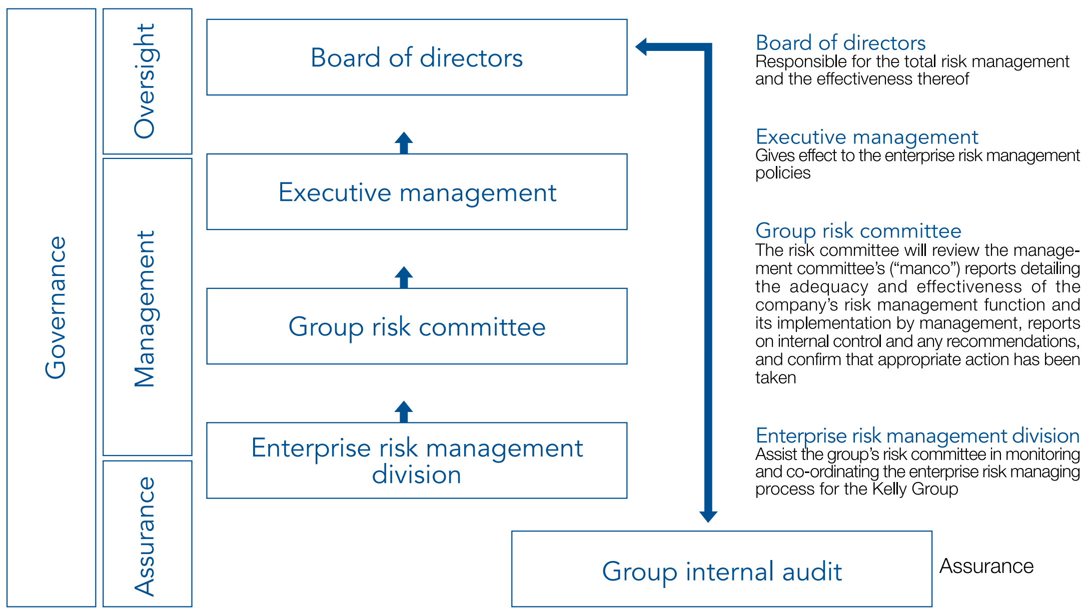
Responsibility and accountability

Excellence in risk management is based on a culture in which management makes risk identification, risk management and the establishment and maintenance of an efficient control environment, an integral part of its regular activities. Overall risk management policies, risk appetite and tolerance are set on a comprehensive organisation wide basis by senior management, and reviewed with and (where appropriate) approved by the board of directors. These policies, appetites and tolerances are clearly communicated throughout the group and apply to all business units in the various divisions and wholly-owned subsidiaries.

Enterprise risk management governance

Enterprise risk management at the group is guided and monitored by various committees that have adopted certain principles to assist them in executing their respective Enterprise Risk Management functions. The group has aligned corporate governance with risk management to ensure the alignment of the group's governance with the ERM processes.

Enterprise risk management governance



Benefits

The enterprise risk management gives effect to a risk management programme that supports the Kelly Group vision and objectives as defined by the Kelly Group business plan. Specifically, the benefits can be seen as follows:

- Assists the brands in enhancing and protecting opportunities that represents the greatest earnings stream potential
- Aligns the risk-taking behaviour of the Kelly Group with the key strategic business objectives as defined
- Protects the reputation and brand name of the Kelly Group
- Monitor and ensure that the Kelly Group risk management standard and best practice are subscribed to by the business units and brands and subsidiaries
- Identifies risk improvement opportunities in the areas of operational responsiveness
- Enhances shareholder value and net worth by managing risks that may impact on the defined financial and performance drivers
- Supports the business growth strategy through well-defined enterprise risk management methodologies
- Improves risk transparency to shareholders

Protects and enhances the Kelly Group value

Discharging its responsibility

The board of directors remained responsible for the group's systems of financial and operational internal control. To fulfil this responsibility the executive directors ensured that management maintained accounting records and developed and continued to maintain a system of internal control that is appropriate

Internal controls are founded on the basis that directors and employees are required to maintain the highest ethical standards. The Kelly Group organisational structure incorporates suitable segregation of authority, duties and reporting lines and promotes effective communication of information. Defined control activities include documented policies and procedures as well as budgeting and forecasting disciplines with comparison of actual results against these budgets and forecasts. The directors have satisfied themselves that these systems and procedures were implemented, maintained and monitored by appropriate trained personnel. The effectiveness of the systems of internal control in operations was monitored continually throughout reviews and reports from senior executives and divisional managers as well as the internal and external auditors. Furthermore management had various self-assessment control processes in place to supplement the existing structures for elevating the systems of internal controls.

For the year under review, none of the above reviews indicated that the systems of internal control were not appropriate or satisfactory. Furthermore, no material loss, exposure or misstatements arising from a material breakdown in the functioning of the systems have been recorded.

Sustainable development report

The Kelly Group is committed to being a responsible corporate citizen of the communities and environment in which it operates. It realises that its continued success is not just a factor of economic performance in isolation and that the sustainability of the business and of the communities in which it operates requires a demonstrable commitment at all levels of the group to maintain a positive relationship with stakeholders and to uphold and support universal human rights.

The group recognises that its most important asset is people as it fundamentally derives its economic value with and through this resource. Key to its ongoing success in ensuring that this resource remains renewable and sustained and as such, the group allocates resources to investment in corporate and social sustainability initiatives, the application of which is intended to be non-political, non-racial, non-sexist and non-religious. The group has traditionally concentrated on two key areas where it provides support. These are:

- training and skills development, believing that the group's business activities lends itself well to helping communities reach their potential and thereby improving their quality of life while contributing meaningfully to society; and
- social corporate investment, in order to make a direct impact on the lives of disadvantaged communities by partnering with commendable charities and NGOs and thereby increasing loyalty to the brand.

Corporate sustainability

People development

The Kelly Group continues to recognise the criticality of skills upliftment in South Africa's broader social and economic development agenda.

This ethos demands:

- a collective will and purposeful action from all stakeholders;
- determination, commitment and accountability of individuals to invest time and effort in their own development; and
- the commitment of organisations to invest resources to ensure a better life for all.

Continuing improvements in service levels, efficiencies, synergies and cost control will rely on the commitment of our people and to the investment we make in their training and motivation. The Kelly Group subscribes to a policy of life-long learning and considers staff training and skills development a high priority. A wide range of skills and value training programmes equip staff not just with technical skills but also with a unique service ethos. The training ensures that all our people can meet the exacting performance standards we set them and are guided along rewarding career paths within the group.

Professional certification

The Kelly Group was among the first temporary employment service providers in South Africa to start professionally certificating its employees in labour recruiting and payroll administration through recognition of prior learning (RPL). Using this process, the Kelly Group has professionally accredited 264 employees in labour recruitment and a further 14 in payroll administration.

RPL is the identification, assessment and acknowledgement of an individual's skills and knowledge within the context of a specific qualification, irrespective of where these have been acquired. It is an acknowledgement of skills, competencies, knowledge and work ethos obtained through informal training, on-the-job experience, life experience and formal training such as short skills programmes. Candidates who elect to take the RPL programme are required to put together a portfolio of their work and to undergo a series of assessments to display their competence in a particular discipline.

Bursaries/skills programme

Study programmes are offered at no charge to learners. Co-funding is accessed for:

- bursaries for institutions training towards FET (further education training) and HET (higher education training);
- grants for learnerships and apprenticeships;
- grants to provide work experience to unemployed graduates; and
- grants for skills programmes and other workplace interventions.

To encourage successful certification, the Kelly Group subsidises and co-funds these projects both financially and through workplace support, coaches and mentors, transportation, facilities and catering.

Learnerships

The various Kelly Group learnership programmes for permanent and temporary employees address the skills need in the country and offer the learners the opportunity and work experience to empower themselves with the necessary skills. The majority of the Kelly Group's learnerships are run through the Services SETA. Occasionally business units with niche specialisations access learnerships through other SETAs such as MerSETA, FoodBev SETA, ISETT SETA and THETA.

The following learnership programmes are offered by the Kelly Group for both employed and unemployed learners:

- Learnerships for permanent employees
  - Labour recruitment
  - NQF 4 - business administration
  - NQF 4 - generic management
  - NQF 4 - project management
- Learnerships for temporary employees
  - NQF 1 - business administration (hospitality and tourism/logistics)
  - NQF 2 - contact centre agents
  - NQF 3 - general workers
  - NQF 4 - contact centre team leaders/ supervisors

During the year, the Kelly Group was involved with the following learnership programmes:

- Hospitality
  - Sun City: 123 InnStaff temps entered in NQF 1 - business practice, 70% successfully completed
  - World Cup: 250 previously unemployed youth in the Eastern Cape entered in a general business administration, to be successfully completed in 2011.
- Financial
  - SARS: 72 learners entered in a tax return processing course, 100% completed.

The group estimates its total spend on learnerships for the year to be R21.5 million.

Decent work

The Kelly Group is committed to the principals of the International Labour Organisation's (ILO) decent work agenda and ensures that its human resource practices conform to the standards set by the ILO.

Decent work refers to opportunities for men and women to obtain work in conditions of freedom, equity, security and human dignity. According to the ILO, decent work involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all men and women.

The decent work agenda is the balanced and integrated programmatic approach to pursue the objectives of full and productive employment and decent work for all at global, regional, national, sectoral and local levels. It has four pillars: standards and rights at work, employment creation and enterprise development, social protection and social dialogue.

Health and safety

The Kelly Group aims to provide a clean, hazard free, healthy and safe environment in which to work, in accordance with the Occupational Safety and Health Act. The business activities in which the Kelly Group is engaged are not considered to be specifically hazardous to employee health and safety, and incidents of accidents in the workplace have historically been minimal. Despite this fact, reasonable precautionary measures are taken by the group to safeguard employees against physical harm.

Health and safety committee

The Kelly Group has created a health and safety committee, comprising elected members from the group's operations, to ensure that the working environment at the Kelly Group's operations adhere to the group's health and safety policies and guidelines. This committee is duty-bound to meet as often as is necessary but not less than once every three months.

In particular, the function of the health and safety committee consists of:

- reviewing the effectiveness of the group's health and safety measures;
- identifying potential problems;
- examining the cause of accidents, incidents and also attend any formal enquiries into accidents and incidents;
- investigating any complaints regarding the health and safety of the workplace;
- carrying out inspections; and
- consulting and co-operating with health inspectors.

HIV/Aids

The HIV/Aids epidemic in Southern Africa is a major threat to the region in terms of its humanitarian implications and its economic effect. Organisations are affected by the increased costs of employee benefits and increased employee absenteeism.

The Kelly Group provides personal protection cover against accidental exposure to HIV/Aids for all staff and temps as well as dependents under the age of 25 years living with them. This cover includes 24/7 HIV/Aids information, advice, counselling for HIV exposure and rape incidents, consultations and blood tests as well as anti-retroviral therapy. The premium is fully funded by the Kelly Group.

Social sustainability

Job facilitation

On average, the Kelly Group helps 5 500 candidates find permanent jobs and also provides work for some 23 000 temps every year.

It is also a major player in the South African TES industry, which plays a significant role in modern economies. It offers companies the ability to share scarce resources as well as the flexibility to staff up and down to meet seasonal demand and to take on complex projects.

The TES industry gives first time work entrants and underemployed members of our society an opportunity to broaden their skills-sets and to join the mainstream labour market. In South Africa, the TES industry has played a pivotal role in helping the country meet important economic and social objectives.

According to the Services SETA, TES providers contributed R415 million to the National Skills Fund in 2008/2009 alone and, according to Statistics SA, a-typical employees represent between 13.1% and 59.2% of total sector employment in South Africa, with the highest proportions of a-typical employees found in construction (59.2%), wholesale and retail trade (42.8%), and transport and communications (39.7%).

Disability recruitment

The Kelly Group, through the disability recruitment divisions of Kelly and PAG, are committed to assisting clients in achieving their employment equity requirements successfully by developing individualised and flexible recruitment strategies and increasing the number of job opportunities available for people with disabilities.

It is estimated that there are more than 2 million people in South Africa living with disabilities. People with disabilities only represent 0.6% of the formal workforce in South Africa whereas the Employment Equity Act target is set at 2%. In terms of the Employment Equity Act of 1998, a Code of Good Practice was approved to encourage equal opportunities and fair treatment of people with disabilities.

The Kelly Group service offering includes:

- access and environment assessments;
- recommendations of reasonable accommodation solutions;
- sensitisation workshops;
- disability awareness training;
- recruitment and retention solutions; and
- pre and post placement assistance.

Soweto training and recruitment centre

Kelly operates a fully equipped training and recruitment centre in Maponya Mall in Soweto which provides candidates in Soweto and surrounding areas with substantial training and upskilling opportunities. Facilities at Soweto's fully operational branch include a training centre where computer-based upskilling opportunities as well as lecture-based training on soft skills such as corporate grooming, interview tips, job-seeking advice, telephone etiquette and customer service are offered at no cost to candidates.

Employment equity and black economic empowerment

The Kelly Group is committed to broad-based black economic empowerment. Its BEE policies and strategies are developed to ensure that measurable progress is made towards general black economic empowerment.

The Kelly Group's BEE objectives are:

- to become a level 1 BEE contributor (according to the DTI codes);
- to advance equity ownership;
- to make preferential procurement a priority;
- to support enterprise development and to work with potential BEE suppliers to help their businesses grow;
- to accelerate the development of core skills through focused training initiatives; and
- to meet employment equity targets at all levels of the organisation.

The Kelly Group retains independent BEE rating agency Empowerdex to rate its BEE status on an annual basis. In its latest report, Empowerdex gave the Kelly Group an AAA rating, which makes the Kelly Group a level 2 contributor to meaningful broad-based empowerment in South Africa, meaning the group is more than fully compliant with the BEE codes.

Our social reach

PAG
Professional Assignments Group

PAG East London

Disability Learnership, East London.

The Kelly Group's full scorecard, as prepared by Empowerdex, appears in the table below.

Corporate social investment

One of the Kelly Group's key strategic imperatives is to focus on positively impacting the long-term sustainability of society, particularly the communities in which it operates. As such, the Kelly Group allocates resources to social responsibility initiatives through a Corporate Social Investment (CSI) programme, which was awarded full marks by Empowerdex in its AAA-rating of the Kelly Group.

The objectives of this CSI programme are:

- to support sustainable social development through community development initiatives;
- to enable the group (and its associated businesses and operations) to be a preferred business partner; and
- to be a corporate citizen valued by all stakeholders.

Strategic CSI goals:

- move beyond donations;
- base investment strategies on extensive research and consultation with the communities;
- actively pursue investments which have a strong potential for creating long-term sustainability; and
- create and unlock sustainable value across communities.

Volunteerism

While much of the support provided by the Kelly Group to social projects is, of necessity, financial, the group makes every effort to enhance the effectiveness of its interventions by combining financial support with ongoing staff volunteerism.

By encouraging its brands and business units to give freely of their spare time, the Kelly Group has been able to make a tangible and sustainable difference on many smaller organisations that are often overlooked by large CSI initiatives.

In addition to the social benefits, the Kelly Group also regards staff volunteerism as a crucial team-building exercise and is therefore a central component of instilling the group's values and culture within its employees.

Details and examples of some of these staff volunteerism programmes as well as group programmes can be found on page 54 to 57.

BBBEE scorecard

Element		Empowerdex score	Target score
Ownership	A	19.73	20.00
Management and control	B	7.00	10.00
Employment equity	B	10.00	15.00
Skills development	A	12.00	15.00
Preferential Procurement	A	20.00	20.00
Enterprise development	A	15.00	15.00
Socio-economic development	A	5.00	5.00
Overall score	AAA	88.73	100.00

Kelly Pietermaritzburg *staff members read stories to the children at Tabitha Ministries. Kelly's team in Pietermaritzburg have devoted their spare time to refurbish the crèche by creating a reading corner and providing a range of children's books.*

The Kelly Group

Kelly Group *participated in the Change a Life cycle challenge, in which 70 of South Africa's top business executives completed the 480km around Lake Malawi and Zomba Plateau, and raised R3.5 million for anti-crime initiatives. This brings the amount to over R9 million raised since the race's inception in 2008. Funds are channelled into four anti-crime initiatives: the DNA Project, the Martin Dreyer Change a Life Academy, I Choose to Change a Life and the iThemba Rape and Trauma Support Centre. In addition to participating in the cycle, the Kelly Group was among the main sponsors of the challenge contributing some R250 000 to the race.*

PAG
Professional Assignments Group

PAG Gauteng *donated a copier scanner to Forest Town school.*

TORQUE IT

Torque IT, *together with Safer SA, Microsoft and Kelly Group, has undertaken to provide computer training to nine impoverished sites including Upington, UMzimkhulu, Siyabuswa, Phuthaditjhaba, Jane Furse, Manica, Mogwase and Evaton North.*

Torque IT *will spend R500 000 to roll out an ICT training initiative aimed at the youth as part of a planned legacy project to organise programmes that will benefit communities long after the 2010 World Cup. The launch of the programme was attended by World Cup local organising committee chief executive Danny Jordaan, the aim of which is to provide basic computer literacy classes to high school soccer players in disadvantaged areas.*

Kelly Eastgate *supports the Lambano Sanctuary. The home cares for children who are infected with HIV and Aids. On their visits, the branch undertakes to celebrate all the birthdays in that month.*

TORQUE IT

Torque IT *helped sponsor R10 000 worth of prizes, at SANGONet's 6th Annual 'ICTs for Civil Society Conference" which recognises NGOs that excelled in best use of websites for online fundraising.*

MSquared Consulting

M Squared Consulting *employees served meals to families and persons with disabilities at Glide Foundation, the only programme in San Francisco that provides three nutritious meals to the city's poor, homeless and hungry 364 days a year.*

Our social reach

Kelly Durbanville: *As part of its corporate social responsibility, the Kelly Durbanville branch in Cape Town has chosen Ikeyalethu home for abandoned and abused mothers, children and elderly people. On its most recent visit, the branch took sugar, coffee, tea, milk power and rusks for all those cold windy days in Cape Town. In the group picture Martinette Fortuin and Gaylin Daniels spent some time with some of the mothers and kids.*

PAG
Professional Assignments Group

PAG East London
supports REHAB, an NGO focused on the rehabilitation of people with disabilities.

People value statements

Two listed players in the same sector of the market with similar risk profiles and results, who do you invest in?

We at the Kelly Group believe that an organisation's people is a key differentiator and intangible asset that warrants measurement. We also subscribe to the notion that people are our most important asset as we deliver through our people. It is therefore imperative that we as an organisation look after this asset by ensuring its wellbeing, productivity and continued development which are all crucial to the sustainable success of the group.

We therefore publish, in our annual report, our People Value Statements, applying similar policies, practices and procedures in the production of this set of results as we do in the production of our annual financial statements to enable users of this report to make informed decisions about the group based on comprehensive information.

A profile of our people

The building block in valuing people as an asset is understanding the demographics of our employees. This basic source of information directs strategies and tactics regarding staff development, attraction and retention of talent and provides insight into the needs and requirements of its people.

Staff complement

During the year, the total staff complement of the Kelly Group decreased by 9.6%, while the headcount of its temporary employees decreased by 0.95%.

Number of employees	**2010**	2009
□ Permanent employees – SA	**1 091**	1 134
□ Permanent employees – USA	**58**	51
□ Temporary employees – SA*	**23 118**	23 824

* *To calculate this number a unique ID number per person was used.*

The Kelly Group carried out a number of rightsizing initiatives as trading conditions did not improve as expected. Down/rightsizing is an unsettling and traumatic intervention in any organisation and therefore only utilised as a last measure. Our people practices have been designed in such a way that they treat affected individuals with the dignity and respect they deserve as employees and we always make a concerted effort to find alternative employment for those affected by accessing our extensive placement network.

The decrease in temporary headcount is indicative of the downturn and clients implementing cost-cutting measures.

Age

The Kelly Group appreciates that there is a complex array of issues that impacts and motivates employees of different ages and adopts a multi-generational strategy. The intention of this strategy is to attract not only the best talent but to foster a climate of true understanding of our workforce and to create an environment in which the strengths of the different generations are maximised.

One such attraction and retention strategy is the creation of an employer brand that appeals to employees and the labour market in the same way that commercial brands are trusted, liked and even loved by consumers. The group places a premium on staff engagement, believing that it encourages employees to take ownership of the brand and ensuring that they perform at their best possible level.

Employees age	2010	2009
19-29	**317**	379
30-39	**448**	489
40-49	**207**	189
50-59	**91**	100
60-69	**23**	24
70+	**5**	4

The traditional analysis of age of the employment population is being superceded by the stratification denoted below. Each of these groupings has unique needs and requirements of which some are contrary and conflicting. Leadership and management in organisations have to become more attuned to these needs and deploy flexible strategies to unlock true potential and minimise conflict.

Generational classification		% of employees
Generation Y	(19 – 29)	29.6%
Generation X	(30 – 39)	41.0%
Baby boomers	(40 – 69)	29.0%
Silent generation	(70+)	0.4%

Length of service
The Kelly Group appreciates that length of service is a useful indicator of the level of commitment of its people and that length of service gives a good indication that its human resource policy strategies are effective and conducive to retaining top talent. The Kelly Group strikes a balance between the retention of its core intellectual capital, experience and expertise and the introduction of fresh energy and new ideas.

