



TRA ANNUAL REPORT 2013



HIS MAJESTY
SULTAN QABOOS BIN SAID

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CHAIRMAN'S MESSAGE

It is my pleasure to present the tenth Annual Report of TRA while the country has stepped in its 44th year of renaissance. We express our sincere gratitude to His Majesty Sultan Qaboos Bin Said, for his able direction, great vision and endorsement of the significant role played by the ICT sector in shaping and sustaining a knowledge society.

The government formally approved the National Broadband Strategy (NBS) in September 2013 paving the way for acceleration of efforts and implementation of schemes to realize the goal of high-speed internet to homes and businesses. TRA has an important role to play in crafting a license for the new government Company established (Oman Broadband Company) to provide the infrastructure in accordance to the plans and objectives approved as contained in the NBS.

TRA, which has been recently restructured to infuse greater alignment of its objectives to that of the sector, has embarked on a scientific way of measuring performance and is in the process of developing a 'Performance Management System' that would focus on stakeholder outcomes laying emphasis on alignment of unit level and department level objectives with that of the corporate objectives which are derived from government policies and stakeholders' requirements/expectations. I am happy to report that TRA has identified four pillars for measuring performance viz. quality, price, coverage and choice that are easily understood by all the stakeholders and most importantly the consumers.

The year saw further progress in the implementation of competition framework in terms of enactment of regulations for ex-post. TRA also issued its decision designating Operators as singly and/or jointly dominant in the identified relevant markets along with the proposed remedies that would be applied as per the provisions of the approved competition framework and the regulations. A comprehensive audit of quality of services parameters was carried out by the TRA during the year and the results have been shared with the licensed operators. The exercise comprised of conducting field tests to verify achievement of performance measures as well as audit of reported parameters based on agreed guidelines. Quality of Services being the foremost performance measure, the TRA would continue its engagement with the service providers to evolve a sustainable system for measurement, reporting and monitoring.

TRA continues to conduct visits to the regional and rural settlements to collect the first hand information of availability and provision of telecom services. This program enables the organization to better understand the requirements of the consumers to aid in devising schemes to benefit the society. TRA's recognition of consumers as the principal stakeholder is being strengthened by the establishment of a call centre dedicated to listen to the 'voice of the consumers'. This initiative is designed to deal with the numerous complaints that the consumers have against the level of provision of telecom services in the Sultanate.

I would like to place on record my appreciations to the Executive President of TRA and the entire personnel of the organization for putting their best efforts for the achievement of TRA Vision and in guiding the sector to contribute effectively to the national economy.

Dr. Mohammed Al-Rumhi
Chairman



EXECUTIVE PRESIDENT'S MESSAGE

“Closer to the consumer” underpinned the focus of the TRA during 2013. TRA carried out a personal assessment of the coverage requirements as well as gaps if any in the provision of telecom services across the country by undertaking a planned visit to the regions. These meetings and discussions involved stakeholders including the licensed operators, local authorities and peoples’ representatives. The aim was to listen and record the coverage requirements and gaps if any in order to devise appropriate interventions to enable provision of services through a combination of license provisions and incentivisation plans to prod the licensed operators to extend the services by making the required investment. It became clear from the visits that the consumers’ demand is significant and perceptible not only for basic voice services but also increasingly for the broadband

data based services. The exercise reinforced the designation of two vital pillars identified for performance measurement by the TRA viz. quality and prices from the feedback received from the stakeholders.

Postal services regulation was formally brought under the ambit of the TRA during the year under review. Regulations have been issued and licenses granted to operators governing their provision of services within the Sultanate. The licenses and the regulations cover the aspects of tariffs and quality of performance while rendering the postal services.

The TRA has completed first market review in 2013 in the form of “Market Definition and Dominance (MDD) Report”. This review defines the markets and determines the dominant player(s) in each market. The decision issued by the TRA designates dominant licensed operators in the relevant markets and the remedies that the entities would be subject to, in accordance with the framework and the regulations. With the issue of both ex-ante and ex-post regulations together with the decision on dominance, it is expected that the pace of competition in Oman in the provision of services would be enhanced.

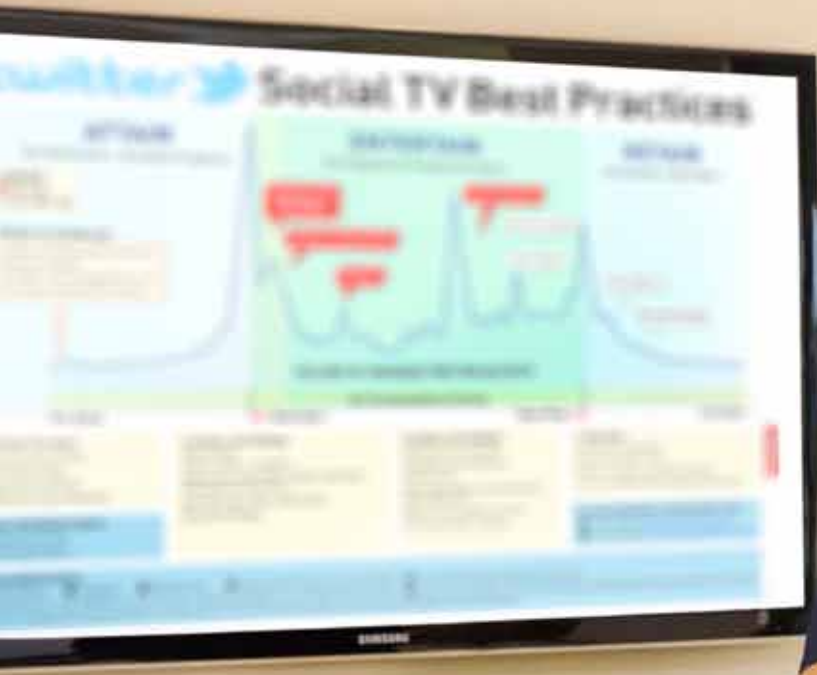
The year saw the introduction of a call centre to improve the level of customer services and increase customer satisfaction. The call centre is the tool to help consumers seek awareness, guidance, ask queries and register complaints related to the services. The call centre has so far proved to be successful allowing TRA to engage more with individual and business consumers which is linked to TRA’s mission and vision and is one of TRA’s main organizational objectives.

The comprehensive quality audit carried out during the year provided insights into the aspects of quality standards and consumer experience expectations’ of the Omani population (consumers and businesses) in line with international comparators. TRA encourages the licensed operators to be engaged in dialogue constantly exploring opportunities to enhance the level of quality of services and increasing consumer awareness in respect of quality of services that they experience.

The refocused organization with the strategic vision and mission being revisited would propel the performance particularly in meeting up with the stakeholder expectations besides improving the efficiency and effectiveness of processes and procedures. I am happy to report that the TRA would perform as a beacon of knowledge in the telecom and postal sectors guiding the implementation of government policies through right set of regulations and interventions.

I take this opportunity to thank my team of personnel for their dedicated efforts and work towards fulfilling and delivering the outcomes as per devised plans and targets. I am grateful to the unstinted support from the board of directors and the ever glowing guidance and direction setting of His Majesty Sultan Qaboos.

Dr. Hamed Al Rawahi
Executive President



EMPLOYEE'S COMMITMENT

“We, at the TRA, are adopting a focused approach to ensure that we will be equipped in excelling in our role, have a better understanding of the telecommunications and postal services sectors, create engagement and leverage influence, regulate better to meet market players’ expectations and fulfill the TRA Mission and achieve the TRA Vision”

TRA EMPLOYEES

TRA VISION

To have the right regulatory environment, enabling the provision of world-class services to all, by 2018.

TRA MISSION

We are the national authority to regulate the telecommunications and postal services sectors by translating government policies into regulations, rules and guidelines and ensuring their enforcement and compliance to enable competitive and sustainable supply of services in order to facilitate access and safeguard the interest of users with respect to price and quality.

TRA VALUES

- Fairness
- Transparency
- Accountability
- Teamwork
- Customer Focus
- Ethics

2013 Highlights

- 1st January:** Postal Services unit initiated.
- 29th & 30th January:** 1st Oman-UAE bilateral coordination meeting held in Dubai to avoid spillover of coverage and frequencies between the border of Oman and UAE (Dubai)
- 16th & 17th February:** The Executive President along with senior managers of TRA and the Operators visited Northern and Southern Al-Batinah to check the outreach of the telecom services and identify the villages that require telecom coverage.
- 18th to 20th February:** The Executive President along with senior managers of TRA and the Operators visited Al-Buraymi, Adh-Dhahirah and Ad-Dakhiliyah respectively to check the outreach of the telecom services and identify the villages that require telecom services.
- March:** Sub regional frequency coordination meeting where a new mechanism was agreed for coordinating FM broadcasting channels between GCC countries and Islamic Republic of Iran.
- 4th to 7th March:** The 16th& 17th Arab Spectrum Management Group (ASMG)meeting held in Dubai where unified positions were reached on the WRC-15.
- 24th to 29th March:** Annual COMEX Exhibition where TRA actively participated and organized the event and continues to improve the awareness of the consumers on the aspects that are related to TRA's activities.The theme was "My Domain. My identity"
- 8th & 9th April:** The Executive President along with senior managers of TRA and the Operators Ash-Sharqiah North & South to check the outreach of the telecom services and identify the villages that require telecom coverage.
- 1st May:** TRA Call Centre installed with a contact number of 800 000 00
- 20th May:** TRA observed the ITU's World Telecommunication and Information Society Day (WTISD) in conjunction with the Information Technology Authority (ITA), and the Ministry of Transport & Communication (MOTC). Under the ITU's 2013 WTISD theme "ICTs and Improving Road Safety".
- 12th June:** The Executive President along with senior managers of TRA and the Operators visited Al-Wusta to check the outreach of the telecom services and identify the villages that require telecom coverage.

- 3rd & 4th July:** The Global Regulators Industry Dialogue (GRID) meeting held in Poland to share views with policy makers and regulators on major issues facing the ICT sector
- 3rd to 5th July:** TRA participated in the ITU's 13th Global Symposium for Regulators (GSR-13) in Poland to discuss the 4th-Generation Regulation: driving digital communications ahead.
- 7th July:** Connect Arabia International was granted a Class I licensee for the provision of International Services
- 1st August:** TRA Issued Rules Governing Ex-post Anti-competitive Behavior Vide Decision No: 70/2013
- 13th August:** TRA issued first Market Definition and Dominance (MDD) Decision 74/2013
- 17th to 19th September:** 2nd GCC for the preparation of the work of World Radio communication Conference (WRC-15)
- 23rd September:** Onwani Omani Competition highlighting the Omani identity in the internet world.
- 24th & 25th September:** Arab Regulators Network of Telecommunication & Information Technologies (AREGNET) Arab Cloud meeting
- 10th to 23rd October:** Salalah Festival where TRA continued to be a participant and sponsor of the festival presenting different consumer awareness programs and engagement with the consumers
- 6th & 7th November:** 2nd Oman-UAE bilateral coordination meeting held in Abu Dhabi to avoid spillover of coverage and frequencies between the border of Oman and UAE (Dubai)
- 19th to 22nd November:** ITU Telecom World discussing the theme "Embracing Change in a Digital World".
- 24 to 28 November:** The 17th Arab Spectrum Management Group (ASMG) meeting held in Kuwait where unified positions were reached on the WRC-15.
- 1st December:** The TRA Annual Award Ceremony Held in Muscat to honor the employees who have completed 5 and 10 years of service along with the ideal employee for the year 2013
- 4th & 5th December:** TRA presented its views at the 16th & 17th Arab Spectrum Management Group (ASMG) meeting where unified positions were reached on the WRC-15.



LOOKING AHEAD

TRA derives its regulatory roadmap from the general policy framework set by the government which was approved in July 2012. The general policy framework of the telecommunications sector reiterates further liberalization and a position of enhanced competition in the provision of services. Initiatives of the organization pursued in the last two years viz. Spectrum refarming, spectrum migration, revamping of the licensing framework, formalization of the competition framework arise out of the directions set in the said policy guidelines. Changes in technology, convergence of telecom and IT, consumer preferences and behaviour also guide the regulatory environment demanding a degree of flexibility and at the same time certainty for ensuring sustained investment in networks and facilities.

TRA expects the competition in both the telecom and postal sectors to improve with more players seeking licenses to provide services especially in the last layer of the market structure viz. applications and services. In line with the objectives of the National Broadband strategy and the consumer demand, TRA expects the mobile telecom market to evolve into the LTE space with associated strengthening of the backhaul infrastructure. With the availability of the spectrum TRA is favorably considering the introduction of a third mobile network operator in the market to enhance competition to derive full benefits of ensuring quality of services and reaching out to areas hitherto not serviced by the existing licensees. Fibre to home would soon become a reality to start with in Muscat followed by other major urban centres as envisioned in the national broadband strategy. TRA would orient its regulatory roadmap to align with the NBS to attain the government objectives and goals.

A second market review is likely to take place once the competition framework with all its tools are deployed and tested for their intended efficacy. Constant efforts would be put in place to ensure open access of networks to promote effective competition in the active and service layers of the market structure. An internet exchange is being planned to optimize the flow of internal traffic as well as a gateway for promoting ISPs in the market. Spreading telecom services to uncovered areas would continue through the programs identified and approved in the NBS as well as spectrum refarming exercise. TRA would play a pivotal role in ensuring timely sanctions and permits in respect of establishment of towers and sites by increasing its level of coordination with government entities.

Postal sector would witness introduction of comprehensive regulations setting the basis for price and quality of services. It is expected that innovative products and services would be introduced in the postal market due to the competitive environment stimulated by the regulator. Consumers would be able to seek the intervention of the TRA in redressing their complaints in regard to quality of services in the postal sector very soon.

Engagement with the stakeholders would be sustained and TRA would share the results of its studies and audits in the public forum to enhance its accountability and transparency. TRA would align its regulations in the area of internet governance with that of emerging international consensus on such issues and address emerging challenges accordingly. In all such situations TRA would be guided by the reasonable requirements of Omani consumer and sustenance of effective competition.

1.0 SECTOR PERFORMANCE

1.1 Licensees

The current regulatory regime in the Sultanate of Oman specifies three classes of licenses.

Class I Licenses

Class I licences govern with the establishment of telecommunication infrastructure that require exploitation of the Sultanate's natural and national resources for the operation of public telecommunications network, or international telecommunications



or provision of public telecommunications services or international access services. Class I licences are issued by a Royal Decree on the recommendation of the Minister of Transport and Communications after the approval of the Authority. The Decree determines the duration of the licence; the licence does not include any terms or conditions that grant any exclusive rights.

There are eight (8) Class I licensees currently.

- Omantel is the incumbent licensee for the provision of fixed public telecommunication network services under a Class I license. Omantel's license was granted in 2004 and the company was obliged to provide public fixed access services, national long distance services, internet, data & leased-line services and international telecommunication services.
- Omantel is also licensed to provide mobile cellular services under a separate Class I license (establish and operate a mobile public telecommunications system).
- In 2005, Omani-Qatari Telecommunications Company (Nawras) became the second licensee for the provision of mobile services through the granting of Class I License.
- Nawras has been granted another Class I license for the provision of fixed public telecommunication network services, including wireless broadband and for an International gateway in 2009.
- Sama telecommunication (Samatel) was granted a Class I Licensee for provision of international telecommunication services which was awarded in 2011.
- Awaser Oman and Partners was granted a Class I Licensee in 2012 for provision of Fixed public telecommunication services in Muscat Governorate.
- Madakhil was granted a Class I License on 9th Feb 2013 for Installation and Operation of Marine Public Telecommunications Systems. The licensee shall establish the licensed system in accordance with the Global Maritime Distress and Safety System(GMDSS) and the implementation of the capital investment plan approved by the Authority.
- Connect Arabia International was granted a Class I License on 7th July 2013 for the provision of international telecommunications services.

Class II Licenses

Class II licences govern the provision of public telecommunication services that depend on exploitation of the capacity of a public telecommunication network of a Class 1 licensee and the provision of additional public telecommunication services which require exploitation of the national resources (numbering), without exploiting any natural resource of the Sultanate. A Class II licence is issued by decision of the Minister of Transport and Communications based on a proposal of the Authority after its approval. The decision shall determine the duration of the licence which shall not exceed 10 years.

Connect Arabia, under the brand of Friendi are re-sellers of Omantel Mobile Services.

Majan Telecommunications, under the brand of Renna are re-sellers of Omantel Mobile Services.

Sama Telecommunications, under the brand of Samatel are re-sellers of Nawras Mobile Services.

One Class II license has expired and has not been renewed by the licensee, Injaz Telecom.

Mazoon Class II License was cancelled as per the request of the licensee.

Class III Licenses

Class III licence govern the establishment of infrastructure or through exploitation of capacity of public telecommunication network for the operation or provision of private networks that are not connected to public telecommunication networks. Class III licences are issued by the decision of the Authority to private network service providers who meet qualifying criteria set by the Authority for a duration not exceeding five years.

Rignet provide VSAT services which are not connected to the public to companies in order for them to connect to remote locations, oil fields.

Azyan provide VSAT services which are not connected to the public to companies in order for them to connect to remote locations, oil fields.

1.2 Telecom Market Performance in the Sultanate of Oman

1.2.1 Telecom Sector Indicators

The telecom sector has been growing steadily and has shown a modest upward trend during 2013. The competition is playing its role in fostering growth in the mobile segment.

The broadband market for fixed and mobile broadband have witnessed substantial growth in the past two years in terms of the number of subscribers; especially with the introduction of 4G/LTE speeds in the mobile broadband market. The continuous promotional activity in the broadband markets for both fixed and mobile segments played a role.

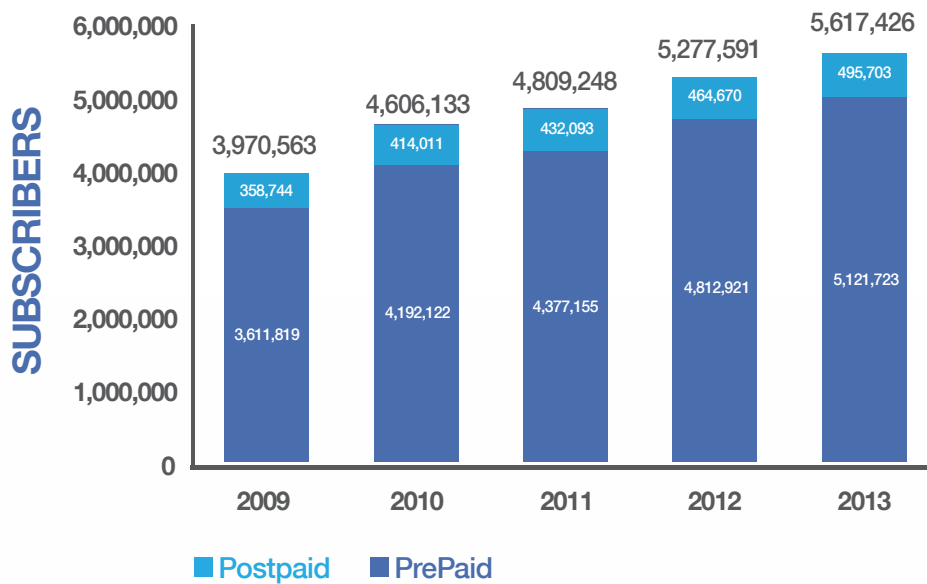
Table 1.1 summarizes the market status for five years in Oman:

Market Segment	2009	2010	2011	2012	2013
Subscribers:					
Mobile Subscribers	3,970,563	4,606,133	4,809,248	5,277,591	5,617,426
Fixed Telephone Lines	300,139	283,941	287,323	304,545	351,411
Fixed Internet	78,135	73,908	89,063	119,398	158,678
Fixed Broadband	41,114	52,630	78,217	113,324	154,290
Active Mobile Broadband	425,398	734,091	1,076,254	1,646,098	2,443,296
Penetration:					
Mobile Penetration	125.1%	166.08%	173.4%	160.16%	155.05%
Fixed Telephone Line Penetration 100/inhabitant	9.46%	10.20%	10.40%	9.24%	9.70%
Internet Penetration (subscribers/ 100 household)	22.80%	18.40%	22.10%	29.68%	39.44%
Active Mobile Broadband Penetration (subscribers/100 inhabitant)	15.30%	26.50%	38.80%	50.00%	67.44%

Table 1.1: Market Status for five years

MOBILE TELEPHONY

MOBILE SUBSCRIBERS



MOBILE PENETRATION RATE PER 100 INHABITANT

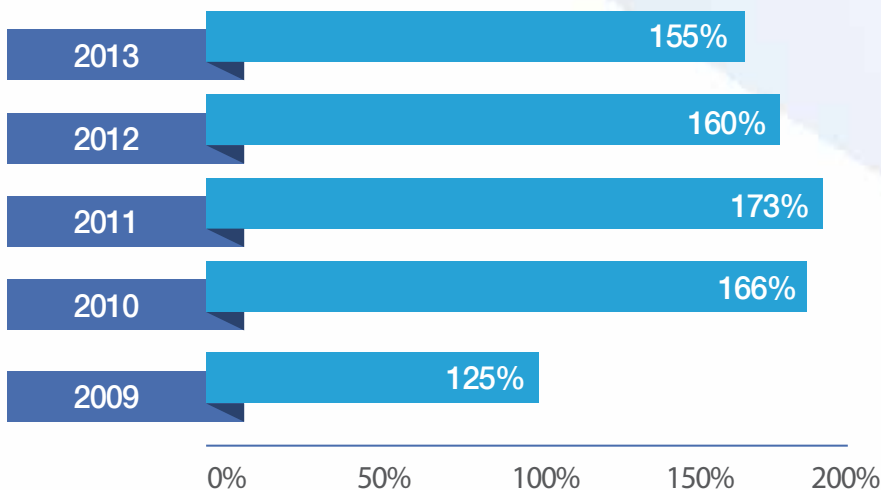


Figure 1.1: Mobile Telephony

- The mobile subscribers have increased over the five years and continuously to the year 2013. It has registered 5,617,426 subscribers with an increase of 6.4% as compared to year 2012.
- The penetration rate reached to 155%, the reduction of the penetration is due to increase in the number of population in the year 2013.

