

EOH HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1998/014669/06)

JSE share code: EOH

ISIN: ZAE000071072

("EOH" or "the Company")



RESPONSE TO THE PUBLIC CENSURE AND FINE IMPOSED BY THE JSE LIMITED

Shareholders are referred to the announcement published by the JSE Limited ("**JSE**") earlier today relating to the public censure and fine imposed by the JSE for the prior period errors contained in EOH's previously published financial statements for the financial years ended 31 July 2017 ("**FY2017 Financial Results**") and 31 July 2018 ("**FY2018 Financial Results**") (together the "**FY2017 and FY2018 Financial Results**").

EOH accepts the JSE's finding that the FY2017 and FY2018 Financial Results did not comply with IFRS and were incorrectly prepared and therefore incorrect, false and misleading information was disseminated to the market in respect of the FY2017 and FY2018 Financial Results.

The current board of directors of EOH (the "**EOH Board**") has spent a significant amount of time rebuilding credibility through establishing a robust governance framework, creating more transparency within the business and ensuring the accuracy and reliability of the financial information disclosed to the market, whilst continuing to work through the remaining legacy issues that it inherited.

During 2019 the EOH Board undertook a detailed review of the financial reporting processes and the resulting financial statements, including financial statements previously published, in order to ensure the integrity of the financial information provided to the market. The review uncovered discrepancies that spanned different accounting topics, including revenue recognition, initial asset capitalisation, subsequent recovery of assets initially recognised, the timing of the recognition of liabilities and the recognition of impairment losses. The review focused on the FY2017 and FY2018 Financial Results as prepared by the previous executive directors and officers of EOH and approved by the previous board of directors of EOH (the "**Previous Management**"), which has subsequently been substantially reconstituted. The review culminated in various restatements being included in the Company's annual financial statements for the year ended 31 July 2019 ("**FY2019 Financial Results**") and consequentially in the financial results for the six months ended 31 January 2020 ("**HY2020 Financial Results**") in order to correct the prior period errors.

The JSE initiated an investigation following the restatements included in the Company's FY2019 Financial Results and the HY2020 Financial Results, resulting in the public censure and fine referred to herein being imposed. The JSE's investigation into the Previous Management that presided over the Company during the periods in question is ongoing.

As previously noted, the FY2019 Financial Results included a qualified audit opinion from Mazars (Gauteng) Inc., EOH's previous auditors, who disagreed with EOH's current management on the treatment of the various restatements in respect of the appropriate period within which to record the restatements; however, the qualification did not extend to the Statement of Financial Position for the FY2019 Financial Results. The JSE investigated the matter and referred it to the Financial Reporting Investigations Panel (the "**FRIP**"). The FRIP determined that (i) compelling arguments were put forward by EOH in respect of the restatement of the prior period errors, (ii) the IFRS requirements in respect of the various prior period errors appeared to be correctly interpreted by EOH, (iii) there was no clear violation of IFRS by EOH in respect of the restatements contained in the FY2019 Financial Results, and (iv) that further investigation would be required on the auditor's conclusion, which investigation is outside the scope of the FRIP. The JSE has referred the matter to the Independent Regulatory Board of Auditors ("**IRBA**") for their further consideration as it relates to the auditor's conclusion and EOH awaits the outcome of the IRBA process.

The JSE has undertaken to apply the fine of R7.5 million (R2.5 million of which has been suspended for a period of five years on condition that EOH is not found to be in breach of material and important provisions of the JSE Listings Requirements) to the settlement of any future costs incurred by the JSE which may arise through the enforcement of the JSE Listings Requirements and which may include the investigation into the conduct of the Previous Management that presided over the Company during the periods in question.

Although EOH is disappointed to have received a public censure and fine from the JSE, the EOH Board note that this applies to the financial periods approved by the Previous Management and the findings of the JSE and FRIP supports the position of the current management team and vindicates the actions taken in restating the FY2018 Financial Results.

The EOH Board is pleased that the JSE has agreed to suspend a portion of the fine and allocate the balance to potential future costs. EOH has worked tirelessly to address the inherited legacy issues and ensure that EOH is once again a respected name in the South African ICT sector. EOH remains committed to pursuing legal action against the main perpetrators identified during the ENSafrica forensic investigation and to try to recover losses caused by the main perpetrators of wrongdoing.

29 July 2020

Sponsor

