

## Directors' Report on Internal Controls Over Financial Reporting (ICOFR)

### Assessment Report on Internal Controls Over Financial Reporting:

The Board of Directors of Baladna (Q.P.S.C.) ("the Company") is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICOFR") as required by Qatar Financial Markets Authority ("QFMA"). Our internal controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS). ICOFR also includes our disclosure controls and procedures designed to prevent misstatements.

We have conducted an evaluation of the design, implementation and the operating effectiveness of internal controls over financial reporting, as of 31 December 2021, based on the framework and the criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO").

We have covered all the material aspects of the business in its assessment of internal controls over financial reporting as of 31 December 2021, for the period from 1 January 2021 to 31 December 2021.

The Company's statutory auditor, Moore Stephens and Partners Certified Public Accountants (Moore), Qatar, has issued a reasonable assurance report on our assessment of ICOFR.

### 1. Risks in Financial Reporting

The main risks in financial reporting are that either financial statements do not present a true and fair view due to unintentional or intentional errors (fraud) or the publication of financial statements is not done on a timely basis. A lack of fair presentation arises when one or more financial statement amounts, or disclosures contain misstatements (or omissions) that are material.

Misstatements are deemed material if they could, individually or collectively, influence economic decisions that users make based on the financial statements.

To restrain those risks of financial reporting, Baladna

has established ICOFR with the aim of providing reasonable but not absolute assurance against material misstatements. The Company conducted an assessment of the effectiveness of Baladna's internal controls over financial reporting based on the framework established in the Internal Control Integrated Framework (2013), issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). COSO recommends the establishment of specific objectives to facilitate the design and evaluate adequacy of a control system.

The COSO Framework includes 17 basic principles, and the following 5 components:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

Controls covering each of the 17 principles and 5 components have been identified and documented. As a result, in establishing ICOFR, management has adopted the following financial statement objectives:

- Existence/Occurrence - assets and liabilities exist, and transactions have occurred.
- Completeness - all transactions are recorded; account balances are included in the financial statements.
- Valuation/M Measurement - assets, liabilities and transactions are recorded in the financial reports at the appropriate amounts.
- Rights, Obligations and Ownership - rights and obligations are appropriately recorded as assets and liabilities.
- Presentation and Disclosures - classification, disclosure and presentation of financial reporting is appropriate.

However, any internal control system, including ICOFR, no matter how well conceived and operated, can provide only reasonable, but not absolute assurance that the objectives of that control system are met. As such, disclosure controls and procedures or systems for ICOFR may not prevent all errors and fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

## 2. Organisation of the Internal Control System

### Functions involved in the system of Internal Control over Financial Reporting

Controls within the system of ICOFR are performed by all business functions and infrastructure functions with an involvement in reviewing the reliability of the books and records that underlie the financial statements on a quarterly basis. As a result, the operation of ICOFR involves staff based in various functions across the organisation.

### Controls to minimise the risk of Financial Reporting misstatement

The system of ICOFR consists of a large number of internal controls and procedures aimed at minimising the risk of misstatement of the financial statements. Such controls are integrated into the operating process and include those which:

- are ongoing or permanent in nature such as supervision within written policies and procedures or segregation of duties;
- operate on a periodic basis such as those which are performed as part of the annual financial statement preparation process;
- are preventative or detective in nature;
- have a direct or indirect impact on the financial statements themselves. Controls which have an indirect effect on the financial statements include entity level controls and IT general controls such as system access and deployment controls whereas a control with a direct impact could be, for example, a reconciliation which directly supports a balance sheet line item; and
- feature automated and/or manual components. Automated controls are control functions embedded within system processes such as application enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorisation of transactions.

## 3. Measuring Design, Implementation and Operating Effectiveness of Internal Control

The Company has undertaken a formal evaluation of the adequacy of the design, implementation, and operating effectiveness of the system of ICOFR. This evaluation incorporates an assessment of the design,

implementation, and operating effectiveness of the control environment as well as individual controls which make up the system of ICOFR taking into account:

- The risk of misstatement of the financial statement line items, considering such factors as materiality and the susceptibility of the particular financial statement item to misstatement.
- The susceptibility of identified controls to failure, considering such factors as the degree of automation, complexity, risk of management override, competence of personnel, and the level of judgement required.

These factors, in aggregate, determine the nature and extent of evidence that management requires to be able to assess whether or not the system of ICOFR is effective. The evidence itself is generated from procedures integrated within the daily responsibilities of staff or from procedures implemented specifically for purposes of the ICOFR evaluation. Information from other sources also form an important component of the evaluation since such evidence may either bring additional control issues to the attention of management or may corroborate findings.

The evaluation has included an assessment of the design, implementation, and operating effectiveness of controls within various processes including Revenue, Receipts and Receivables, Treasury, Procurement to Payment, Human Resources and Payroll, Fixed Assets and Intangibles, Inventory, General Ledger and Financial Reporting, IT Controls, Entity Level Controls and Disclosure Controls.

As a result of the assessment of the design, implementation, and operating effectiveness of ICOFR, management did not identify any material weaknesses and concluded that ICOFR is appropriately designed, implemented and operated effectively as of 31 December 2021.