BLACK BERRY SUBSCRIBERS

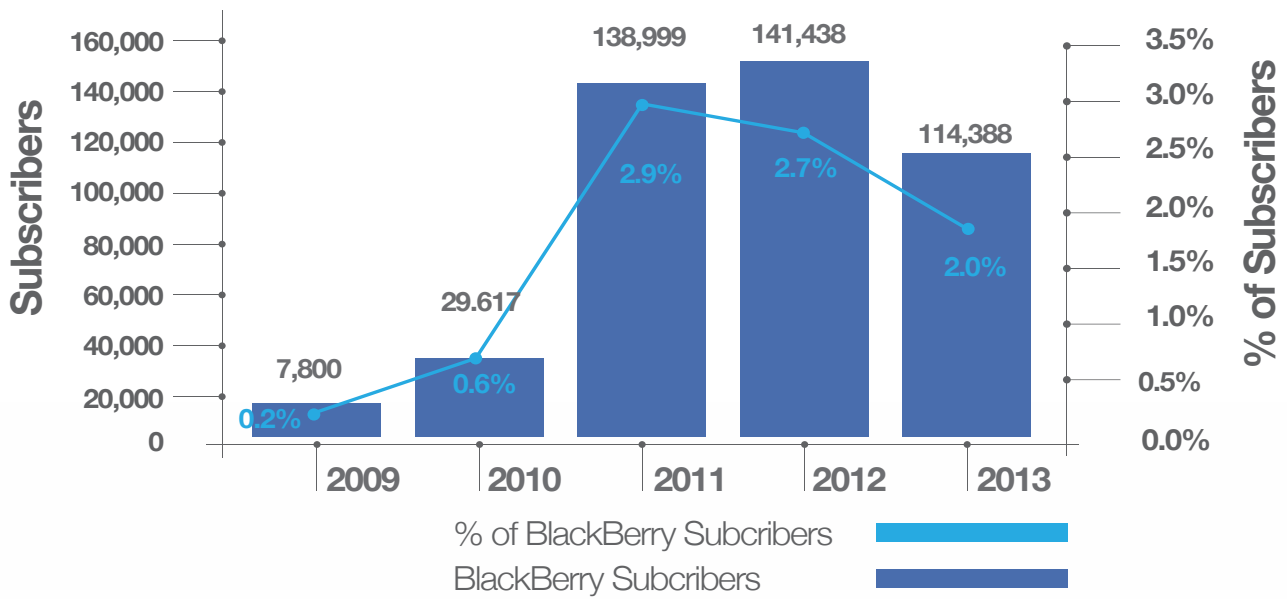
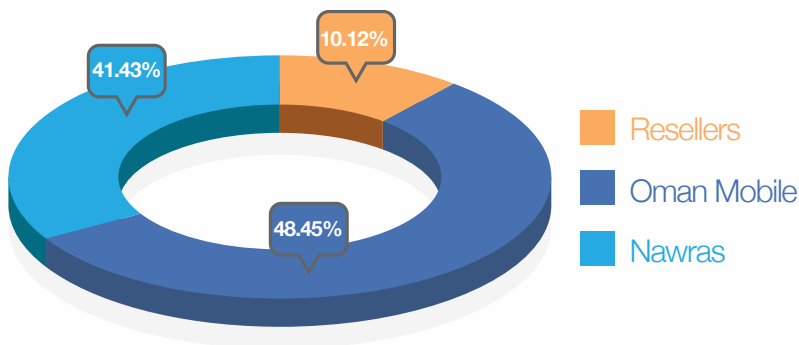


Figure 1.2: Blackberry Subscribers

MOBILE SUBSCRIBERS MARKET SHARE



MOBILE MARKET SEGMENTATION

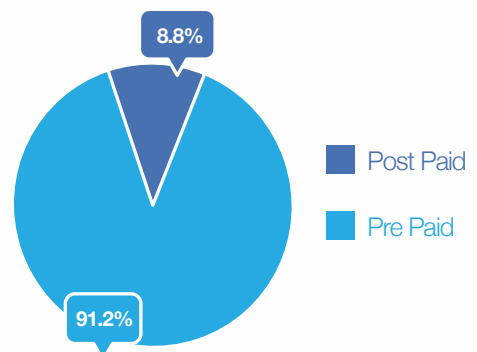
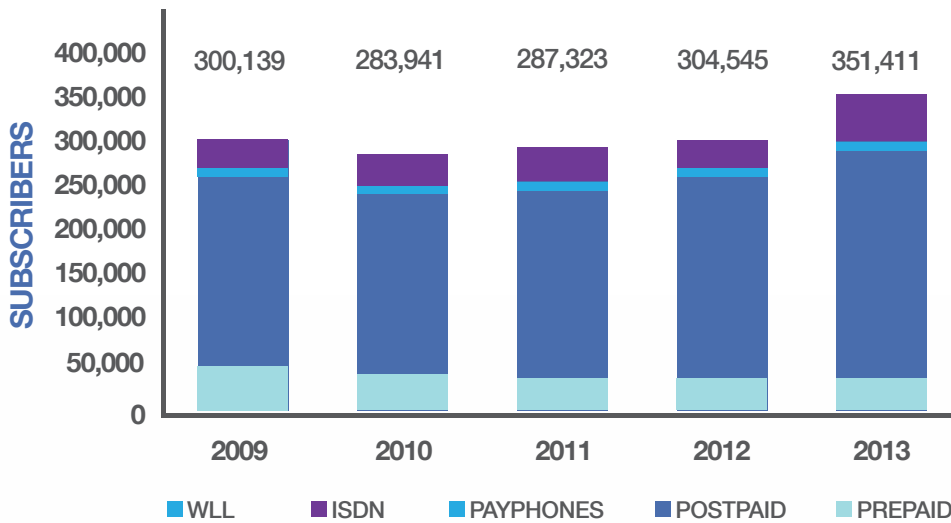


Figure 1.3: Mobile Market Share and Segmentation

- By December 2013, Oman Mobile possessed a market share of 48.45% while Nawras had 41.43%. The resellers achieved 10.12% market share during the reported year 2013.
- The Prepaid mobile service subscribers accounted for 91.2% of the subscriber's base with 5,121,723 and the remaining of 8.8% being 495,703 postpaid mobile service subscribers.

FIXED TELEPHONY

FIXED LINE SUBSCRIBERS



- By 2013, the Fixed Telephone Lines reached 351,411; with an increase of 15.4% as compared to the year 2012.

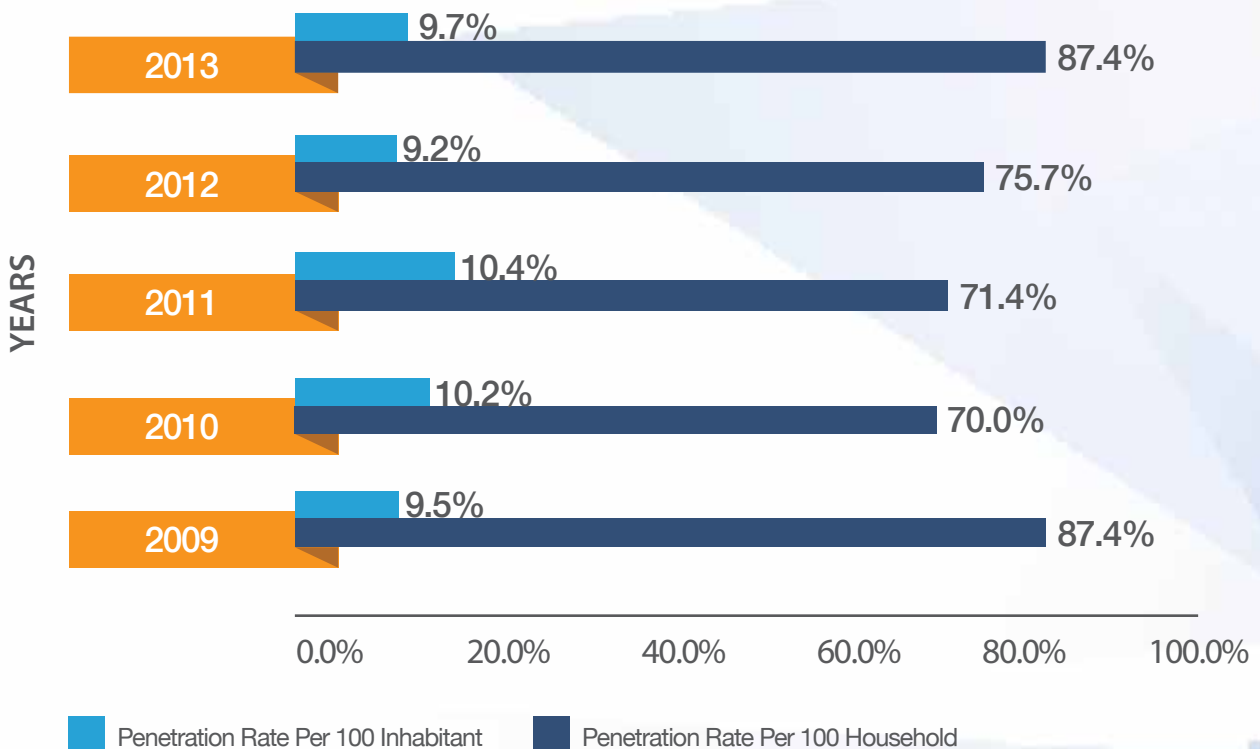


Figure 1.4: Fixed Telephony

- The penetration rate for inhabitants for the fixed telephone line reached 9.7%, with a reduction of 5.4% during the year 2013. That was due to the increase in the number of population in the year 2013.
- During the same reported period, the penetration rate for household for the fixed telephone line reached 87.4% with an increase of 15.5%.

% OF RESIDENTIAL VS BUSINESS FIXED TELEPHONE LINES

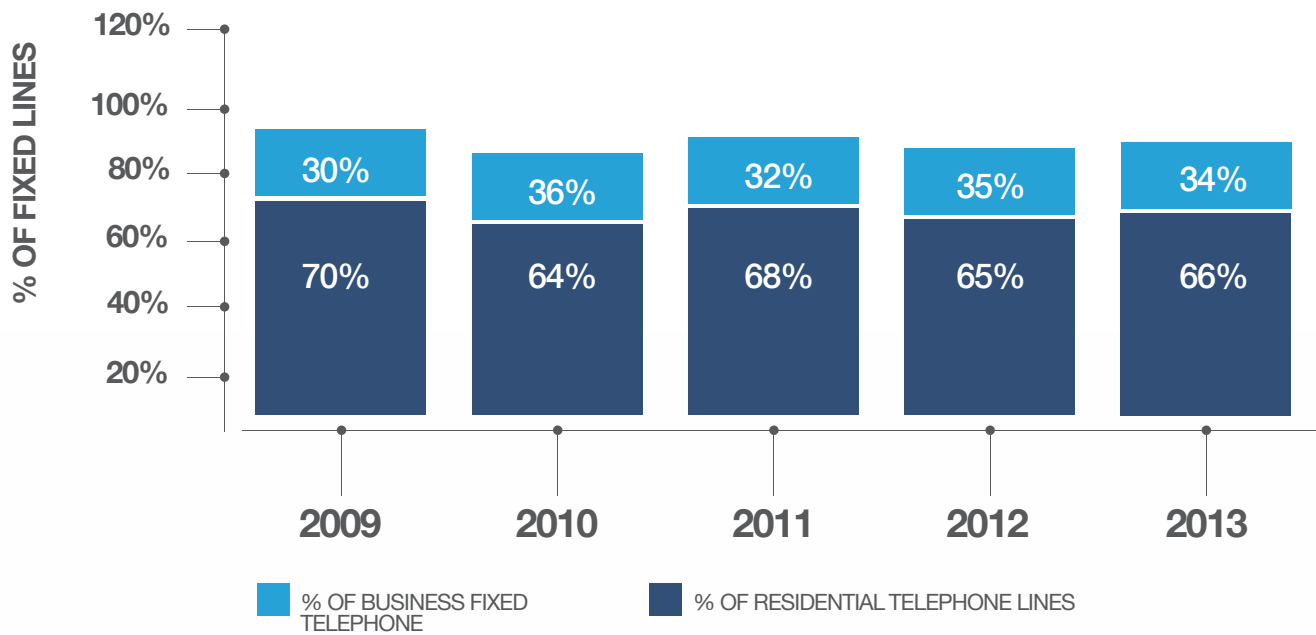
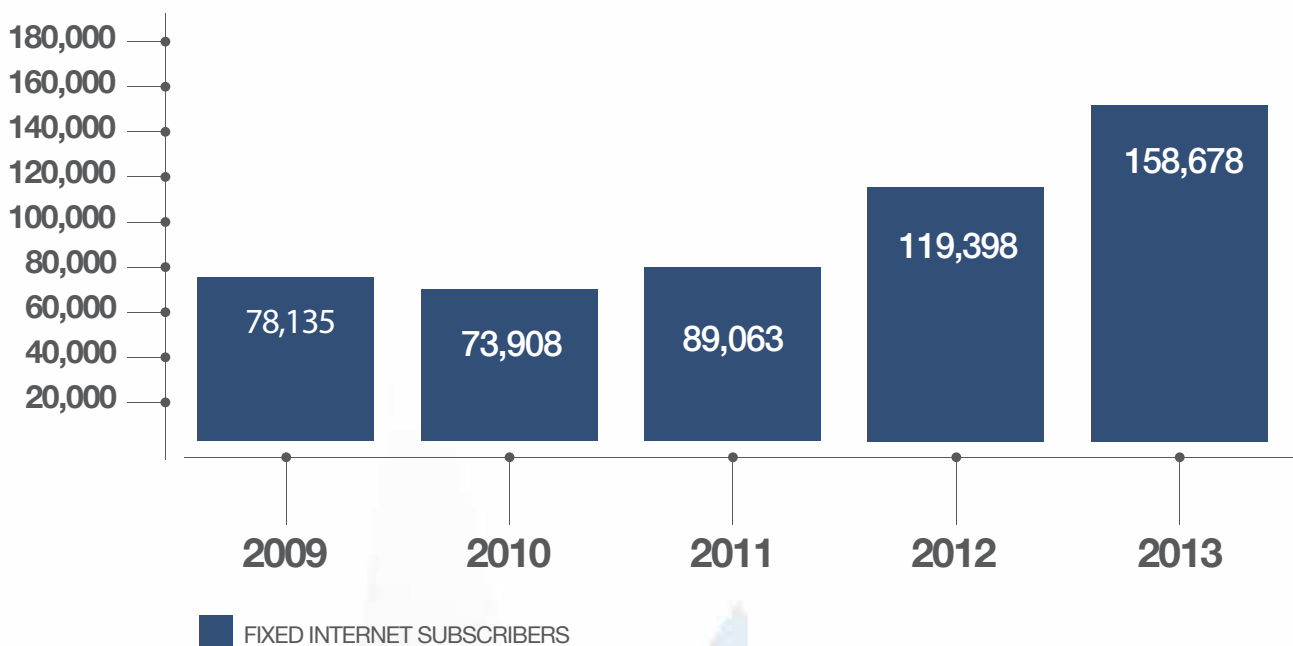


Figure 1.5: Fixed Telephony

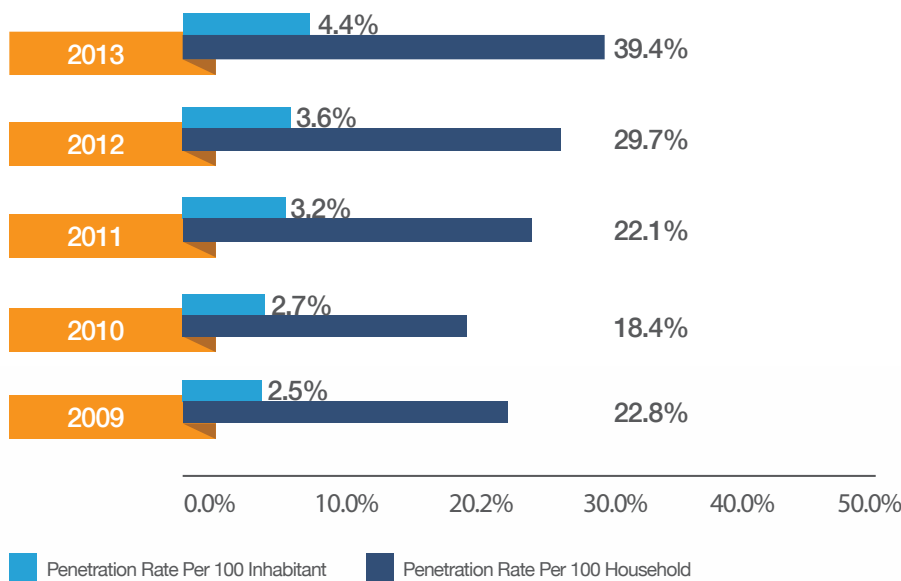
INTERNET SERVICES

FIXED INTERNET SUBSCRIBERS



- The year 2013, witnessed an increase in the number of internet subscribers by almost 32.9% to reach 158,678 subscribers compared to 119,398 by end of 2012.

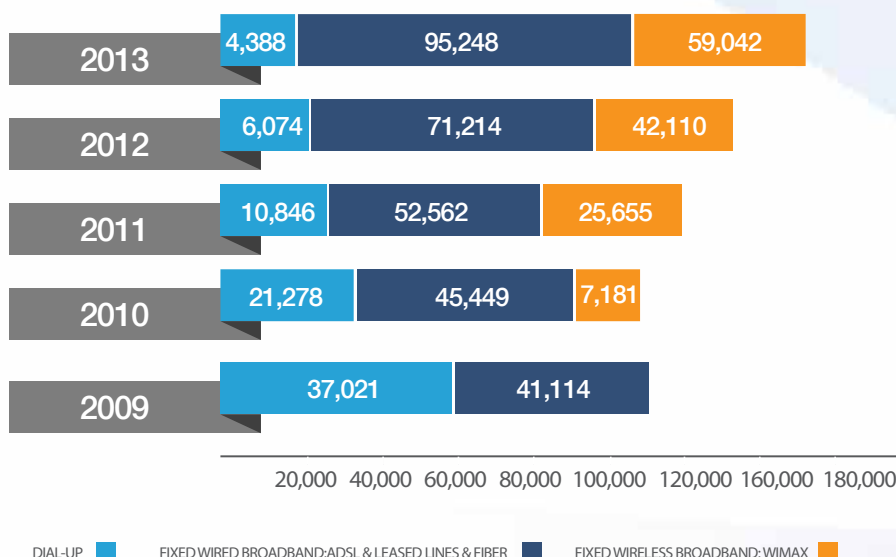
INTERNET PENETRATION RATES PER 100 INHABITANT & HOUSEHOLD



In the year 2013, the fixed internet penetration rate was 4.4%, while penetration per household achieved was 39.4%.

	2009	2010	2011	2012	2013
DIAL - UP	37,021	21,278	10,846	6,074	4,388
FIXED WIRED BROADBAND: ADSL & LEASED LINE & FIBER	41,114	45,449	52,562	71,214	95,248
FIXED WIRELESS BROADBAND: WIMAX	-	7,181	25,655	42,110	59,042

FIXED INTERNET SUBSCRIBERS



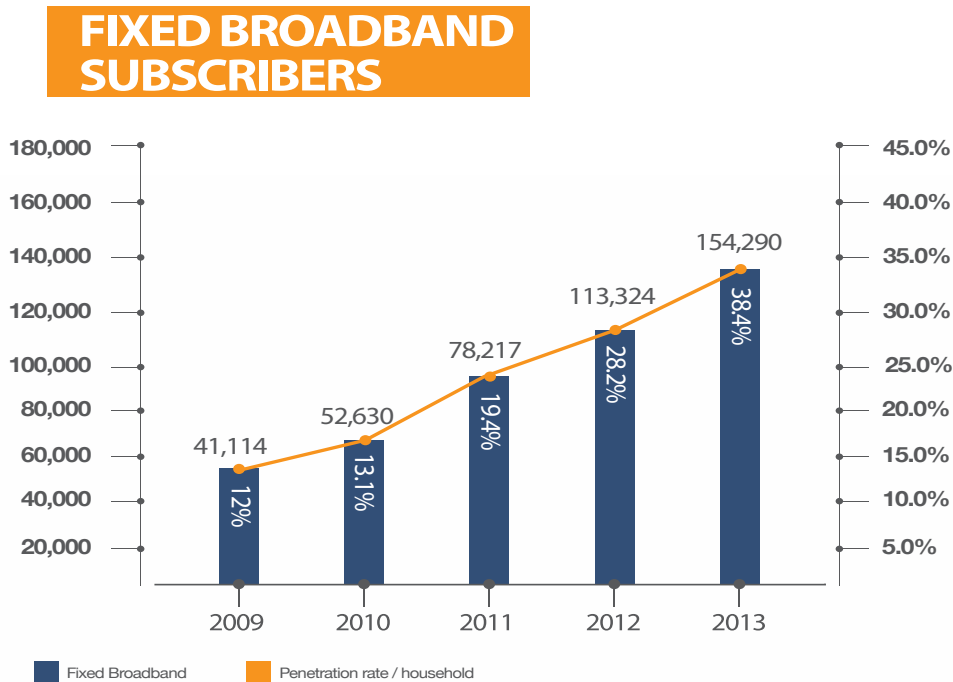
Dial-up: the trend of dial-up subscribers' shows continuous decline since 2009 and onwards. The Dial-up subscribers reduced to 4,388 by 2013. The main reason behind the reduction is the move towards the Broadband services.

Fixed Wireless Broadband (WiMAX): WiMAX subscribers reached to 59,042 in 2013 compared to 42,110 in 2012. 40% increase over the previous year 2012.

Fixed- Wired Broadband: including the ADSL, Leased lines, and fiber. The ADSL trend shows an increasing trend. By the end of year 2013, the ADSL subscribers reached to 95,248, an increase of 34% over year 2012.

BROADBAND SUBSCRIBERS AND PENETRATIONS:

Fixed Broadband Subscribers reached 154,290 at the end of year 2013; an increase of 36% compared to the previous year.



At the end of year 2013, it is witnessed that the Active Mobile Broadband Subscribers is continuously increasing and reached to 2,443,296, with a penetration rate of 67.4%.

