

GEN – General – EOH Holdings Limited

Censure imposed by the JSE on EOH Holdings Limited (“**Company**” or “**EOH**”)

The JSE hereby informs stakeholders of the following findings in respect of the Company:

1. EOH published its financial statements for the year ended 31 July 2019 on 13 November 2019 and its unaudited interim financial results for the six months ended 31 January 2020 on 7 April 2020, which contained restatements to previously published results to correct a substantial number of prior period errors in accordance with International Financial Reporting Standards (“**IFRS**”).

#### **Background to the restatements**

2. The errors were material and extended over a number of years and in correcting these errors, the Company restated its annual financial statements for the year ended 31 July 2018 and restated the opening balances for the year ended 31 July 2017. Consequently, EOH restated its interim financial statements for the six months ended 31 January 2019 to correct these material errors.
3. A lack of governance and oversight mechanisms, inadequate and ineffective controls and systems in prior financial periods which arose during the tenure of previous executive management resulted in irregularities and fraudulent contracts, premature revenue recognition, unsubstantiated tender payments, and lack of impairment of financial assets, despite impairment indicators that were present. Further, EOH incurred VAT and tax liabilities on suspicious payments regarding fraudulent public sector contracts.
4. The financial impact of the restatements of prior period errors in the annual financial statements were material in that:
  - i. The total loss per share increased from 70 cents to 1367 cents per share, reflecting a 1 806% deterioration;
  - ii. The total headline earnings per share of 283 cents decreased to a headline loss per share of 546 cents, reflecting a 293% deterioration;
  - iii. Intangible assets decreased by R384 million as a result of the errors, representing a decrease of 30%;
  - iv. Equity-accounted investments decreased by R291 million, representing a decrease of 35%; and
  - v. The corrections led to a 10% decrease in EOH’s total assets for 2018, and an increase of total liabilities for 2018 by 7%.

## **JSE's findings and decision to censure EOH**

5. EOH's previously published financial information for the periods 2017 to 2018 did not comply with IFRS and was incorrect, false and misleading in material aspects and this incorrect information was disseminated to shareholders, the JSE and the investing public. In these circumstances the JSE found that EOH failed to comply with section 8.62(b) of the JSE Listings Requirements in that EOH failed to comply with IFRS in respect of the annual financial statements for the 2017 and 2018 financial periods. EOH assisted the JSE in its investigation and admitted its failure to comply with these provisions of the Listings Requirements.
6. The accuracy and reliability of financial information published by companies are of critical importance in ensuring a fair, efficient and transparent market. The provisions of the Listings Requirements, which impose various important obligations on listed companies in respect of the disclosure of financial information, contributes to the integrity of the market and promotes investor confidence. The Company and its directors are therefore obliged to ensure that all financial information and reports that are published are, in all material aspects, accurate and correct. In addition hereto, the investing public relies on a company's published financial information to make important investment decisions.
7. For these reasons and with reference to the JSE's findings of breach, the JSE has decided to impose a public censure and the maximum fine of R7 500 000 (seven million five hundred thousand) on EOH as a result of its failure to comply with important provisions of the Listings Requirements.
8. The JSE has considered all the relevant facts and information at its disposal in deciding on an appropriate censure and financial penalty as a result of EOH's transgressions of the Listings Requirements which include, EOH's internal review that uncovered the irregular accounting and other practices, its full cooperation and assistance in the JSE's investigation, the current economic climate, the remedial actions undertaken by the Board and the interests of shareholders, the JSE and the investing public. In these circumstances, the JSE has decided to suspend R2 500 000 (two million five hundred thousand) of the fine for a period of five years on condition that EOH is not found to be in breach of material and important provisions of the Listings Requirements during the period of suspension.
9. The fine imposed against EOH will be appropriated in settlement of any future costs incurred by the JSE which may arise through the enforcement of the provisions of the Listings Requirements as contemplated in section 11(4) of the Financial Markets Act, 19 of 2012 read with section 1.25 of the Listings Requirements, which may include the investigation into the conduct of individuals that

presided at the Company during the periods in question and who are bound by the Listings Requirements.

10. It is important to note the provisions of section 11(5) of the Financial Markets Act, which stipulates that the Listings Requirements are binding on companies and their directors. The JSE is therefore duty bound to properly investigate all potential breaches of the Listings Requirements by companies and their directors and to take the necessary and appropriate action if the Company and/or its directors failed to comply with the provisions of the Listings Requirements.

**Other parties regulated by the JSE**

11. This concludes the JSE's process in respect of the Company as a juristic person. The investigation into the conduct of individuals that presided at the Company during the periods in question and who are bound by the Listings Requirements is ongoing.
12. Separately, the auditors of EOH have been referred to the Independent Regulatory Board of Auditors for their separate investigation.

29 July 2020