

RE: BOST Records GHC400 Million in Losses-SIGA Report

The management of the Bulk Oil Storage and Transportation Company Limited has taken notice of a series of publications making the rounds on several online portals suggesting that contrary to an announcement by the MD, Edwin Provencal, that BOST has made an operating profit before tax of GHC30million, a report from SIGA indicates BOST has incurred losses to the tune of GHC400 Million.

We, by this publication seek to correct the erroneous impressions created by the publication and wish to set the record straight as follows:

- 1. Underlying Business of your company, BOST is PROFITABLE** - The report of the GHC400 million losses made by BOST is not accurate. To measure the profitability and operational efficiency of a Business one must determine whether the underlying operations (core business) of the company are profitable.

The Managing Director in his submission at SIGA was emphatic that the company achieved **a profit before tax** of GHS9,844,673 versus an estimated GHC30million in year 2020 as against a loss of GHS158,478,676 in 2019. The positive net profit before tax attained in 2020 implies a massive turnaround of the operational fortunes of the company (Appendix 3). This was the basis of the MDs assertion at the SIGA engagement buttressed by publications from media houses like the Daily Graphic and GNA¹. He was however quick to add that, unpaid tax obligations over the five-year period to date, the reduction in the value of our GOIL investment, and forex difference on dollar denominated loans MAY turn the profit before tax into a net loss for the period.

This enhanced performance was driven by extensive operational efficiency initiatives including, but not limited to massive repair works of our storage tanks, pipelines and marine assets, replacement of outmoded parts across the facilities of the company in the last two years supported by improved marketing and customer service. **In the past two years, our income-earning assets has improved from 18% to 91%.**

- 2. Net Loss after Tax** - There were several events outside management's control that impacted the overall business negatively thus posting a loss for the year 2020 in the statement of comprehensive income (Appendix 1).

Firstly, BOST as part of its drive towards operational excellence undertook a revaluation of its assets in the 2020 financial year. This had become necessary as most of the assets still in operation had been written down to near-zero levels whilst still useful in the operations of the company. As required by the International Financial Reporting Standards, IFRS, when assets are revalued, the increase in their values is taxed resulting in larger tax obligations. The revaluation which was a deliberate decision to enhance the reporting of the company led to a deferred tax obligation of GHC292,935,973 compared to the net loss of GHC291,017,758, a difference of GHC1,918,215

¹ <https://ghana-news.net2tvgh.com/bost-sets-aside-gh200-million-to-transform-petroleum-sector/>

(Appendix 1). The increase in the value of the revalued assets also resulted in increased depreciation charges which further reduced the bottom-line or the profit for the year. (Appendix 2 – 12d).

Secondly, BOST owns a 20% stake in GOIL. In any financial year, any loss in the market value of shares of GOIL is computed and that reduces the income of BOST to arrive at its net profit or loss for the year. In the year 2019 to 2020, our investment in GOIL saw a reduction of GHS15,674,525 its market value of. (Appendix 2 – Note 15). Respectfully, this event is external to BOST operations and therefore to gauge the performance of BOST management and staff by this loss in investment will not be fair. This is the reason why we should rely on the profit before tax rather than all these uncontrollable factors which have been factored in to arrive at the net profit or loss for the year. The recorded net losses for the years 2019 and 2020 per the income statement (Appendix 1) attached were therefore GHS101,411,781 and GHS291,017,758.

3. **Your Company, BOST has been turned around** - Any comprehensive and objective analysis of the audited statements for the past five years (Appendix 3 - 2016-2020 profit before tax trend) will show a company on track to higher performance through enhanced efficiency and we look forward to capitalizing on these modest improvements to make BOST an example of a World-Class State-Owned Enterprise.

It remains uncontested that the debt to suppliers and related parties of \$623 million has been paid down to \$39 million, the debts owed the local banks of about GHS273 million has been fully cleared and our pipelines which were procured in 2011 and left to the mercy of the weather in the United States under the AT & V contract have arrived safely on our shores and we expect to complete the installation of the additional 12 inch pipeline between the Accra Plains and Akosombo depots.

The cashflow position of the company is enhanced and the repair of the company's infrastructure continues despite the reduction in our BOST Margin.

In conclusion, we reiterate the fact that your company BOST is on its way to becoming a PROFITABLE STATE-OWNED ENTERPRISE and nothing will derail the resolve of management and staff to achieve this.

God Bless Our Homeland Ghana and make us GREAT and STRONG.

...END...

APPENDIX 1 – 2020 Statement of Comprehensive Income - Audited

BULK OIL STORAGE AND TRANSPORTATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The notes on pages 12 to 41 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME	Note	Year ended 31 December	
		2020	2019
Revenue	5	632,659,391	521,602,143
Cost of sales	6	(410,742,113)	(410,442,371)
Gross profit		221,917,278	111,159,772
Other Income	7	15,326,570	56,216,533
Administrative expenses	8	(208,761,410)	(137,084,347)
Other expenses	9	-	(51,876,544)
Operating income (loss)		28,482,438	(21,584,586)
Finance income	10	1,445,761	16,928,311
Finance costs	11	(20,083,526)	(153,822,401)
Net Profit/(Loss) before tax		9,844,673	(158,478,676)
Income tax expense	12(a)	(7,926,458)	(278,157)
Profit/Loss After Income Tax		1,918,215	(158,200,519)
Provision for Deferred tax Expense	12(d)	(292,935,973)	57,345,052
Net profit (Loss) for the year		(291,017,758)	(101,411,781)
Changes in the fair value of investment at fair value through other comprehensive income	15	(15,674,525)	(101,884,414)
Other comprehensive income for the period		(15,674,525)	(101,884,414)
Total comprehensive income for the year		(306,692,283)	(203,296,195)

APPENDIX 2 – Notes 12d and 15

12d. Deferred Income tax

Deferred tax as presented on the statement of financial position relates to the following:

	2020 GH¢	2019 GH¢
Accelerated depreciation for tax purposes	291,827,885	168,247,825
Other temporary differences	(53,260,674)	(182,459,466)
Tax losses	=	(40,157,121)
Net deferred income tax liabilities	<u>238,567,211</u>	<u>(54,368,762)</u>

The movement on the deferred income tax liability account is as follows:

	2020 GH¢	2019 GH¢
At 1 January	(54,368,762)	2,976,290
Credit (expense) for the year	<u>292,935,973</u>	<u>(57,345,052)</u>
At 31 December	<u>238,567,211</u>	<u>(54,368,762)</u>

29

Figure 1 - Note 12d - Deferred Income Tax on Revalued Assets

15. Investment securities

	2020 GH¢	2019 GH¢
At 1 January	133,233,464	235,117,878
Fair value (loss)/ gains on investment securities recognised in other comprehensive income	(15,674,525)	(101,884,414)
Fair Value as at 31 December	<u>117,558,939</u>	<u>133,233,464</u>
Housing scheme investment	414,165	=
	<u>117,973,105</u>	

Investment securities relates to shares acquired in GOIL by BOST. Management's intention is to hold this investment for long-term strategic purposes.

Figure 2 - Note 15 on Goil Investment

APPENDIX 3: 2016 – 2020 TREND OF PROFIT BEFORE TAX

Year	Revenue (GHS)	Profit/Loss Before Income Tax (GHS)
2020 Audited	632,659,391	9,844,673
2019 Audited	521,602,143	(158,478,676)
2018 Audited	263,637,599	(287,745,944)
2017 Audited	1,801,295,256	(112,196,531)
2016 Audited	2,922,283,678	(533,191,096)