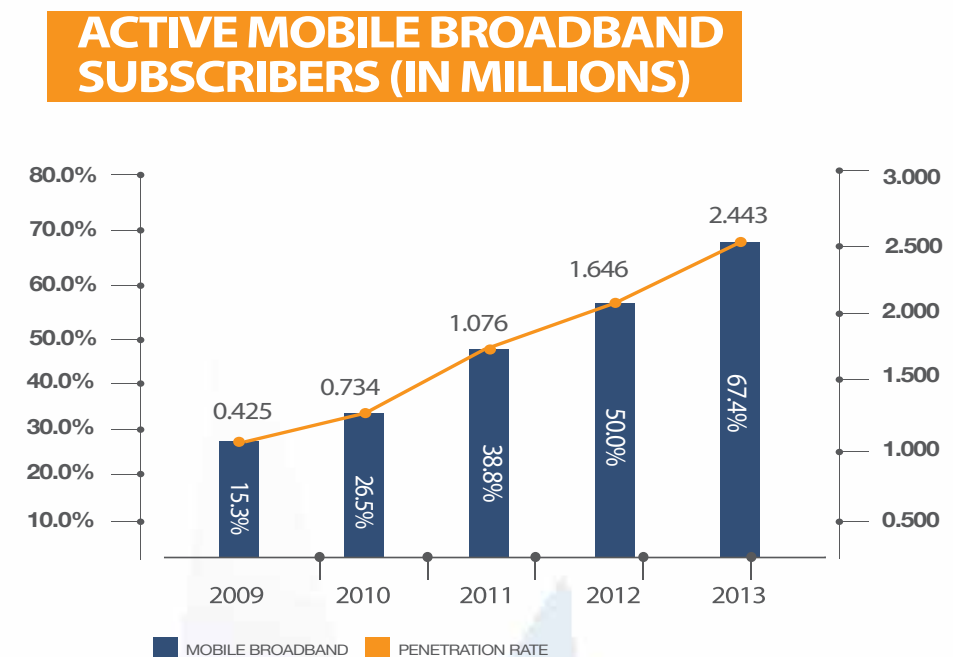


Figure 1.6: Broadband Subscribers and Penetrations

1.2.2 Telecom Sector Revenue

The total telecom sector revenue from Operators and resellers reached to OMR 749.252 Million by the end of 2013, an increase of OMR 39.900 million over last year. The following figure shows the trend of the Telecom Sector revenues of the last 5 years:

TOTAL TELECOM SECTOR REVENUE (RO MILLION)

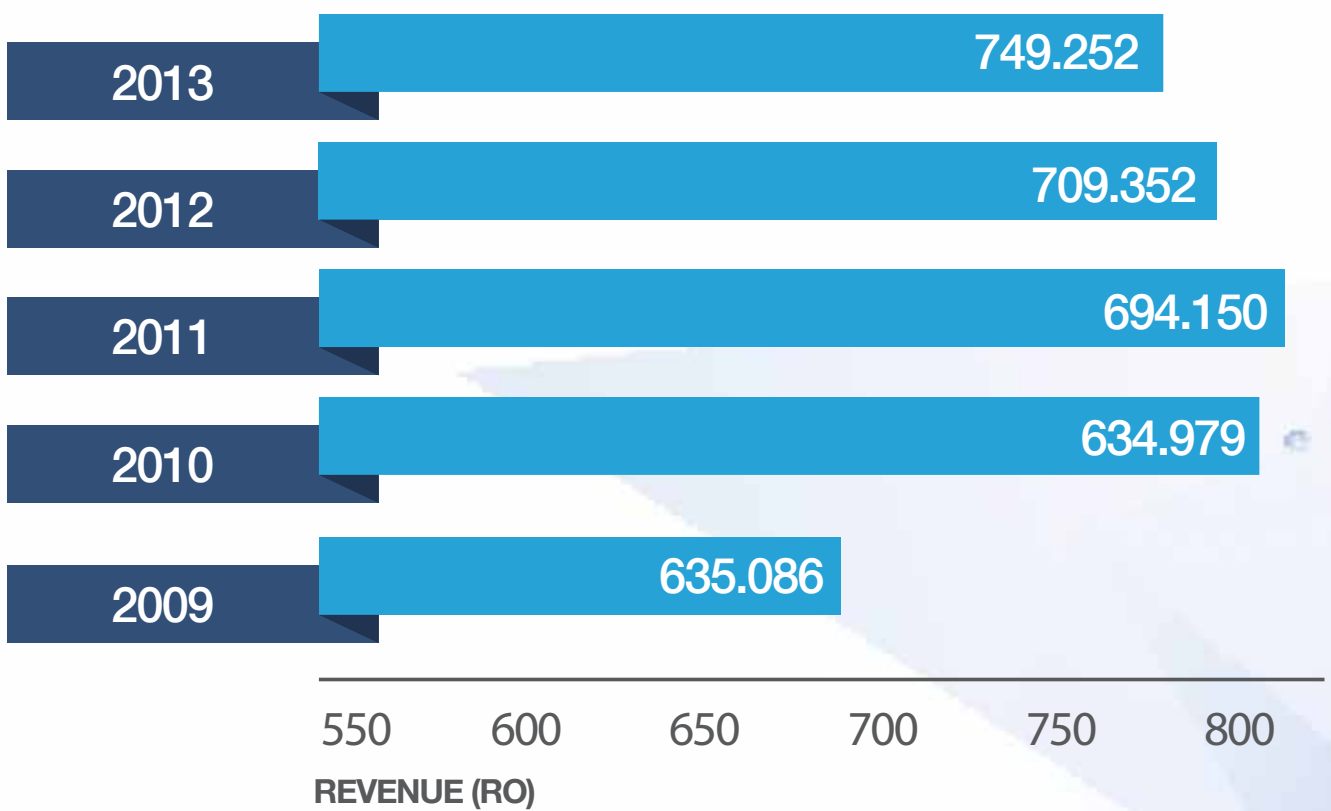


Figure 1.7: Telecom Sector Revenue

ROYALTIES:

The total Royalty collected from active licensees for the year 2013 is OMR 44,812,139 as compared to 2012 which was RO 43,362,918 showing an increase of 3.3%. Table 1.2 shows the comparative position of Royalty for the years 2012 and 2013 segregated by licensee:

Licensee		Amount	
		2012	2013
Class I	Omantel	29,765,456	30,497,535
	Nawras	13,201,599	13,852,084
	Samatel	0	10,094
Class II	Majan (Renna)	57,345	63,327
	FriendiMobile	297,996	326,816
	Samatel	1,909	461
Class III	Rignet	28,021	49,181
	AzyanTelecom	10,592	12,640
Total		43,362,918	44,812,139

Table 1.2: Royalty for 2012 and 2013

1.3 INVESTMENTS

The total investments in the sector have reduced from the levels of 2009 and 2010 mainly due to the completion in part of the modernization exercise of the network carried out by the operators.

SERVICES	2009	2010	2011	2012	2013
INVESTMENT	135.96	172.43	89.74	76.49	77.88
FIXED TELEPHONE AND INTERNET SERVICE	48.842	104.512	68.736	48.826	41.635
MOBILE COMMUNICATION SERVICES	87.116	67.921	21.005	27.662	36.245

Table 1.3: Investment in Millions OMR

1.4 EMPLOYMENT IN TELECOM SECTOR

EMPLOYMENT IN TELECOM SECTOR

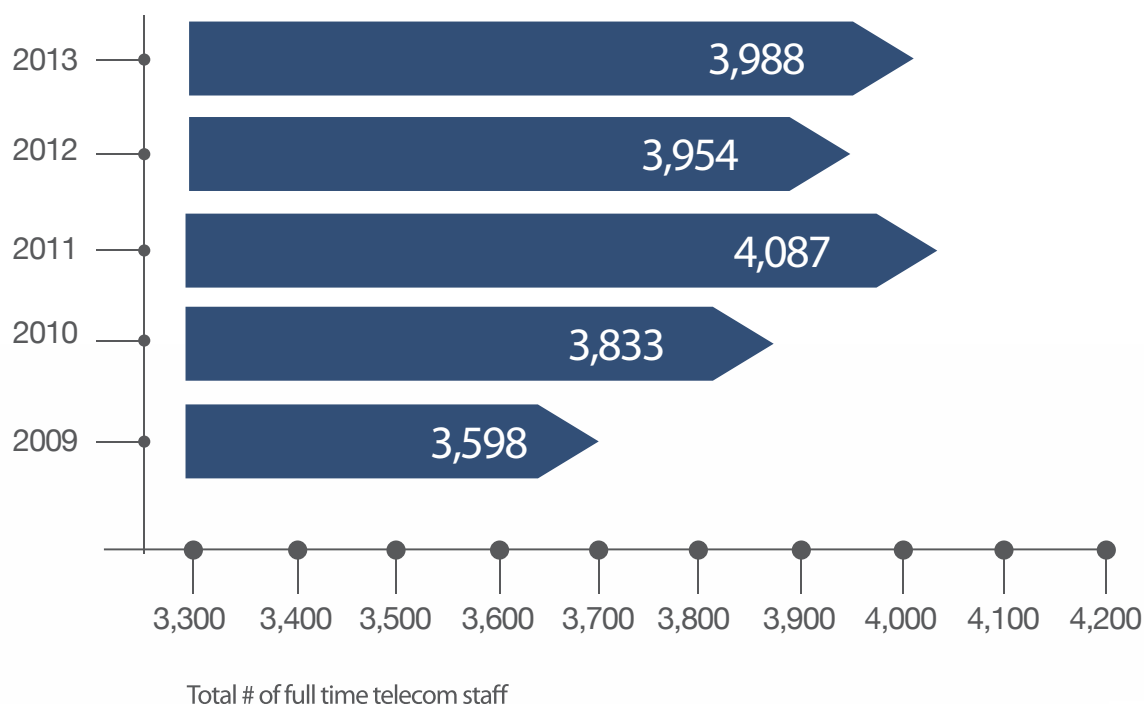


Figure 1.8: Employment in the Telecom Sector

By end of year 2013, the total employees in the telecommunications sector including TRA reached 3,988.

OMANIZATION LEVELS:

The TRA follows up with the licensees periodically to check their compliance with Omanization requirements. Table 1.4 below shows the percentage of Omanization obtained under each licensee of Class I and Class II:

Company Name	Total Omanization Percentage Achieved 2013
Omantel Fixed	90.1%
Omantel Mobile	90.7%
Nawras Fixed	88.4%
Nawras Mobile	90.5%
Samatel Class I	77%
Samatel Class II	58%
Renna	86%
Friendi	90%

Table 1.4: Omanization Level under Licensees

INTERNET CAFES:

The number of internet cafes in the Sultanate reached a total of 159 cafes in all the regions in 2013, where 97 were newly authorized and 62 authorizations renewed. Table 1.5 summarizes the numbers in relevance of the regions, followed by Figure 1.9 that displays the percentage of Cafes in each region:

Region	New	Renewed
Muscat	25	19
Al Batinah	12	19
Al Dakhiliyah	3	6
AdDhahirah	1	1
Al Buraimi	2	1
Musandam	3	1
Al Sharqiyah	15	11
Al Wusta	0	0
Dhofar	36	4
Total	97	62

Table 1.5 Number of Internet Cafes

DIVISION OF INTERNET CAFES ACCORDING TO REGION (%)

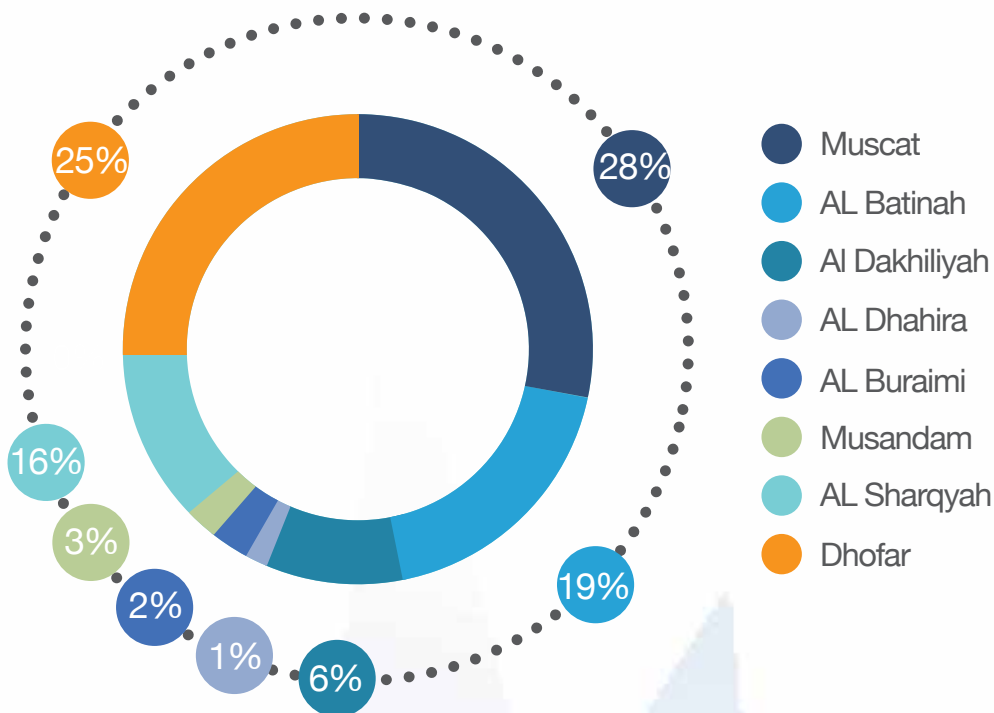


Figure 1.9: Division of Internet Cafes

1.5 Registration and Type Approval of Telecom Equipment Dealers

Dealers who trade with telecom equipment are required to be registered with the TRA and need to comply with conditions; among which is to only sell equipment which are Type Approved by the TRA in line with International Standards. The purpose of type approving the telecom equipment is to check whether the equipment is harmful to the consumer or not and compliance of those equipment to the International Standards in Safety, Electromagnetic compatibility, and Radio Frequency (RF).

Based on Decision 80/2008, the Customs Department of the Royal Oman Police requires advises from the TRA to release imported telecom equipment by the Dealers. In order for TRA to release the imported telecom equipment, it checks the following:

- Check if the equipment is Type Approved.
- Check if the radio equipment has radio licenses.

The TRA continuously check the compliance of the telecom dealers in selling approved equipment and conducts visits covering the Sultanate.

Due to the demand from the market and the new technological advancements, the largest number of approved equipment in 2013 was from the category of Radio telecom equipment. Figure 1.10 and 1.11 show the statistics for the telecom equipment registration, renewal and releases issued:

Dealer Applications Type

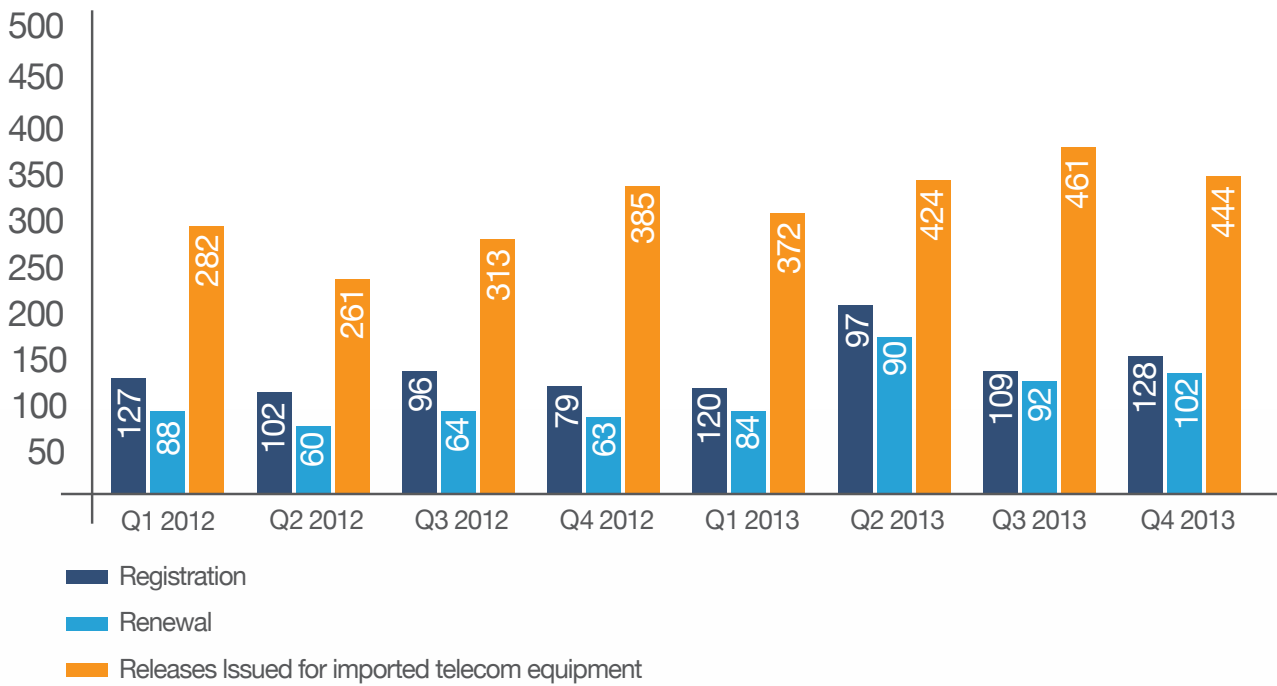


Figure 1.10: Type Approval Applications

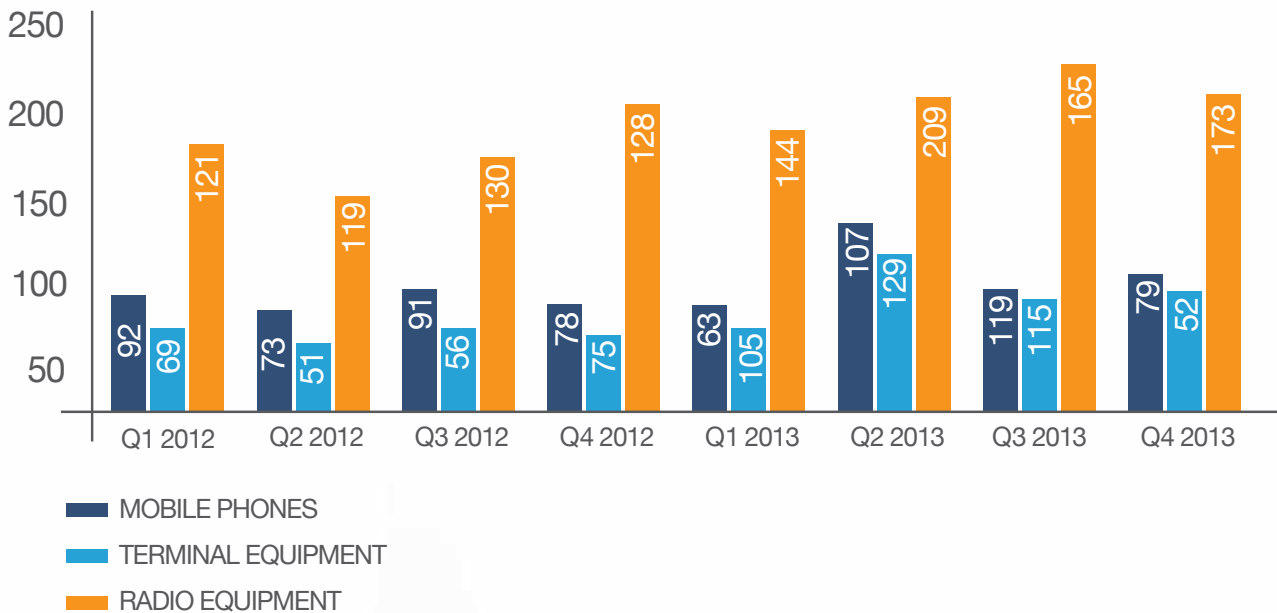


Figure 1.11: Number of Equipment Approved by TRA

1.6 Frequency Monitoring and Inspection:

TRA conducts inspection of the radio equipment in operation with the issued radio licenses for spectrum users in different areas of the Sultanate in order to check the compliance to approved technical specifications. This includes the inspection of spectrum users in terrestrial services as well as inspection of ship/boats. During 2013 a total of 78 users and 151 ships spread over 24 locations were inspected/ surveyed and no violations were observed. While issuing new radio licenses, the TRA carries out surveys to check compliance of the radio equipment. Table 1.6 presents the statistical findings related to 2013:



USERS INSPECTION		
Governorate	No. of Users	No. of Violation
Muscat	21	10
North Al-Batinah	25	6
South Al-Sharqiah	6	1
Al-Wusta	3	0
Dhofar	21	4
Al-Dahirah	2	3
Total	78	24

Table 1.6: Statistics of Compliance Surveys

During 2013, the TRA concluded Microwave (MW) inspections which were initiated in 2012 covering the entire Sultanate. The details of this inspection are presented in Table 1.7 below:

Microwave (MW)			
Governorate	No. of Link	No. of Station	No. of Violation
Musandam	37	12	5

Table 1.7: Microwave Inspection

1.7 SPECTRUM INTERFERENCE

In order to keep the spectrum free of any interference, the TRA takes immediate action to eliminate any type of interference. Table 1.8 presents statistics on the resolved Interference Complaint during 2013:

Interference	
No. of Reported Interference	16
No. of Interfered Users	6
No. of location Interfered	13

Table 1.8: Statistics of Interference

1.8 SPECTRUM MONITORING

Monitoring of Broadcasting Service is carried out on a continuous basis and findings are discussed at the regional Bilateral Coordination Meetings with UAE. The details of findings from the Spectrum Monitoring during 2013 are presented in Figure 1.12 below:

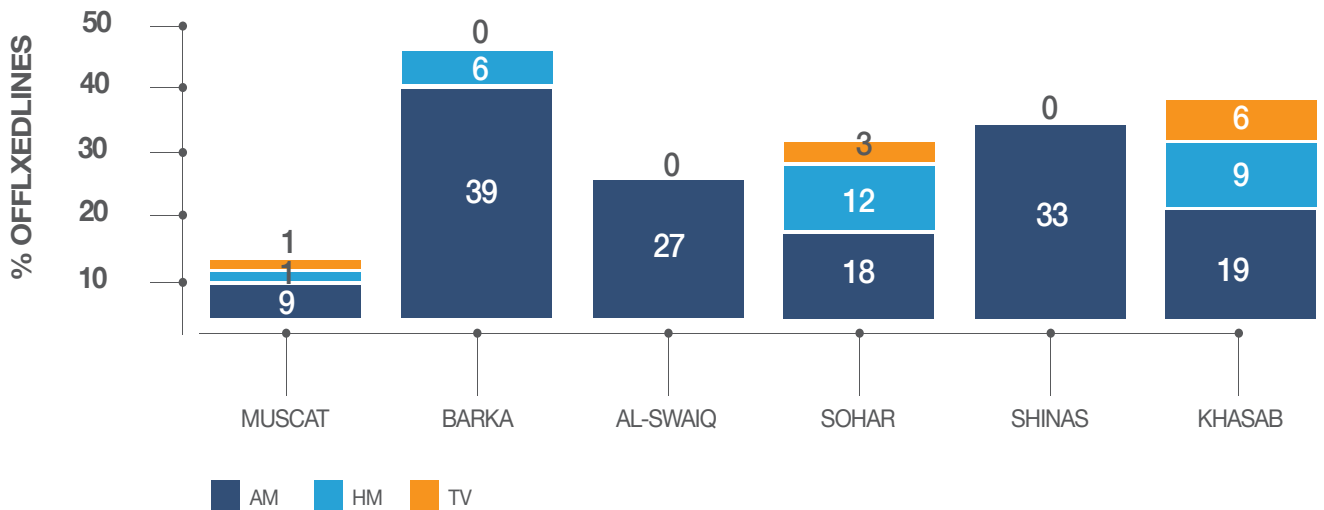


Figure 1.12: No. of Received Frequencies

The TRA presented the above at the Bilateral Coordination Meetings with the United Arab Emirates (UAE) to avoid any spillover coverage and frequency interference networks between the borders of the countries. In this regard, Two Bilateral Coordination Meetings were held in 2013 as follows:

- Meeting held in Dubai during the 29th-30th January 2013 regarding the preparation to carry-out LTE trail measurements in coordination with the company of Huawei and operators from both countries.
- Meeting held in Abu-Dhabi during the 6th-7th November 2013 regarding the discussion of the frequency assignment in border areas, interference to Microwave (MW) links and 3G channels division.