Commitment to the Kelly Group is reflected in the significant number of people who have been with the group for five or more years. A more detailed analysis of the drivers of employee loyalty and commitment is provided under the Employee Relationship Index review.

International studies show the average length of service for employees is 4.4 years. The Kelly Group average of 5.1 years exceeds this benchmark by 16%.

Years of service	2010	2009
0-5	**789**	867
6-10	**161**	168
11-15	**108**	113
16-20	**10**	23
21-25	**16**	8
25+	**7**	6
Group average	**5.1**	4.2

Gender
The gender profile shows the group's commitment to being a non-sexist and equal-opportunity organisation. The recruitment and staffing industry has traditionally been a female-dominated environment and the Kelly Group's gender profile is consistent with trends seen nationally and internationally in the staffing industry.

Gender	2010	2009
Male	**29%**	27%
Female	**71%**	73%

Absenteeism
Productive workdays lost through absenteeism directly affect revenue, expenses as well as profit and loss and is an element that can be managed by each and every organisation.

The Kelly Group monitors absences from work and analyses trends, duration and type of illnesses and cost of sick leave absences in order to understand key issues facing its people. This year, with the difficult economic climate, the group placed a strong emphasis on analyses and causes of stress in relation to absenteeism and has undertaken preventative initiatives to enable its people to cope with external pressures. These initiatives are aligned to the employee assistance programme.

Absenteeism	2010	2009
Staff work days	**211 668**	271 988
Absenteeism days	**9 173**	12 856
Lost time rate	**4.33%**	4.73%

In addition, absenteeism levels also give an indication of the overall wellbeing of the group's staff and the effectiveness of our employee assistance programmes and other interventions.

Staff turnover
The loss of productive and effective staff members impairs the intrinsic value of an organisation's human capital.

At the Kelly Group, we employ various initiatives to retain talent and minimise the impact of losing staff members. We have a dedicated skills division that is constantly training and developing individuals within the group, supported by comprehensive HR strategies. We also employ a sophisticated succession planning model to identify potential future leaders that then inform development plans.

The Kelly Group is pleased with the progress made in 2010 with staff turnover decreasing by 4%. It is worth noting that the staff turnover percentage is well below the USA staffing industry benchmark of approximately 29%.

Reason for separation	% split 2010	% split 2009
Resignation	**79**	89
Dismissal	**8**	3
Non-renewal of contract	**6**	2
Retrenchment	**6**	5
Death	**1**	1
Average staff turnover %	**26%**	30%

Employment equity

The Kelly Group continues to support employment equity based on the demographics of South Africa and is dedicated to transforming the organisation. We have implemented a structured approach to employment equity in that employment equity committees have been established within the various business units and a five year employment equity plan is in place. An employment equity report is submitted annually to the Department of Labour. The committees ensure that equal opportunities are provided to suitably qualified people from the designated groups and that there is equitable representation in all categories and levels in the workplace. The committees have also been tasked with assessing employment equity ratios while diversity management ensure that the seven pillars in the BBBEE balance scorecard are achieved.

Demographic profile (SA only)	2010	2009
African	**34%**	30%
Coloured	**13%**	15%
Indian	**13%**	10%
White	**40%**	45%

Analysis of employment equity (SA only)	2010	2009
% of top management who are PDI	**38%**	43%
% of senior management who are PDI	**32%**	35%
% of middle management who are PDI	**39%**	34%
% of all staff	**60%**	57%

Unlocking the Power of People in the World of Work

The Brand Champion programme, which strives to provide our people with skills and tools to communicate with confidence, power and presence, is being supported with an experiential leadership learning laboratory. This programme, aimed at executives, management, potential leaders and aspirant individuals, encourages the culture of "choose to" people within the Kelly Group, challenges them to "step up" and helps our people to understand how behaviour plays an important role in how the Kelly Group performs and how we are perceived by our stakeholders.

The experiential learning process encourages development and growth through direct experience and recognises that people don't need to be managed; they need to be unleashed.

The Kelly Group continues to build a climate of openness and trust. Trusting behaviour includes the taking of risks, accountability, self disclosure, sharing, acceptance and support, as well as encouraging co-operation.

Through choosing how to behave, behavioural flexibility, self-awareness and situational sensitivity, the Kelly Group is succeeding in developing great people.

What our people think

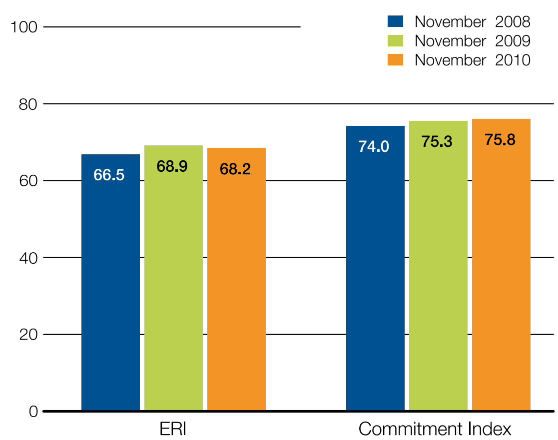
Employee feedback is of vital importance to the group in ascertaining the effectiveness of our human resource practices, the working environment and the level of commitment to the group. The feedback is used to enhance existing practices and to introduce new ones for which a need has been identified.

Employee Relationship Index (ERI)

The Kelly Group continued with our ongoing analysis of employee relationships. This exercise is conducted by an independent expert research company. Its purpose is to gather strategic insights into the factors that matter to the Kelly Group's people and how these affect their attitude, behaviour and ultimately their productivity.

These surveys also measure the group's success in attracting, retaining and developing the best people in the industry and keep us abreast of trends in employee motivation and satisfaction.

ERI and commitment indices



In our latest ERI survey, the overall ERI (68.2) and Commitment Index score of 75.8 is in line with the scores achieved last year. The group considers this a satisfactory achievement given the difficult trading environment we experienced.

The Commitment Index measures individual employees' personal attachment to their team, and is obtained by aggregating the following six statements:

- I really feel part of the family in my company;
- I feel a strong personal attachment to my company;
- I am proud to be part of my company;
- When there are challenges in my company, they feel like my challenges too;
- I believe my company deserves my loyalty; and
- I feel part of my specific department/team.

The overall ERI score is the combination of all elements in the study, which covers all dimensions of an employees' working experience at the Kelly Group.

A Loyalty Analysis groups employees according to:

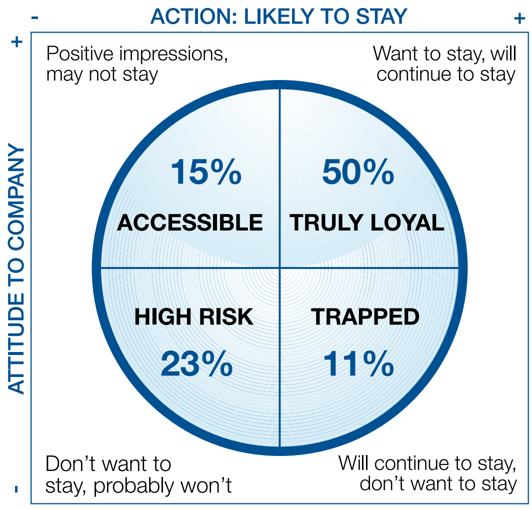
- their attitude and commitment to the company; and
- the likelihood of remaining with the company.

The Kelly Group achieved a 'truly loyal' score of 50%. This means that half of the entire staff complement are very positive towards their team/company, and will also remain with the company in the foreseeable future. Only 11% fall in the 'trapped' category, who are employees who are not positive in their current position, but who also do not foresee that they will 'move on'.

With regards to specific ERI dimensions, year on year the group had the biggest gains in 'Line manager' (+3.5) and 'Communication' (+2.5). Based on the Management Review, company and department line managers identified areas for improvement, and the benefits of this can be seen from employee feedback in the ERI. Work processes were also better structured, with the demands and perceived sacrifices expected of employees improving by 1.9.

However, the biggest loss was in 'Leadership' (-2.2), which can be ascribed to the many changes at senior management level resulting in uncertainty. Other dimensions are similar to those achieved last year.

Loyalty analysis



Attitude to company

This dimension shows the level of pride to the brand and attachment to the company. We continue to align our actions and activities to the imperative of being acknowledged as the benchmark in the world of work.

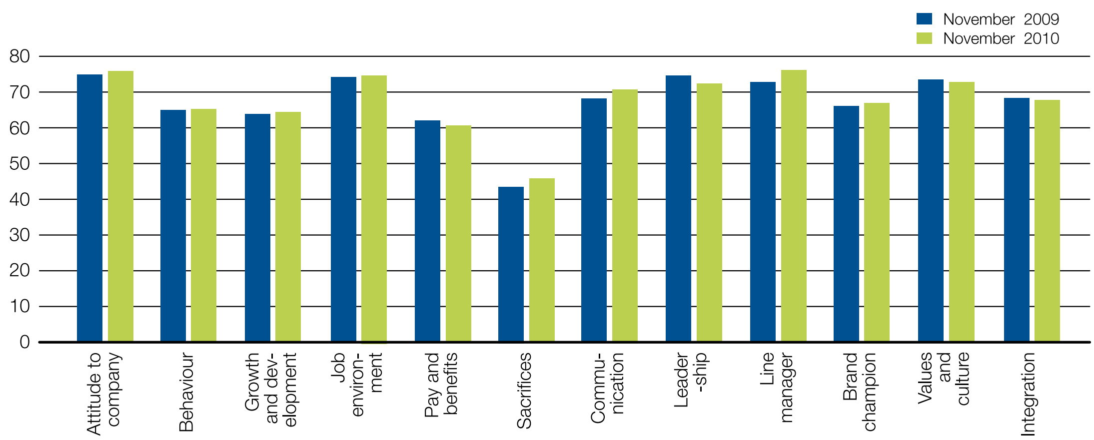
Growth and development

The group subscribes to a corporate philosophy of life-long learning and offers a broad range of study assistance programmes as well as learnerships. The Kelly Group's brand champion programme equips staff members with life skills, which help to alleviate personal pressures. The findings of the group's employee assistance programmes are used to tailor existing initiatives or to develop new ones such as the new personal mastery programme.

Job environment

The Kelly Group continues to promote a friendly, safe and comfortable work environment. The group is committed to health and safety across all our business units and seeks to ensure a safe working environment for our employees. An OHS and fire audit risk assessment was conducted to certify that the company is compliant in terms of the

ERI dimensions



OHS Act. Applications for PrEA (Private Employment Agency) certificates with the Department of Labour to comply with the skills development act are ongoing.

Pay and benefits

The Kelly Group continues to benchmark against industry best practice remuneration. The job grading analysis, in which responsibilities and roles for every person in the group, were clearly mapped and aligned to salary bands and market place trends. In consultation with the executive team, it was agreed that the group's executives would receive no increase for the period under review due to the current depressed staffing environment and average staff increases were below the rate of inflation.

The Kelly Group strives to provide our staff with affordable benefits. The group has contracted new administrators for both our comprehensive provident fund and medical aid. Group accident cover, group life cover and funeral cover, subsidised maternity leave, subsidised paternity leave and subsidised adoption leave continue to be key drivers in staff retention and attraction.

The group has a personal protection programme (P3), which provides free counselling and guidance focussing on HIV/AIDS. It offers testing, treatment following exposure to HIV/AIDS, compassion, understanding and support.

Sacrifices

This dimension measures the stress levels and the effect of pressure on work-life balances. Each permanent and temporary employee within the Kelly Group has access to the employee assistance programme (EAP), which is free of charge and offers 24/7 professional counselling and guidance on a wide range of personal difficulties for either work-related or personal problems. It is designed to assist in the identification and resolution of productivity problems associated with an employee impaired by personal concerns which may adversely affect work performance. The group's investment in this programme is aimed at influencing the quality of work, productivity, attendance and retention of employees and ultimately the clients. This programme helps to promote a healthy lifestyle. Assistance and advice on fitness programmes are available in the form of the My Personal Trainer programme (MYPT). It provides free healthy living advice together with free physical fitness interventions in the workplace.

The Kelly Group continued to introduce new initiatives aimed at improving the work-life balance for employees. These initiatives are driven from the top with the executive team encouraged to promote a healthy lifestyle among employees by also providing options for flexible working hours where possible.

Communication

The Kelly Group uses various media to inform employees about developments in the company and the industry. We produce a monthly electronic newsletter for all our employees, and our intranet, peoplepower@work, allows employees to chat directly with the chief executive and keep abreast of key issues. Annual roadshows by management allow for engagement with all employees about the group's plans and goals and are also used for peer recognition. Storytelling, corporate memory and lessons learnt (including successes and failures) are key tools used in the organisation. Written communication was enhanced during the year to ensure that staff members are aware of policies and procedures in order to promote compliance with the rules and regulations of the group and industry.

Leadership

A succession plan and an intellectual capital management system continue to evolve with a bench and shadow executive team in place for ongoing development.

Values and culture

Values and culture are a cornerstone of the Kelly Group's leadership blueprint. During the year, "respect" was included as an additional value. Significant progress has been made in embedding these as a way of life for employees. As part of this process the Kelly Group offers an Ethics Hotline managed by an independent third party to promote ethical behaviour and values.

Intergroup co-operation

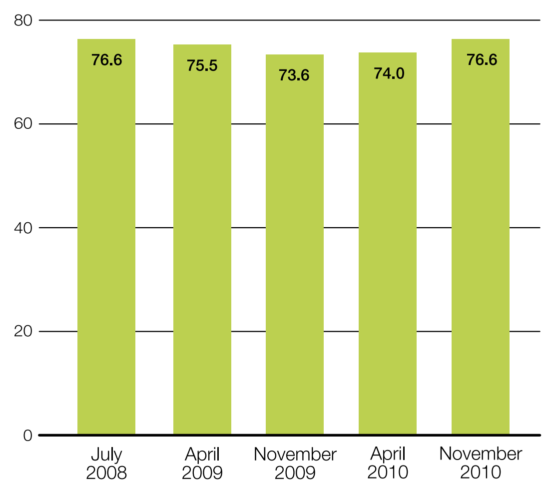
The Kelly Group has a number of short-term strategic initiatives to promote sharing and thought leadership across the divisions. It also promotes intergroup co-operation in order to maximise synergistic opportunities.

Another initiative is the Business Development Forum (BDF). The objective of this forum is for the different brands under the Kelly Group umbrella to come together as a cohesive unit to drive new business and ensure intergroup co-operation. The BDF's two main objectives are firstly to promote a holistic offering and secondly to leverage off each other's brands to increase market share within the group's existing client base.

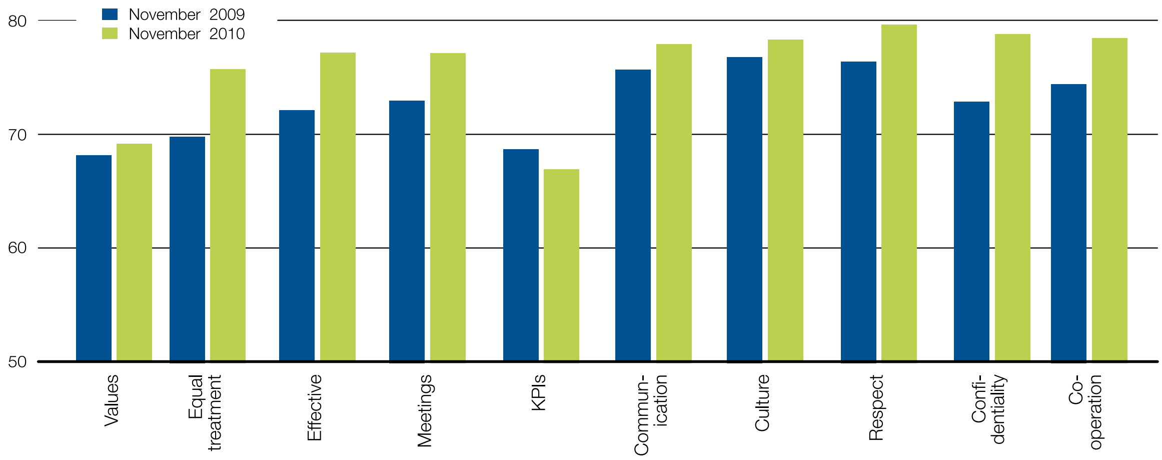
Management Review

During the review period, the Kelly Group held two 360° Management Reviews to provide managers with feedback on their leadership styles. These surveys took into account such factors as values, equal treatment, effectiveness,

Management review



Management review: key performance areas



communication, feedback, respect, confidentiality and co-operation.

The results were higher in November 2010 (76.6) against April this year (74.0), and significantly higher than the comparative period last year.

The highest score was obtained for employees “respecting their line manager as a fair and effective leader of the team”. During previous studies it was shown that managers need to communicate their employees’ key performance indicators (KPIs) and evaluations more frequently and, although this is still the lowest element, there has been improvement with regard to ‘meetings’ (+4.0) and KPIs (+1.0).

How others see us

The Kelly Group exists to serve our stakeholders and the perception of the group by these stakeholders is therefore of critical importance to the group. Customer satisfaction, in particular, is an inherent component of the group’s brand promise and an indication of whether we are living up to our promise of listening, partnering and delivering on our promises (LP^2).

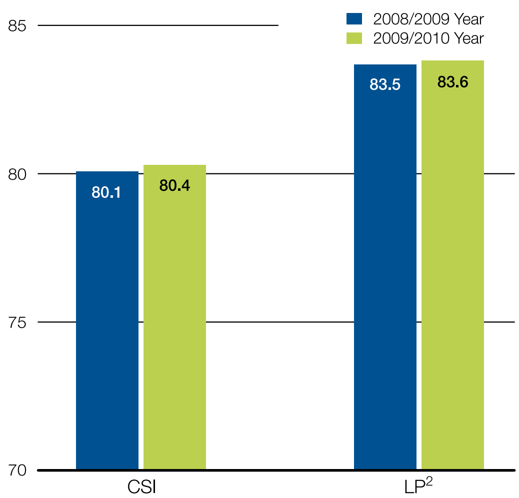
Customer satisfaction indices

The Kelly Group is consistently driving for improvements in our client and candidate service levels. To measure our progress in this regard, the research company MRM Support conducts an attitudinal survey among the group’s clients and candidates. More than 2 000 candidates and clients per month, selected at random from the group’s databases, are interviewed about their experience of the Kelly Group. The feedback they provide is reflected in a customer satisfaction index.

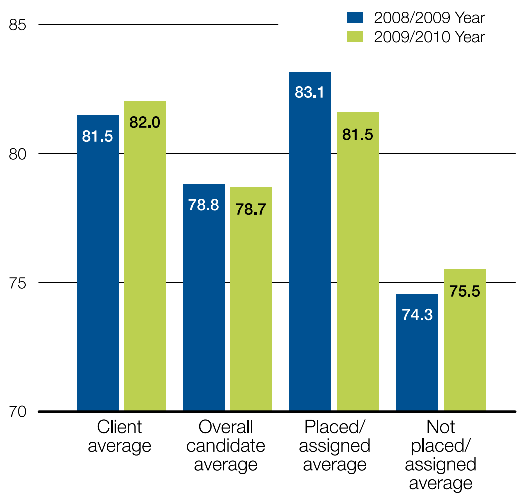
These surveys measure the satisfaction levels of clients, placed candidates and candidates not placed based on the following key elements:

- “hard issues” (processes, systems);
- “soft” human interface elements (passion, commitment); and
- delivering on the group’s corporate promise of LP^2.

Combined CSI scores



Overall candidate and client CSI



Kelly Group combined score: CSI and LP²

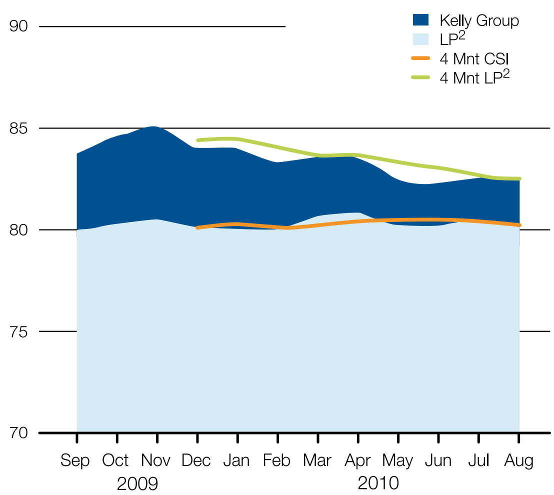
Both the CSI and LP² annual scores were up on those of the previous financial year, but the LP² index has been under pressure during the year. This is a significant achievement given the difficult trading environment experienced during the year.

The Client score improved from 81.5 to 82.0 in 2010 and the not-placed candidates also saw a significant improvement. The score for placed candidates, however, was down to 81.5 from 83.1 last year.

Net Promoter Scores

The Kelly Group makes use of Net Promoter, a customer loyalty metric developed by Fred Reichheld, Bain & Company, and Satmetrix. The most important benefits of this method are simplifying and communicating the objective of creating more "Promoters" and fewer "Detractors" - a concept claimed to be far simpler for employees to understand and act on than more complicated, obscure or hard-to-understand satisfaction metrics or indices. In addition, the Net Promoter method can reduce the complexity of implementation and analysis frequently associated with measures of customer satisfaction, providing a stable measure of business performance that can be compared across business units and even across industries, and increasing interpretability of changes in customer satisfaction trends over time.

