

30 October, 2020

Trustco Group Holdings Limited (“Trustco”) requested us to address our submission to the narrow matter of how the JSE Decision could be implemented by Trustco in compliance with its obligations under IFRS. Our comments below should be read in that context.

1. Whilst the JSE has expressed its disagreement with our client’s accounting treatment of the matters subject to its decision, in our view it has not specified how the arguments presented by Trustco in support of its treatment result in the misapplication of IFRS. If the client, as it must, is to implement the decision of the JSE that an accounting error has arisen, it must do so bearing in mind the requirements of IAS 8.49 in terms of which it must explain to users the nature of that error.

In our view this requires an understanding of how and why its previous accounting was incorrect. From our reading neither the decision of the JSE nor its previous correspondence with our client provides the basis for this. We would submit that if the JSE is to make use of its powers to determine the correct application of IFRS for an issuer it must also take on the responsibility for providing a comprehensive basis for the accounting adopted and provide a comprehensive explanation of why the previous accounting was incorrect. This, after all, would be the responsibility of any issuer if it were to discover an error in its previous accounting which required correction.

2. Having addressed the matter of the previous accounting and why it resulted in an erroneous application of IFRS in the point above, the entity must apply itself similarly with respect to the corrected accounting treatment as required by the JSE in terms of its powers. To do so appropriately our client should be in receipt of a comprehensive accounting explanation of the accounting treatment required by the JSE in terms of its decision, inclusive of a clear indication of whether or not the application of that treatment required the application of significant judgment by the JSE as contemplated in IAS 1.122.

In the absence of addressing the two matters above it is our opinion that Trustco is unable to implement the decision of the JSE as it currently stands without flouting the requirements of IAS 8 and IAS 1 respectively.

We further note that the new accounting treatment required by the JSE becomes the de facto accounting policy for all similar transactions entered into by Trustco in future and it should be furnished with a comprehensive understanding thereof so that it may be in a position to explain the treatment to users of its financial statements.

Sincerely,

A handwritten signature in black ink, appearing to read 'TH Njikizana'.

TH Njikizana
CA(SA), JSE IFRS Adviser