1.8.1 STATISTICS OF RADIO LICENSES

Figure 1.13 shows the number of Issued and Renewed Radio Licenses in the last 3 years:

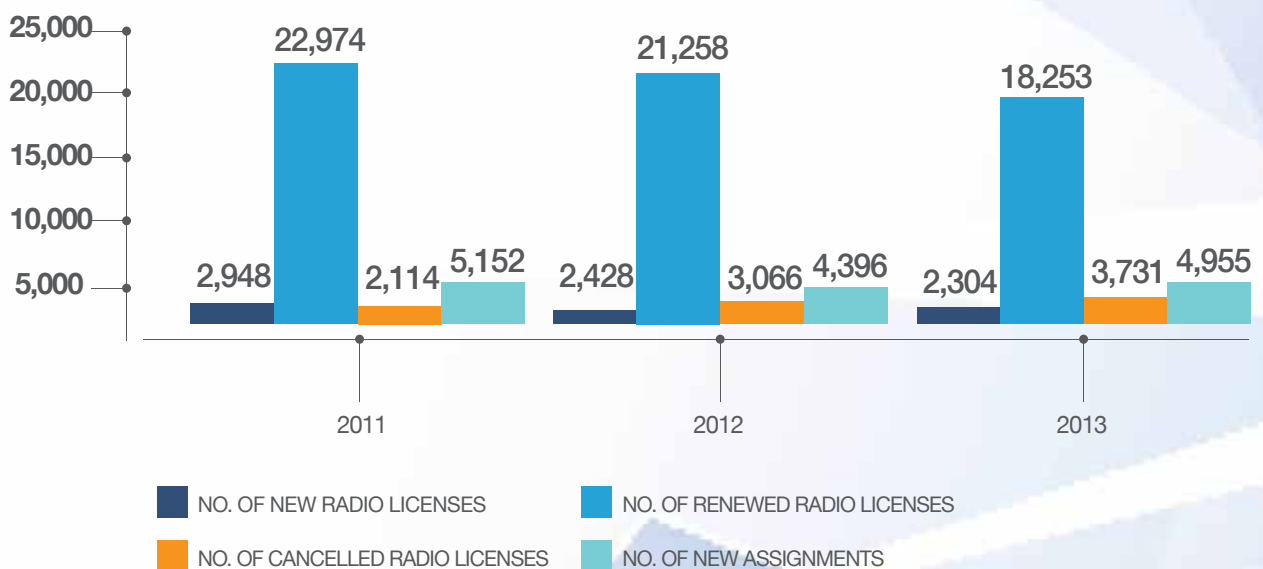


Figure 1.13: Statistics of Radio Licenses



2.0 MEETING STAKEHOLDERS EXPECTATIONS

2.1 Addressing Quality of Service

The TRA ensures Licensees are continuously enhancing consumer satisfaction and improving quality of service through structured monitoring of the Quality of Service (QoS) Indicators which are part of the QoS Regulations 13/2011 issued in March 2011.

As part of the TRA initiative to meet its Mission, with special regard to Quality, the TRA issued the following guidelines during 2013 which is available on the TRA website www.tra.gov.om :

- Decision 33/2013: Guidelines on the requirement of fault repair and disruption of Telecom Services.

During 2013 the TRA engaged an independent Consultant – Cybercom to perform a QoS Performance Indicators Audit of the Class I Licensees to ascertain the performance achievements as reported by them.

The Audit covered both Mobile and Fixed networks with the exercise including collection of raw data from the Class I Licensees' systems and resultant calculation of KPIs to ascertain the achieved performance with respect to QoS Target values as per the regulation. The consultant conducted independent field testing throughout Oman for a period of 2 months in May and June 2013 to test the end to end performance of the mobile and fixed networks as perceived by the end-users. The scope of the project included the following:

- QoS KPI Audit: Assessing Omantel and Nawras Quality of Service Key Performance Indicators as per TRA QoS Resolution No 13/2011 while adhering to TRA QoS measurement guidelines document No 22/2011.

- Analysis was based on raw data collected from Operators' exchanges and performance management systems.

- Field Tests:

- o Nationwide drive tests for 2G voice, 3G voice, 3G data (Omantel and Nawras).
 - o Drive tests in main cities for 2G data (Omantel and Nawras).
 - o Static tests for LTE data where LTE is available (Omantel and Nawras).
 - o Static tests for WiMAX data in each Wilayat (Nawras).
 - o Static tests for ADSL in residential premises in Muscat (Omantel).
 - o Analysis was solely based on data collected by means of field tests without any prior knowledge of the specific network configuration.

Key Audit Findings

Below are the main findings of the Quality of Service Audit which was conducted by the Consultants, Cybercom and these were shared with the Licensed Operators:

Field Tests

- Mobile Broadband Coverage is good in Muscat but is found to be deficient outside Muscat for both Operators

Data performance levels are in line with the respective technology. However, Mobile Broadband customer experience could be enhanced by further optimizing the operator's Inter-System strategy (Inter-System Strategy means the Inter technology strategy applied by the service provider in its mobile cellular network where multiple technologies are working in tandem to deliver a particular service).

2.2 Mobile Network Performance Indicators

Based on the Field test results (drive test) done by the Consultant, the mobile coverage summary for 2G and 3G for both Omantel and Nawras for the year 2013 is presented in Figure 2.1:

COVERAGE SUMMARY

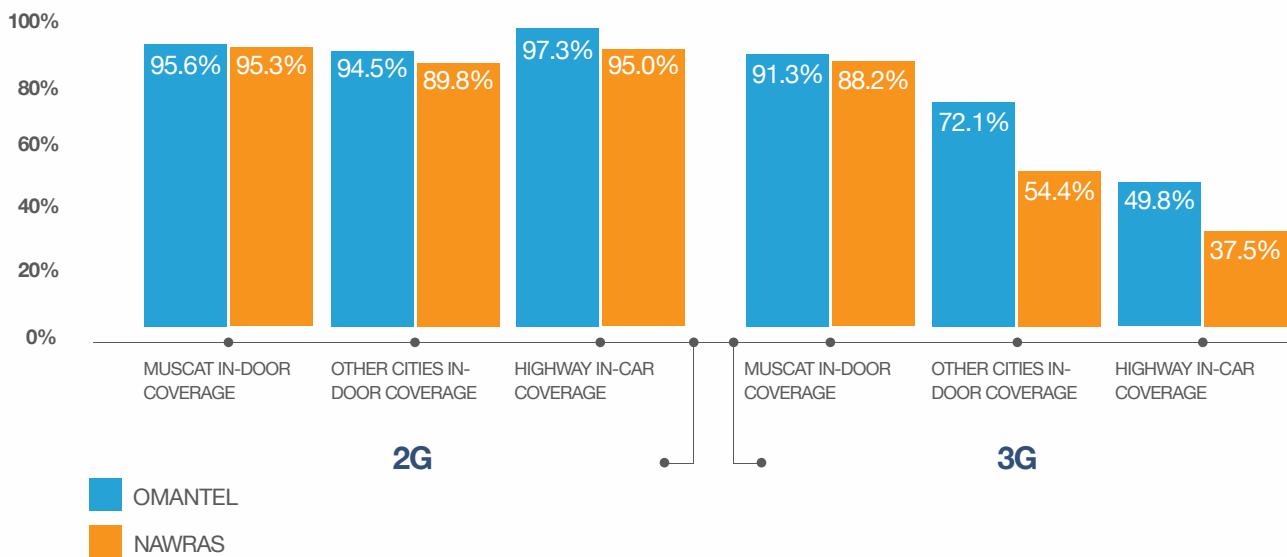


Figure 2.1: Omantel and Nawras Mobile Coverage Summary. Source: QoS KPI Audit done by third party

The location of 2G sites in Oman for both Omantel and Nawras are presented in Figure 2.2:

Location of 2G Sites:

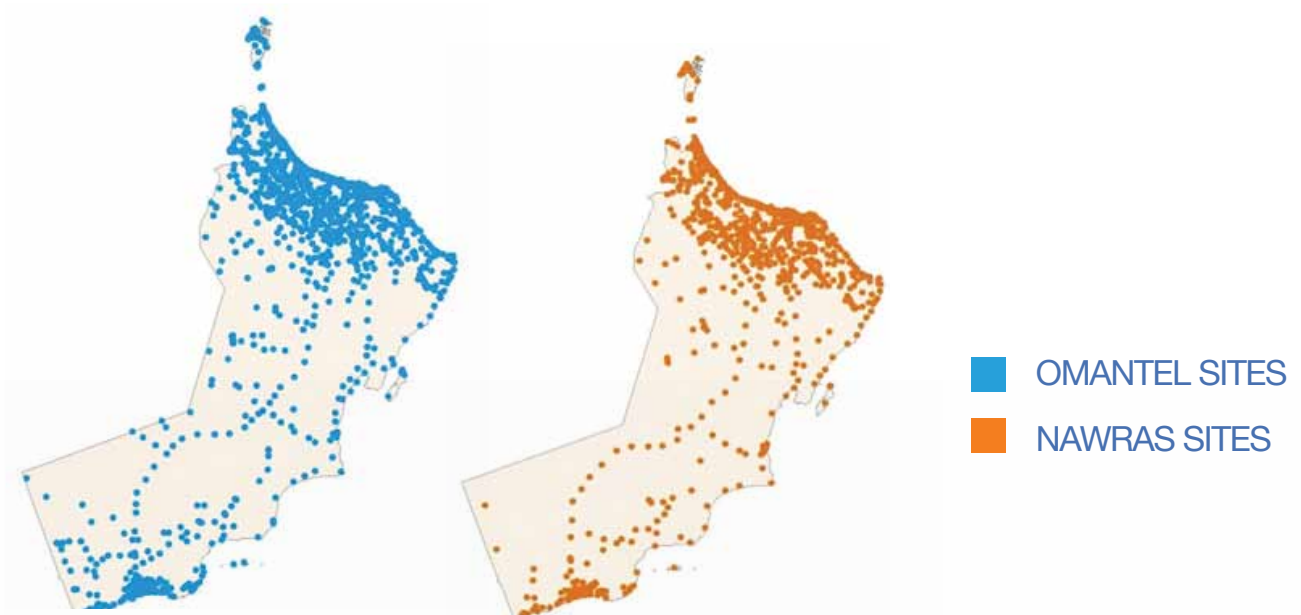


Figure 2.2: Location of 2G sites in Oman

The following are the main QoS indicators for the mobile services offered by Omantel and Nawras for the year 2013.

Figure 2.3 depicts the Voice Speech Quality indicators for Omantel and Nawras:

Speech Quality:

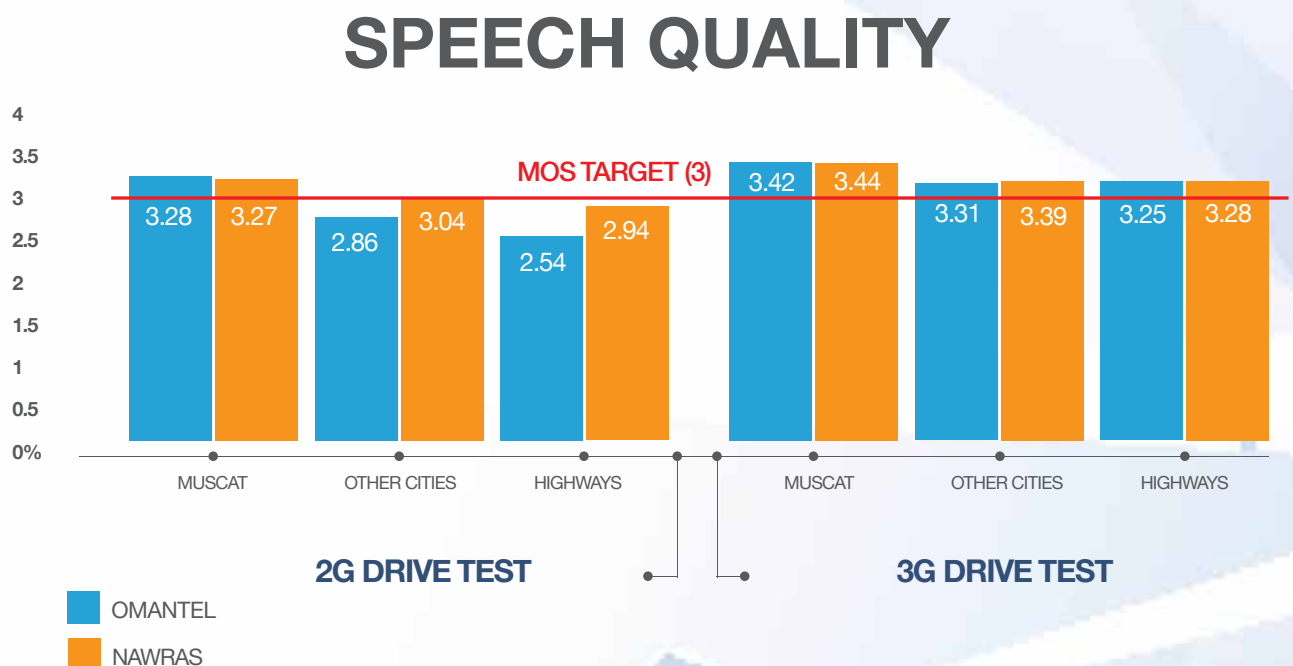


Figure 2.3: Voice Speech Quality

Drop Call Rate

This indicator is used to measure the percentage of calls dropped due to technical problems or coverage gaps in the service provider's network as a ratio of the total number of calls successfully established.

PERCENTAGE OF CALLS DROPPED

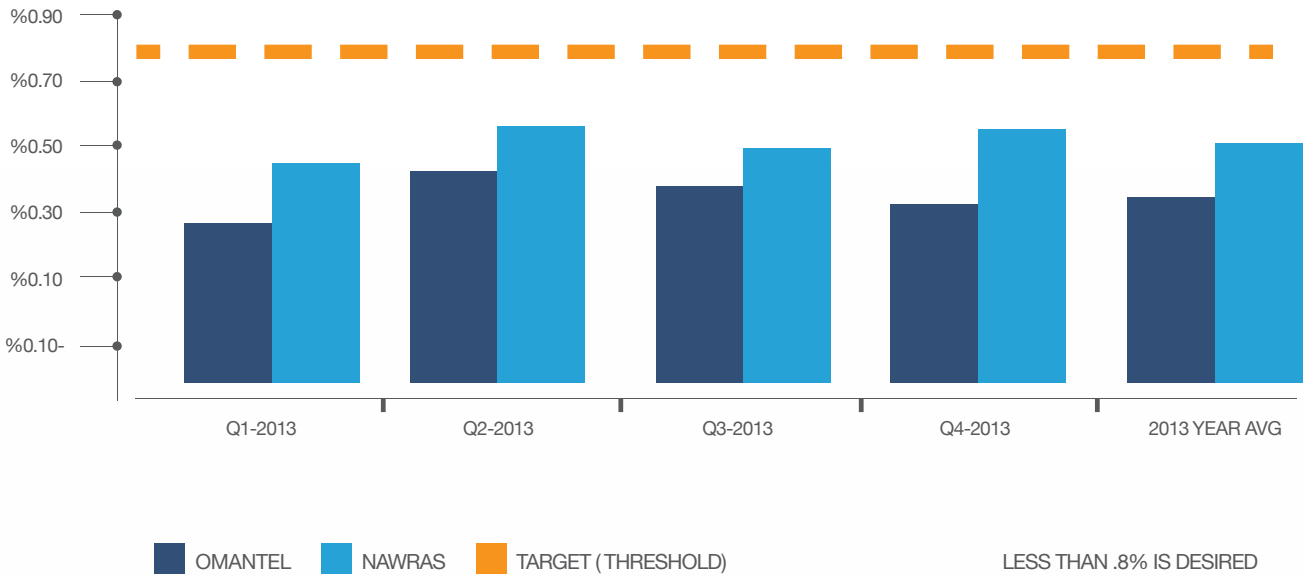


Figure 2.4: Percentage of Calls Dropped

Block Call Rate

This indicator is used to measure the percentage of calls blocked due to congestion in the service provider's network as a ratio of the total number of call attempts made to access and establish a voice call.

PERCENTAGE OF CALLS BLOCKED

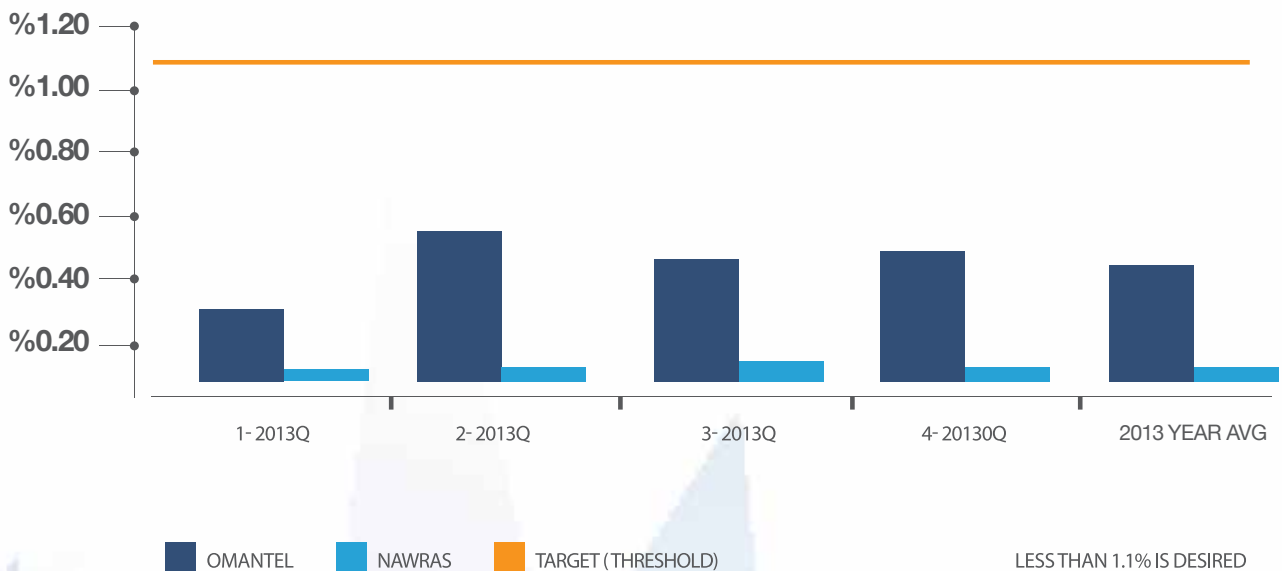


Figure 2.5: Percentage of Calls Dropped

2.3 Fixed Network Performance Indicators

Figures 2.6, 2.7, 2.8, 2.9, 2.10 and 2.11 show the Quality of Service Indicators achieved by the Operators for Fixed Network Performance.

Faults per 100 lines per year

This indicator is used to measure the number of valid faults with respect to fixed telephone lines

FAULTS PER 100 LINES PER YEAR

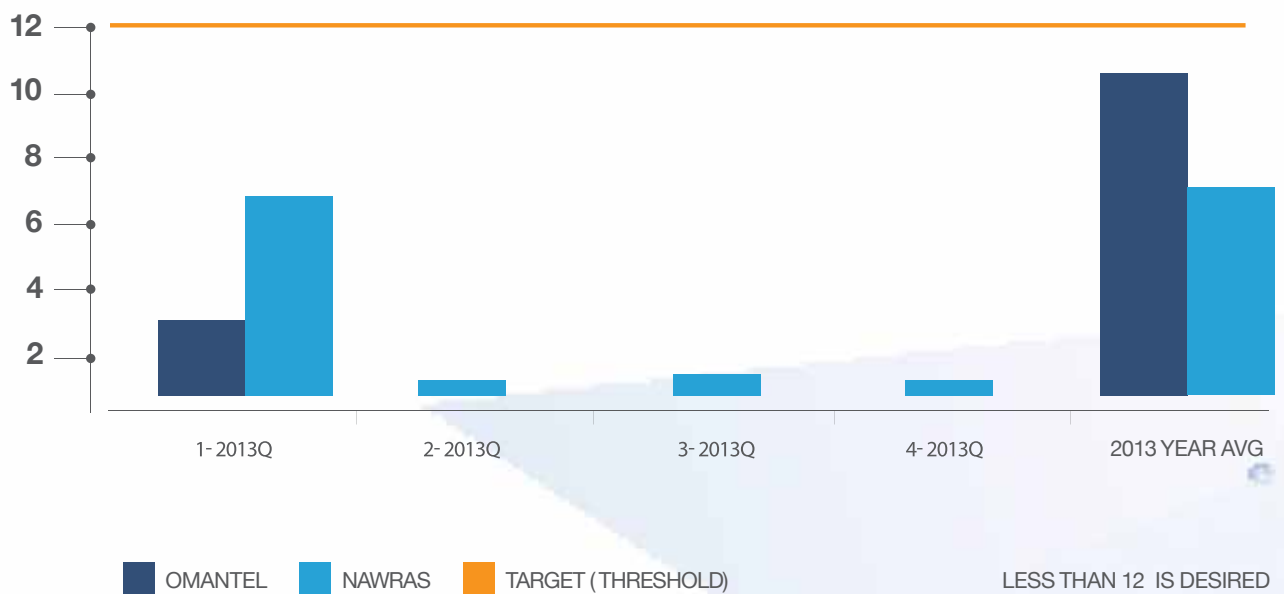


Figure 2.6: Faults per 100 lines per year

Percentage of faults cleared within 24 hours

This indicator is used to measure the time taken to clear/resolve a fault from the time a fault is reported to the service provider to the time when the service has been restored to normal working order.