Combined score: CSI AND LP²



The NPS is calculated by adding the number of Promoters (clients who scored above 90), minus the Detractors (clients who score below 60), as a percentage of the sample. The large staffing companies average a NPS of around 30%, continually increasing brand loyalty through the quality of service delivered.

The NPS metric has only recently been used by the group and at this stage only Kelly and Kelly Industrial have been rated using this system. The group, however, plans to roll it out to other brands in the next year.

The value of our people

The Kelly Group has devised a simple formula to value our people.

(current monthly salary/1 000) x (average length of service) x (average training days per year of service) x (average cost to company per training day) x ((100 - average age)/average age)

According to this formula, the intellectual capital within the Kelly Group, including its US operations, is approximately R1.70 billion (2009: R2.08 billion). The decrease is attributed to the reduction in the number of average days trained in the year.

Highlights: Non-financial awards and accolades

CIS Annual Report Awards 2010 – Kelly Group
The Kelly Group was once again honoured at the Chartered Secretaries of Southern Africa (CIS) Annual Report Awards, where it was awarded the trophy for the best annual report in the fledgling category. This is the third year running that the group has received the prestigious award and it is the only company to retain its title.

Deloitte's Best Company to Work for Survey 2010 – Kelly and PAG
Two of the Kelly Group's brands have been ranked in the top ten in the 2010 Deloitte's Best Company to Work for Survey. Flagship brand Kelly was ranked 5th in the medium company category, having steadily improved its position from 15th to 9th and 6th in previous years' surveys. Professional Assignments Group (PAG), a specialist recruitment company, ranked seventh in the small company category making this their fourth consecutive year in the top ten.

Career Junction Career Seekers Choice – Kelly
(Large Agency Category) – 2010, 2009, 2008, 2007, 2006

Microsoft Corporate Social Investment Partner Of The Year 2010 – Torque IT
Torque IT walked away with the Microsoft CSI award at the Microsoft Partner Ceremony held at Sun City, demonstrating its commitment to deliver products and services built on Microsoft technologies that positively impact the communities in which it operates

Best Employment Agency – Kelly
Readers Choice Awards, Pretoria News – 2010, 2009

Financial Mail's Top Empowerment Companies on the JSE 2010 – Kelly Group
The Kelly Group's commitment to transformation was highlighted again through the achievement of a tenth place ranking in the 2010 Financial Mail's Top Empowerment Companies on the JSE survey. The Kelly Group is a level two contributor to meaningful broad-based black economic empowerment, following an AAA rating in its most recent grading from independent BEE rating agency Empowerdex.

NBA 2010 Customer Focus Award – Kelly Group
The Kelly Group was presented with the Customer Focus Award at Topco's annual National Business Awards. The judging panel, which consisted of senior managers and executives from some of South Africa's largest blue-chip companies, acknowledged the group for the numerous customer-focused awards its brands had accumulated during the 2009 year as well as the sustainably high results in its customer satisfaction surveys.

BPESA – Kelly
2010 finalist Community Spirit, 2010 finalist Best Technical Innovation, 2010 finalist Best HR Service Provider

Services SETA Best Contribution To Professional Practice 2010 – Kelly Group
The Kelly Group's skills development programme was acknowledged by the Services SETA, which awarded the group the Best Contribution to Professional Practice accolade in 2010 for its leadership role in learnership deployment. In the 2010 year, the Kelly Group enrolled 2 000 learners in various courses and achieved a 82% success ratio.

San Francisco Business Times Awards 2010 – M Squared Consulting
M Squared Consulting was voted one of the best places to work for and the second largest management consulting in the Bay Area by readers of the San Francisco Business Times.

Directors' responsibilities and approval

The directors are required by the Companies Act of South Africa, 1973, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of their operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's and group's cash flow forecast for the year to 30 September 2011 and, in light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The board of directors is primarily responsible for the financial affairs of the company and the group.

The external auditors are responsible for independently reviewing and reporting on the company's and the group's annual financial statements. The annual financial statements have been examined by the company's and the group's external auditors and their report is presented on page 67.

The annual financial statements set out on pages 68 to 106, which have been prepared on the going concern basis, were approved by the board of directors on 22 November 2010 and were signed on its behalf by:

Grenville Wilson
Chief executive

Moss Ngoasheng
Chairman

Report of the independent auditors

GrantThornton

137 Daisy Street, Sandown, Johannesburg, 2196

To the members of Kelly Group Limited

We have audited the accompanying group and separate annual financial statements of Kelly Group Limited, which comprise the directors' report, the consolidated and separate statements of financial position as at 30 September 2010, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes which include a summary of significant accounting policies and other explanatory notes as set out on pages 68 to 106.

Directors' responsibility for the annual financial statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Kelly Group Limited as at 30 September 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Grant Thornton

Grant Thornton
Chartered Accountants (SA)
Registered Auditors

per MM Boonzaaier
Chartered Accountant (SA)
Registered Auditor

22 November 2010

Company secretary's report

In terms of section 268G(d) of the Companies Act, 1973, as amended, I certify that the company has lodged with the Registrar of Companies all such returns as are required by the Companies Act, 1973, as amended, and that all such returns are true, correct and up to date.

Kevin Fihrer
Company secretary

22 November 2010

Directors' report

The directors submit their report for the year ended 30 September 2010.

Review of activities

The company and its subsidiaries provide recruitment, outsourcing, staffing solutions, skills development and value added services.

Despite real economic growth in four consecutive quarters, ongoing job losses in the broader economy continue to impact volumes and operating margins. This was further exacerbated by abnormally high legal costs, of a non recurring nature, that has seen operating profit of the group decline by 63%. Despite this, strong growth has been recorded in some of the operating entities in both the South African and US markets and across staffing as well as value added services offerings, albeit not at levels to negate the negative effects mentioned above.

The results of the company and the group and the state of their affairs are set out in the attached financial statements and further information relating thereto is set out in the chief executive's report.

Corporate activity

Information relating to the company's interest in subsidiaries and details regarding associated companies, joint ventures and other investments is given on pages 104 and 105 of the annual financial statements.

Share capital

The group holds 8 076 120 (2009: 8 099 160) treasury shares of which 6 883 211 (2009: 6 883 211) shares are held for qualifying employees in the group in terms of the group's share incentive scheme. The balance of 1 192 909 (2009: 1 215 949) shares are held by a subsidiary of the company in order to take advantage of investment opportunities that may arise in future. During the year under review 23 040 shares were allocated out of treasury to employees for achievement awards.

No additional shares were issued as part of share incentive schemes. However, 3 491 133 of unallocated shares were transferred from the Kelly Management Trust to the Kelly Share Appreciation Plan in order to settle future allocations.

Directors

The directors of the company during the year and at the date of this report are as follows:

Independent non-executive

- Y Dladla
- RM Hartmann - resigned 22 November 2010
- MG Ilsley - appointed 13 October 2010
- MW McCulloch (Deputy chairman)
- CJ Roodt
- PJJ van der Walt
- K Molewa - resigned 23 February 2010

Non-executive

- MM Ngoasheng (Chairman)
- B Ngonyama - appointed 23 February 2010
- JA Gnodde - resigned 22 February 2010

Executive

- ME Monage (Human resources director)
- F Pieterse (Group financial director)
- GJ Wilson (Chief executive)
- PM Mdwaba - removed 24 August 2010

Dividends to shareholders

A dividend of 21.5 (2009: 36.0) cents per share was paid on 11 January 2010.

The board decided not to declare any dividend at its meeting on 22 November 2010.

Secretary

Kevin Fihrer

- **Business address**
  6 Protea Place, Cnr Fredman Drive, Sandton, 2196

- **Postal address**
  Private Bag X44, Benmore, 2010

Subsidiary companies

Details of the company's investment in subsidiary companies are set out on pages 104 and 105 of the annual financial statements. The attributable interests of the holding company in the aggregate profits and losses after taxation of the subsidiaries are:

Subsidiary companies (R000)	2010	2009
Profits	**26 064**	18 061
Losses	**(6 852)**	(4 589)

Borrowing powers

In terms of the articles of association of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate. At the year end the company's borrowings amounted to R122 million (2009: R166 million) (refer to note 13 to the annual financial statements).

Auditors

Grant Thornton will continue in office in accordance with section 270(2) of the Companies Act.

Directors' interests

There has been no material change in the directors' interests in shares on 30 September 2010 and as of the date of this report.

No director has a material interest in any contract of significance with the company or any of its subsidiaries that could give rise to a conflict of interest.

Going concern

The directors are of the opinion that the business will be a going concern in the year ahead. In reaching this opinion, the directors considered the following factors:

- strong positive cash flows from operating activities;
- well controlled working capital and good cash flow management;
- sufficient short and long-term financing;
- key executive management in place;
- there have been no material changes that may affect the group in any of our customer or geographic markets; and
- budgets to September 2011 reflect a continuation of the positive issues above.

Special resolution

During the year under review, a special resolution was passed at the annual general meeting giving authority for a general repurchase of shares of up to 10% of the issued share capital. This authority is in place until the next annual general meeting.

Directors' interests	**2010 Direct**	**2010 Indirect**	2009 Direct	2009 Indirect
Executive				
ME Monage	**-**	**600 000**	61 827	600 000
F Pieterse	**-**	**-**	-	-
GJ Wilson	**-**	**4 000 000**	-	4 000 000
PM Mdwaba (no longer a director)	**-**	**-**	-	500 000
	-	**4 600 000**	61 827	5 100 000
Non-executive				
Y Dladla	**-**	**-**	-	-
RM Hartmann	**-**	**-**	-	-
MG Ilsley	**-**	**-**	-	-
MW McCulloch	**1 739 927**	**-**	1 839 927	900 000
MM Ngoasheng	**-**	**30 766 249#**	**-**	30 766 249#
B Ngonyama	**-**	**-**	-	-
CJ Roodt	**-**	**-**	-	-
PJJ van der Walt	**-**	**84 000**	-	84 000
K Molewa (no longer a director)	**-**	**-**	-	-
JA Gnodde (no longer a director)	**-**	**-**	-	-
	1 739 927	**30 850 249**	1 839 927	31 750 249
Total	**1 739 927**	**35 450 249**	1 901 754	36 850 249

The total shareholdings for Safika Holdings (Pty) Ltd and the Safika Ditikeni Consortium have been included as MM Ngoasheng's shareholding, as the JSE Listing Requirements states that if a director has the de facto right to vote on the shares, these shares should be classified as indirect beneficial.

Statement of financial position

at 30 September 2010

R000	Note	Group 2010	Group 2009	Company 2010	Company 2009
Assets					
Non-current assets		**255 259**	222 437	**580 687**	564 228
Property, plant and equipment	2	**18 317**	22 022	**7 458**	9 361
Goodwill	3	**57 334**	57 254	**41 633**	41 633
Trademarks	4	**95 175**	95 175	**102 648**	102 648
Other intangible assets	5	**51 935**	38 286	**15 767**	21 405
Investment in subsidiaries	6	**-**	-	**262 201**	262 203
Investment in joint ventures	6	**3 082**	-	**3**	-
Other financial assets	7	**-**	-	**137 732**	126 978
Deferred taxation	8	**29 416**	9 700	**13 245**	-
Current assets		**369 940**	391 747	**90 683**	80 764
Inventories	9	**2 391**	978	**19**	-
Other financial assets	7	**19 040**	-	**78 433**	62 509
Trade and other receivables	10	**252 622**	245 673	**6 084**	12 210
Taxation		**6 688**	7 296	**6 045**	6 045
Cash and cash equivalents	28.5	**89 199**	137 800	**102**	-
Total assets		**625 199**	614 184	**671 370**	644 992
Equity and liabilities					
Equity capital and accumulated loss		**238 946**	235 346	**304 287**	311 373
Share capital and share premium	11	**280 970**	280 848	**355 822**	355 822
Equity due to change in control of interest	12	**(18 038)**	(18 038)	**-**	-
Share-based payment reserve	11	**2 483**	1 221	**2 483**	1 221
Translation reserve		**10 539**	12 629	**-**	-
Accumulated loss		**(37 885)**	(44 204)	**(54 018)**	(45 670)
Attributable to equity holders in parent		**238 069**	232 456	**304 287**	311 373
Non-controlling interests		**877**	2 890	**-**	-
Non-current liabilities		**122 146**	6 422	**195**	4 465
Interest-bearing borrowings	13	**119 467**	1 479	**195**	573
Deferred taxation	8	**2 679**	4 943	**-**	3 892
Current liabilities		**264 107**	372 416	**366 888**	329 154
Interest-bearing borrowings	13	**2 979**	164 477	**433**	572
Other financial liabilities	7	**158**	-	**210 774**	238 293
Trade and other payables	14	**153 089**	129 960	**36 692**	46 248
Accruals for staff benefits	15	**99 161**	74 519	**44 080**	37 142
Taxation		**5 009**	3 460	**-**	-
Bank overdraft	28.5	**3 711**	-	**74 909**	6 899
Total equity and liabilities		**625 199**	614 184	**671 370**	644 992

Statement of comprehensive income

for the year ended 30 September 2010

		Group		Company	
R000	Note	**2010**	2009	**2010**	2009
Revenue	16	**2 049 956**	2 256 968	**1 324 283**	1 360 959
Group operations		**2 049 956**	2 005 721	**1 324 283**	1 360 959
Former subsidiaries now under joint control	6	**-**	251 247	-	-
Cost of sales	17	**(1 584 503)**	(1 766 946)	**(1 044 721)**	(1 074 156)
Gross profit		**465 453**	490 022	**279 562**	286 803
Operating costs	18	**(413 622)**	(375 384)	**(254 364)**	(215 542)
Earnings before impairment,depreciation, amortisation, interest and taxation (EBITDA)		**51 831**	114 638	**25 198**	71 261
Group operations		**51 831**	106 514	**25 198**	71 261
Former subsidiaries now under joint control	6	**-**	8 124	**-**	-
Depreciation and amortisation		**(19 672)**	(16 044)	**(9 362)**	(7 324)
Operating profit	19	**32 159**	98 594	**15 836**	63 937
(Increase)/decrease in allowance for impairment of investments and loans		**(5 945)**	-	**(10 979)**	10 369
Dividends received		**-**	-	**8 657**	10 757
Share of net profit from joint ventures	6	**1 583**	-	**-**	-
Profit before financing costs		**27 797**	98 594	**13 514**	85 063
Net financing costs	20	**(14 690)**	(15 817)	**(15 491)**	(13 095)
Interest received		**9 573**	7 166	**12 242**	10 233
Interest paid		**(24 263)**	(22 983)	**(27 733)**	(23 328)
Profit before taxation		**13 107**	82 777	**(1 977)**	71 968
Taxation	21	**13 202**	(24 013)	**15 129**	(10 857)
Profit for the year		**26 309**	58 764	**13 152**	61 111
Attributable to equity holders in the parent		**26 078**	56 257	**13 152**	61 111
Attributable to non-controlling interests		**231**	2 507	**-**	-
Other comprehensive income					
□ Exchange difference on translating foreign operations		**(2 090)**	(2 701)	**-**	-
Total comprehensive income for the year		**24 219**	56 063	**13 152**	61 111
Attributable to equity holders in the parent		**23 988**	53 556	**13 152**	61 111
Attributable to non-controlling interests		**231**	2 507	**-**	-
Earnings per share attributable to equity holders in the parent					
Basic					
□ Earnings per share (cents)	29	**28.4**	61.3		
□ Headline earnings per share (cents)		**28.4**	61.7		
Diluted					
□ Earnings per share (cents)	29	**28.2**	61.3		
□ Headline earnings per share (cents)		**28.2**	61.7		

Statement of changes in equity

for the year ended 30 September 2010

R000	Share capital and share premium	Share-based payment reserve	Accu-mulated loss	Total
Company				
Balance at 1 October 2008	**355 822**	**-**	**(70 781)**	**285 041**
Share-based payment reserve	-	1 221	-	1 221
Total comprehensive income for the year	-	-	61 111	61 111
Dividends paid	-	-	(36 000)	(36 000)
Balance at 1 October 2009	**355 822**	**1 221**	**(45 670)**	**311 373**
Share-based payment reserve	-	1 262	-	1 262
Total comprehensive income for the year	-	-	13 152	13 152
Dividends paid	-	-	(21 500)	(21 500)
Balance at 30 September 2010	**355 822**	**2 483**	**(54 018)**	**304 287**

	Attributable to equity holders of parent							
R000	Share capital and share premium	Trans-lation reserve	Equity due to change in control of interest	Share-based payment reserve	Accu-mulated loss	Total	Non-controlling interests	Total
Group								
Balance at 1 October 2008	**269 091**	**15 330**	**(18 038)**	**-**	**(67 406)**	**198 977**	**2 683**	**201 660**
Share-based payment reserve	-	-	-	1 221	-	1 221	-	1 221
Acquisition of Torque IT using treasury shares	11 264	-	-	-	-	11 264	-	11 264
Sale of treasury shares	493	-	-	-	-	493	-	493
Total comprehensive income for the year	-	(2 701)	-	-	56 257	53 556	2 507	56 063
Dividends paid	-	-	-	-	(33 055)	(33 055)	(2 300)	(35 355)
Balance at 1 October 2009	**280 848**	**12 629**	**(18 038)**	**1 221**	**(44 204)**	**232 456**	**2 890**	**235 346**
Reversal of non-controlling interests	-	-	-	-	-	-	(1 776)	(1 776)
Share-based payment reserve	-	-	-	1 262	-	1 262	-	1 262
Sale of treasury shares	122	-	-	-	-	122	-	122
Total comprehensive income for the year	-	(2 090)	-	-	26 078	23 988	231	24 219
Dividends paid	-	-	-	-	(19 759)	(19 759)	(468)	(20 227)
Balance at 30 September 2010	**280 970**	**10 539**	**(18 038)**	**2 483**	**(37 885)**	**238 069**	**877**	**238 946**

Statement of cash flows

for the year ended 30 September 2010

R000	Note	Group 2010	Group 2009	Company 2010	Company 2009
Cash flows from/(to) operating activities		**18 977**	37 580	**(48 179)**	26 099
Profit/(loss) before taxation		**13 107**	82 777	**(1 977)**	71 968
Adjustments		**40 180**	34 455	**37 275**	12 667
□ Increase in/(reversal of) allowance for impairment of investments and loans		**5 945**	-	**10 979**	(10 369)
□ Depreciation and amortisation		**19 672**	16 044	**9 362**	7 324
□ Loss on disposal of property, plant and equipment		**13**	480	**-**	503
□ Net financing costs		**14 690**	15 817	**15 491**	13 095
□ Share of net profit from joint ventures		**(1 583)**	-	**-**	-
□ Share-based payments		**1 443**	2 114	**1 443**	2 114
Operating profit before working capital changes		**53 287**	117 232	**35 298**	84 635
Decrease/(increase) in working capital		**8 134**	(11 766)	**(44 477)**	204
□ (Increase)/decrease in inventories		**(896)**	568	**(19)**	-
□ (Increase)/decrease in trade and other receivables		**(7 659)**	3 774	**6 126**	1 204
□ Increase/(decrease) in trade and other payables		**62 306**	(16 108)	**(2 798)**	(2 936)
□ (Increase) in current financial assets		**(24 986)**	-	**(20 267)**	(45 459)
□ (Decrease)/increase in current financial liabilities		**(20 631)**	-	**(27 519)**	47 395
Cash generated from operations		**61 421**	105 466	**(9 179)**	84 839
Net financing costs		**(14 690)**	(15 817)	**(15 491)**	(13 095)
Dividends paid		**(20 227)**	(35 355)	**(21 500)**	(36 000)
Taxation paid	28.2	**(7 527)**	(16 714)	**(2 009)**	(9 645)
Cash flows from investing activities		**(30 341)**	(48 878)	**(19 212)**	(29 003)
Acquisition of intangible assets		**(22 882)**	(14 695)	**(11 896)**	(4 460)
Acquisition of property, plant and equipment		**(7 590)**	(12 342)	**(2 560)**	(4 071)
Proceeds on disposal of property, plant and equipment	28.3	**9**	125	**8**	62
Proceeds on disposal of intangible assets	28.4	**-**	-	**12 627**	-
Investment in subsidiaries		**-**	(21 954)	**-**	(21 925)
Sale/(acquisition) of treasury shares		**122**	(12)	**-**	-
(Increase)/decrease in non-current financial assets		**-**	-	**(17 391)**	1 391
Cash flows from financing activities		**(43 510)**	(679)	**(517)**	(1 713)
Repayment of interest-bearing borrowings		**(43 510)**	(679)	**(517)**	(1 713)
Net decrease in cash and cash equivalents		**(54 874)**	(11 977)	**(67 908)**	(4 617)
Cash held by former subsidiaries now under joint control		**4 305**	-	**-**	-
Forex translation difference on offshore cash		**(1 743)**	(3 220)	**-**	-
Cash and cash equivalents at the beginning of the year		**137 800**	152 997	**(6 899)**	(2 282)
Cash and cash equivalents at the end of the year	28.5	**85 488**	137 800	**(74 807)**	(6 899)

Notes to the consolidated annual financial statements

30 September 2010

1 Accounting policies

Basis of accounting

The financial statements have been prepared on the historical cost basis except for the measurement of certain financial instruments at fair value.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in a manner required by the Companies Act of South Africa. The principal accounting policies adopted are set out below and have been consistently applied with the prior year.

Basis of consolidation

The group annual statements incorporate the annual financial statements of the company and the entities it controls. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain the benefits from its activities. The operating results of the subsidiaries are consolidated from the date on which effective control is transferred to the group and up to the effective date of disposal.

