We also see a substantial increase in the profit before debenture interest excluding fair value surplus particularly in years 2006 and 2007 (27%) generated by the acquisition of the BFM and Banking properties, low vacancies as well as competitive market rentals achieved in most negotiations on new and now renovations.

The Financial Statements of Turnstar Holdings Limited are prepared according to the International Financial Reporting Standards (IFRS) requirements.

The company has adopted the fair value option provided by international Accounting Standards (IAS 39): Investment Property for recognizing the investment property in the books of account. As per the fair value model, the company should not charge depreciation on its properties and at the same time any surplus/deficit arising on fair valuation of property should be recognised through profit and loss.

The fair value surplus recorded in respect of a property as income per IFRS 4 (IAS 40) is taxable as per Botswana Income Tax Act, 2003 and unless it is realised upon the sale of the property concerned. As a result there is a timing difference between recording of income for the year and distribution of dividends.

In terms of the Income Tax Act, capital allowances are allowed on the commercial and industrial properties whereas no depreciation expenses are required to be charged on these properties as per IFRS.

Claiming the capital allowances for tax purpose and charging of debenture interest result in tax losses to the company which may be carried forward for five years. The company had a tax loss of P5, 400,827 for the financial year ended 31 October 2006 which it may utilise the carry forwarded tax losses.

At the end of a very successful year we are fortunate to comment on the above financials as follows:

Games City Phase 2 – a 10,000m² extension of our flag ship. We are now in a position to proceed with this extension as we have received an unweighted response from potential and existing tenants.

Fairgrounds Phase 2.

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