PERCENTAGE OF FAULTS TO BE CLEARED WITHIN 24 HOURS

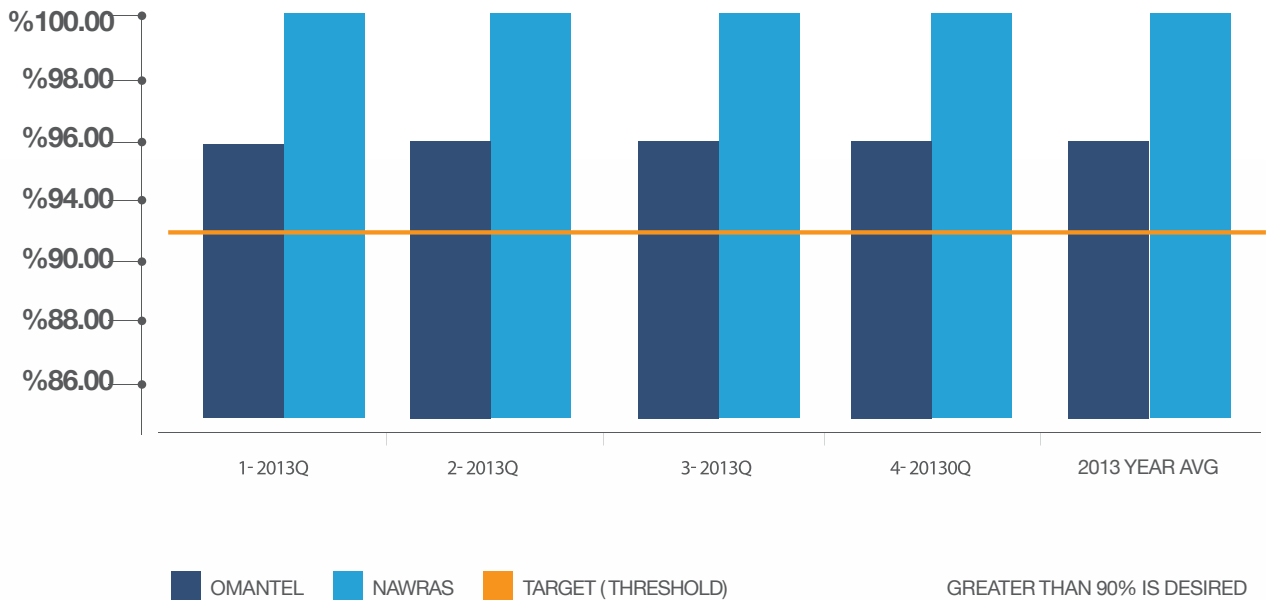


Figure 2.7: Percentage of faults cleared within 24 hours

Unsuccessful call ratio for local and national fixed calls

This indicator is used to measure the unsuccessful local calls from a fixed line i.e. a call attempt that is made to a valid number with all digits dialled correctly following a dial tone, and the calling user not receiving any busy, ring or answer tone within 30 seconds.

UNSUCCESSFUL CALL RATIO FOR LOCAL AND NATIONAL FIXED CALLS

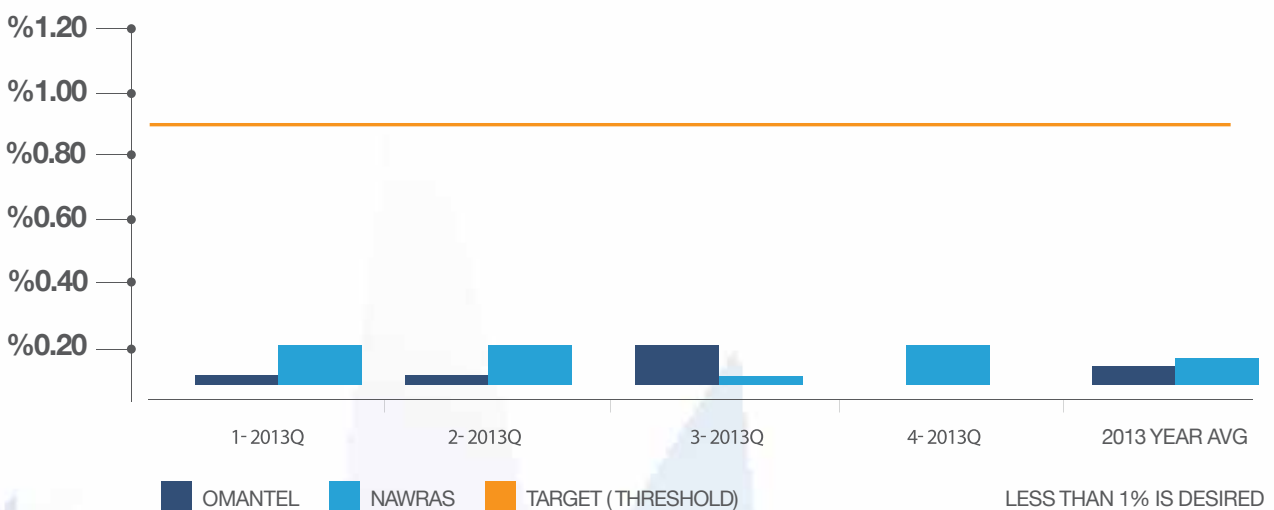


Figure 2.8: Unsuccessful call ratio for local and national fixed calls

Percentage of orders for access line in the served areas completed within 10 working days

This indicator is used to measure the total time taken for a service provider to fulfil a customer order for an access line.

PERCENTAGE OF ORDERS FOR ACCESS LINES IN THE SERVED AREAS COMPLETED WITHIN 10 WORKING DAYS

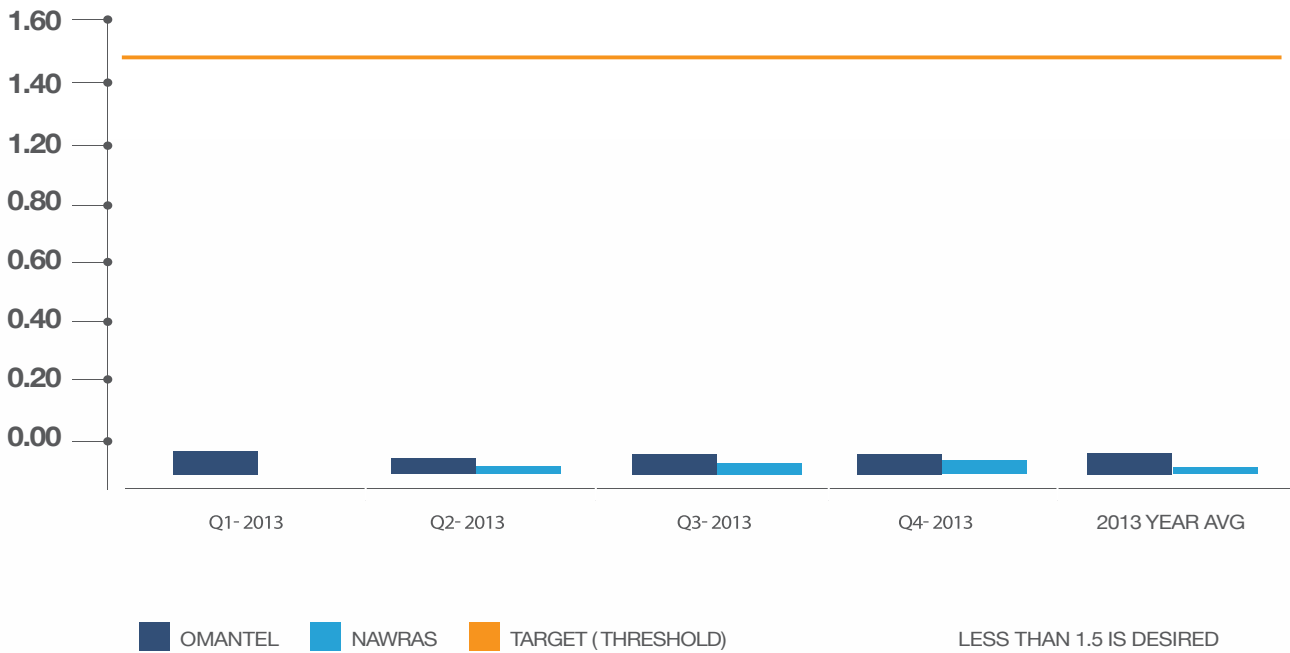


Figure 2.9: Percentage of orders for access lines in the Served Areas completed within 10 working days

Beneficiaries billing complaints per 1000 bills

This indicator is used to measure the number of valid billing complaints received by the service provider that relates to an issued bill.

PERCENTAGE OF BENEFICIARIES BILLING COMPLAINTS PER 1000 BILLS



2.10:Beneficiaries billing complaints per 1000 bills

Percentage of billing complaints resolved within 20 working days

This indicator is used to measure the time taken by the service provider to resolve a billing complaint from the moment a billing complaint is reported to the moment when the consumer agrees that the complaint has been resolved.

PERCENTAGE OF BILLING COMPLAINTS RESOLVED WITHIN 20 WORKING DAYS

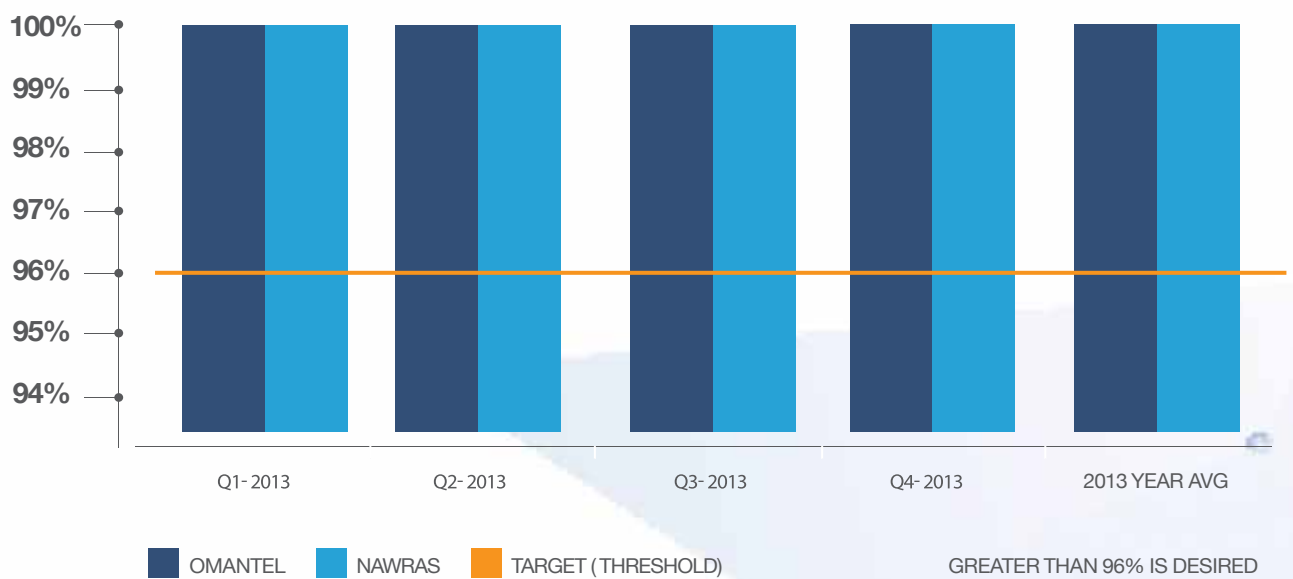


Figure 2.11: Percentage of billing complaints resolved within 20 working days

2.4 Data Throughput – Mobile and Fixed Networks

Figure 2.12 depicts the Data Throughput for Mobile and Fixed Networks, based on the field test performed by the TRA consultant in 2013:

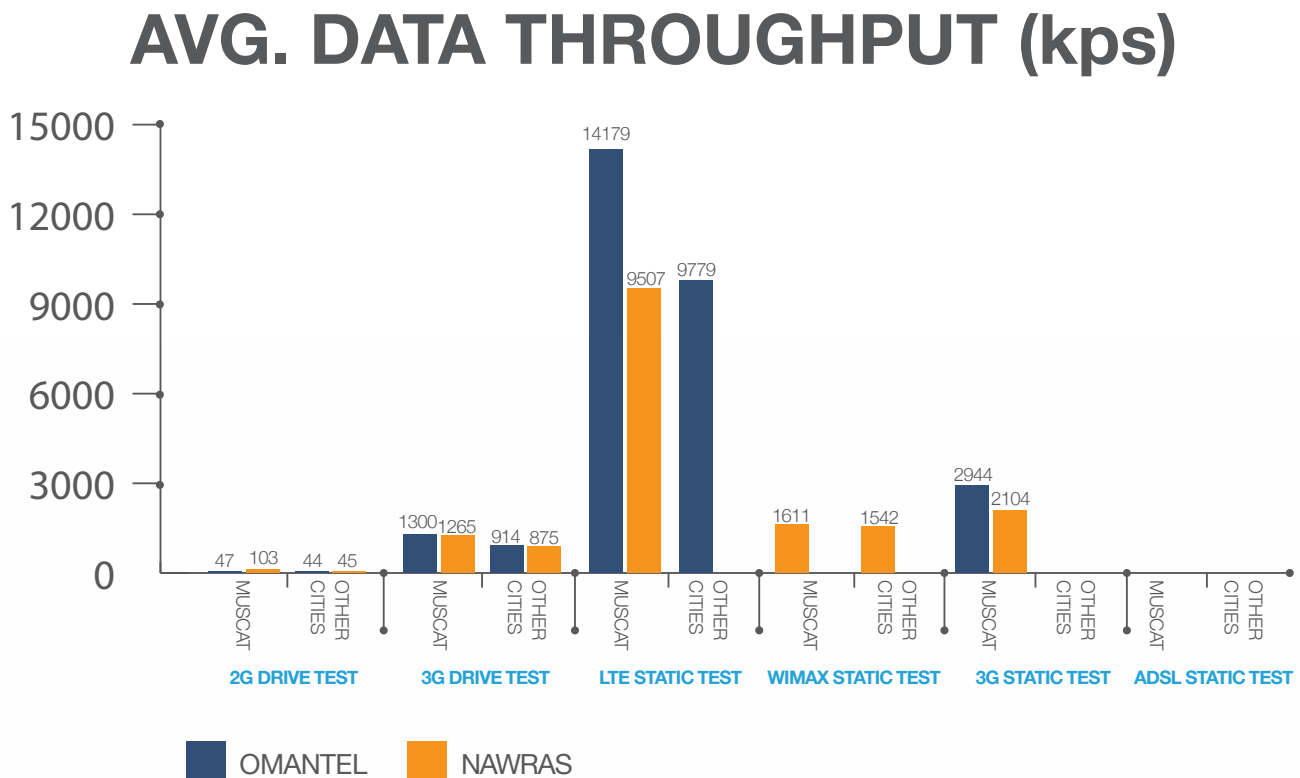


Figure 2.12: Data Throughput for Mobile and Fixed Networks in Kbps. Source: QoS KPI Audit done by third party

2.5 Benchmarking and Field Testing:

TRA conducted benchmarking to assess and provide independent comparison of the performance of service provider's mobile networks during Salalah Khareef Festival 2013.

The report of the Benchmarking activity is accessible on TRA's website www.tra.gov.om

In addition, TRA conducted QoS field tests in various regions to assess the services present there, enquire about the requirements of the residents with respect to telecommunications services and check performance of existing mobile networks. The regions covered during this exercise are the following:

- Wilayat Dima Wa Attayin, Ash-Sharqiyah North Governorate
- Al-Buraymi Governorate
- Several villages in different Wilayats & Governorates across Oman.

Quality of Service complaints

The TRA played an active role in helping to resolve consumer complaints with respect to weak coverage, slow internet throughput, poor QoS and also service requests from area's not served

by basic voice or mobile broadband networks.

Of all the complaints received by TRA, 74.5% were Resolved Successfully/ Positively. A statistical representation is presented below for the complaints received and handled by TRA in Figure 2.13:

QOS RELATED COMPLAINTS & REQUESTS IN 2013

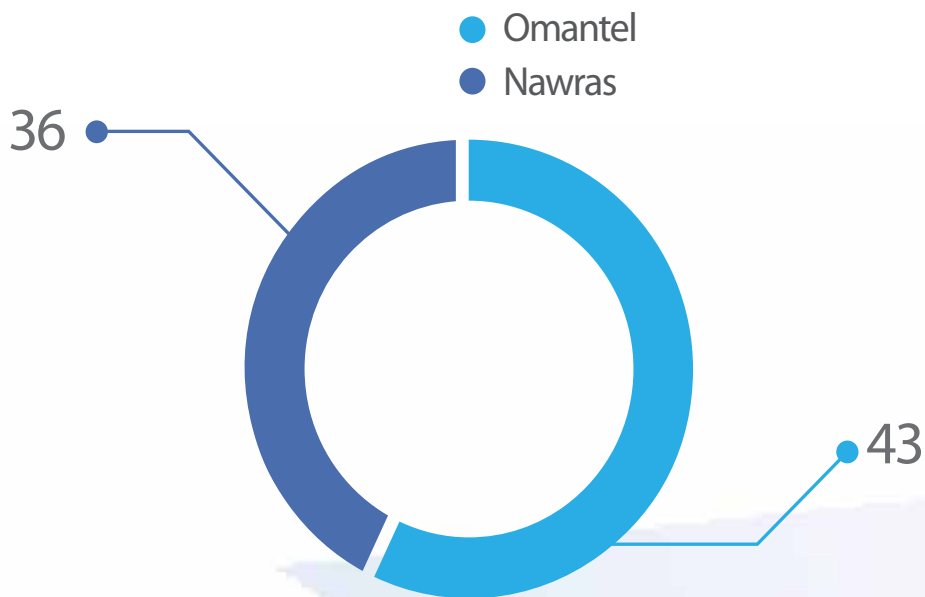


Figure 2.13: QoS Complaints and Requests in 2013

2.6 Internal Cabling Guidelines

TRA initiated an exercise to set the functional requirements desired on the space and facilities required to enhance the range and/or quality of the telecommunication services that need to be provided in buildings by the licensed Service Providers. The functional requirements and recommendations laid down in these guidelines are based on existing technology standards, service requirements and other relevant conditions. As such standards, service requirements and other conditions may change in line with technological advancements and differences in service demands.

A draft document was published for public consultations. Responses were received from Omantel and Nawras on it. Moreover, TRA discussed the guidelines with Muscat Municipality and Ministry of Regional Municipalities and Water Resources. All the responses were evaluated and the feedback was included as appropriate in the guidelines.

The guidelines have been published in a booklet for distribution to the public and concerned parties.

2.7 Implementation of an Advanced Automated Spectrum Management System (AASMS):

The TRA has implemented an Advanced Automated Spectrum Management System (AASMS) to address developments and advances in the telecommunication sector and to satisfy the increasing demands of telecommunication service providers and beneficiaries. The AASMS comprises of comprehensive integrated modules in the provision of different radio licensing services and plays a significant role in policy development, technical compatibility analysis, ITU coordination/notification processes and acts as an aid to monitoring and inspection. It also includes financial functionalities such as payment determination, fees calculation and billing for Spectrum usage and has distinctive capabilities such as automatic fees calculations/estimations, online payments, licenses overview and status, downloads of documents issued by TRA, transparency of frequency assignments and provision of some fully automated services.

The system has significantly facilitated the application process for all radio licensing services as it is fully Web based, dramatically reducing applications' processing time and human intervention errors, resulting in more efficient and reliable services focusing on customer satisfaction and timely response.

3.0 SAFEGUARDING THE INTEREST OF USERS

3.1 Consumer Affairs

Consistent with the Sultanate's increased focus towards consumer affairs, the TRA has made it one of its main priorities to make the consumer affairs process more efficient to cater to consumer needs. During 2013, with the organizational changes, TRA has implemented a call centre in order to improve the customer



services and increase customer satisfaction. The call centre is the tool to help consumers seek awareness, guidance, ask queries and issue complaints related to the services. The call centre has so far proved to be successful in allowing TRA to engage more with individual and business consumers in line with the TRA's Mission.

To offer convenience to the consumers, the call centre has been programmed in a way to decrease the time that consumers are put on hold before an agent could offer assistance allowing TRA to have the capability of accepting up to 100 calls simultaneously.

The call centre was put in operation in the second quartile of the year 2013 and it is expected that during the next 2 years, there will be an increase in the usage of the call centre number 800 00 000. Further, with this increase in awareness, more calls are expected to be recorded in the future leading to greater engagement between TRA and the consumers.

In addition to the call centre, the TRA is also offering flexible approaches to consumers to contact the TRA, which is through walking into TRA to find welcoming staff willing to listen and respond to the consumer complaints, or via two email addresses specific to handle consumer complaints which are:

- TRAoman@tra.gov.om
- Consumer@tra.gov.om

3.2 Consumer Awareness

TRA takes consumer awareness as one of the main approaches of being customer focused, which is consistent with TRA's values and Strategy. During 2013 TRA conducted numerous awareness programs that directly relate to regular consumer issues on telecom services. The TRA took these programs as opportunities to highlight the main telecom and postal services that TRA offers, as well as engaging with the consumers to understand their demands and needs. The consumer awareness programs covered the following topics:

- The Consumer Complaints Process
- Spam
- Data Roaming
- The TRA Call Centre

The awareness was communicated through different media channels including Oman TV, FM radio, Local newspapers, TRA website, brochures and social media. As a result of these programs, the TRA witnessed a great improvement of the consumers' awareness towards TRA's role, and this can be highlighted in the following statistics where more calls, emails and walk-in customers were registered for 2013, as well as much more visits to the TRA website.