Separate disclosure is made of non-controlling interests where the group's investment is less than 100%. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the interests' share of the changes in equity since the date of the combination. Losses applicable to the non-controlling interests in the subsidiary's equity are allocated against the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Transactions that result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The Kelly BEE Management Trust, Kelly Management Trust and Kelly Share Appreciation Rights Scheme Trust are consolidated into the group's financial statements. The shares in the company owned by the trusts are treated as treasury shares, held at cost and presented in equity. Dividends received from treasury shares are eliminated on consolidation. The treasury shares are deducted from shares in issue in calculating earnings per share. Considerations paid or received are recognised directly in equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the group's own equity instruments.

All intercompany transactions and resulting profits and losses between group companies are eliminated in full on consolidation.

Business combinations

Group financial statements

On acquisition, the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value. The excess of cost of shares acquired over the fair value of subsidiaries' identifiable assets at date of acquisition is expressed as goodwill. Where non-controlling interests are acquired subsequent to initial acquisition, the excess of cost of the shares acquired over their carrying value is presented as equity.

Company financial statements

Investments in subsidiaries are carried at cost less accumulated impairment losses.

Cost is the sum of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, equity instruments issued by the company and any costs directly attributable to the purchase of the subsidiary.

Interests in joint ventures and associates

A joint venture is a contractual agreement whereby the group and other parties undertake an economic activity that is subject to joint control, that is when the strategic, financial and operating policy decisions relating to the activities of the joint venture require the consent of the parties sharing control.

An associate is an enterprise over which the group has significant influence, and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

Group financial statements

The results, assets and liabilities of joint ventures and associates are incorporated in these group financial statements using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the profits or losses of the investee after acquisition date. Any impairment losses are deducted from the carrying amount of the investment. Distributions received from a joint venture or associate reduce the carrying amount of the investment.

Any goodwill on acquisition of a joint venture is included in the amount of the investment, however a gain on acquisition is recognised immediately in profit or loss. Profits or losses on transactions with a joint venture are eliminated to the extent of the group's interest therein.

Losses in a joint venture in excess of the group's interest in that venture are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the joint venture partner.

Company financial statements

Investments in joint ventures and associates are carried at cost less any accumulated impairment losses.

Judgements, estimates and assumptions

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements, estimates and assumptions include:

Loans and receivables

The group assesses its loans and receivables for impairment at each reporting date. In determining

whether an impairment loss should be recorded in profit or loss, management exercises judgement as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing
The group assesses its goodwill, trademarks and investments for impairment at each reporting date. Such impairment calculations require the use of estimated future cash flows and appropriate discount rates.

Provisions
Provisions raised are measured at the group's best estimate based on the information prevailing at year end.

Taxation
The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Share-based payments
The group uses the actuarial binomial model to determine the value of the shares granted at issue date.

Refer to note 11 for the details of share-based payments and assumptions used.

Residual values and useful lives of assets
The group exercises judgement in determining the useful lives and residual values of property, plant and equipment, and intangible assets.

Purchase price allocation relating to acquisitions
The group exercises judgement in determining the purchase price allocation, intangible assets, fair value adjustments and resulting goodwill relating to any acquisitions.

Goodwill
Goodwill arising on consolidation of a subsidiary represents the excess of the cost of acquisition over the group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Any deficiency in the cost of the acquisition below the fair values of the identifiable net assets (ie discount on acquisition) is credited to profit or loss in the period of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment
The cost of an item of property, plant or equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and reduced by any impairment losses.

Depreciation is provided on property, plant and equipment, to write down the cost, less residual value, by equal instalments over their useful lives as follows on the next page.

Item	Useful life
Computer equipment	3 to 5 years
Furniture and office equipment	5 to 6 years
Motor vehicles	4 to 5 years
Leasehold improvements	Shorter of lease period or useful life

The useful lives and residual values are assessed at each reporting date and adjusted if appropriate.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain on loss arising on the disposal or retirement of an asset is recognised in profit or loss when the item is derecognised.

Intangible assets
Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. They are recognised only when the cost can be measured reliably and the future expected benefits attributable to the asset are assured.

An intangible asset arising from development within the group, such as computer software, is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it is amortised over its useful life. Amortisation is provided for on computer software to write down the cost on a straight line basis over its estimated life. Amortisation periods and methods of amortisation for intangible assets with a finite useful life are reviewed annually or earlier where an indicator of impairment exists. Intangible assets assessed as having indefinite useful lives are not amortised, as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the group. Intangible assets with indefinite useful lives are reviewed annually to ensure that the carrying value does not exceed the recoverable amount, regardless of whether an indicator of impairment is present and whether or not the intangible asset continues to have an indefinite life.

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Intangible assets are further written down to the extent that the balances will in all probability no longer be recovered from expected future economic benefits.

Item	Useful life
Trademarks	Indefinite life
Computer software	2-7 years

Impairment of tangible and intangible assets excluding goodwill
The group assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

The recoverable amount of an asset or a cash-generating unit is the higher or its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

The reduction is an impairment loss which is recognised immediately in profit or loss.

Financial instruments
The group classifies financial instruments, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the group statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value.

After initial recognition these instruments are measured as follows:

Trade and other receivables
Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount

and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Financial liabilities and bank overdrafts
Financial liabilities are recognised at amortised cost, being the original debt less principal payments and amortisation.

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Investments held at fair value through profit and loss
Investments are measured at fair value. Fair value represents the current market value where a regulated market exists. Otherwise fair value is determined by the directors. The directors' valuation is calculated on a basis of return or net asset value as is deemed appropriate.

Changes in the fair value of investments are recognised in profit or loss in the period in which they arise.

Trade and other payables
Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Loans to/from group companies
These include loans to/from holding companies, fellow subsidiaries, subsidiaries, joint ventures, associates and trusts.

These loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. These are subsequently recorded at fair value.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of any entity after deducting all of its liabilities.

Provisions
Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, and it is probable that the group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle that obligation at reporting date, and are discounted to present value where the effect is material. Contingent assets and contingent liabilities are not recognised.

Taxation
Current tax assets and liabilities
Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities
Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which:
- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit not taxable profit (tax loss).

A deferred taxation asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Tax expenses

Income tax expense represents the sum of tax currently payable and deferred tax.

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Secondary Taxation on Companies (STC) is payable on net dividends paid and is recognised as a tax charge in profit or loss in the year it is incurred.

Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render service that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received are measured, and the corresponding increase in equity, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity are measured indirectly by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the group accounts for these services on a straight-line basis over the vesting period. If the share-based payments vest immediately the services rendered are recognised in full.

Leases

Operating leases

Leases where the lessor retains the risks and rewards or ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the lease term.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

Finance leases

Leases are classified as financial leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee.

Financial leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate

implicit in the lease. Any initial direct costs are added to the amount recognised as an asset. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Revenue

Revenue comprises placement fees, outsourcing, business process outsourcing and other fees charged to customers and royalties received, excluding value added tax.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Revenue from outsourcing services is recognised as and when the services are provided by the employees. Revenue for placement fees is recognised when the candidate commences work at the client.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreement.

Interest is recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividends are recognised on the shareholder's right to receive payment. Scrip dividends received in terms of capitalisation issues where a cash alternative is offered, are treated as dividends received at a value equivalent to the cash dividend alternative.

Cost of sales

Cost of sales includes the cost of direct salaries and expenses incurred and inventories consumed and supplied in delivering of services.

Inventories

Inventories, which comprise consumables, are carried at the lower of cost, determined on a weighted average cost basis and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Translation of foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Rand which is the group functional and presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded on initial recognition in Rand, by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are reported using the closing rate;
- non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and
- non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised in the results of the period in which they arise.

Foreign entities

In translating the financial statements of a foreign entity for incorporation in the financial statements, the following procedures are used:

- the assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at the closing rate;
- income and expense items of the foreign entity are translated at exchange rates at the dates of transactions using the average rate; and
- all resulting exchange differences are classified as a separate component of equity until the disposal of the net investment.

Exchange differences arising on monetary items that in substance form part of a net investment in a foreign operation, are recognised initially to other comprehensive income and accumulated in the translation reserve.

They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of the net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

Offsetting
Financial assets and financial liabilities are only offset if there is a legally enforceable right to set off the recognised amounts and there is an intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Government grants
Government grants for staff training costs are recognised in profit or loss over the periods necessary to match them with the related costs, and are deducted in reporting the related expense. The grants are recognised when there is reasonable assurance that:

- the group will comply with the conditions attaching to them; and
- the grants will be received.

Borrowing costs
All borrowing costs are dealt with in the statement of comprehensive income in the period in which they are incurred.

Segmental information
In identifying its operating segments, management generally follows the group's service lines, which represent the main products and services provided by the group.

Each of these operating segments is managed separately. All inter-segment transfers are carried out at arm's length prices. In addition, corporate assets, liabilities, and operating costs which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial periods under review, this primarily applies to group's head office.

The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in the financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Comparative figures
Comparative figures are restated if required by the applicable accounting standard and where material, details of these restatements have been included in note 32 to the financial statements.

New standards and interpretations
Standards and interpretations effective and adopted in the current year
The Kelly Group has adopted the following new interpretations, revisions and amendments to IFRS which are relevant to and effective for the group's financial statements for the annual period beginning 1 October 2009. Significant effects in current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below.

Statements and interpretations - effective and adopted

Standard/interpretation	IAS 1
Standard/interpretation name	Presentation of financial statements
Key features of changes and new requirements	The changes require information in financial statements to be aggregated on the basis of shared characteristics and introduce a statement of comprehensive income. The revision includes changes in titles of financial statements to reflect their functions more clearly.
Impact	The measurement and recognition of the group's assets, liabilities, income and expenses are unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income. The titles to some of the financial statement components have changed, where the 'balance sheet' has become the 'statement of financial position' and the 'cash flow statement' has become the 'statement of cash flows'. The 'income statement' has been replaced by a 'statement of comprehensive income', that also presents non-owner changes in equity.
Type	Revision
Effective date	1 January 2009 (period commencing on or after)
Standard/interpretation	IFRS 8
Standard/interpretation name	Operating segments
Key features of changes and new requirements	IFRS 8 requires an entity to adopt a 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to report is what management uses internally for evaluating segment performance and deciding how to allocate resources to those segments.
Impact	Certain disclosures in the annual report have been affected, notably an increase in the granularity of the segmental analysis report.
Type	New
Effective date	1 January 2009 (period commencing on or after)

Standards and interpretations not yet effective and not early adopted

At the date of authorisation of these financial statements, certain new standards and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's financial statements.

Statements and interpretations - not yet effective

Standard/interpretation	IAS 7
Standard/interpretation name	Statement of cash flows
Key features of changes and new requirements	The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.
Impact	No material impact on the group expected.
Type	Amendment
Effective date	1 January 2010 (period commencing on or after)
Standard/interpretation	IAS 17
Standard/interpretation name	Leases
Key features of changes and new requirements	The amendment removes the guidance that leases of land, where title does not transfer, are operating leases. The amendment therefore requires that lease classification for land be assessed in the same manner as for all other leases.
Impact	No material impact on the group expected.
Type	Amendment
Effective date	1 January 2010 (period commencing on or after)
Standard/interpretation	IAS 24
Standard/interpretation name	Related party disclosure
Key features of changes and new requirements	IAS 24 - Related party disclosure (as revised in 2009) modifies the definition of a related party to clarify the intended meaning and remove some inconsistencies. For example, the revised standard makes it explicitly clear that in the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.
Impact	No material impact on the group expected.
Type	Amendment
Effective date	1 January 2011 (period commencing on or after)
Standard/interpretation	IAS 36
Standard/interpretation name	Impairment of assets
Key features of changes and new requirements	The new amendment requires that, for the purpose of goodwill testing, each group of units to which goodwill is allocated shall not be larger than an operating segment as defined in paragraph 5 of IFRS 8 - Operating segments.
Impact	No material impact on the group expected.
Type	Amendment
Effective date	1 January 2010 (period commencing on or after)
Standard/interpretation	IFRS 2
Standard/interpretation name	Group cash-settled share-based payment transactions
Key features of changes and new requirements	The amendment provides that for share-based payment transactions among group entities, the entity receiving the goods or services shall recognise the transaction as an equity-settled share-based payment transaction if either the awards granted are its own equity instruments or the entity has no obligation to settle the transaction. In all other circumstances, such transactions shall be accounted for as cash-settled share-based payment transactions.
Impact	No material impact on the group expected.
Type	Amendment
Effective date	1 January 2010 (period commencing on or after)

Standards and interpretations not yet effective and not early adopted *(continued)*

Standard/interpretation	IFRS 3
Standard/interpretation name	Business combinations
Key features of changes and new requirements	The choice of measuring non-controlling interests either at fair value or at the proportionate share in the recognised amounts of an acquiree's identifiable net assets, is now limited to non-controlling interests that are present ownership instruments and entitled their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRS. The amendment further clarifies the guidance for the accounting of share-based payment transactions of the acquiree that were voluntarily replaced by the acquirer and the acquiree awards that the acquirer chooses not to replace.
Impact	No material impact on the group expected.
Type	Amendment
Effective date	1 July 2010 (period commencing on or after)
Standard/interpretation	IFRS 5
Standard/interpretation name	Non-current assets held for sale and discontinued operations
Key features of changes and new requirements	The amendment specifies that disclosures of other standards do not apply to non-current assets held for sale or discontinued operations, unless specifically required by other standards, or for measurement disclosures of assets and liabilities in a disposal group which are outside the measurement requirements of IFRS 5.
Impact	No material impact on the group expected.
Type	Amendment
Effective date	1 January 2010 (period commencing on or after)
Standard/interpretation	IFRS 8
Standard/interpretation name	Operating segments
Key features of changes and new requirements	Clarifies that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision maker.
Impact	No material impact on the group expected, however may affect certain disclosures in the segmental analysis report.
Type	Amendment
Effective date	1 January 2010 (period commencing on or after)
Standard/interpretation	IFRS 9
Standard/interpretation name	Financial instruments
Key features of changes and new requirements	IFRS 9 - Financial instruments was issued in November 2009 and amended in October 2010. The standard introduces new requirements for the classification and measurement of financial assets and financial liabilities. IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 - Financial instruments: recognition and measurement, to be subsequently measured at amortised cost or fair value. The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability, designated as at fair value through profit or loss, attributable to changes in the credit risk of that liability. The requirements in IAS 39 related to the derecognition of financial assets and financial liabilities have been incorporated unchanged into the new version of IFRS 9.
Impact	Management have yet to assess the impact that this new and amended standard is likely to have on the financial statements of the group.
Type	New
Effective date	1 January 2013 (period commencing on or after)

R000	Group 2010	Group 2009	Company 2010	Company 2009
2 Property, plant and equipment				
Cost				
Furniture and office equipment	**18 973**	19 028	**12 394**	12 252
Computer equipment	**48 653**	44 425	**30 144**	28 931
Motor vehicles	**3 107**	3 072	**2 692**	2 692
Leasehold improvements	**7 594**	6 142	**6 235**	5 071
	78 327	72 667	**51 465**	48 946
Accumulated depreciation				
Furniture and office equipment	**14 488**	12 458	**10 779**	9 831
Computer equipment	**38 282**	32 965	**27 000**	25 069
Motor vehicles	**2 054**	1 490	**1 816**	1 361
Leasehold improvements	**5 186**	3 732	**4 412**	3 324
	60 010	50 645	**44 007**	39 585
Carrying amount				
Furniture and office equipment	**4 485**	6 570	**1 615**	2 421
Computer equipment	**10 371**	11 460	**3 144**	3 862
Motor vehicles	**1 053**	1 582	**876**	1 331
Leasehold improvements	**2 408**	2 410	**1 823**	1 747
	18 317	22 022	**7 458**	9 361
2.1 Movement for the year				
Cost				
At the beginning of the year	**72 667**	61 541	**48 946**	46 385
Acquisition of business	**-**	4 542	**-**	-
Additions	**7 590**	12 342	**2 560**	4 071
Disposals	**(79)**	(4 478)	**(41)**	(1 510)
Transfer to intangible assets and inventories	**(1 094)**	-	**-**	-
Former subsidiaries now under joint control	**(302)**	-	**-**	-
Translation difference	**(455)**	(1 280)	**-**	-
At the end of the year	**78 327**	72 667	**51 465**	48 946
Accumulated depreciation				
At the beginning of the year	**50 645**	44 039	**39 585**	34 832
Charge for the year	**10 029**	11 215	**4 455**	5 698
Disposals	**(57)**	(3 873)	**(33)**	(945)
Transfer to intangible assets and inventories	**(69)**	-	**-**	-
Former subsidiaries now under joint control	**(255)**	-	**-**	-
Translation difference	**(283)**	(736)	**-**	-
At the end of the year	**60 010**	50 645	**44 007**	39 585

2.2 Refer to note 13 for details of the lease obligations. The net book value of assets held by the group under finance leases at 30 September 2010 amounted to R1.9 million (2009: R2.2 million), and by the company R1.2 million (2009: R1.8 million).

R000	Group 2010	Group 2009	Company 2010	Company 2009
3 Goodwill				
Goodwill	**64 322**	64 242	**47 023**	47 023
Accumulated impairment	**(6 988)**	(6 988)	**(5 390)**	(5 390)
	57 334	57 254	**41 633**	41 633

R000	Group 2010	Group 2009	Company 2010	Company 2009
3 Goodwill *(continued)*				
3.1 Movement for the year				
Balance at the beginning of the year	**57 254**	56 446	**41 633**	41 633
Acquisition of business - goodwill acquired	**-**	734	**-**	-
Acquisition of business - arising on acquisition	**-**	74	**-**	-
Prior acquisition of business - adjustment to goodwill	**80**	-	**-**	-
Balance at the end of the year	**57 334**	57 254	**41 633**	41 633
3.2 The composition of goodwill is as follows:				
☐ M Squared Consulting	**19 583**	19 583	**-**	-
☐ PayAccSys	**867**	867	**-**	-
☐ Frontline	**35 996**	35 996	**35 996**	35 996
☐ Torque IT	**888**	808	**-**	-
☐ Kelly Industrial	**-**	-	**5 637**	5 637
	57 334	57 254	**41 633**	41 633

3.3 For impairment testing of goodwill, refer to note 4.3.

4 Trademarks

R000	Group 2010	Group 2009	Company 2010	Company 2009
Cost	**113 360**	113 360	**106 148**	106 148
Accumulated amortisation and impairment	**(18 185)**	(18 185)	**(3 500)**	(3 500)
	95 175	95 175	**102 648**	102 648
4.1 Movement for the year				
Balance at the beginning of the year	**95 175**	64 730	**102 648**	102 648
Additions	**-**	30 445	**-**	-
Balance at the end of the year	**95 175**	95 175	**102 648**	102 648

4.2 Indefinite useful life – trademarks

The useful lives of the trademarks have been assessed as being indefinite.

The following considerations support the assessment of an indefinite useful life for each of these trademarks.

- Expected usage of the trademarks is ongoing.
- Typical life cycle of the trademarks is continuous.
- Commercial obsolescence in respect of the trademarks is minimal.
- The industry in which the trademarks operate is stable.
- The group has full control over the trademarks.

R000	Group 2010	Group 2009	Company 2010	Company 2009
The composition of trademarks is as follows:				
☐ Kelly	**53 405**	53 405	**61 439**	61 439
☐ PAG	**407**	407	**12 202**	12 202
☐ Renwick/Accountants On Call	**744**	744	**18 833**	18 833
☐ Frontline	**10 174**	10 174	**10 174**	10 174
☐ Torque IT	**30 445**	30 445	**-**	-
	95 175	95 175	**102 648**	102 648

4.3 Impairment testing of trademarks and goodwill

The recoverable amount of the underlying cash generating units, which has been used to assess any potential impairment of trademarks and goodwill, has been determined based on a value-in-use calculation using the cash flow projections for the forthcoming financial year as per the financial budgets approved by the directors, adjusted for expected annual growth thereafter.

The average growth rate used for years 2 to 5 for the various cash generating units was 8.3% (2009: 7.7%) per annum, and 6.1% (2009: 6.1%) per annum thereafter into perpetuity. The discount rate applied to the cash flow projections was 12.8% (2009: 10.6%). In determining the cash flow projections for the forthcoming financial year, sales, gross margins and costs were based on historical performance. Management believes that any reasonable possible change in the key assumptions would not cause the carrying amounts of the cash generating units to exceed the recoverable amounts.

These calculations indicated that there was no impairment in the carrying value of the trademarks or the goodwill.

R000	Group 2010	Group 2009	Company 2010	Company 2009

5 Other intangible assets

Computer software				
Cost	**80 403**	72 934	**28 788**	44 547
Accumulated amortisation	**(28 468)**	(34 648)	**(13 021)**	(23 142)
	51 935	38 286	**15 767**	21 405

5.1 Movement for the year

Balance at the beginning of the year	**38 286**	28 550	**21 405**	18 572
Additions	**16 576**	14 695	**8 986**	4 459
Additions - work in progress	**6 306**	-	**2 910**	-
Amortisation	**(9 643)**	(4 829)	**(4 907)**	(1 626)
Disposals	**-**	-	**(12 627)**	-
Transfer from property, plant and equipment	**508**	-	**-**	-
Translation difference	**(98)**	(130)	**-**	-
Balance at the end of the year	**51 935**	38 286	**15 767**	21 405

5.2 The annual assessment of residual value and useful life of all purchased and in-house developed software resulted in an additional amortisation charge of R2.9 million during the current year.

