

GEN – General – Ms Mbuso Khoza – Former Director of AYO Technology Solutions Limited

Censure imposed by the JSE on Ms Mbuso Khoza in her capacity as a former non-executive director and member of the audit and risk committee of AYO Technology Solutions Limited (“**Company**” or “**AYO**”)

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

Background

1. AYO listed on the JSE in December 2017. At listing, AYO’s audit and risk committee (“**ARC**”) comprised of Ms Mbuso Khoza, Mr Telang Ntsasa and Mr Salim Young. Shortly after listing, the Company published its unaudited interim results for the six months ended 28 February 2018 (“**2018 interim results**”) on 15 May 2018. Mr Salim Young stepped down as a member of the ARC on 19 February 2018 just before the interim period end and Ms Khoza and Mr Ntsasa resigned from AYO’s board of directors on 20 August 2018.
2. Investors are referred to the SENS announcement published by the JSE on 27 August 2020 whereby the JSE imposed a public censure and a fine of R6 500 000 on AYO for the publication of a number of sets of incorrect, false and misleading financial statements as a result of its failure to comply IFRS and the Listings Requirements which included material misstatements contained in AYO’s 2018 interim results.
3. The misstatements identified in the 2018 interim results arose as a result of AYO’s failure to subject the 2018 interim accounts and underlying documents to a critical and thorough review, resulting in numerous line items in the statements of financial position, comprehensive income and cash flows containing material errors. AYO admitted that at the time, the Company did not have robust financial reporting procedures and processes to avoid these errors, resulting in the dissemination of financial information that did not comply with IFRS. Further, the Company did not have staff possessing sufficient historical and technical knowledge of the Company in order to produce financial information that would provide a fair presentation of AYO’s results to the market since its listing on the JSE in 2017.

Ms Khoza's conduct as a member of the ARC

4. In terms of par 3.84(g)(ii) of the Listings Requirements, the audit committee must, notwithstanding its duties pursuant to Section 94 of the Companies Act, ensure that the issuer has established appropriate financial reporting procedures and that those procedures are operating, which should include consideration of all entities included in the consolidated group IFRS financial statements, to ensure that it has access to all the financial information of the issuer to allow the issuer to effectively prepare and report on the financial statements of the issuer.
5. Although Ms Khoza was not directly involved in the preparation of AYO's 2018 interim results, as an ARC member she should have examined the Company's financial reporting policies, the robustness of internal controls and rigorous mechanisms for identification of material financial risks, amongst others, to support quality interim financial reporting in 2018. The weaknesses in AYO's financial reporting procedures led to material accounting errors in the 2018 interim results which pointed directly to a lack of oversight by the members of the ARC during the period in question. The deficiencies in AYO's financial reporting procedures fell gravely short of the appropriate standard required of an audit committee and the actions and/or omissions of the ARC in this regard caused AYO to breach IFRS and the Listings Requirements due to the material misstatements contained in the 2018 interim results.
6. In terms of section 76 of the Companies Act, a director and/or a member of a company's audit committee must exercise his or her powers and perform his or her functions: in good faith and for a proper purpose; in the best interest of the company, and with the degree of care, skill and diligence that may reasonably be expected of a person carrying out the same functions and having the general knowledge, skill and experience of that director.
7. Directors of JSE listed companies must ensure that they possess the relevant knowledge, skills and experience to adequately fulfil their duties and to exercise the required level of judgement and care required of them as directors and/or members of an audit committee. Ms Khoza admitted to having little to no knowledge of corporate governance issues, no knowledge of and about the rules and regulations of financial reporting procedures of a JSE listed company, or the appropriate standards required in respect of conducting a normal audit of a company, let alone the appropriate standards, procedures and processes required of an audit committee in circumstances where a company wanted

to list on the JSE. Ms Khoza conceded to being an inexperienced director and therefore neglected the positive duty placed on her to ensure that AYO had established appropriate financial reporting procedures in place, and that those financial reporting procedures were operating, so as to mitigate the occurrence of material errors in AYO's financial statements and to ensure the integrity and correctness of the 2018 interim results – the Company's first results published to the market since its listing in December 2017.

8. At the ARC meetings and subsequent interactions with management between the period of AYO's listing on the JSE in December 2017 and the publication of the 2018 interim results in May 2018, Ms Khoza's participation and contribution in the meetings was lacking and there was no evidence of interrogation of AYO's financial reporting procedures. Further, there was a lack of oversight of the financial reporting control environment which would have identified high risk areas requiring management judgement and scrutiny prior to the ARC's recommendation of the 2018 interim results to the Board for approval and dissemination. Ms Khoza therefore did not observe the highest standard of care in her oversight role leading up to the dissemination of the 2018 interim results.
9. Because interim results are generally not required to be audited or reviewed, significant responsibility lies on the ARC to provide robust oversight and monitoring of the Company's financial reporting environment and procedures and to satisfy themselves that all financial reporting procedures leading up to the publication of the 2018 interim results would ensure accurate and complete reporting in terms of IFRS and the JSE Listings Requirements, which Ms Khoza did not do.

JSE's findings and decision to censure Ms Khoza

10. Accordingly and for these reasons, the JSE found Ms Khoza to be in breach of paragraph 3.84(g)(ii) for failing to ensure that AYO had established financial reporting procedures in place and that these procedures were operating in the period leading up to the publication of AYO's 2018 interim results on 15 May 2018. In addition hereto, the JSE found Ms Khoza to be in breach of General Principle (v) of the Listings Requirements for failing to observe the highest standards of care in the dissemination of the interim results to the market.

11. Ms Khoza was constructive and transparent in admitting her shortcomings to the JSE and fully co-operated with the JSE's investigation.
12. Directors of issuers fulfil a critical role in ensuring that listed companies comply with the Listings Requirements. Issuers of securities listed on the JSE are only able to comply with the Listings Requirements if their directors take the appropriate actions to ensure that such issuers comply in all aspects with its provisions. Members of AYO's ARC were therefore obliged through their oversight role to ensure that financial reporting procedures were sufficiently operating to support the preparation and publication of financial information and reports that are, in all material aspects, accurate and correct and that they observe the highest standard of care in doing so.
13. For these reasons and with reference to the JSE's findings of breach, the JSE has decided to impose against Ms Khoza, a public censure and immediate disqualification from holding the office of a director or officer of a listed company for a period of 5 (five) years as a result of her failure to comply with important provisions of the Listings Requirements and for failing to fulfil her duties and responsibilities as a director and audit committee member of AYO with the necessary due care and skill.

10 February 2022