3.3 Call Centre Statistics

Inbound / Outbound Calls to 800 000 00

The following Figure 3.1 represents the number of calls from individuals and businesses registered per month during 2013:

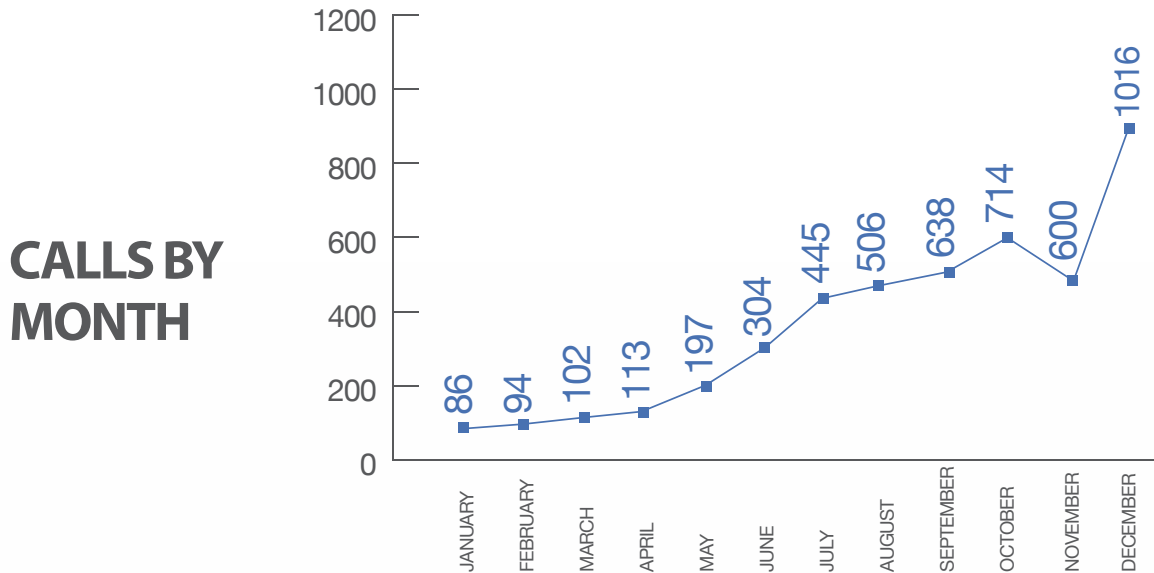


Figure 3.1: Inbound/Outbound Calls to 800 000 00

Inbound /Outbound Calls by Category

Figure 3.2 below denotes the different categories of the received calls with respect to the purpose of the call, as well as whether the call is made in Arabic or English:

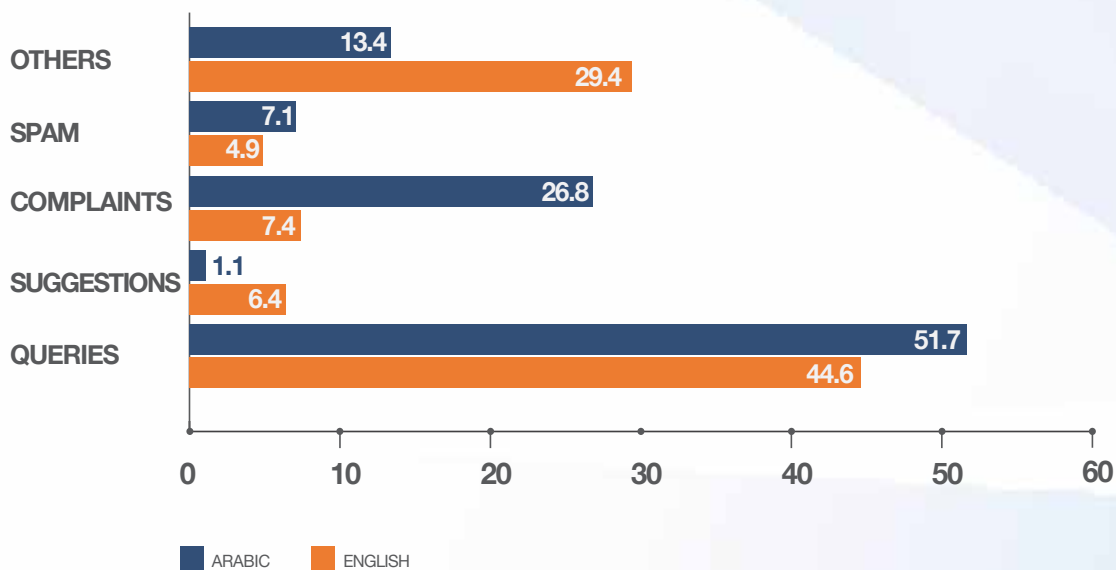


Figure 3.2: Inbound/Outbound calls by Category

3.4 Email Statistics

Inbound Emails

Figure 3.3 represents the emails received through the email addresses TRAOman@tra.gov.om and Consumer@tra.gov.om during the year 2013:

- TRAOman@tra.gov.om
- Consumer@tra.gov.om

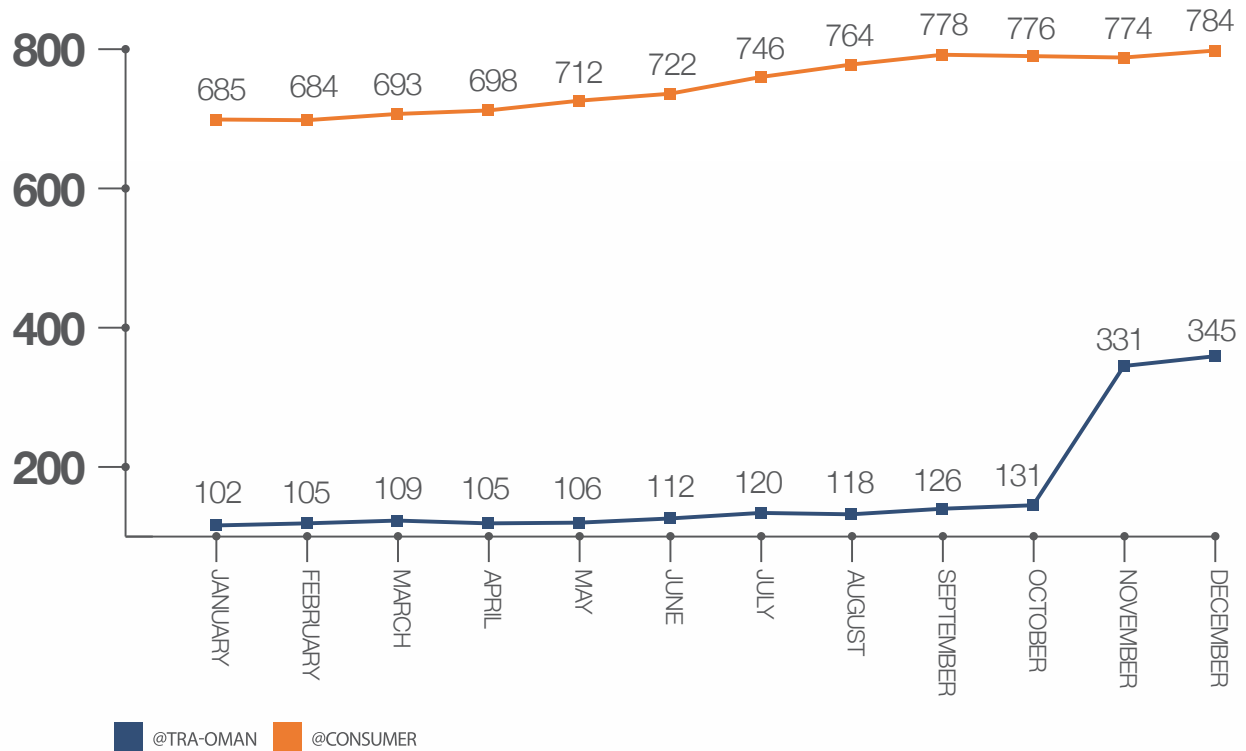


Figure 3.3: Inbound Emails

Received Emails by Category

Figure 3.4 groups all the emails received in 2013 in the categories of: Spam, Complaint, Suggestion, Query and Others:

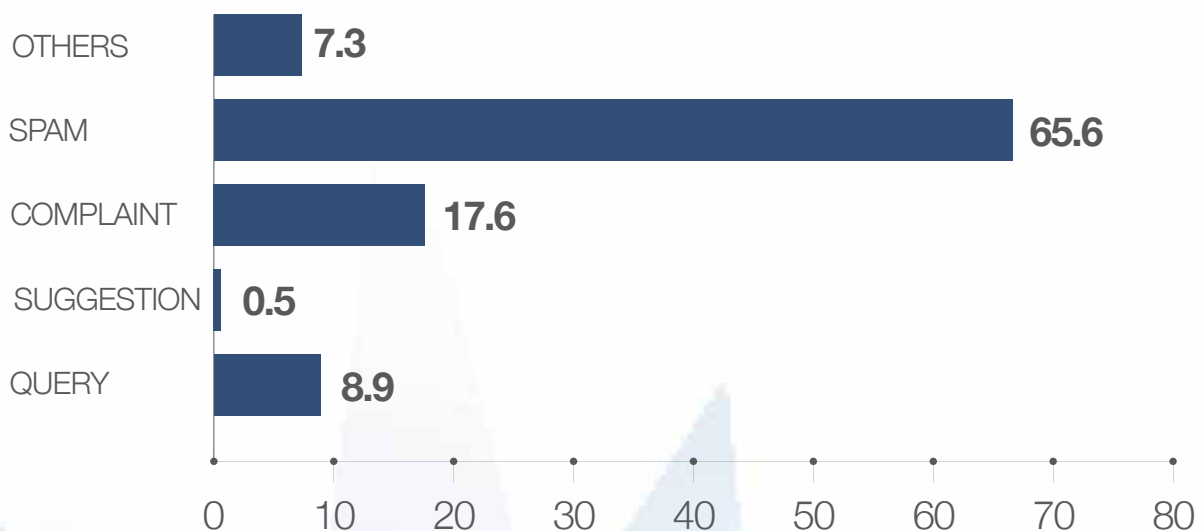


Figure 3.4: Received Emails by Category

3.5 Walk-in Customers

Figure 3.5 displays the number of consumers visiting TRA requesting TRA's customer service.

WALK IN CUSTOMER BY MONTH



Figure 3.5: No. of Consumer visits to TRA



3.6 The Complaint Process

TRA's mandate is to provide convenience to the consumers and to increase their satisfaction as well as safeguard their interests. TRA has formalized a simple complaint procedure, available on the TRA website and have provided awareness to consumers on their rights to complain and the relevant issues on which they can raise a complaint. The TRA website offers a clear list of all the complaint issues that are relevant for TRA to handle.

After TRA receives the complaint, it is analyzed based on the nature of the complaint, and abides by the laws to provide solutions to the complaint in as soon as possible.

STEPS FOR REGISTERING A COMPLAINT:

1. Fill in a complaint form which is available in the TRA website www.tra.gov.om under the consumer affairs section.
2. Attach a copy of the complaint issued to the service provider.
3. Attach a copy of your ID card as evidence that you are the person issuing the complaint.
4. Attach any documents that could support your case such as: bills, applications, letters, etc.

After receiving the complaint, the consumer will receive a text message confirming the receipt of his complaint file with all the necessary attachments

3.7 Complaint Statistics - Facts and Figures

Following the increase in awareness of consumers to their rights and with the call centre initiated during this year, the number of complaints registered continues to rise. Figure 3.6 compares the number of complaints registered between the years 2011 to 2013.

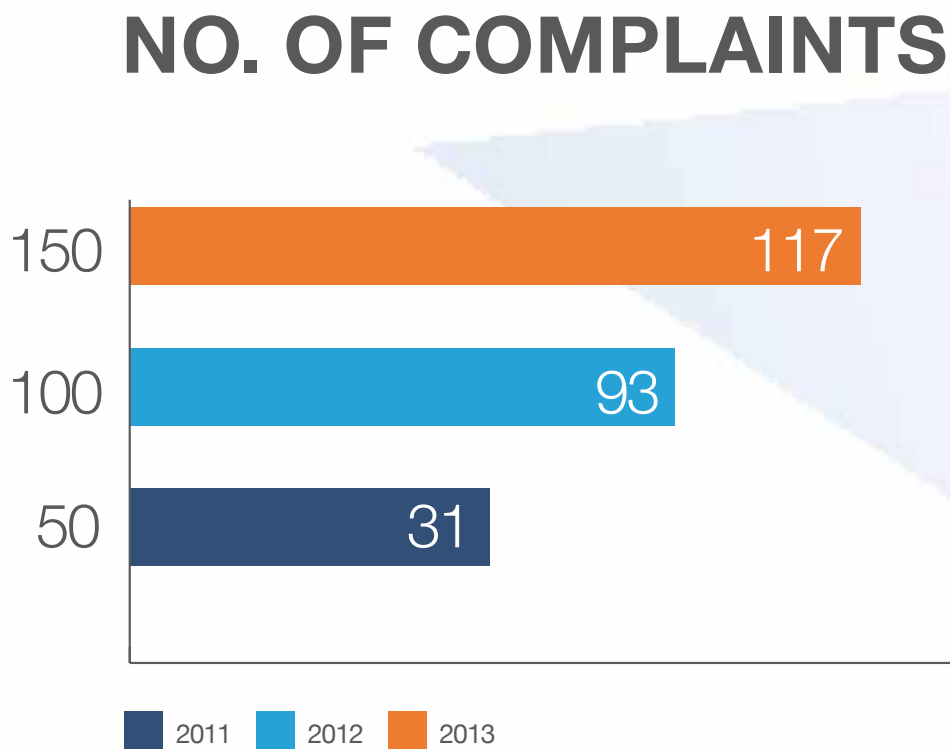


Figure 3.6: Number of Complaints

Complaints by Consumer Type

The complaints are segmented by different aspects relating to their nature. It has been observed that out of the total 117 complaints listed in 2013, 93% of complaints are from individuals and 7% of complaints are from Businesses. Figure 3.7 expresses the complaints received by the types of consumers

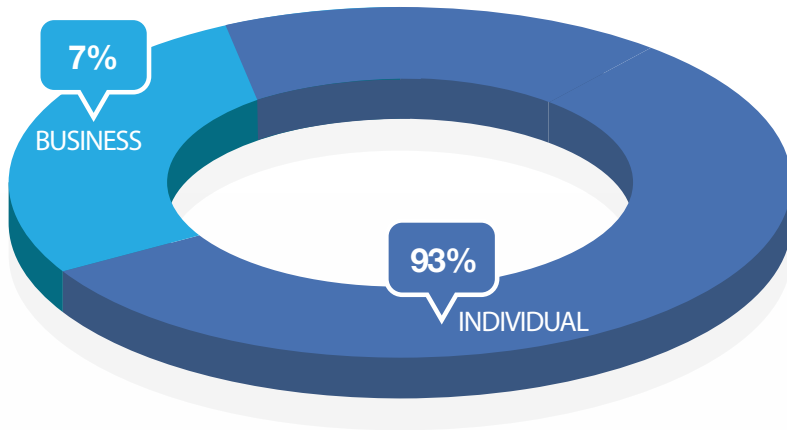


Figure 3.7: Complaints by Consumer Type

Complaints against Operator by Year

The trend of Complaints over the last 3 years showed that complaints against Omantel are up to 70.9%, higher than the number of complaints against Nawras, which stood at 26.5%.

Figure 3.8 depicts the trend of registered complaints against Operators between the years 2011 and 2013.

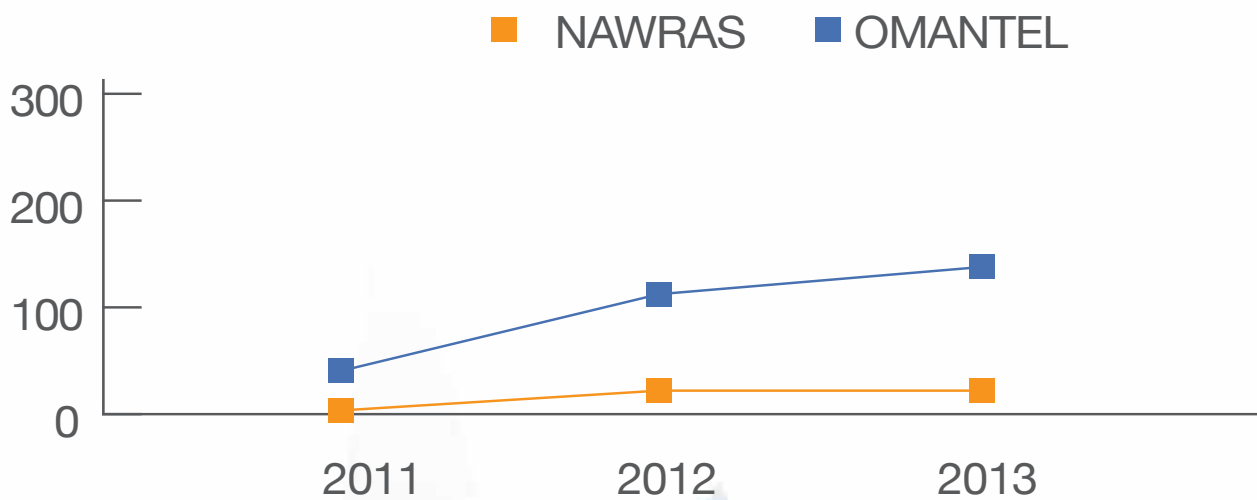


Figure 3.8: Complaints against Operators

Figure 3.9 represents the details of the number of complaints against different operators for the year 2013, where the most number of complaints was against Omantel:

Number of Complaints against Operators 2013

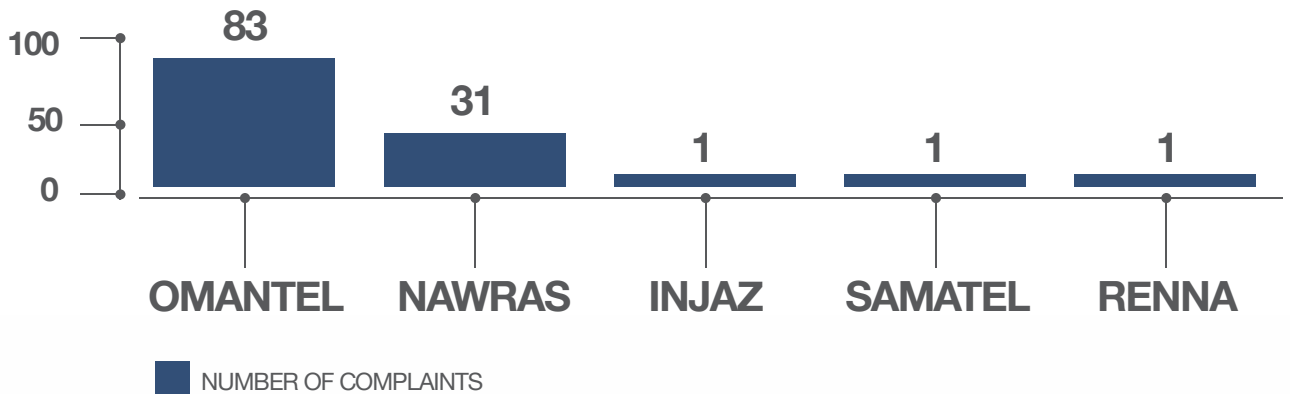


Figure 3.9: Complaints against Operators

Number of Complaints by Region

The number of complaints registered was received from different regions in Oman. Figure 3.10 illustrates the number of complaints received by region:

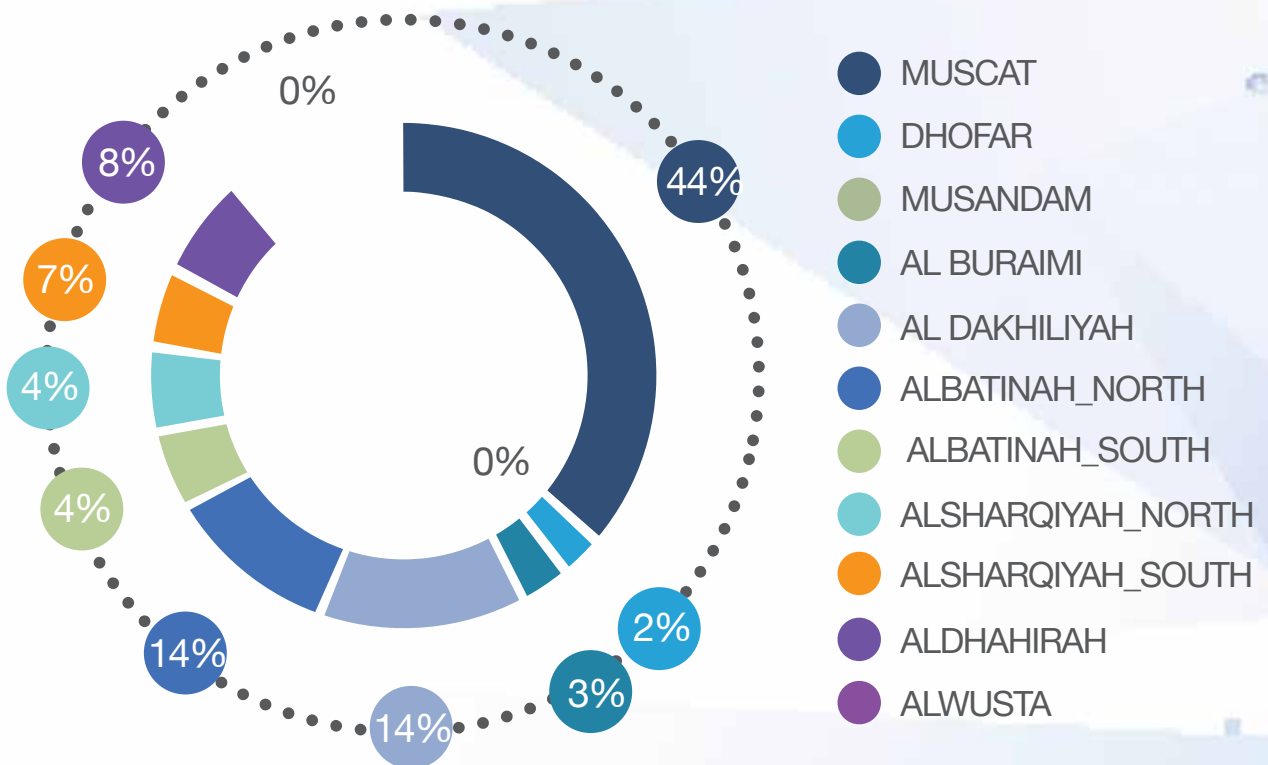
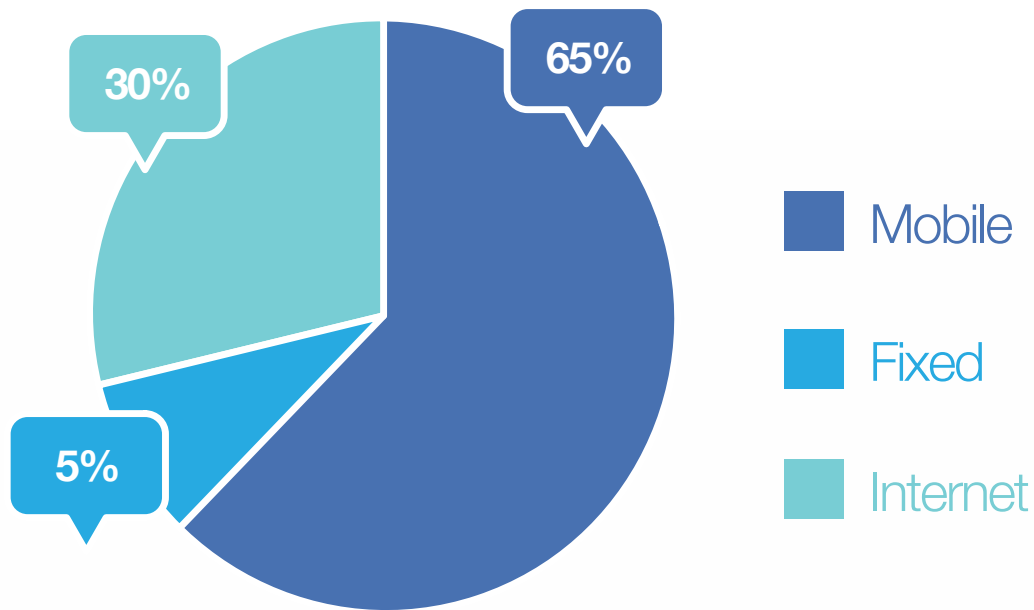


Figure 3.10: Number of Complaints by Region

The Complaints by Service

The registered complaints can be broken down by the type of service where it is observed that due to the continuous increase in mobile subscribers and the increase in awareness of the complaint process and TRA's role, the complaints of mobile service are the highest and comprise of 65% of the total complaints. This is followed by complaints from the internet services which were 30%. The following figure show the breakup of complaints received in 2013.