5.3 Refer to note 13 for details of lease obligations. The net book value of assets held by the group under finance leases at 30 September 2010 amounted to R10.3 million (2009: R10.3 million), and by the company R7.3 million (2009: R7.3 million).

R000	Group 2010	Group 2009	Company 2010	Company 2009

6 Investments in subsidiaries and joint ventures

6.1 Investment in subsidiaries

Shares	**-**	-	**262 201**	262 203
	-	-	**262 201**	262 203

Details of the investment in subsidiaries are set out on pages 104 and 105 in the schedule of interests in subsidiary companies.

6.2 Investment in joint ventures

The basis for operating three investments changed during the year ended September 2010. The change in circumstance resulted in these investments, previously consolidated, to be accounted for as joint ventures using the equity method prospectively in terms of IAS 28 - Investments in associates.

The group holds the following interests in unlisted joint ventures:

R000	Group 2010	Group 2009	Company 2010	Company 2009
Shares				
□ Marula Staffing Services (Pty) Ltd [49%]	**968**	-	**1**	-
□ Sizano Staffing Services (Pty) Ltd [45%]	**2 114**	-	**2**	-
□ Workforce Management (Pty) Ltd [49%]	**-**	-	**-**	-
	3 082	-	**3**	-

R000	Group 2010	Group 2009	Company 2010	Company 2009

6 Investments in subsidiaries and joint ventures *(continued)*

6.2 Investment in joint ventures *(continued)*

	Group 2010	Group 2009	Company 2010	Company 2009
Movement for the year				
Balance at the beginning of the year	-	-	-	-
Former subsidiaries now under joint control	1 499	-	3	-
Share of net profit from joint ventures	1 583	-	-	-
□ Profits	1 647	-	-	-
□ Losses*	(64)	-	-	-
Balance at the end of the year	3 082	-	3	-

* Share of losses not reported as they exceeded the carrying value of investment amounted to R2.9 million. Note however, that raising an allowance for the impairment on the loan to this investment effectively reports this loss.

	Group 2010	Group 2009	Company 2010	Company 2009
Aggregate results of joint ventures				
Revenue	233 461	-	233 461	-
Net profit for the year	(2 519)	-	(2 519)	-
□ Profits	3 559	-	3 559	-
□ Losses	(6 078)	-	(6 078)	-
Aggregate assets and liabilities				
Non-current assets	1 166	-	1 166	-
Current assets	34 559	-	34 559	-
Total assets	35 725	-	35 725	-
Share capital	1	-	1	-
Accumulated net profit	756	-	756	-
Current liabilities	34 968	-	34 968	-
Total equity and liabilities	35 725	-	35 725	-

7 Other financial assets/ liabilities

7.1 Other financial assets

	Group 2010	Group 2009	Company 2010	Company 2009
Loans to subsidiaries	-	-	187 632	173 783
Impairment allowance	-	-	(21 077)	(24 615)
	-	-	166 555	149 168
Loans to trusts	-	-	67 578	68 042
Impairment allowance	-	-	(36 294)	(27 723)
	-	-	31 284	40 319
Loans to joint ventures	24 985	-	24 271	-
□ Loan to Sizano Staffing Services (Pty) Ltd	973	-	1 039	-
□ Loan to Workforce Management (Pty) Ltd	24 012	-	23 232	-
Impairment allowance	(5 945)	-	(5 945)	-
	19 040	-	18 326	-
Total loans net of impairments	19 040	-	216 165	189 487
Receivable within one year	19 040	-	78 433	62 509
Receivable after one year	-	-	137 732	126 978

The loans are unsecured and have no fixed terms of repayment. R44.7 million (2009: R82.9 million) of the loans to subsidiaries, joint ventures and trusts bear interest at varying rates and the balance are interest free. Loans to subsidiaries and trusts amounting to R184.6 million (2009: R171.0 million) have been subordinated in favour of other creditors until the assets of these subsidiaries fairly valued exceed their liabilities. At 30 September 2010 these subsidiaries had accumulated deficits of R62.6 million (2009: R52.7 million). Management is of the opinion that the net carrying value of loans approximates their fair value.

Further details of the loans to subsidiaries, trusts and joint ventures are set out on pages 104 and 105 in the schedule of interests.

R000	Group 2010	Group 2009	Company 2010	Company 2009
7.2 Other financial liabilities				
Loans from subsidiaries	-	-	210 610	238 293
Loan from joint venture				
□ Loan from Marula Staffing Services (Pty) Ltd	158	-	164	-
	158	-	210 774	238 293

The loans are unsecured interest free loans and have no fixed terms of repayment. Further details of the loans from subsidiaries and joint ventures are set out on pages 104 and 105 in the schedule of interests.

R000	Group 2010	Group 2009	Company 2010	Company 2009
8 Deferred taxation				
Deferred taxation balances are presented in the statement of financial position as follows:				
□ Deferred taxation assets	**29 416**	9 700	**13 245**	-
□ Deferred taxation liabilities	**(2 679)**	(4 943)	**-**	(3 892)
	26 737	4 757	**13 245**	(3 892)
Temporary differences in South African operations:	**23 665**	5 009	**13 245**	(3 892)
□ Accruals for staff benefits	**15 157**	13 369	**12 172**	9 041
□ Debtors' impairment	**404**	359	**-**	-
□ Payments in advance	**(690)**	(399)	**(182)**	(202)
□ Trademark deductions	**(14 338)**	(12 433)	**-**	(12 433)
□ Assets under finance leases	**(1 091)**	(1 015)	**(346)**	(493)
□ Liabilities under finance leases	**395**	320	**200**	321
□ Operating lease adjustments	**591**	606	**565**	535
□ Share-based payments	**866**	462	**866**	462
□ Deferred revenue	**494**	924	**-**	183
□ Deferred costs	**(411)**	-	**-**	-
□ Property, plant and equipment and intangible assets	**(6 165)**	(3 383)	**(14 338)**	(2 313)
□ Estimated tax losses carried forward	**28 453**	6 199	**14 308**	1 007
Temporary differences in offshore operations:	**3 072**	(252)	**-**	-
□ Property, plant and equipment and intangible assets	**(716)**	(763)	**-**	-
□ Allowance for doubtful debts	**253**	269	**-**	-
□ Other	**3 535**	242	**-**	-
	26 737	4 757	**13 245**	(3 892)
The movements during the year are analysed as follows:				
Balance at the beginning of the year	**4 757**	14 850	**(3 892)**	3 364
South African operations	**18 656**	(7 974)	**17 137**	(7 256)
□ Accruals for staff benefits	**1 788**	(3 680)	**3 131**	(3 625)
□ Debtors' impairment	**45**	(157)	**-**	-
□ Payments in advance	**(291)**	1 442	**20**	1 512
□ Trademark deductions	**(1 905)**	(3 056)	**12 433**	(3 056)
□ Assets and liabilities under finance leases	**(1)**	(77)	**26**	446
□ Operating lease adjustments	**(15)**	562	**30**	491
□ Share-based payments	**404**	450	**404**	450
□ Deferred revenue and costs	**(841)**	756	**(183)**	15
□ Property, plant and equipment and intangible assets	**(2 782)**	(3 383)	**(12 025)**	(2 313)
□ Estimated tax losses carried forward	**22 254**	(831)	**13 301**	(1 176)
Offshore operations	**3 324**	(2 119)	**-**	-
□ Property, plant and equipment and intangible assets	**-**	(1 070)	**-**	-
□ Accrued expenses	**-**	(998)	**-**	-
□ Other	**3 309**	(302)	**-**	-
□ Translation adjustment	**15**	251	**-**	-
Balance at the end of the year	**26 737**	4 757	**13 245**	(3 892)

R000	Group 2010	Group 2009	Company 2010	Company 2009
9 Inventory				
Inventory consists of training manuals, exam vouchers and printing materials on hand and time and attendance devices	**2 391**	978	**19**	-
10 Trade and other receivables				
Trade receivables	**242 518**	230 968	**1 757**	3 958
Other receivables	**10 104**	14 705	**4 327**	8 252
	252 622	245 673	**6 084**	12 210
Included in other receivables are the following balances:				
□ Prepayments	**7 225**	8 198	**2 974**	3 551
□ Deposits	**771**	762	**44**	79
□ Sundry debtors	**2 108**	5 745	**1 309**	4 622
	10 104	14 705	**4 327**	8 252
Trade receivables is analysed as follows:	**238 149**	225 319	**1 757**	3 958
Trade receivables	**239 228**	226 983	**1 757**	3 958
Allowance for doubtful debts	**(1 079)**	(1 664)	**-**	-
	4 369	5 649	**-**	-
Micro loan receivables	**6 257**	7 061	**-**	-
Allowance for doubtful debts	**(1 888)**	(1 412)	**-**	-
	242 518	230 968	**1 757**	3 958
Trade receivables				
The maximum exposure of credit risk for trade receivables at 30 September by industry type was:				
Business process outsourcing (BPO) and support services	**876**	1 105	**-**	-
Consumer goods and services (including retail)	**19 786**	15 862	**-**	-
Education	**4 253**	5 852	**1 757**	3 126
Financial services	**54 169**	37 100	**-**	-
Government and public sector entity	**22 966**	38 342	**-**	-
Health care	**4 671**	4 416	**-**	-
Information and communication technology (ICT)	**43 511**	24 404	**-**	674
Industrial goods, transportation and services	**22 470**	37 350	**-**	-
Media	**3 776**	3 877	**-**	-
Other	**22 637**	11 784	**-**	154
Telecommunications	**25 981**	30 369	**-**	-
Tourism, travel and leisure services	**13 093**	14 170	**-**	4
Utilities	**1 039**	2 352	**-**	-
	239 228	226 983	**1 757**	3 958
The maximum exposure to credit risk for trade receivables at 30 September by geographic region was:				
Domestic	**181 825**	192 269	**1 757**	3 958
Foreign	**57 403**	34 714	**-**	-
	239 228	226 983	**1 757**	3 958

Debtors' days outstanding at the end of September 2010 was 30 days (2009: 29 days). The group may charge interest on all overdue outstanding balances. The group has provided for all receivables that are considered to be non-recoverable.

The following key assumptions have been taken into account when calculating the allowance for doubtful debts: the level of ageing on outstanding debt; the financial health of the outstanding debtor; the ability and willingness of the debtor to make relevant payments; past and current payment profile; and the ability to resolve issues on accounts disputed. Before accepting a new customer, the group uses various external credit bureau and bank codes to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually and sooner if the group considers a change in credit quality from the date credit was initially granted up to the reporting period. There is no customer who represents more than 10% of trade receivables. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further provision required in excess of the allowance for doubtful debts.

10 Trade and other receivables *(continued)*

R166 million of trade receivables have been pledged to Investec Bank Limited (2009: R179 million to Sanlam Capital Markets) as security for the promissory notes issued to them (refer note 13.1).

The SA operations sell their debtors to a securitisation vehicle, Kelly Corporate Finance (Pty) Ltd (2009: Metway 2 (Pty) Ltd), which is consolidated in the group accounts on the basis that the company retains a significant portion of the residual risks and rewards.

Management is of the opinion that the net carrying value of trade receivables approximates their fair value.

	Group		Company	
R000	**2010**	2009	**2010**	2009
The ageing of trade receivables at the reporting dates was:				
Not past due (0 - 30 days)	**193 673**	182 546	**276**	1 138
Past due but not impaired (31 - 60 days)	**28 657**	30 567	**829**	2 031
Past due but not impaired (61 - 120 days)	**12 073**	10 922	**5**	337
Past due but not impaired (120 days +)	**4 825**	2 948	**647**	452
	239 228	226 983	**1 757**	3 958
Movement in allowance for doubtful debts				
Balance at the beginning of the year	**1 664**	1 482	**-**	-
Arising on acquisition of business	**-**	25	**-**	-
Increase in allowance recognised in profit or loss	**626**	1 516	**-**	-
Current year bad debts recognised in profit or loss	**(1 172)**	(1 294)	**-**	-
Translation difference	**(39)**	(65)	**-**	-
Balance at the end of the year	**1 079**	1 664	**-**	-
Micro loans receivables				
The maximum exposure credit risk for micro-lending receivables by client type is the following:				
Internal permanent staff	**2 646**	2 584	**-**	-
Internal temporary staff	**2 682**	3 590	**-**	-
External customers	**929**	887	**-**	-
	6 257	7 061	**-**	-

The group charges interest on all micro loans at rates compliant with the National Credit Act (NCA) as prescribed by the National Credit Regulator (NCR).

The group has provided for all current non-performing loans granted in 2010 and actively pursues recovery through legal and outsourced routes. All known bad debts older than 3 years are written off.

Before accepting a new customer, the group uses affordability criteria to assess the potential customer's credit quality including relevant credit bureau checks in compliance with NCA requirements. All non-performing loans granted in 2009 and 2008 have been provided for. Loans are limited in duration and extent. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

R000	Group 2010	Group 2009	Company 2010	Company 2009
10 Trade and other receivables *(continued)*				
The ageing of micro loan receivables at the reporting dates was:				
Not past due (0 - 30 days)	**3 689**	4 932	**-**	-
Past due but not impaired (31 - 60 days)	**132**	275	**-**	-
Past due but not impaired (61 - 120 days)	**107**	290	**-**	-
Past due but not impaired (120 days +)	**2 329**	1 564	**-**	-
	6 257	7 061	**-**	-
Movement in allowance for doubtful debts				
Balance at the beginning of the year	**1 412**	1 152	**-**	-
Increase in allowance recognised in profit or loss	**1 598**	568	**-**	-
Current year bad debts recognised in profit or loss	**(1 122)**	(308)	**-**	-
Balance at the end of the year	**1 888**	1 412	**-**	-
11 Share capital and share premium				
11.1 Authorised share capital				
1 000 000 000 ordinary shares of 0.01 cents each (2009: 1 000 000 000)	**100**	100	**100**	100
	100	100	**100**	100

Shares 000	Group 2010	Group 2009	Company 2010	Company 2009
11.2 Number of ordinary shares in issue				
Number of shares at the beginning of the year	**91 901**	89 879	**100 000**	100 000
Purchase of Torque IT	**-**	1 942	**-**	-
Net movement in treasury shares	**23**	80	**-**	-
Total number of shares	**91 924**	91 901	**100 000**	100 000
Comprising:				
Total shares in issue	**100 000**	100 000	**100 000**	100 000
Treasury shares held by trusts and subsidiary	**(8 076)**	(8 099)	**-**	-
	91 924	91 901	**100 000**	100 000

R000	Group 2010	Group 2009	Company 2010	Company 2009
11.3 Value of ordinary shares in issue				
Balance at the beginning of the year	**9**	9	**10**	10
Net movement in treasury shares	**-**	-	**-**	-
Balance at the end of the year	**9**	9	**10**	10
Comprising:				
Total shares in issue	**10**	10	**10**	10
Treasury shares held by trusts and subsidiary	**(1)**	(1)	**-**	-
Total value of shares	**9**	9	**10**	10
11.4 Share premium				
Balance at the beginning of the year	**280 839**	269 082	**355 812**	355 812
Issue for acquisition of Torque IT	**-**	11 264	**-**	-
Treasury shares	**122**	493	**-**	-
Balance at the end of the year	**280 961**	280 839	**355 812**	355 812
Share capital	**9**	9	**10**	10
Share premium	**280 961**	280 839	**355 812**	355 812
Total share capital and share premium	**280 970**	280 848	**355 822**	355 822

11 Share capital and share premium *(continued)*

11.5 10 000 000 (2009: 10 000 000) ordinary shares are under the control of the directors to allot and issue in terms of a resolution of the members passed at the last annual general meeting. This authority remains in force until the next annual general meeting, subject to the regulations of the JSE Limited.

11.6 Share schemes

11.6.1 Kelly BEE Management Trust and Kelly Management Trust

The trusts allocate shares to eligible employees of the group. Employees are entitled to sell these shares back to the trust after a three year vesting period or upon exiting the group (provided the shares have vested). Should the employee exit prior to the vesting of the shares, the shares are forfeited by the employee and repurchased by the trust for reallocation at original value.

Kelly BEE Management Trust

The trust owns 2.9 million (2009: 2.9 million) Kelly Group Ltd shares of which 0.7 million (2009: 0.5 million) were unallocated at 30 September 2010.

Shares 000	**2010**	2009
The shares were acquired as follows:		
□ Acquired from Logicaloptions Management Trust on listing	**1 459**	1 459
□ Acquired from Logicaloptions Management Trust since listing	**1 221**	1 221
□ Acquired from Kelly Management Trust	**185**	185
	2 865	2 865
The earliest years at which these shares can be sold back to the trust are as follows:		
□ 2010	**875**	1 010
□ 2012	**1 243**	1 333
□ Unallocated	**747**	522
	2 865	2 865

Shares 000 Date shares granted	Opening balance	Number cancelled or forfeited	Net movement in unallocated shares*	Closing balance	Price	R000 Value
3 April 2007	785	(105)	-	680	9.00	6 120
29 November 2007	225	(30)	-	195	10.40	2 028
9 January 2009	1 233	(90)	-	1 143	4.50	5 144
1 June 2009	100	-	-	100	4.10	410
Unallocated	522	-	225	747		
	2 865	(225)	225	2 865		

* Net shares granted 225

Shares 000	2010	2009

11 Share capital and share premium *(continued)*

11.6.1 ***Kelly BEE Management Trust and Kelly Management Trust*** *(continued)*

Kelly Management Trust

The trust owns 0.5 million (2009: 4.0 million) Kelly Group Ltd shares of which 0.01 million (2009: 2.8 million) were unallocated at 30 September 2010.

	2010	2009
The shares were acquired as follows:		
□ Acquired from Logicaloptions Management Trust on listing	**750**	750
□ Acquired from Logicaloptions Management Trust since listing	**2 792**	2 792
□ Acquired on open market	**477**	477
Total acquired	**4 019**	4 019
Sold to the SARS Trust	**(3 491)**	-
Closing balance	**528**	4 019
The earliest years at which these shares can be sold back to the trust are as follows:		
□ 2010	**518**	1 252
□ Unallocated	**10**	2 767
	528	4 019

Shares 000 Date shares granted	Opening balance	Number cancelled or forfeited	Net movement in unallocated shares*	Closing balance	Price	R000 Value
03 April 2007	460	(460)	-	-	9.00	-
29 November 2007	792	(274)	-	518	10.40	5 387
Unallocated	2 767	-	(2 757)	10		
	4 019	(734)	(2 757)	528		
* Net shares cancelled or forfeited			734			
* Net shares sold to SARS Trust			(3 491)			
			(2 757)			

11.6.2 ***Valuation of cash-settled share-based payment liability***

The fair value of the cash-settled share-based payment liability was estimated by using the actuarial binomial model. The inputs into the model at 30 September 2010 were as follows:

Grant date	3 April 2007	29 November 2007	9 January 2009	1 June 2009
2010				
Vesting period	**Vested**	**1 year**	**2 years**	**2 years**
Forfeiture rate	**5% pa**	**5% pa**	**5% pa**	**5% pa**
Share price	**R4.80**	**R4.80**	**R4.80**	**R4.80**
Strike price	**R10.92**	**R12.08**	**R5.12**	**R4.51**
Volatility	**33.5%**	**33.5%**	**36.4%**	**36.4%**
Dividend yield	**4.6%**	**4.6%**	**4.6%**	**4.6%**
Risk free interest rate	**6.2%**	**6.2%**	**6.5%**	**6.5%**
2009				
Vesting period	1 year	2 years	3 years	3 years
Forfeiture rate	5% pa	5% pa	5% pa	5% pa
Share price	R5.25	R5.25	R5.25	R5.25
Strike price	R10.74	R11.82	R4.83	R4.20
Volatility	39.1%	33.9%	30.8%	30.8%
Dividend yield	7.8%	7.8%	7.8%	7.8%
Risk free interest rate	6.8%	7.4%	7.9%	7.9%

These instruments have been classified as a cash-settled share-based payment scheme and a share-based payment liability of R0.6 million (2009: R0.4 million) has been raised in respect thereof.

11 Share capital and share premium *(continued)*

11.6.3 ***Share appreciation rights scheme***

The scheme issues share appreciation rights to participants. These rights vest over three different dates, and can be exercised at any point from vesting date up to six years from grant date. The plan has been accounted for as an equity-settled share-based payment transaction, whereby the company receives services as consideration for equity instruments of the company. IFRS 2 (share-based payments) requires that these payments be recognised as an expense on the company's accounts. The expense is estimated at the grant date, and since the share-based payment is subject to market-based performance conditions, the vesting conditions are included in determining the fair value. The rate of forfeitures is revised annually, taking into account activity over the year.

The trust owns 3.5 million (2009: nil) Kelly Group Ltd shares, against which 6.0 million (2009: 5.1 million) options had been granted at 30 September 2010.

Shares 000	**2010**	2009
The shares were acquired as follows:		
☐ Acquired from Kelly Management Trust	**3 491**	-
	3 491	-
The earliest years at which these options can be exercised and the shares sold back to the trust are as follows:		
☐ 2011	**1 503**	1 713
☐ 2012	**2 014**	1 713
☐ 2013	**2 014**	1 713
☐ 2014	**510**	-
	6 041	5 139

Options 000 Date options granted	Opening balance	Number granted	Number cancelled or forfeited	Closing balance	Price	R000 Value
9 January 2009	4 939	-	(628)	4 311	4.50	19 400
23 July 2009	200	-	-	200	4.30	860
28 July 2010	-	1 580	(50)	1 530	4.77	7 298
	5 139	1 580	(678)	6 041		

11.6.4 ***Valuation of equity-settled share-based payment obligation***

The fair value of the equity-settled share-based payment obligation was estimated by using the actuarial binomial model. The inputs into the model were as follows:

Grant date	9 January 2009	23 July 2009	28 July 2010
DAY 1 valuation			
Vesting period	2 - 4 years	2 - 4 years	2 - 4 years
First vesting date	9 Jan 2011	23 Jul 2011	28 Jul 2012
Share price	R4.50	R4.30	R4.77
Strike price	R4.50	R4.30	R4.77
Volatility	18.3%	20.8%	21.4%
Dividend yield	2.6%	4.2%	4.5%
Risk free interest rates % (2yr, 3yr, 4yr)	6.9; 6.9; 7.3	7.1; 7.8; 8.4	6.8; 7.1; 7.4

Grant date	9 January 2009	23 July 2009	28 July 2010

11 Share capital and share premium *(continued)*

11.6.4 Valuation of equity-settled share-based payment obligation *(continued)*

2010			
☐ Forfeiture rate (estimate for remaining vesting period)	**15% pa**	**15% pa**	**15% pa**
2009			
☐ Forfeiture rate (estimate for remaining vesting period)	10% pa	10% pa	

These instruments have been classified as an equity-settled share-based payment scheme and a share-based payment reserve of R2.5 million (2009: R1.2 million) has been raised in respect thereof.

12 Equity due to change in control of interest

During the year ended 30 September 2008, the company acquired the remaining non-controlling interests in M Squared Inc. The company early-adopted IAS 27 Consolidated and Separate Financial Statements (revised), in terms of which the equity method was applied, and the excess purchase price in respect of acquiring the interests was accounted for against equity and not goodwill.

R000	Note	Group 2010	Group 2009	Company 2010	Company 2009
13 Interest-bearing borrowings					
13.1 Secured liabilities					
☐ Promissory notes*		**120 353**	162 786	**-**	-
☐ Finance lease obligations	13.2	**2 093**	3 170	**628**	1 145
		122 446	165 956	**628**	1 145
Payable within one year		**(2 979)**	(164 477)	**(433)**	(572)
☐ Promissory notes*		**(1 383)**	(162 786)	**-**	-
☐ Finance lease obligations		**(1 596)**	(1 691)	**(433)**	(572)
Payable after one year		**119 467**	1 479	**195**	573

* 2010: Promissory notes are issued to Investec Bank Limited, bear interest at a fixed rate of 11.3% per annum (adjusted for structuring fees), and are repayable on 30 April 2013. The notes are secured by a cession of South African trade receivables amounting to R166 million.
2009: Promissory notes due to Sanlam Capital Markets were repaid on 30 April 2010. These notes comprised three tranches, with R100 million bearing interest at a fixed rate of 10.0% per annum, R30 million at 10.3% and R30 million at 12.0%. The promissory notes were secured by a cession of South African trade receivables amounting to R178 million.

R000	Group 2010	Group 2009	Company 2010	Company 2009
13.2 Finance lease obligations				
Minimum lease payments due:				
☐ Within one year	**1 745**	1 924	**498**	734
☐ In second to fifth year inclusive	**536**	1 662	**209**	639
	2 281	3 586	**707**	1 373
Less: future finance charges	**188**	416	**79**	228
Present value of minimum lease payments	**2 093**	3 170	**628**	1 145
Amounts payable within one year	**1 596**	1 691	**433**	572
Payable thereafter	**497**	1 479	**195**	573
	2 093	3 170	**628**	1 145

It is group policy to lease certain assets under finance leases. The average lease term is between 3 and 5 years and the average effective borrowing rate is 14.5% (2009: 15.6%) per annum and are repayable in monthly instalments of R0.2 million (2009: R0.3 million) inclusive of finance charges.

The group's obligations under finance leases are secured by the lessor's charge over the leased assets (refer to note 2.2 and 5.3).

R000	Group 2010	Group 2009	Company 2010	Company 2009

14 Trade and other payables

Trade creditors	**37 819**	43 377	**5 155**	6 882
VAT	**16 482**	21 469	**14 988**	14 615
Cash held on behalf of third parties	**61 822**	18 476	**-**	-
Trade accruals	**21 895**	33 960	**7 791**	15 728
Unclaimed wages	**1 691**	1 843	**1 479**	1 583
Debtors with credit balances	**9 637**	5 487	**5 988**	5 487
Audit fees accrual	**1 980**	2 048	**1 291**	1 299
Deferred revenue	**1 763**	3 300	**-**	654
	153 089	129 960	**36 692**	46 248

15 Accruals for staff benefits

Permanent employee benefit accruals	**61 339**	38 006	**20 708**	16 055
□ Domestic	**31 230**	25 702	**20 708**	16 055
□ Foreign	**30 109**	12 304	**-**	-
Temporary employee benefit accruals	**37 212**	36 084	**22 762**	20 658
□ Domestic	**24 137**	27 864	**22 762**	20 658
□ Foreign	**13 075**	8 220	**-**	-
Cash-settled share-based payment liability	**610**	429	**610**	429
	99 161	74 519	**44 080**	37 142

16 Revenue

Placement fees	**85 094**	115 234	**82 117**	111 074
□ Group operations	**85 094**	114 566	**82 117**	111 074
□ Former subsidiaries now under joint control	**-**	668	**-**	-
Outsourcing	**1 822 505**	2 034 138	**1 217 026**	1 228 616
□ Group operations	**1 822 505**	1 783 559	**1 217 026**	1 228 616
□ Former subsidiaries now under joint control	**-**	250 579	**-**	-
Skills training	**81 360**	76 677	**-**	-
Consulting	**11 731**	10 286	**1 083**	-
Royalties	**82**	808	**38**	808
Sundry Income	**49 184**	19 825	**24 019**	20 461
	2 049 956	2 256 968	**1 324 283**	1 360 959

17 Cost of sales

Advertising	**4 188**	4 467	**4 137**	4 410
Outsourcing cost	**1 396 332**	1 549 181	**944 758**	943 397
Direct manpower	**121 027**	149 064	**77 491**	111 255
Other direct costs	**62 956**	64 234	**18 335**	15 094
	1 584 503	1 766 946	**1 044 721**	1 074 156

18 Operating costs

Communications	**15 231**	16 291	**9 641**	10 620
Marketing	**11 700**	11 260	**8 258**	8 191
Information technology	**27 034**	25 977	**2 861**	2 465
Loss on disposal of property, plant and equipment	**13**	480	**-**	503
Manpower - indirect	**244 886**	212 461	**99 971**	77 655
Premises	**43 171**	39 795	**23 183**	22 799
Travel and entertainment	**12 774**	12 461	**8 893**	8 148
Finance and administration	**37 671**	36 999	**22 514**	15 616
Other overheads	**21 142**	19 660	**7 979**	8 284
Group charges	**-**	-	**71 064**	61 261
	413 622	375 384	**254 364**	215 542

R000	Group 2010	Group 2009	Company 2010	Company 2009
19 Operating profit				
Operating profit is arrived at after accounting for the following:				
Amortisation – intangible assets	**9 643**	4 829	**4 907**	1 626
Auditors' remuneration	**3 352**	3 127	**1 583**	1 246
□ Audit fees: current year	**2 743**	2 763	**1 281**	1 244
□ Audit fees: prior year	**120**	-	**120**	-
□ Other services	**489**	364	**182**	2
Depreciation – property, plant and equipment	**10 029**	11 215	**4 455**	5 698
Foreign exchange loss/(gain)	**119**	(489)	**(231)**	17
Loss on disposal of property, plant and equipment	**13**	480	**-**	503
Operating lease charges	**32 449**	30 511	**18 647**	16 433
□ Premises	**26 627**	25 597	**14 665**	13 638
□ Office equipment	**5 822**	4 914	**3 982**	2 795
Outsourced staff costs	**1 396 332**	1 549 180	**944 758**	943 397
Permanent staff costs	**365 913**	361 525	**177 462**	188 911
□ Direct	**121 027**	149 064	**77 491**	111 256
□ Indirect	**244 886**	212 461	**99 971**	77 655
Retirement fund contributions*	**1 049**	978	**-**	-
Share-based payment expense	**1 564**	2 114	**1 564**	2 114

* *USA subsidiaries*

R000	Group 2010	Group 2009	Company 2010	Company 2009
20 Net financing costs				
Interest received	**(9 573)**	(7 166)	**(12 242)**	(10 233)
□ Bank	**(5 855)**	(7 166)	**(1 448)**	(688)
□ Subsidiary companies	**-**	-	**(10 794)**	(9 545)
□ Securitisation fee	**(3 718)**	-	**-**	-
Interest paid	**24 263**	22 983	**27 733**	23 328
□ Bank	**24 041**	22 983	**5 432**	2 664
□ Subsidiary companies	**-**	-	**125**	-
□ Joint ventures	**222**	-	**222**	-
□ Securitisation fee	**-**	-	**21 954**	20 664
	14 690	15 817	**15 491**	13 095
21 Taxation				
Normal tax	**8 088**	8 376	**-**	-
□ Current	**7 743**	7 630	**-**	-
□ Prior year under-provision	**345**	746	**-**	-
Deferred taxation	**(23 724)**	11 286	**(17 138)**	7 257
□ Current	**(23 724)**	11 491	**(17 138)**	7 257
□ Prior year under-provision	**-**	(205)	**-**	-
Secondary taxation on companies and foreign withholding tax on dividends	**2 434**	4 351	**2 009**	3 600
	(13 202)	24 013	**(15 129)**	10 857
Reconciliation between accounting profit and taxation expense:				
Accounting profit	**13 107**	82 777	**(1 977)**	71 968
Taxation at applicable rate of 28% (2009: 28%)	**3 670**	23 177	**(554)**	20 151
Tax effects of adjustments to net income				
□ Non taxable or deductible items	**1 800**	1 978	**(1 610)**	(5 382)
□ Learnership allowances	**(20 132)**	(7 512)	**(14 952)**	(7 512)
□ Differential in foreign operations	**163**	1 502	**-**	-
□ Tax losses previously not provided for, now provided	**(1 527)**	(24)	**-**	-
□ Prior period under-provision	**345**	541	**-**	-
□ Secondary taxation on companies and foreign withholding tax on dividends	**2 434**	4 351	**2 009**	3 600
□ Other	**45**	-	**(22)**	-
	(13 202)	24 013	**(15 129)**	10 857

R000	Group 2010	Group 2009	Company 2010	Company 2009
22 Commitments				
22.1 Operating leases				
Within 1 year	**37 371**	30 172	**29 799**	20 338
□ Equipment	**3 630**	5 486	**2 696**	2 284
□ Premises	**33 741**	24 686	**27 103**	18 054
2 to 5 years	**52 390**	72 755	**44 072**	61 230
□ Equipment	**2 347**	3 698	**2 088**	3 698
□ Premises	**50 043**	69 057	**41 984**	57 532
	89 761	102 927	**73 871**	81 568

Key terms of operating leases material to the group are:

Premises	Monthly charge	Escalation clause (pa)	Expiry date	Renewal option
6 Protea Place, Sandown, South Africa	R0.9 million	9.0%	31 Jul 2012	Yes
5 Mellis Rd, Rivonia, South Africa	R0.4 million	9.0%	28 Feb 2011	Yes
11 Sutter Street, San Francisco, USA	R0.2 million	2.5%	31 Oct 2013	Yes

R000	Group 2010	Group 2009	Company 2010	Company 2009
22.2 Authorised capital expenditure				
Not yet contracted	**23 500**	16 500	**3 100**	4 500

The expenditure will be financed from available facilities, internally generated funds and finance lease facilities.

23 Retirement benefits

23.1 The South African operations in the group, excluding the Torque IT subsidiary, operate a defined contribution provident fund. As the scheme is a defined contribution scheme, no actuarial valuation is required as no actuarial shortfall can arise in the future. The fund was started during the course of the 2006 financial year. It is a mandatory requirement for all new permanent employees to join the fund.

At 30 September 2010, 48% (2009: 46%) of permanent employees in South African operations were members of the fund. Employees contribute a percentage of their salaries.

23.2 The subsidiary in the USA, M Squared Consulting Inc, provides a salary reduction plan for the benefit of its employees in terms of which employees may contribute a discretionary tax-free amount of their annual earnings. M Squared matches the contribution at 25% up to the first US$5 000 per employee per year. The pension plan expense for M Squared matching employee contributions approximated US$0.14 million (2009: US$0.11 million).

24 Contingencies

24.1 As previously reported, the group's subsidiary, M Squared Inc, is defending a class action lawsuit brought by a group of former employees relating to alleged liability for certain employee benefits. The subsidiary is opposing the matter. Provision has been made for an amount equivalent to the estimated costs to defend this matter.

25 Related parties

Shareholders
Shareholders' information is provided on page 108.

Directors
A list of directors is provided on page 68 of the annual financial statements.

Subsidiaries and joint ventures
Details of the company's subsidiaries and joint ventures are set out on pages 104 and 105.

Related parties with whom the company transacted during the year are:
Details of directors' emoluments are set out in note 26.

R000	Company 2010	Company 2009
25 Related parties *(continued)*		
Payments received/(paid) by Kelly Group Ltd for goods and services rendered/(received) and costs recovered/(transferred)	**(19 745)**	(55 387)
□ InnStaff (Pty) Ltd	**1 921**	408
□ Kelly Group Shared Services (Pty) Ltd	**(49 949)**	(82 786)
□ K-log (Pty) Ltd	**(1 055)**	403
□ Marula Staffing Services (Pty) Ltd	**10 281**	10 349
□ Sizano Staffing Services (Pty) Ltd	**17 024**	16 263
□ Workforce Management (Pty) Ltd	**2 033**	(24)
Interest received/(paid) by Kelly Group Ltd	**10 448**	9 864
□ Kelly Corporate Finance (Pty) Ltd	**4 506**	-
□ K-log (Pty) Ltd	**166**	-
□ Metway 2 (Pty) Ltd	**6 123**	9 864
□ M Squared Consulting Inc	**(125)**	-
□ Sizano Staffing Services (Pty) Ltd	**(222)**	-

Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director (whether executive or otherwise) of that entity. The members of the executive committee are considered to be key management personnel.

Total key management personnel remuneration is made up as follows:

R000	Group 2010	Group 2009
Remuneration - total cost to company	**32 148**	32 569
Performance incentives	**8 413**	5 564
	40 561	38 133

26 Directors' emoluments, share options and service contracts

Directors' emoluments

2010

R000	Basic salary	Performance bonuses	Retirement and medical contributions	Company car and travel	Fringe and other benefits	Profit on share options	Total
Executive							
□ GJ Wilson	2 420	-	49	8	13	-	2 490
□ PM Mdwaba	2 372	-	265	113	14	-	2 764
□ F Pieterse	1 204	498	171	-	7	-	1 880
□ ME Monage	1 129	933	36	85	10	-	2 193
	7 125	1 431	521	206	44	-	9 327
Non-executive							
□ MM Ngoasheng	220	-	-	-	-	-	220
□ MW McCulloch	275	-	-	-	-	-	275
□ JA Gnodde	80	-	-	-	-	-	80
□ K Molewa	55	-	-	-	-	-	55
□ RM Hartmann	305	-	-	-	-	-	305
□ CJ Roodt	210	-	-	-	-	-	210
□ PJJ van der Walt	225	-	-	-	-	-	225
□ Y Dladla	110	-	-	-	-	-	110
□ B Ngonyama	67	-	-	-	-	-	67
	1 547	-	-	-	-	-	1 547
	8 672	1 431	521	206	44	-	10 874

26 Directors' emoluments, share options and service contracts *(continued)*

R000	Basic salary	Performance bonuses	Retirement and medical contributions	Company car and travel	Fringe and other benefits	Profit on share options	Total
2009							
Executive							
□ GJ Wilson	2 456	1 018	51	150	12	-	3 687
□ PM Mdwaba	2 447	660	283	270	15	-	3 675
□ F Pieterse	252	250	29	-	1	-	532
□ GP Baxter	1 655	-	48	157	2 044	-	3 904
□ ME Monage	894	300	42	195	6	-	1 437
□ AC Dodd	2 096	543	-	-	-	-	2 639
	9 800	2 771	453	772	2 078	-	15 874
Non-executive							
□ MM Ngoasheng	220	-	-	-	-	-	220
□ MW McCulloch	250	-	-	-	-	-	250
□ J du Toit	28	-	-	-	-	-	28
□ JA Gnodde	160	-	-	-	-	-	160
□ K Molewa	110	-	-	-	-	-	110
□ RM Hartmann	240	-	-	-	-	-	240
□ CJ Roodt	200	-	-	-	-	-	200
□ PJJ van der Walt	210	-	-	-	-	-	210
□ Y Dladla	110	-	-	-	-	-	110
	1 528	-	-	-	-	-	1 528
	11 328	2 771	453	772	2 078	-	17 402

Options	Opening balance	Options granted	Options forfeited	Options exercised	Closing balance	Option price R	Exercise date
Directors' share options							
Share appreciation rights scheme							
2010							
□ GJ Wilson	**233 334**	**-**	**-**	**-**	**233 334**	**4.50**	**09/01/2011**
	233 333	**-**	**-**	**-**	**233 333**	**4.50**	**09/01/2012**
	233 333	**-**	**-**	**-**	**233 333**	**4.50**	**09/01/2013**
□ F Pieterse	**66 667**	**-**	**-**	**-**	**66 667**	**4.30**	**23/07/2011**
	66 667	**-**	**-**	**-**	**66 667**	**4.30**	**23/07/2012**
	66 666	**-**	**-**	**-**	**66 666**	**4.30**	**23/07/2013**
	-	**66 667**	**-**	**-**	**66 667**	**4.77**	**28/07/2012**
	-	**66 667**	**-**	**-**	**66 667**	**4.77**	**28/07/2013**
	-	**66 666**	**-**	**-**	**66 666**	**4.77**	**28/07/2014**
□ ME Monage	**-**	**66 667**	**-**	**-**	**66 667**	**4.77**	**28/07/2012**
	-	**66 667**	**-**	**-**	**66 667**	**4.77**	**28/07/2013**
	-	**66 666**	**-**	**-**	**66 666**	**4.77**	**28/07/2014**

Note: the share appreciation rights can be exercised at any point from exercise date up to six years from grant date.

Shares	Opening balance	Shares purchased	Shares forfeited	Closing balance	Issue price R	Exercise date
Share purchase trusts						
2010						
□ PM Mdwaba	**500 000**	**-**	**-**	**500 000**	**4.50**	**09/01/2012**
□ ME Monage	**400 000**	**-**	**-**	**400 000**	**9.00**	**03/04/2010**
	100 000	**-**	**-**	**100 000**	**10.40**	**29/11/2010**
	100 000	**-**	**-**	**100 000**	**4.50**	**09/01/2012**

Note: these shares are purchased against a loan account.

26 Directors' emoluments, share options and service contracts *(continued)*

Directors' service contracts

Director	Notice period	Restraint of trade
GJ Wilson	2 months	24 months
F Pieterse	3 months	12 months
ME Monage	30 calendar days	24 months

27 Risk management

27.1 Interest rate risk

Total interest-bearing borrowings amount to R122 million (2009: R166 million). Details of the interest rates payable are set out in note 13. Interest rates are constantly monitored and where possible appropriate steps are taken to ensure that the group's exposure to interest rate fluctuations is limited.

Promissory notes issued to Investec Bank Limited bear interest at a fixed rate of 11.3% (after adjusting for structuring fees). As these promissory notes bear interest at a fixed rate, no sensitivity analysis has been performed.

This financing replaced promissory notes issued to Sanlam Capital Markets. These notes comprised three tranches, with R100 million bearing interest at a fixed rate of 10.0% per annum, R30 million at 10.3% and R30 million at 12.0%.

It is group policy to lease certain assets under finance leases. The average lease term is between 3 and 5 years and the average effective borrowing rate is 14.5% (2009: 15.6%) per annum.

The group's offshore subsidiary M Squared Consulting Inc has a revolving line of credit with a bank of US$2.0 million (2009: US$2.5 million), which is available until May 2011. Interest is payable at the bank's prime rate plus 0.5%, or the floor rate of 5.0%, whichever is higher. The line is secured by substantially all of the assets of M Squared Consulting. There were no borrowings outstanding against this line of credit at 30 September 2010 and 2009.

27.2 Credit risk

Credit risk consists mainly of cash equivalents and trade receivables.

The group deposits cash only with major banks with high quality credit standing. R21.9 million (2009: R28.3 million) of the group's cash is held by its offshore subsidiary companies.

Management evaluates credit risk relating to trade receivables on an ongoing basis.

Credit risk with respect to trade accounts receivable in the South African operations is dispersed due to the large number of customers and the diversity of industries serviced.

During the year ended 30 September 2010, revenue earned from three of the group's offshore customers approximated 60% (2009: 55%) of total offshore revenue and 14% (2009: 11%) of total group revenue. Accounts receivable from these customers approximated US$5.1 million at 30 September 2010 (2009: US$2.7 million).

27.3 Foreign currency risk

At 30 September 2010, 13% (2009: 12%) of the group's total assets were held in the offshore operations and a rate of R6.98:1 (2009: R7.43:1) was used to convert the closing balances.