Figure 3.11 displays the complaints received by TRA service during 2013:



3.11: Complaints by service

Number of Complaints by Service

The next figure depicts the trend of complaints over 3 years. Comparing to the previous years, it can be seen that the complaints on mobile and internet services are increasing, while there has been a decrease in the number of complaints for fixed services. Figure 3.12 illustrates the number of complaints received by the type of services during the years 2011 until 2013.

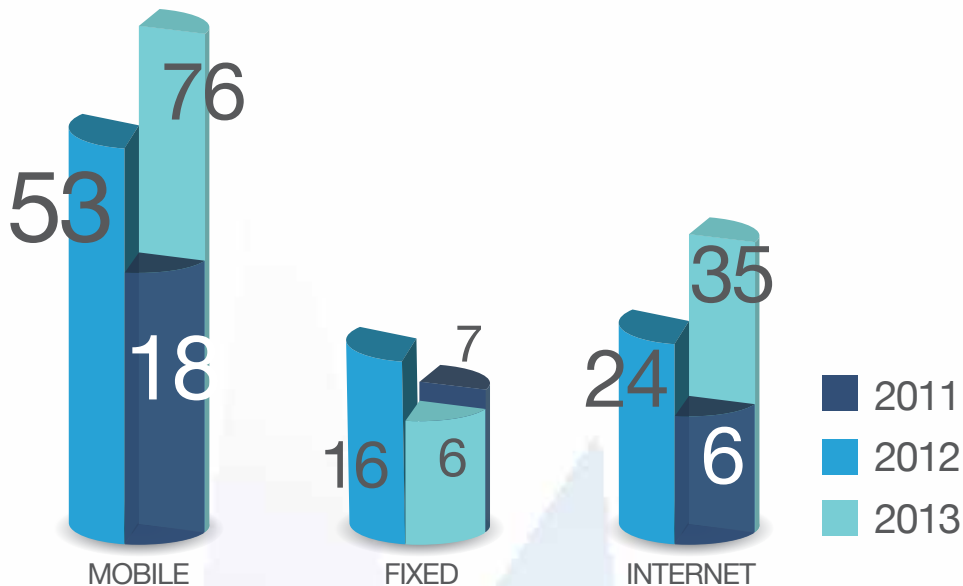


Figure 3.12: Number of Complaints by Service trend over 3 years

Complaints by Type

Looking at different types of complaints issued, majority are on Billing and Payment with 42%. This is followed by complaints on Connection, Others and Networks, with scores of 23%, 19% and 16% respectively. Figure 3.13 depicts the type of complaints received during 2013:

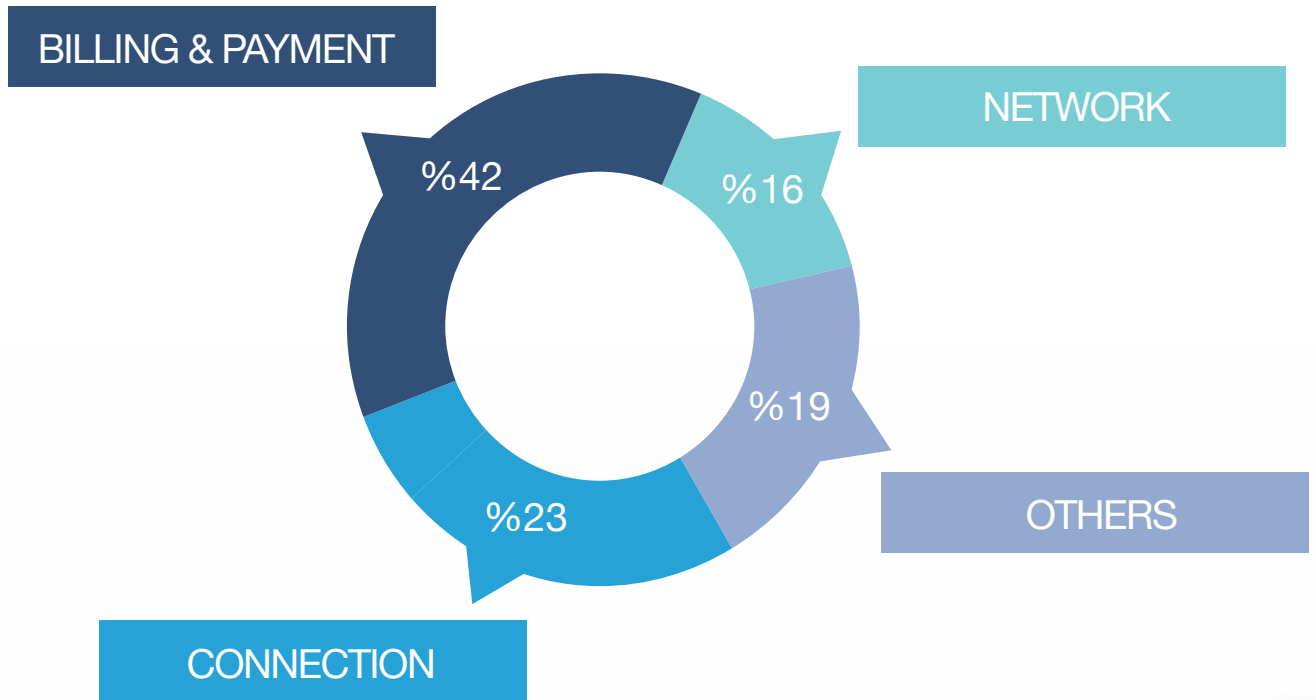


Figure 3.13: Complaints by Type

Complaints Status

Based on all the complaints received, 68% of them have been resolved within the year 2013 with a decision taken by TRA to solve the complaint. Due to different nature of the complaints, decisions on 32% of complaints were still not taken and are being resolved for TRA to provide the best suitable decision. Figure 3.14 illustrates the status of the complaints.

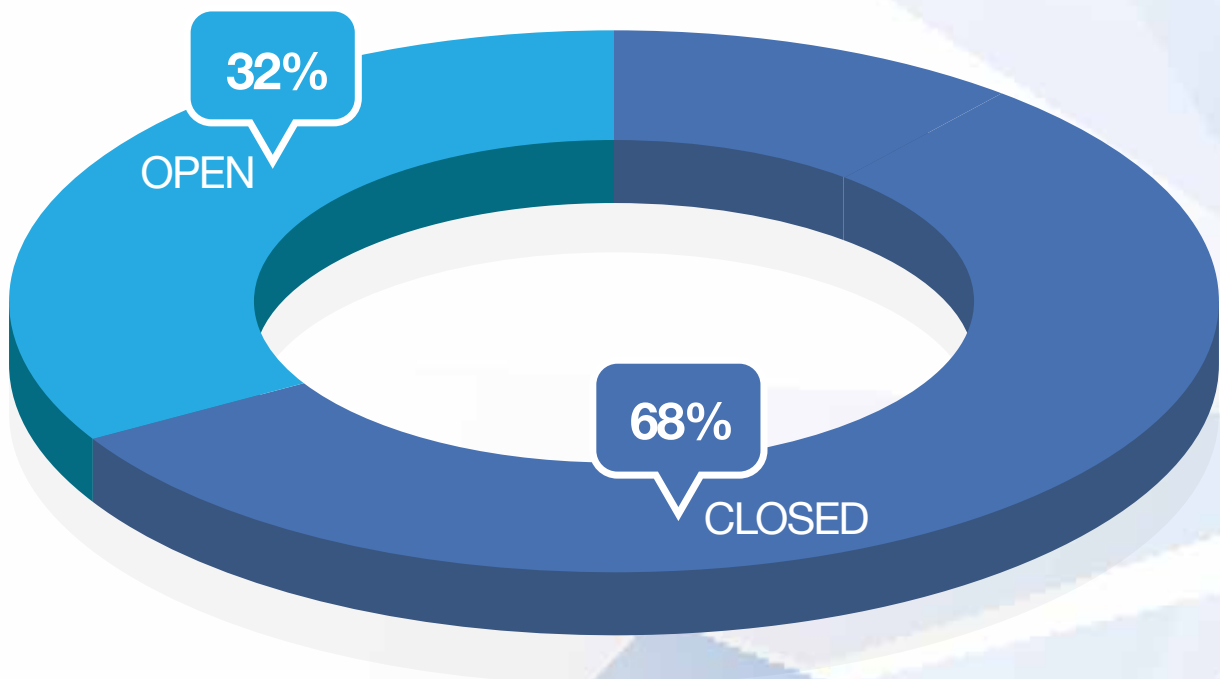


Figure 3.14: Status of Complaints

3.8 Overcoming Bill Shock Challenges & Addressing Consumers Needs

During 2013, the TRA focused on addressing the issue of “Bill Shock” arising out of data roaming charges and had registered 24 complaint cases. In coordination with the Operators, Omantel and Nawras, TRA managed to reach a remedy to overcome the issue of bill shock, which resulted in a significant reduction in the number of roaming complaints.

The two Operators, Omantel and Nawras, were invited for a meeting at the TRA office to discuss mechanisms through which the complaints arising out of roaming charges could be reduced. At the outset of the meeting, TRA gave a presentation on the history of the problem and solutions that were adopted by other countries addressing this issue. In light of this, the operators were required to find solutions to this issue

Addressing Bill Shock

The Challenge:

Consumers are faced with high bills for international roaming services, which have been on the rise since 2011. Most complaints raised were based on the fact that consumers were unaware of the international roaming charges applied and hence are initially “shocked” leading to dissatisfaction with the bills that they are obliged to pay to the Operators.

Proposed Solutions by Operators:

Omantel proposed a remedy where the roaming data service would be disconnected once a cut-off charges limit of 100 OMR was reached. The consumer may override this cut-off limit by requesting the operator to reactivate the service through an SMS.

Omantel's proposal included that the consumer would be informed via SMS at different stages - when the consumer reaches 10 OMR, 30 OMR and so forth before disconnecting the service, which would be when the charges reach the cut off limit of 100 OMR. At this stage, the user would be informed via SMS that the cut-off limit has been reached and would be prompted with the option of extending the use of service.

Nawras proposed a plan which involved sending SMS to all its consumers when roaming abroad to inform them that the local monthly cut-off limit will not apply when roaming, and that the operator will continue to charge for the consumer throughout the service period.

Nawras' proposal was based on the fact that when the service was activated by the consumer, the service would remain active until the next journey abroad. Currently the Nawras consumers avail a service that enables them to control usage when roaming through the My Nawras Service. However, this service is still limited due to some delay in receiving the data roaming information and as per the

proposal; Nawras would continuously notify its subscribers on their data consumption against their plan while roaming. The SMS notifications would also include percentage usage to give consumers an indication on their usage.

As part of the proposed solution, consumers of both Omantel and Nawras would receive a list of roaming charges upon arrival in the destination country.



4.0 FOSTERING EFFECTIVE COMPETITION

4.1 Competition Framework

The regulation of Ex-Post anti-competitive behavior was issued through Decision 70/2013 and was published in the official gazette No.1024 on 18/8/2013. Additionally, Decision 74/2013 Definition of the Market and Dominant Licensees and Remedies and the Guidelines on Regulation of Ex-Post Market was issued. Both these decisions can be found on the TRA website www.tra.gov.om.

Following the latter, the TRA has completed the first market review in 2013 in the form of “Market Definition and Dominance (MDD) Report”. This review defines the markets and determines the dominant player(s) in each market. Table 4.1 shows the markets as defined in the first market review report.

Description of the Market		Dominant Player(s)
Market 1	Retail access to the public telephone network at a fixed location	Omantel
Market 2	Retail local and national voice call service from a fixed location	Omantel
Market 3	Retail international voice call service	None
Market 4	Retail broadband Internet access from a fixed location	Omantel and Nawras jointly
Market 5	Retail dial-up Internet access from a fixed location	None
Market 6	Retail mobile services market	Omantel and Nawras jointly
Market 7	Retail national leased line services [and business data services at a fixed location]	Omantel
Market 8	Retail international leased lines	Omantel
Market 9	Retail business data services provided from a fixed location	This market has been merged with Market 7
Market 10	Wholesale voice call origination on the public telephone network provided at a fixed location	Omantel
Market 11	Wholesale voice call termination on individual public telephone networks provided at a fixed location	Omantel and Nawras
Market 12	Wholesale network infrastructure access at a fixed location	Omantel
Market 13	Wholesale broadband access at a fixed location	Omantel and Nawras jointly
Market 14	Wholesale terminating segments of leased lines	Omantel
Market 15	Wholesale trunk segments of leased lines	Omantel and Nawras jointly
Market 16	Wholesale IP international bandwidth capacity	Omantel and Nawras jointly
Market 17	Wholesale voice call termination on individual mobile networks	Omantel and Nawras
Market 18	Wholesale access and call origination on public mobile telephone networks	Omantel and Nawras
Market 19	Wholesale national roaming	This market has been merged with Market 18.
Market 20	Wholesale transit (National and international transit)	Omantel and Nawras jointly

Table 4.1: Defined Markets

4.2 Tariff Transparency Guidelines

The TRA has issued the Tariff Transparency Guidelines in 2013 succeeding to the Decision 30/2013 issuing Guidelines on Transparency of Public Telecom Services Tariffs found on TRA website. These guidelines aim to ensure that all the required tariff information is available to the users to enable them to select appropriate service plans according to their personal preferences and usage patterns and to enable the users to compare their billed usage against the published prices and the services provided.

The Guidelines require the service providers to provide an easy mechanism to enable the users to monitor the consumption of voice minutes, SMS/MMS and data services, and to refrain from increasing the service tariff before 30 working days of notifying the users.

Any breach to the Guidelines is investigated by the TRA and remedial measures are taken. The subscribers are more aware and understand the Terms and Conditions applicable to the tariff they would be charged on based on their subscription. The guideline is available on the TRA website www.tra.gov.om

4.3 Service Tariffs and Promotional Activities

There was significant activity in the evolution of service prices. During 2013 a total of 170 tariff proposals were introduced. Table 4.2 below shows the new services, revisions and promotions handled during 2013 with a comparison to 2012 and 2011.

	2011	2012	2013
Promotions	88	111	114
New services/ tariff plans	41	53	31
Revisions	31	25	25

Table 4.2: Service Tariffs and Promotional Activities

During 2013, the majority of the promotions were on international calls, starter packs and broadband. Following are the salient features of these proposals:

- New monthly bundles have been launched for prepaid and postpaid subscribers. These bundles are designed to assist the subscribers to control their telecom expenses as they include minutes, SMSs and data.
- Introduction of 4G services on permanent basis and the accompanying revision for some of the mobile broadband tariffs besides introducing new ones. Extensive promotions were also introduced for the 4G handsets to further promote the 4G services.
- Introduction of VoIP service on permanent basis, which gives subscribers the choice of having lower rate than standard IDD call rates.
- In order to avoid bill shock while traveling, two Data Roaming Bundles were launched on promotional basis.

- After the introduction of the new Blackberry handsets, Blackberry plans were revised by the operators; launching new low entry BlackBerry plan for prepaid and postpaid customers; and enhancing the other plans by giving more value with no change in prices.
- A weekly package was launched to address expats needs. The package offers preferential rates to certain international destinations and special rate for calls within community (same package subscribers).
- Introducing a weekly SMS bundle, it offers an effective price of 1 Bz/SMS.
- Introducing the free Bulk SMS trial, it allows business customers a chance to test the product before making the decision to purchase it.
- Introduction of a number of new handsets with bundled promotions and giving subscribers choice to purchase the latest handsets at attractive prices and contract options.
- Wi-Fi services were provided in Muscat Municipality locations (parks, MM headquarters, MuttrahCorniche, etc.). Operators are also been extensively promoting its Wi-Fi services all around the Sultanate through promotions on public Wi-Fi usage.
- Introduction of the Family and Friends plan permanently: The plan offers local and international reductions for calls to specific numbers at the choice of the subscriber.
- Introduction of new low entry plan in the fixed line service.
- Introduction of new Pay As You Go plan for ADSL to encourage uptake of SME.
- Mass and Bulk SMS services have been enhanced through introducing new plans adding more value to the service scheme.
- Introduction of Postpaid international credit transfer was introduced; it was previously available for prepaid subscribers only. This service enables the customers to transfer credit internationally to any of the designated destinations.
- Launching the International Calling Card service on permanent basis, which gives subscribers the choice of having flat rates lower than standard IDD call rates.
- Introduction of wireless broadband plans that offers free usage during night.

4.4 License Amendments and Authorizations

Regulations issued in 2013:

- 1- Decision 80/2013 issued regulation to provide Automated System for Vehicle Management service. The TRA has noted that there is a demand to this service in the Sultanate of Oman and since it is considered as a value added service with small business model, the TRA first decided to include it in the Exemption regulations issued under decision 116/2012 to exempt some telecom services from the licensing requirements. However, the provision of the services require compliance with certain conditions like hosting the vehicles tracking data within the borders of the Sultanate and thus it worked to issue a special regulation (80/2013) to regulate the provision of this service. The TRA advised the service providers who already exist before issuing the regulations to comply with the requirements within agreed grace periods. The decision 80/2013 includes the procedures to obtain the Authorization and the conditions required to comply with.

Amended Licenses in 2013:

- 1- Decision 83/2013: amending Class I license of Sama Telecommunications Co. L.L.C to establish and operate a system to provide international telecommunication services. The amendment defined the licensee's scope of service clearly and helped the licensee to provide the licensed services (International Telecom Services). The license was amended based on an official request submitted by Samatel as per the rules and procedures of the legal framework in Oman with regards to Telecom Licenses.
- 2- Decision 81/2013: amending Class I license of Omani Qatari Telecommunications Co. S.A.O.C to establish and operate a network system to provide Public Fixed telecommunication services. The amendment gave the licensee extension to the rollout of the backbone infrastructure.

Authorizations issued in 2013

- 1- The TRA has issued seven authorizations for Automated System for Vehicle Management service. The authorized companies are:
 - BahwanCybertek L.L.C
 - Baghdad Modern Technology L.L.C
 - Knowledge Gate for Information Technology L.L.C
 - Ozone Modern Projects L.L.C
 - Global Security Technology L.L.C
 - Mozaic Technology (Mozaic web Solutions)
 - Ibn Al-Ghafri Modern Projects (Al Madar Technology)
- 2- The TRA has issued five authorizations for Private Network for Personal usage that would not be connected to the Public Network. Those networks owned by the authorized entities and used for their private usage like establishing physical links to transmit data between two branches.
- 3- The TRA has issued one approval for a Call Centre named Raysot Al Horra L.L.C located in Salalah.
- 4- The TRA has issued two approvals for TV & Radio Studios over satellite. Those studios provide facilities for TV and Radio production companies. They are:
 - a. Al Rogha Trading
 - b. Al Rasbi L.L.C

4.5: Numbering

The TRA is responsible for managing the public numbering scheme and for issuing the National Numbering Plan. In addition, the Authority is responsible for developing overall national numbering strategy in the national interest of the Sultanate.

Type of Numbering resource	2011 allocation	2012 allocation	2013 allocation
Carrier Selection code	0	1	0
International Signaling point codes	0	0	1
National Signaling Point Codes	21	46	17
Fixed Numbers	123,000	73,000	119,000
Mobile Numbers	400,000	600,000	200,000
Voice Short Codes	1	2	2
SMS Short Codes	130	52	30
Toll Free Numbers	103	116	123

Table 4.3: Trend of allocation of numbers to operators

The figure shows the trend of the allocation of numbers to the operators over 3 years. The table shows that in 2013 there was an increase in demand for toll free numbers as well as an increase in demand for fixed numbers. The demand for mobile numbers has shown a decline due to the fact that the operators have responded to TRA's direction to recycle the numbering resources and resale it back to the market.



5.0 UNDERSTANDING THE SECTORS

Engaging & Leveraging

5.1 Visits to Regions Addressing Telecom Coverage

In accordance with the Telecom Act on the need to protect the interests of the users and understand their requirements as well as the need to accelerate telecom development at a faster pace, the TRA planned visits to various villages and regions. The visits aimed to understand the requirements of the users in order for them to have access to all telecommunication services in order to ensure sustainable development. These visits were led by His Excellency Dr. Hamed bin Salim al Rawahi, Executive President of TRA, who was accompanied by a team of specialists from the TRA as well as representatives of telecommunications operators (Omantel and Nawras).

Visit Details

Several meetings were held with the Governors, Shura Council Members, local citizens and affected parties in the presence of Nawras and Omantel representatives. Issues regarding coverage, tariffs and service quality were discussed and the regional dignitaries were apprised of the future plans about the TRA initiatives. The visits highlighted the perception of high prices in fixed, mobile and internet services in these regions coupled with unsatisfactory levels of quality of services.