The overseas operations have been funded primarily by means of investment by the holding company and limited overseas borrowings exist.

No foreign-denominated trading liabilities are covered by forward exchange contracts.

27.4 Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and funding structure of the group. Details of the interest-bearing borrowings are given in note 13. Cash flow forecasts are prepared and utilised borrowing facilities are regularly monitored. No significant risk exists as the operations generate positive cash flows.

The maturity analysis as at the end of the reporting date is as follows:

	Group		Company	
R000	**2010**	2009	**2010**	2009
Operating leases	**89 761**	102 927	**73 871**	81 568
Next year	**37 371**	30 172	**29 799**	20 338
2-5 years	**52 390**	72 755	**44 072**	61 230
Finance leases*	**2 093**	3 170	**628**	1 145
Next year	**1 596**	1 691	**433**	572
2-5 years	**497**	1 479	**195**	573

* *Excluding future finance charges.*

27 Risk management *(continued)*

27.4 Liquidity risk *(continued)*

	Group		Company	
R000	**2010**	2009	**2010**	2009
Promissory notes	**120 353**	162 786	**-**	-
□ Next year	**1 383**	162 786	**-**	-
□ 2-5 years	**118 970**	-	**-**	-
Trade creditors and VAT	**54 301**	64 846	**20 143**	21 497
□ Next 30 days	**54 301**	64 846	**20 143**	21 497
□ Thereafter	**-**	-	**-**	-
The group has adequate available banking facilities:				
Banking facilities	**118 950**	124 000		
Facilities utilised	**1 778**	-		
Unutilised banking facilities	**117 172**	124 000		

These facilities have been secured by cross-suretyships between group companies.

28 Cash flow statement

28.1 The following convention applies to figures other than adjustments: Outflows are represented by figures in brackets. Inflows are represented by figures without brackets.

	Group		Company	
R000	**2010**	2009	**2010**	2009
28.2 Taxation paid				
Taxation prepaid at the beginning of the year	**3 836**	258	**6 045**	-
Current year charge	**(10 522)**	(12 727)	**(2 009)**	(3 600)
Taxation (prepaid) at the end of the year	**(1 679)**	(3 836)	**(6 045)**	(6 045)
Former subsidiaries now under joint control	**706**	-	**-**	-
Acquired on acquisition	**-**	(161)	**-**	-
Translation adjustment	**132**	(248)	**-**	-
Taxation paid	**(7 527)**	(16 714)	**(2 009)**	(9 645)
28.3 Proceeds on disposal of property, plant and equipment				
Net book value of property, plant and equipment	**22**	605	**8**	565
Loss on disposal	**(13)**	(480)	**-**	(503)
	9	125	**8**	62
28.4 Proceeds on disposal of intangible assets				
Net book value of intangible assets	**-**	-	**12 627**	-
(Loss)/profit on disposal	**-**	-	**-**	-
	-	-	**12 627**	-
28.5 Cash and cash equivalents				
Balances with banks and cash on hand	**89 199**	137 800	**102**	-
Bank overdrafts	**(3 711)**	-	**(74 909)**	(6 899)
	85 488	137 800	**(74 807)**	(6 899)

During the year there were no significant non-cash transactions.

The Kelly Group has a consolidated cash management facility whereby positive and negative bank balances across certain companies in the group are managed on a net basis. The overdraft balances in the Kelly Group Limited have been netted on this basis in the group accounts.

R000	Group 2010	Group 2009

29 Earnings per share attributable to equity holders in the parent

29.1 Reconciliation between profit attributable to equity holders in the parent for the year to headline earnings

R000	Group 2010	Group 2009
Profit attributable to equity holders in the parent	**26 078**	56 257
Loss on disposal of property, plant and equipment (net of tax)	**7**	406
Headline earnings	**26 085**	56 663

29.2 Weighted average and diluted number of ordinary shares

Shares 000	Group 2010	Group 2009
Weighted average		
Basic		
□ Shares in issue	**100 000**	100 000
□ Shares held as treasury shares	**(8 085)**	(8 185)
Weighted average	**91 915**	91 815
Diluted		
□ Weighted average	**91 915**	91 815
□ Dilutive effect	**520**	16
Diluted weighted average	**92 435**	91 831

29.3 Earnings per share

Cents	Group 2010	Group 2009
Basic		
□ Attributable	**28.4**	61.3
□ Headline	**28.4**	61.7
Diluted		
□ Attributable	**28.2**	61.3
□ Headline	**28.2**	61.7

30 Dividends paid to shareholders

R000	Group 2010	Group 2009	Company 2010	Company 2009
Final cash dividend No. 02	**-**	33 055	**-**	36 000
Final cash dividend No. 03	**19 759**	-	**21 500**	-

No. 02 of 36 cents declared on 24 November 2008 and paid on 12 January 2009 (group: R33.1 million, company: R36.0 million).

No. 03 of 21.5 cents declared on 23 November 2009 and paid on 11 January 2010 (group: R19.8 million, company: R21.5 million).

31 Events after the reporting period

In August 2010, one of the directors was removed from the board. In a private arbitration held after the reporting date, a conclusion was reached whereby both parties agreed to the discontinuance of his services as an employee. The settlement of this event has been accounted for as an adjusting event after the reporting period.

32 Comparative information

Reclassification

The following reclassification to the 30 September 2009 statement of comprehensive income has been made:

Operating costs

Company

Within operating costs, an amount of R22 million has been reclassified from information technology to group charges.

33 Capital management

The board of directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence while also being able to sustain future development of the businesses. The board of directors monitors both the demographic spread of shareholders, as well as the return on capital, which the group defines with reference to total shareholders' equity, excluding non-controlling interests and the level of distributions to ordinary shareholders. The group's objective is to maintain a dividend cover of approximately two times headline earnings for the forseeable future after taking prevailing market conditions, future cash requirements of the businesses, group liquidity requirements, as well as capital adequacy ratios into account.

Currently the group prefers to use current cash resources to fund acquisition activity. However, the group will continue to evaluate the cost of debt in the weighted average cost of capital versus the cost of equity in determining the optimal funding of acquisitions.

From time to time the group purchases its own shares on the market, the timing of these purchases depending on market prices. Primarily the shares are intended to be used for the issuing of shares under the various Kelly Group Limited share schemes. The maximum number of shares that can be issued under the various Kelly Group Share Schemes is 15% of the issued share capital. The group also holds shares in a subsidiary company that may be used by the group to take advantage of any investment opportunities that may arise in future. All the above mentioned shares are currently held as treasury shares.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements. The group uses an interest cover ratio to measure debt capacity, and to a lesser extent, the debt/equity ratio. The group has targeted a debt/equity ratio of 60% and an interest cover of between five to six times. Interest cover for the year to 30 September 2010 was 1.3 times (2009: 4.3 times) and the debt/equity ratio was 51% (2009: 71%).

34 Financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	Group		Company	
R000	**2010**	2009	**2010**	2009
FINANCIAL ASSETS				
Loans and receivables				
Loans before impairment - non-current	**-**	-	**183 580**	196 900
Loans before impairment - current	**24 985**	-	**95 901**	59 706
Trade and other receivables	**245 397**	237 475	**3 110**	8 659
Cash and cash equivalents	**89 199**	137 800	**102**	-
	359 581	375 275	**282 693**	265 265
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost				
◻ Interest-bearing liabilities - non-current	**119 467**	1 479	**195**	573
◻ Interest-bearing liabilities - current	**2 979**	164 477	**433**	572
◻ Interest-free borrowings - current	**158**	-	**210 774**	238 293
◻ Trade and other payables	**153 089**	129 960	**36 692**	46 248
◻ Bank overdraft	**3 711**	-	**74 909**	6 899
	279 404	295 916	**323 003**	292 585

Schedule of interests in subsidiary companies, trusts and joint ventures

Kelly Group Limited and its subsidiaries at 30 September 2010

Subsidiaries, trusts and joint ventures*	Active/ dormant	Direct/ indirect holding	Issued share capital**	Holding 2010 %	Holding 2009 %	Book value of shares - at cost 2010 R000	Book value of shares - at cost 2009 R000
Subsidiary companies							
InnStaff (Pty) Ltd	Active	Direct	100	**70**	70	**1 279**	1 279
InnStaff Swaziland (Pty) Ltd	Active	Direct	100	**70**	70	**-**	-
Marula Staffing Services (Pty) Ltd##	Active	Direct	-	**-**	49	**-**	1
M Squared Consulting Inc. (USA)	Active	Direct	US$18 306	**100**	100	**108 201**	108 201
Metway 2 (Pty) Ltd^^	Active	Direct	100	**100**	-	**1**	-
Paxsal Business Process Outsourcing (Pty) Ltd#	Active	Direct	100	**100**	100	**-**	-
Renwick People Solutions (Pty) Ltd#	Active	Direct	1 000	**100**	100	**1**	1
Sizano Staffing Services (Pty) Ltd##	Active	Direct	-	**-**	45	**-**	2
Torque Holdings (Pty) Ltd	Active	Direct	100	**100**	100	**33 189**	33 189
Workforce Management (Pty) Ltd##	Active	Direct	-	**-**	49	**-**	-
Collabrus Inc. (USA)	Active	Indirect	US$20 000	**100**	100	**-**	-
Kelly Corporate Finance (Pty) Ltd#^	Active	Indirect	100	**-**	-	**-**	-
Kelly Group Shared Services (Pty) Ltd	Active	Indirect	100	**100**	100	**-**	-
K-log (Pty) Ltd	Active	Indirect	300	**60**	60	**-**	-
Logical Staff Loan Solutions (Pty) Ltd	Active	Indirect	1	**100**	100	**-**	-
Paxsal Payroll Outsourcing (Pty) Ltd	Active	Indirect	100	**100**	100	**-**	-
PayAccSys Services (Pty) Ltd	Active	Indirect	100	**100**	100	**-**	-
Torque Technical Computer Training (Pty) Ltd#	Active	Indirect	100	**100**	100	**-**	-
Accountants On Call (Pty) Ltd#	Dormant	Direct	1	**100**	100	**-**	-
Bokamoso Payroll Solutions (Pty) Ltd	Dormant	Direct	1500	**100**	100	**-**	-
Focus Finance (Pty) Ltd	Dormant	Direct	1000	**100**	100	**1**	1
IPM PAG Staffing Services (Pty) Ltd	Dormant	Direct	100	**100**	100	**-**	-
Kelly Call Centres (Pty) Ltd	Dormant	Direct	100	**100**	100	**-**	-
Kelly Girl-Kelly Temp (Pty) Ltd	Dormant	Direct	50	**100**	100	**118 550**	118 550
LogicalOptions Management Services (Pty) Ltd	Dormant	Direct	100	**100**	100	**906**	906
LogicalOptions SA (Pty) Ltd	Dormant	Direct	100	**100**	100	**-**	-
PAG (Pty) Ltd	Dormant	Direct	200	**100**	100	**-**	-
Qwiz Office Skills (Pty) Ltd	Dormant	Direct	100	**100**	100	**73**	73
Renwick Group (Pty) Ltd#	Dormant	Direct	100	**100**	100	**-**	-
The Brand Alignment Agency (Pty) Ltd	Dormant	Direct	100	**100**	100	**-**	-
The Kelly Personnel Group (Pty) Ltd	Dormant	Direct	100	**100**	100	**-**	-
Ubusha Contact Centres (Pty) Ltd#	Dormant	Direct	100	**100**	100	**-**	-
Executive Secretary Appointments (Pty) Ltd	Dormant	Indirect	50	**100**	100	**-**	-
Jobfood (Pty) Ltd	Dormant	Indirect	1	**100**	100	**-**	-
Kelly Industrial (Pty) Ltd	Dormant	Indirect	100	**100**	100	**-**	-
Kelly Personnel (Pty) Ltd#	Dormant	Indirect	50	**100**	100	**-**	-
Kelly-Greenoaks Secretarial and Business College (Pty) Ltd	Dormant	Indirect	100	**100**	100	**-**	-
Paxsal Financial Dimensions (Pty) Ltd	Dormant	Indirect	100	**51**	51	**-**	-
Paxsal Risk Solutions (Pty) Ltd	Dormant	Indirect	1 000	**100**	100	**-**	-
Paxsal Software (Pty) Ltd	Dormant	Indirect	100	**100**	100	**-**	-
Paxsal Solutions (Pty) Ltd	Dormant	Indirect	100	**100**	100	**-**	-
Professional Employer Services (Pty) Ltd	Dormant	Indirect	100	**100**	100	**-**	-
Renwick Executive Search (Pty) Ltd	Dormant	Indirect	4 000	**100**	100	**-**	-
Renwick Human Resources Communications (Pty) Ltd	Dormant	Indirect	100	**100**	100	**-**	-
Renwick KZN (Pty) Ltd	Dormant	Indirect	1 000	**100**	100	**-**	-
Renwick KZN Group (Pty) Ltd	Dormant	Indirect	1 000	**100**	100	**-**	-
Senior Citizens Employment Agency (Pty) Ltd	Dormant	Indirect	50	**100**	100	**-**	-
						262 201	262 203
Trusts							
Kelly BEE Management Trust#	Active	Indirect	100	**-**	-	**-**	-
Kelly Management Trust#	Active	Indirect	100	**-**	-	**-**	-
Kelly Share Appreciation Rights Scheme Trust	Active	Indirect	100	**-**	-	**-**	-
						-	-
Joint ventures							
Marula Staffing Services (Pty) Ltd##	Active	Direct	500	**49**	-	**1**	-
Sizano Staffing Services (Pty) Ltd##	Active	Direct	300	**45**	-	**2**	-
Workforce Management (Pty) Ltd##	Active	Direct	200	**49**	-	**-**	-
						3	-
						262 204	262 203

* Incorporated in South Africa unless otherwise stated.
** Denominated in Rand unless otherwise stated.
# All or portion of loan subordinated in favour of other creditors (refer to note 7.1).
These companies were de-recognised as subsidiaries and recognised as joint ventures during 2010.
^ The company is a securitisation vehicle and the shares are held by The Mettle Securitisation Trust.
^^ The company was a securitisation vehicle. The shares were held by The Mettle Securitisation Trust and were transferred to Kelly Group Ltd during 2010.

R000 Subsidiaries, trusts and joint ventures*	Amounts owing by Kelly Group Limited 2010	Amounts owing by Kelly Group Limited 2009	Amounts owing to Kelly Group Limited 2010	Amounts owing to Kelly Group Limited 2009	Allowance for impairment of amounts owing to Kelly Group Limited 2010	Allowance for impairment of amounts owing to Kelly Group Limited 2009
Subsidiary companies						
InnStaff (Pty) Ltd	**6 397**	11 661	**-**	-	**-**	-
InnStaff Swaziland (Pty) Ltd	**216**	904	**-**	-	**-**	-
Marula Staffing Services (Pty) Ltd##	**-**	4 394	**-**	-	**-**	-
M Squared Consulting Inc. (USA)	**3 865**	1 550	**-**	-	**-**	-
Metway 2 (Pty) Ltd^^	**3 829**	-	**-**	82 933	**-**	-
Paxsal Business Process Outsourcing (Pty) Ltd#	**-**	-	**72 742**	72 742	**(9 293)**	(11 228)
Renwick People Solutions (Pty) Ltd#	**-**	-	**10 709**	10 500	**(8 774)**	(10 377)
Sizano Staffing Services (Pty) Ltd##	**-**	17 563	**-**	-	**-**	-
Torque Holdings (Pty) Ltd	**-**	-	**-**	-	**-**	-
Workforce Management (Pty) Ltd##	**-**	826	**-**	-	**-**	-
Collabrus Inc. (USA)	**-**	-	**-**	-	**-**	-
Kelly Corporate Finance (Pty) Ltd#^	**-**	-	**95 160**	-	**-**	-
Kelly Group Shared Services (Pty) Ltd	**3 344**	3 771	**-**	-	**-**	-
K-log (Pty) Ltd	**352**	-	**-**	113	**-**	-
Logical Staff Loan Solutions (Pty) Ltd	**-**	-	**53**	22	**-**	-
Paxsal Payroll Outsourcing (Pty) Ltd	**15 885**	19 387	**-**	-	**-**	-
PayAccSys Services (Pty) Ltd	**297**	-	**-**	109	**-**	-
Torque Technical Computer Training (Pty) Ltd#	**-**	-	**3 155**	1 551	**-**	-
Accountants On Call (Pty) Ltd#	**-**	-	**2**	2	**(2)**	(2)
Bokamoso Payroll Solutions (Pty) Ltd	**-**	-	**-**	-	**-**	-
Focus Finance (Pty) Ltd	**1**	1	**-**	-	**-**	-
IPM PAG Staffing Services (Pty) Ltd	**-**	-	**-**	-	**-**	-
Kelly Call Centres (Pty) Ltd	**-**	-	**-**	-	**-**	-
Kelly Girl-Kelly Temp (Pty) Ltd	**101 796**	101 796	**-**	-	**-**	-
LogicalOptions Management Services (Pty) Ltd	**285**	285	**-**	-	**-**	-
LogicalOptions SA (Pty) Ltd	**-**	-	**-**	-	**-**	-
PAG (Pty) Ltd	**4 467**	4 467	**-**	-	**-**	-
Qwiz Office Skills (Pty) Ltd	**-**	-	**2 527**	2 527	**-**	-
Renwick Group (Pty) Ltd#	**-**	-	**3 024**	3 024	**(2 748)**	(2 748)
The Brand Alignment Agency (Pty) Ltd	**-**	-	**-**	-	**-**	-
The Kelly Personnel Group (Pty) Ltd	**14 491**	14 491	**-**	-	**-**	-
Ubusha Contact Centres (Pty) Ltd#	**-**	-	**260**	260	**(260)**	(260)
Executive Secretary Appointments (Pty) Ltd	**2 430**	2 430	**-**	-	**-**	-
Jobfood (Pty) Ltd	**-**	-	**-**	-	**-**	-
Kelly Industrial (Pty) Ltd	**5 553**	5 553	**-**	-	**-**	-
Kelly Personnel (Pty) Ltd#	**35 676**	35 676	**-**	-	**-**	-
Kelly-Greenoaks Secretarial and Business College (Pty) Ltd	**5 436**	5 436	**-**	-	**-**	-
Paxsal Financial Dimensions (Pty) Ltd	**-**	-	**-**	-	**-**	-
Paxsal Risk Solutions (Pty) Ltd	**-**	-	**-**	-	**-**	-
Paxsal Software (Pty) Ltd	**-**	-	**-**	-	**-**	-
Paxsal Solutions (Pty) Ltd	**-**	-	**-**	-	**-**	-
Professional Employer Services (Pty) Ltd	**1 973**	3 785	**-**	-	**-**	-
Renwick Executive Search (Pty) Ltd	**-**	-	**-**	-	**-**	-
Renwick Human Resources Communications (Pty) Ltd	**-**	-	**-**	-	**-**	-
Renwick KZN (Pty) Ltd	**-**	-	**-**	-	**-**	-
Renwick KZN Group (Pty) Ltd	**982**	982	**-**	-	**-**	-
Senior Citizens Employment Agency (Pty) Ltd	**3 335**	3 335	**-**	-	**-**	-
	210 610	238 293	**187 632**	173 783	**(21 077)**	(24 615)
Trusts						
Kelly BEE Management Trust#	**-**	-	**26 574**	26 752	**(13 228)**	(7 531)
Kelly Management Trust#	**-**	-	**25 294**	41 290	**(23 066)**	(20 192)
Kelly Share Appreciation Rights Scheme Trust	**-**	-	**15 710**	-	**-**	-
	-	-	**67 578**	68 042	**(36 294)**	(27 723)
Joint ventures						
Marula Staffing Services (Pty) Ltd##	**164**	-	**-**	-	**-**	-
Sizano Staffing Services (Pty) Ltd##	**-**	-	**1 039**	-	**-**	-
Workforce Management (Pty) Ltd##	**-**	-	**23 232**	-	**(5 945)**	-
	164	-	**24 271**	-	**(5 945)**	-
	210 774	238 293	**279 481**	241 825	**(63 316)**	(52 338)

Segmental analysis

for the year ended 30 September 2010

R000			Group 2010	Group 2009
Revenue				
South Africa	□	Staffing	**1 483 311**	1 718 197
	□	Skills development	**83 230**	76 678
	□	Value added services	**15 438**	13 195
	□	Central costs	**-**	-
United States	□	Staffing	**467 977**	448 898
			2 049 956	2 256 968
EBITDA				
South Africa	□	Staffing	**75 157**	116 946
	□	Skills development	**9 809**	5 331
	□	Value added services	**(5 246)**	248
	□	Central costs	**(31 523)**	(19 604)
United States	□	Staffing	**3 634**	11 717
			51 831	114 638
Operating profit/(loss)				
South Africa	□	Staffing	**62 484**	110 573
	□	Skills development	**7 566**	3 093
	□	Value added services	**(6 371)**	130
	□	Central costs	**(32 730)**	(23 681)
United States	□	Staffing	**1 210**	8 479
			32 159	98 594
Total assets				
South Africa	□	Staffing	**247 820**	187 389
	□	Skills development	**26 158**	19 816
	□	Value added services	**69 781**	30 332
	□	Central costs	**191 479**	305 019
United States	□	Staffing	**89 961**	71 628
			625 199	614 184
Total liabilities				
South Africa	□	Staffing	**66 456**	99 230
	□	Skills development	**26 255**	27 518
	□	Value added services	**64 552**	13 996
	□	Central costs	**169 887**	206 349
United States	□	Staffing	**59 103**	31 745
			386 253	378 838
Depreciation and amortisation				
South Africa	□	Staffing	**7 917**	6 372
	□	Skills development	**2 243**	2 239
	□	Value added services	**1 125**	118
	□	Central costs	**5 963**	4 077
United States	□	Staffing	**2 424**	3 238
			19 672	16 044
CAPEX				
South Africa	□	Staffing	**10 712**	16 987
	□	Skills development	**2 633**	1 422
	□	Value added services	**11 619**	3 120
	□	Central costs	**3 975**	5 390
United States	□	Staffing	**1 533**	4 660
			30 472	31 579

Annual report awards

The Kelly Group was once again honoured at the Chartered Secretaries of Southern Africa (CIS) Annual Report Awards, where it was awarded the trophy for the best annual report in the fledgling company category. This is the third year in a row that the Kelly Group has won the award.

The human capital reporting award, sponsored by the Kelly Group to promote the importance of this practice and the relevance it bears to stakeholders was awarded to Mr Allie Junaid of Group Five.

Shareholders' diary

Annual general meeting	22 February 2011
Financial year end	30 September
Interim results announcement	May 2011
Year end results announcement	November 2011

Analysis of ordinary shareholders

at 30 September 2010

Size of holdings	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue	% of total shareholdings
Size of holdings					
1 - 1 000 shares	864	66.01	279 825	0.28	
1 001 - 10 000 shares	282	21.54	1 000 014	1.00	
10 001 - 100 000 shares	91	6.95	3 285 624	3.29	
100 001 - 1 000 000 shares	47	3.59	18 095 146	18.09	
1 000 001 shares and over	25	1.91	77 339 391	77.34	
Total	**1 309**	**100**	**100 000 000**	**100**	
Distribution of shareholders					
Private companies	27	2.06	32 551 335		32.55
Collective investment schemes	37	2.83	29 599 912		29.60
Retirement benefit funds	58	4.43	9 556 261		9.56
Trusts	49	3.74	7 620 893		7.62
Share schemes	4	0.31	7 535 580		7.54
Assurance companies	5	0.38	4 217 234		4.22
Retail shareholders	1 096	83.73	4 125 909		4.13
Custodians	3	0.23	2 497 261		2.50
Treasury	1	0.08	1 192 909		1.19
Insurance companies	2	0.15	610 000		0.61
Foundations and charitable funds	8	0.61	314 083		0.31
Public entities	1	0.07	118 460		0.12
Close corporations	12	0.92	32 843		0.03
Public companies	1	0.08	14 000		0.01
Investment partnerships	5	0.38	13 320		0.01
Total	**1 309**	**100**	**100 000 000**		**100**
Shareholder type					
Non-public shareholders	23	1.76	56 596 268		56.60
□ Directors and associates (indirect holding)	6	0.46	35 450 249		35.45
□ Holders holding more than 10%	11	0.84	11 277 603		11.28
□ Share schemes (excluding directors holdings)	4	0.30	6 935 580		6.94
□ Treasury shares	1	0.08	1 192 909		1.19
□ Directors and associates (direct holding)	1	0.08	1 739 927		1.74
Public shareholders	1 286	98.24	43 403 732		43.40
Total	**1 309**	**100**	**100 000 000**		**100**

Size of holdings	Total shareholding	% of shares in issue
Beneficial shareholders with a holding greater than 5% of the shares in issue		
Safika Holdings	28 766 249	28.77
Coronation Fund Managers*	27 523 676	27.52
Sanlam Group	7 881 547	7.88
Old Mutual Group*	5 267 531	5.27
Total	**69 439 003**	**69.44**

* *Includes shares under the institution's management*

Total number of shareholdings	**1 309**
Total number of shares in issue	**100 000 000**

Share price performance

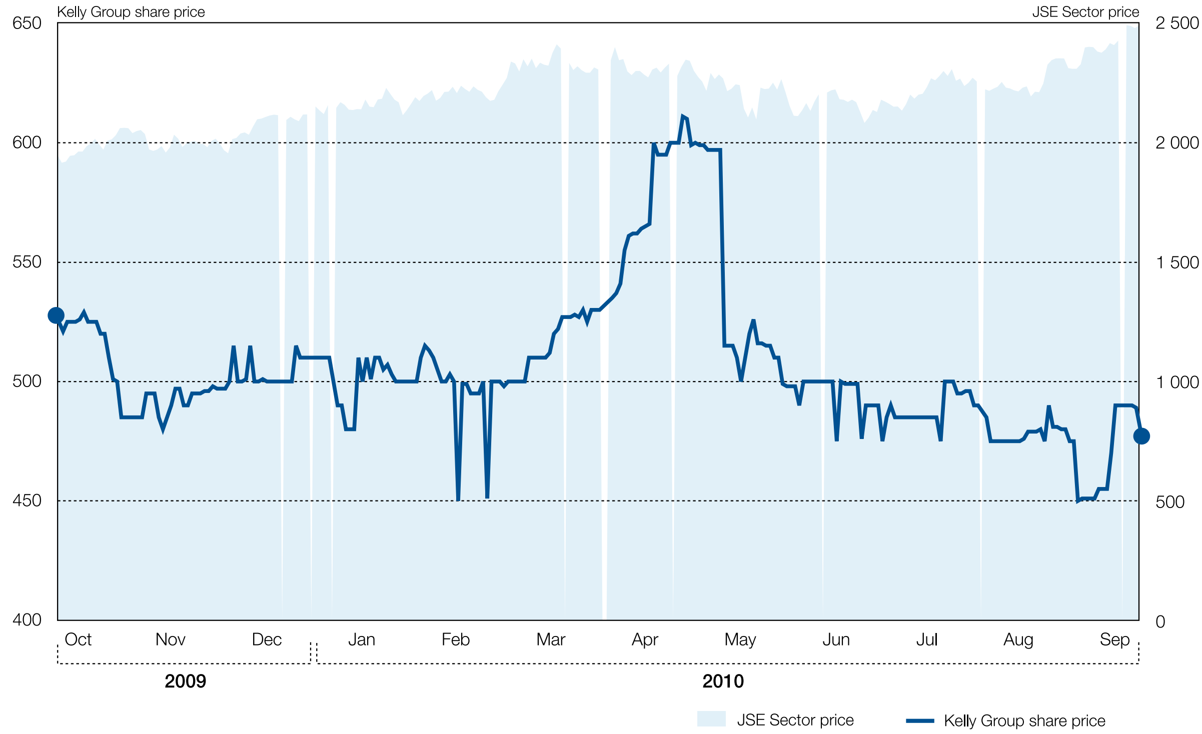
Opening price 1 October 2009	R5.25
Closing price 30 September 2010	R4.80
Closing high for the period	R6.11
Closing low for the period	R4.50
Number of shares in issue	100 000 000
Volume traded during period	25 638 142
Ratio of volume traded to shares in issue (%)	25.64%

Share performance

for the year ended 30 September 2010

Month ended	Ruling cents per share	Year high cents per share	Year low cents per share	Support services index	Volumes traded 000	Value traded R000	Number of trades	Average price cents per share
31 October 2009	495	529	470	2 036.33	2 132 498	10 733 939	220	499.50
30 November 2009	515	515	471	2 015.17	3 645 195	17 744 106	180	493.00
31 December 2009	510	515	490	2 157.62	614 896	3 087 726	96	502.50
31 January 2010	500	510	480	2 190.73	388 689	1 924 217	72	495.00
28 February 2010	500	515	450	2 215.96	11 615 706	58 080 756	309	482.50
31 March 2010	530	600	475	2 315.27	1 872 765	9 587 738	121	537.50
30 April 2010	610	611	530	2 347.87	968 845	5 604 077	93	570.50
31 May 2010	510	600	500	2 251.39	167 450	873 007	59	550.00
30 June 2010	490	500	450	2 082.87	1 858 872	9 285 209	79	475.00
31 July 2010	495	500	475	2 259.58	1 264 855	6 161 573	99	487.50
31 August 2010	490	513	475	2 326.61	853 140	4 088 499	41	494.00
30 September 2010	480	513	450	2 490.48	255 231	1 210 785	68	481.50

Share price graph (close)



STAKEHOLDERS' INFORMATION

Notice of annual general meeting

Notice is hereby given that the annual general meeting of shareholders of Kelly Group Limited ('the company') will be held in the Madiba boardroom at the company's head office, 6 Protea Place, cnr Fredman Drive and Protea Place, Sandton at 14:00 on Tuesday 22 February 2011, to pass the following resolutions, with or without modification:

Ordinary resolution 1

To receive, consider and adopt the annual financial statements of the company for the financial year ended 30 September 2010 together with the reports of the directors, audit committee and auditors contained therein.

Ordinary resolution 2

To re-appoint Grant Thornton as independent auditors of the company (designated auditor being C Pretorius) to hold office for the ensuing year.

Ordinary resolution 3

To re-elect the following directors of the company, by way of separate resolutions:

3.1 Mr MG Ilsley, who was appointed as a director of the company during the year and who, in terms of the company's articles of association, retires at this annual general meeting but, being eligible, offers himself for re-election.

3.2 Mr ME Monage, who in terms of the company's articles of association, retires at this annual general meeting but, being eligible, offers himself for re-election.

3.3 Ms B Ngonyama, who was appointed as a director of the company during the year and who, in terms of the company's articles of association, retires at this annual general meeting but, being eligible, offers herself for re-election.

3.4 Mr CJ Roodt, who in terms of the company's articles of association, retires at this annual general meeting but, being eligible, offers himself for re-election.

3.5 Mr PJJ van der Walt, who in terms of the company's articles of association, retires at this annual general meeting but, being eligible, offers himself for re-election.

A brief curriculum vitae in respect of the directors standing for re-election appear on pages 16 and 17 of the annual report.

Ordinary resolution 4

"To approve that 10 000 000 of the ordinary shares in the authorised but unissued share capital of the company be and are hereby placed under the control and authority of the directors of the company until the next annual general meeting and that the directors of the company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act (Act 61 of 1973) as amended, the articles of association of the company and the Listings Requirements of the JSE Limited ('the JSE'), when applicable."

Ordinary resolution 5

"To approve that the directors of the company be and they are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued shares (subject to the limit of 2% as detailed below) in the capital of the company for cash, as and when they in their discretion deem fit, subject to the Companies Act (Act 61 of 1973), the articles of association of the company, the Listings Requirements of the JSE, when applicable, and the following limitations, namely that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to 'public shareholders' as defined in the Listings Requirements of the JSE and not to related parties;
- in respect of securities which are the subject of the general issue of shares for cash;
- in the aggregate in any one financial year may not exceed 2% (two per cent) of the company's relevant number of equity securities in issue of that class (for purposes of determining the securities comprising the 2% (two per cent) number in any one year, account must be taken of the dilution effect, in the year of issue of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities);
- of a particular class, will be aggregated with any securities that are compulsorily convertible into securities of that class, and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible;
- as regards the number of securities which may be issued the 2% (two per cent) number, shall be based on the number of securities of that class in issue added to those that may be issued in future (arising from the conversion of options/ convertible securities), at the date of such application;
- less any securities of the class issued, or to be issued in future arising from options/convertible securities issued, during the current financial year;
- plus any securities of that class to be issued pursuant to:
  - a rights issue which has been announced, is irrevocable and is fully underwritten; or
  - acquisition (which has had final terms announced) may be included as though they were securities in issue at the date of application;
- this authority is valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given; and
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities." The approval of the general issue for cash resolution requires a 75% (seventy five per cent) majority of the votes cast in favour of such resolutions by all equity securities present or represented by proxy at the general meeting convened to approve such resolution."

Special resolution 1

As special business, to consider and, if deemed fit, to pass, with or without modification, the following special resolution: "RESOLVED THAT, as a general authority contemplated in sections 85 to 89 of the Companies Act (Act 61 of 1973), the acquisitions by the company, and/or any subsidiary of the company, from time to time of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, be and is hereby approved, but subject to the articles of association of the company, the provisions of the Act and the JSE Listings Requirements, when applicable, and provided that:

- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 10% (ten per cent) of the company's issued ordinary share capital as at the beginning of the financial year;
- the number of shares purchased and held by a subsidiary or subsidiaries of the company shall not exceed 10% in the aggregate of the number of issued shares in the company at the relevant times;
- the general repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party (reported trades are prohibited);
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- general repurchases may not be made at a price greater than 10% (ten per cent) above the weighted average of the market value for the securities for the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, a company may only appoint one agent to effect any repurchases on the company's behalf;
- The company's sponsor confirming the adequacy of the company's working capital for purposes of undertaking the repurchase of ordinary shares in writing to the JSE prior to the company entering the market to proceed with the repurchase;
- the company or its subsidiary may not repurchase securities during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- when the company has cumulatively repurchased 3% (three per cent) of the initial number of the relevant class of securities, and for each 3% (three per cent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made."

The directors undertake that they will not affect a general repurchase of shares as contemplated above unless the following can be met:

- the company and the group are in a position to repay their debt in the ordinary course of business for a period of 12 (twelve) months after the date of the general repurchase;

- the assets of the company and the group, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the liabilities of the company and the group for a period of 12 (twelve) months after the date of the general repurchase;
- the share capital and reserves of the company and the group are adequate for the next 12 (twelve) months following the date of the general repurchase; and
- the available working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the general repurchase.

Other disclosures in terms of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, some of which are elsewhere in the annual report of which this notice forms part as set out below:

- directors and management - page 16 and 17;
- major shareholders of the company - page 108;
- directors' interests in securities - page 69; and
- share capital of the company - page 90.

Litigation statement

In terms of Section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on pages 16 and 17 of the annual report of which this notice forms part, confirm that, except as disclosed in these annual financial statements, they are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names are given on page 16 and 17 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

Statement of no material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and the date of this notice.

Reason and effect

The reason for and effect of special resolution 1 is to authorise the company and/or its subsidiary company by way of a general authority to acquire its own issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the company subject to the limitations set out above.

Statement of board's intention

The directors of the company have no specific intention to effect the provisions of special resolution 1 but will however continually review the company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution 1.

Ordinary resolution 6

"To authorise any one director or the secretary of the company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which this ordinary resolution will be considered."

Voting and proxies

Shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder. Proxy forms must be forwarded to reach the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, by no later than 14:00 on Friday 18 February 2011. Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company shall have one vote for every share held in the company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own name' registration, should contact their Central Securities Depositary Participant ('CSDP') or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Shares held by a share trust or share scheme will not have their votes taken account of for JSE Listing Requirements resolution approval purposes.

Shares held as treasury shares may also not vote.

By order of the board

KH Fihrer
Company secretary

22 November 2010

Registered office

Kelly Group Limited

- 6 Protea Place
  Corner Fredman Drive
  Sandton 2196
- Private Bag X44
  Benmore 2010

Transfer secretaries

Computershare Investor Services (Pty) Ltd

- Ground Floor
  70 Marshall Street
  Johannesburg 2001
- PO Box 61051
  Marshalltown 2107

Form of proxy

The Kelly Group

Kelly Group Limited

Incorporated in the Republic of South Africa □ Registration number: 1999/026249/06
ISIN: ZAE000093373 □ Share code: KEL □ 'the Kelly Group' or 'the company'

For use at the annual general meeting of the holders of ordinary shares in the company to be held at the registered office of the Kelly Group, in the Madiba boardroom at the company's head office, 6 Protea Place, cnr Fredman Drive and Protea Place, Sandton, at 14:00 on Tuesday 22 February 2011 ('the annual general meeting').

Kelly Group shareholders who have dematerialised their Kelly Group shares through a CSDP or broker must not complete this form of proxy and must provide their CSDP or broker with their voting instructions, except for Kelly Group shareholders who have elected own name registration in the sub-register through a CSDP or broker, who must complete this form of proxy and lodge it with the transfer secretaries.

Holders of dematerialised Kelly Group shares wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP/broker to issue them with the relevant authorisation to attend.

I/We

of (address)

being the registered holder/s of ordinary shares in the capital of the company, hereby appoint (see note 1):

1 or, failing him/her

2 or, failing him/her

3 the chairman of the annual general meeting

as my/our proxy to act for me/us at the annual general meeting for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s in accordance with the instructions/notes on the reverse side hereof.

			In favour	Against	Abstain
1	Ordinary resolution 1:	Receive, consider and adopt the annual financial statements for the year ended 30 September 2010			
2	Ordinary resolution 2:	Re-appointment of Grant Thornton as the auditors (designated auditor being C Pretorius)			
3	Ordinary resolution 3:	Re-appointment of directors			
	3.1 Mr MG Ilsley				
	3.2 Mr ME Monage				
	3.3 Ms B Ngonyama				
	3.4 Mr CJ Roodt				
	3.5 Mr PJJ van der Walt				
4	Ordinary resolution 4:	Control of authorised but unissued shares (10 000 000)			
5	Ordinary resolution 5:	General issue of shares for cash (2%)			
6	Special resolution 1:	General authority to repurchase shares (10%)			
7	Ordinary resolution 6:	Authority to attend to the above resolutions			

A shareholder entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, vote, speak and act in his stead. A proxy need not be a shareholder of the company.

Signed at on 2011

Signature

assisted by me (where applicable) (state capacity and full name)

Please use block letters. Please read the notes on the reverse side hereof.

Notes to the form of proxy

Kelly Group Limited

Incorporated in the Republic of South Africa □ Registration number: 1999/026249/06 □ ISIN: ZAE000093373
Share code: KEL □ 'the Kelly Group' or 'the company'

1. This form of proxy must only be used by certificated ordinary shareholders or dematerialised ordinary shareholders who hold dematerialised ordinary shares with 'own name' registrations.
2. Dematerialised ordinary shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
3. A Kelly Group shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the spaces provided, with or without deleting "the chairman of the general meeting", but any such deletion must be initialled by the Kelly Group shareholder concerned. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted, shall be regarded as the validly appointed proxy.
4. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.
5. In order to be effective, proxy forms must reach the registered office of the company or the company's transfer secretaries at least 48 hours before the time appointed for holding the meeting (excluding Saturdays, Sundays and public holidays).
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).
7. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he thinks fit.
8. The delivery of the duly completed proxy form shall not preclude any shareholder or his duly authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company.
10. Where there are joint holders of any shares:
    - any one holder may sign this form of proxy; and
    - the vote/(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/(s) of the other joint shareholder/(s).

Registered office

Kelly Group Limited

- 6 Protea Place
  Corner Fredman Drive
  Sandton 2196
- Private Bag X44
  Benmore 2010

Transfer secretaries

Computershare Investor Services (Pty) Ltd

- Ground Floor
  70 Marshall Street
  Johannesburg 2001
- PO Box 61051
  Marshalltown 2107

Corporate information

Listing information

Kelly Group Limited was listed on the JSE Limited on 3 April 2007.

- **JSE code** KEL
- **ISIN** ZAE000093373
- **Sector** Support services - business training and employment agencies

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Registration number: 2004/003647/07
- Ground Floor, 70 Marshall Street, Johannesburg, 2001
- PO Box 61051, Marshalltown, 2107, South Africa
- Tel: +27 11 370 5000

www.computershare.com

Auditors

Grant Thornton
Registered Auditors
Chartered Accountants (SA)
- 137 Daisy Street, Corner Grayston Drive, Sandown, 2196
- Private Bag X28, Benmore, 2010, South Africa
- Tel: +27 11 322 4500

www.gt.co.za

Legal advisors

Read Hope Phillips Thomas and Cadman Inc
Attorneys
Registration number: 2000/022080/21
- 2nd Floor, 30 Melrose Boulevard, Melrose Arch, Melrose North, Johannesburg, Sandown, 2196
- PO Box 757, Northlands, Gauteng, 2116, South Africa
- Tel: +27 11 344 7800

www.rhp.co.za

Lowndes Dlamini
Attorneys
- 56 Wierda Road East, Cnr Albertyn Road, Wierda Valley, Sandton, DX 31 Sandton Square
- PO Box 78882, Sandton, 2146, South Africa
- Tel: +27 11 292-5777

www.lowndesdlamini.co.za

Principal/commercial banker

First National Bank
(A division of FirstRand Bank Limited)
FNB Corporate Services, Corporate and transactional banking
Registration number: 1929/001225/06
- 1 First Place, 6th Floor, Corner Simmonds and Pritchard Streets, Bankcity, Johannesburg, 2001
- PO Box 1153, Johannesburg, 2000, South Africa
- Tel: +27 11 371 2111

www.fnb.co.za

Merchant bank and sponsor

Rand Merchant Bank
(A division of FirstRand Bank Limited)
Registration number: 1929/001225/06
- 1 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton, 2196
- PO Box 786273, Sandton, 2146, South Africa
- Tel: +27 11 282 8000

www.rmb.co.za

Investor and media relations

du Plessis Associates, Helen McKane
- Central House, 40 Central Street, Houghton, 2198
- PO Box 87386, Houghton, 2041, South Africa
- Tel: +27 11 728 4701

kellygroup@dpapr.com

Secretary and registered office

Kevin Fihrer
- 6 Protea Place, Corner Fredman Drive, Sandton, 2196
- Private Bag X44, Benmore, 2010, South Africa
- Tel: +27 11 722 8000
- Fax: +27 11 722 8167

www.kellygroup.co.za

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