The TRA recognized the importance of defining the mechanisms to cover the villages which did not have telephone services and were not under the operators' future plans for coverage. The TRA recognized the need to escalate the issues to the Ministers and the Supreme Council for Planning in order to plan and find the suitable mechanism to cover the villages with telecommunication networks.

Table 5.1 summarizes the visits in 2013. Visits to the regions of Dhofar and Musandam are to be conducted in the future.

Visit No.	Region	Date of Visit
1	Southern Al-Batinah	Saturday 16th February 2013
2	Northern Al-Batinah	Sunday 17th February 2013
3	Al-Buraimi	Monday 18th February 2013
4	Ad Dhahirah	Tuesday 19th February 2013
5	Ad Dhakhiliyah	Wednesday 20th February 2013
6	Southern Al-Sharqiyah	Monday 8th April 2013
7	Al Wusta	Tuesday-Thursday 11th to 13th June 2013
7	Northern Al-Sharqiyah	Tuesday 4th September 2013

Table 5.1: Summary of Visits to regions

Based on the visits to the regions, the TRA's initiative was based on working with the operators to decide the operator plans to cover a number of villages and respond to the citizen's concerns over price and quality of telecom services. 2015 Targets were set to expand stations across the regions, and a number of villages were defined that require telecom coverage. This can be shown in the figure below:

Region	No. of Villages to be covered
Al-Batinah South	21
Al-Batinah North	38
Al-Buraymi	7
Adh-Dhahirah	29
Ad-Dhakhiliyah	39
Ash-Sharqiyah South	17
Ash-Sharqiyah North	27
Al-Wusta	6

Table 5.2: Visits Outcomes

Region	2015 target of station expansion	No. of stations to expand for 2G	No. of stations to expand for 3G	No. of stations to expand for 4G
Al-Batinah South	218	Omantel: 55 Nawras: 12	Omantel: 73 Nawras: 50	Omantel: 11 Nawras: 17
Al-Batinah North	470	Omantel: 92 Nawras: 43	Omantel: 134 Nawras: 98	Omantel: 35 Nawras: 68
Al-Buraymi	218	Omantel: 16 Nawras: 12	Omantel: 26 Nawras: 51	Omantel: 12 Nawras: 22
Adh-Dhahirah	222	Omantel: 42 Nawras: 30	Omantel: 35 Nawras: 97	Omantel: 11 Nawras: 7
Ad-Dhakhiliyah	409	Omantel: 94 Nawras: 40	Omantel: 109 Nawras: 120	Omantel: 21 Nawras: 25
Ash-Sharqiyah South	222	Omantel: 43 Nawras: 25	Omantel: 46 Nawras: 68	Omantel: 26 Nawras: 14
Ash-Sharqiyah North	203	Omantel: 43 Nawras: 31	Omantel: 46 Nawras: 65	Omantel: 10 Nawras: 8
Al-Wusta	106	Omantel: 16 Nawras: 20	Omantel: 19 Nawras: 40	Omantel: 5 Nawras: 6

Table 5.3: Visits Outcomes

5.2 Audit of Emergency Plan of Operators

All the Licensees are required to maintain an Emergency Plan to ensure business continuity. As part of this requirement, the licensees need to submit its emergency Plan and update the Plan annually.

In order to provide guidance to Class I and Class II licensees on how to form their Emergency Plan, the TRA issued in its Decision No.109/2009 “Guidelines for Operators in Forming the Telecommunication Emergency Plan”. The guidelines determined the minimum requirements of the Emergency Plan as following:

- Prevention /mitigation Activities
- Preparedness Activities
- Response Activities
- Recovery Activities

TRA conducted with support from specialized consultant, Ernst & Young an audit to verify that the Class I and Class II licensees are complying with their licenses obligations as well as to the “guidelines for Operators in forming Telecommunication emergency plan” issued by the Authority. The audit included performing various simulation tests to cover different aspects of network elements to check the ability of the operators to activate the emergency plan. The audit also included the suppliers and vendors and the staff of the licensees.

Some of the key observations of the audit are:

- Absence of Comprehensive Risk Assessment covering all critical network and IT nodes, along with the various office, data center and warehouse locations.
- Testing had not been carried out comprehensively.
- Standards operating procedure (SOP) for emergency declaration was not available.
- Lack of clarity and coordination amongst the team(s) on communication and escalation matrix.

The TRA is engaging the licensees to address the gaps as found in the audit and have in place a comprehensive emergency plan for the sector.

5.3 International and Regional Representations

In order to be abreast of the developments in the Telecom and Postal sectors, the TRA has been actively involved in participating in International and Regional events.

The TRA is a sector member of the International Telecommunications Union (ITU) in all three sectors; radio communication, telecommunication standardization and telecommunication development. The TRA is also a member of the Arab Regulators Network of Telecommunication & Information Technologies (AREGNET) and is preparing to host the annual chairmanship of the Network for the period 2014-2015. Additionally, TRA engages in the telecom-related activities of the League of Arab States as well as the Gulf Cooperation Council.

In 2013 TRA signed a memorandum of understanding (MoU) with the National Telecommunication Corporation of the Republic of the Sudan to facilitate knowledge sharing in all aspects of the telecom regulation. TRA is also in the process of negotiating several additional MoUs with the regulatory authorities of other nations.

TRA staff participated in 95 international events in 2013. Figure 5.1 provides an indication of the various international participations in during 2013:

PARTICIPATION IN INTERNATIONAL EVENTS

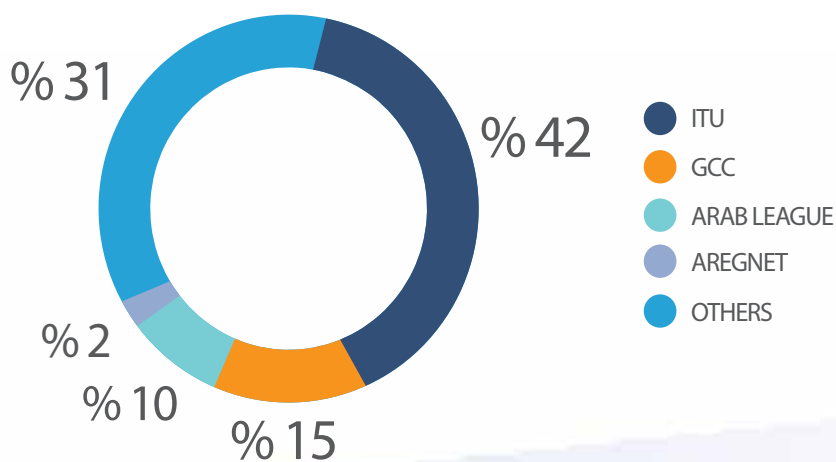


Figure 5.1: International Participations



UPS Next Day Air Service 1P
NY 115 9-04
UPS Next Day Air Service 1P
UPS Next Day Air Service 1P

6.0 POSTAL SERVICES SECTOR

6.1 Postal Service Regulation and Market Liberalization

In 2012, The TRA was mandated to regulate Oman's Postal Service sector in accordance with the Postal Service Regulatory Laws which was issued vide the Royal Decree No (71/2012) promulgating the Postal Services Regulatory Law, with the aim of development, liberalization and growth of the postal sector in the Sultanate.

The objective of Liberalization of the postal service market is to:

1. Develop the postal sector to maximize its contribution to the economic development and social cohesion.
2. Ensure the continuity of the postal reform program.
3. Monitor progress made in the reform of the postal sector through performance indicators.
4. Encourage and promote interconnection between postal operators.
5. Support the development of e-government and e-commerce to develop hybrid mail services.
6. Promote competition by encouraging local and foreign investment.

The TRA is responsible for:

- Advising the Ministry of Transport and Communications on forming a general postal policy.
- Implementation of the approved general policy.
- Regulating the provision of postal services in the Sultanate in accordance with Postal Service Regulatory law.
- Oversee and monitor the postal services providers to ensure the provision of licensed services of appropriate quality at approved tariff.
- Receive complaints from beneficiaries, Licensees etc. and decide on with final administrative decisions.
- Issue final administrative decisions upon matters in which a dispute arises between service providers.
- Prepare an annual report on the activities of the sector after coordinating with the Ministry of Transport and Communications and submitting the report to the Council of Ministers for approval.

A relaxation period was offered to the postal services providers to assist them to adjust to the new regulations. Article (56) of the Postal Services Regulatory Law, authorizes the Council of Ministers to extend the relaxation period, and the government agreed to extend this period for six months from 23 June 2013 to 31 December 2013.

6.2 Postal Services Decisions

The TRA Board issued Decision No. 6/2013 approving the structure of the Postal Services Unit to assist the TRA to take up its regulatory role in the sector.

The Postal Services Executive Regulations were issued in November 2013 vide Decision No (89/2013). There have been several other Decisions issued by the TRA with regards to the Postal Services Regulations which include approving the terms of the provision of postal services.

In December 2013, the TRA issued Decision No (90/2013) Determining Fees for Providing Postal and Related Services as shown in Table 6.1:

No.	Service	Fee Amount (OMR)
1	Studying the application to obtain a license for the provision of postal and related services.	500 Omani Riyal
2	A license to provide postal and related services.	7500 Omani Riyal to be collected upon licensing and renewal. 10% of the postal Services Provider's total annual revenue is payable before the end of January of the following year, starting with a minimum of 5000 Omani Riyal, with the exception of the revenues generated from the international mail received in the Sultanate. The final fee that is due annually shall be settled on the basis of audited accounts before the end of April each year.

Table 6.1: Decision No (90/2013)

6.3 Licensing

The TRA held several regulatory meetings with the Postal Service providers in 2013 to further inform them about the new law and regulations. These meetings generated interest in the postal market with contributions from the service providers and a large number of companies visited the TRA requesting further information regarding acquiring the postal services License.

The postal service License will be valid for a period of (5) years. The license or its renewal is issued by a decision from Executive President for a period of five (5) years. The Licensees will have to adhere to all obligations stipulated in the Law, Regulation, decisions issued by the TRA and the license terms, and in particular complying with the Conditions relating to Tariffs, quality of service, regular maintenance, competition, security measures and change in ownership of the company.

The Postal Service License Terms mainly focuses on the following points:

- The Licensee shall keep and maintain the financial documents for five (5) years and the non-financial documents for one (1) year.
- Monopoly of a particular service, or tariff fixation or increase, or distribution of beneficiaries is not permissible.
- The Licensee shall comply with the instructions issued by the Authority on security and health measures, and shall cooperate with the security agencies and implement the contingency plan in accordance with the instructions of the Authority.

- The Licensee shall pay compensation for the beneficiaries in the cases of loss or damage of the postal articles or delay in their delivery, as per rules and principles set out in the Executive Regulation.

During 2013, the TRA received and processed 10 License renewal applications forms and 1 new application.

6.4 Quality of Service and Consumer Issues

Great emphasis will be placed on quality of service issues within the postal services sector. The Licensee will be made to set rules and guidelines for the consumers' complaints and these regulations will be approved by the TRA. The regulation focuses on enhancing the customer experience and welfare and will ensure that the Operators provide customers access to customer complaints procedures which will focus on:

- Access to complaint form.
- Provide the beneficiary with proof of receipt of complaint.
- The time limit to respond to the complaint.
- Means to respond to the complaint.
- Emphasize the right of the beneficiary to forward the complaint to the Authority in case the complaint was not resolved within the prescribed period or if the solution provided by the postal service provider is not satisfactory to the beneficiary



7.0 EQUIPING THE ORGANISATION

7.1 Organization Structure

During 2013, The TRA Board approved the new TRA Organization Structure as depicted in Figure 7.1. Focuses on the main regulatory functions required to meet the recent development in the telecom and postal sectors and to align the TRA objectives to respond to the changes in the sectors.

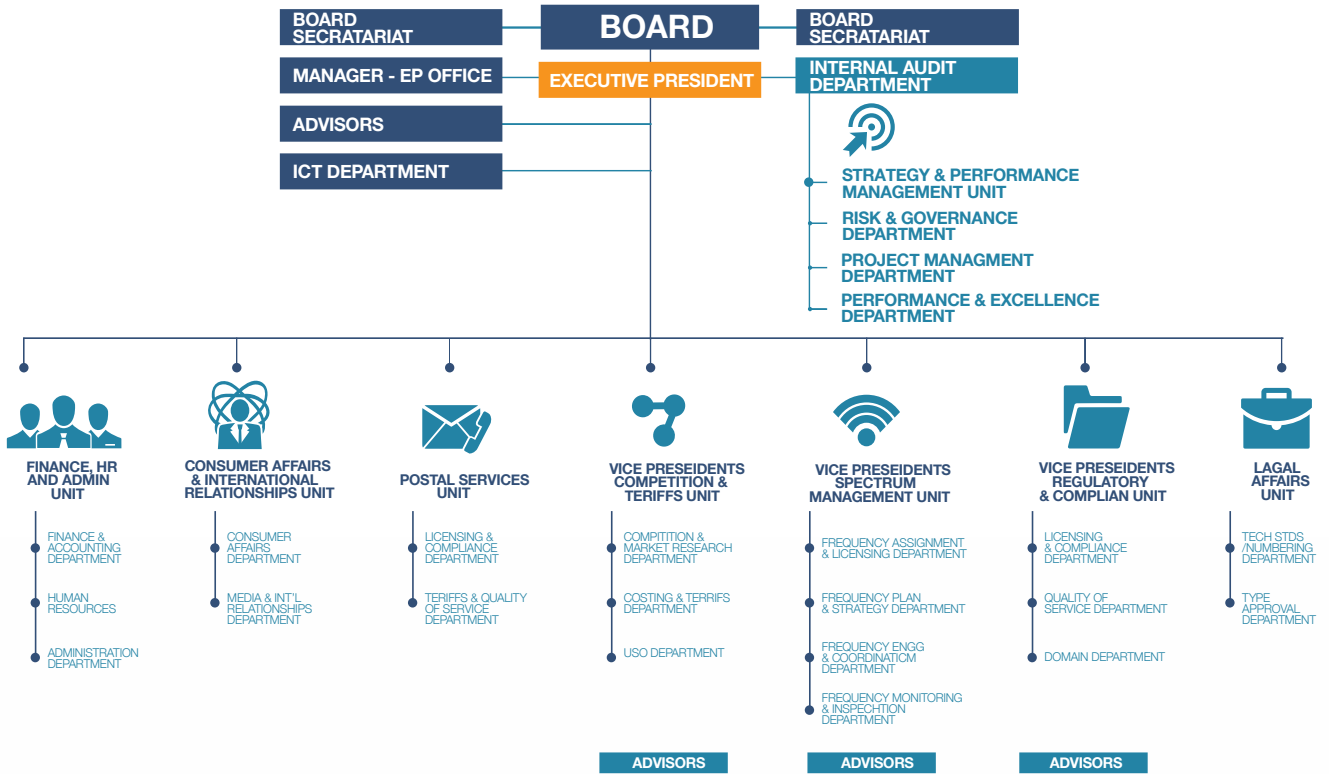


Figure 7.1: TRA Organization Structure

7.2 The TRA Value Chain

A reflection of the activities undertaken by the TRA is shown through TRA's Value Chain in figure 7.2.

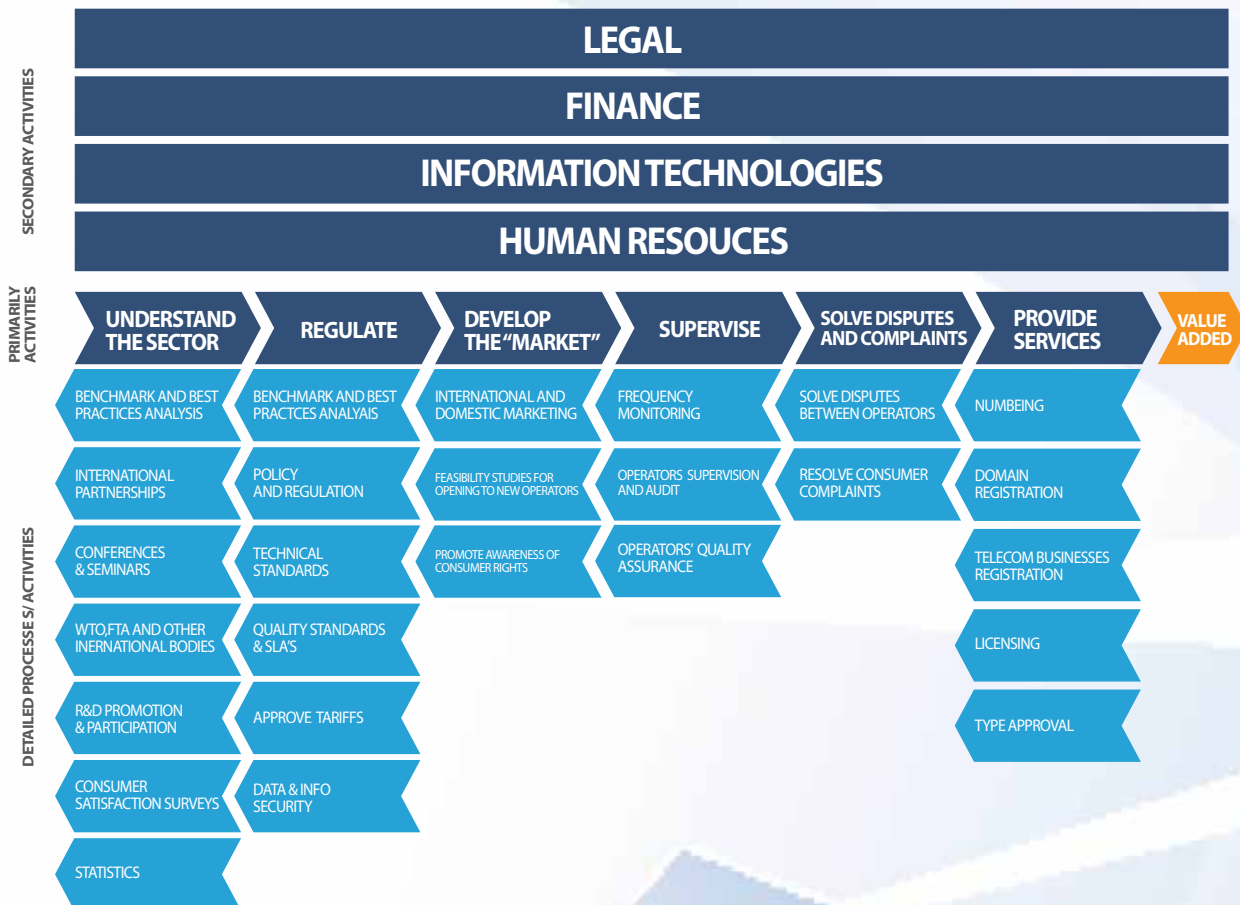


Figure 7.2 TRA Value Chain

7.3 Employee Development - Skill and Knowledge

In order for TRA to realize its Value Chain, it has to build the skills and capabilities of its staff. Around 25% of TRA's staff is qualified above the bachelors' degree and have wide experience in a variety of regulatory subjects and topics. TRA leverages this strength in critical problem solving activities such as handling consumer complaints and disputes. Figure 7.3 provides a snapshot of the TRA staff qualifications.

STAFF QUALIFICATIONS

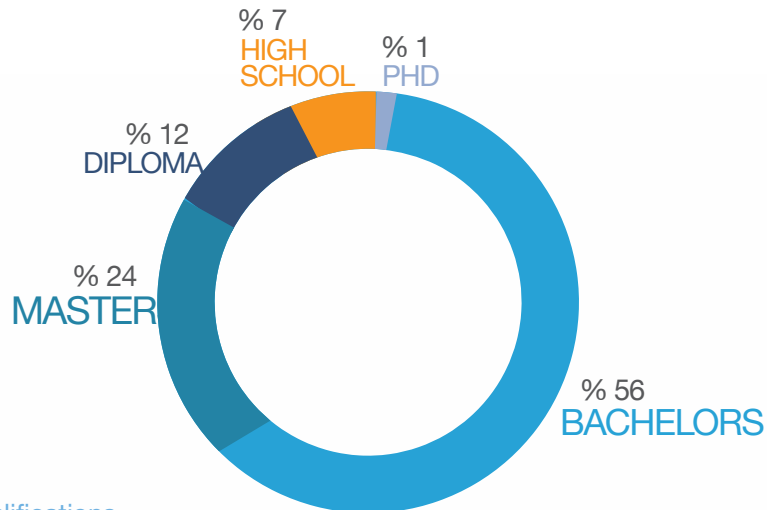


Figure 7.3: TRA Staff Qualifications

An analysis of the demographics of the TRA shows that 79% of staff is under the age of 40. These employees are the leaders of tomorrow and will implement the TRA's change agenda in line with the sector and public expectations. Figure 7.4 depicts the demographics of the TRA staff.

TRA STAFF DEMOGRAPHICS

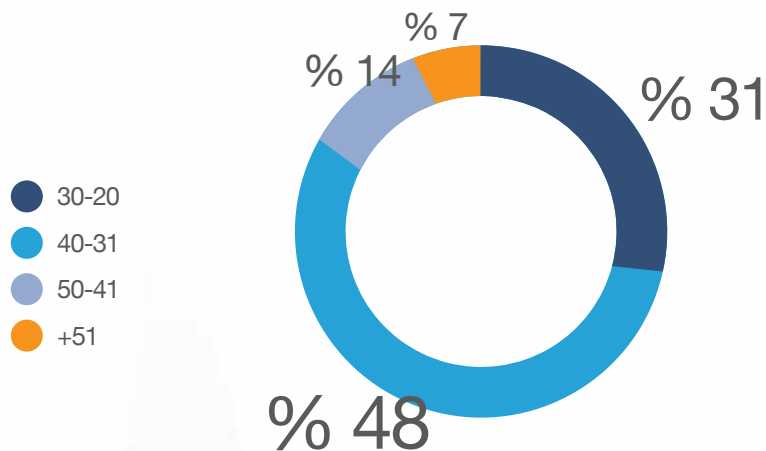


Figure 7.4: TRA Staff Demographics

The TRA strives to equip its employees to work to international standards and practices in order to achieve operational excellence. In 2013, the TRA invested R.O 315,707 to train the total number of 124 Omani employees. Trainings are facilitated to continuously improve, update and revise our

regulatory knowledge and expertise and align with the changing environment of the sectors.

Some unique topics were selected which included:

- Health and Safety trainings, in order to ensure that the telecom and radio devices are not harmful to consumers;
- Telecom Regulation training, to enhance the regulatory process;
- Technology & Networking trainings, to enhance the latest knowledge on the new technologies.

The following figures show the training breakdown for 2013.

IN - HOUSE TRAINING AND EVENTS

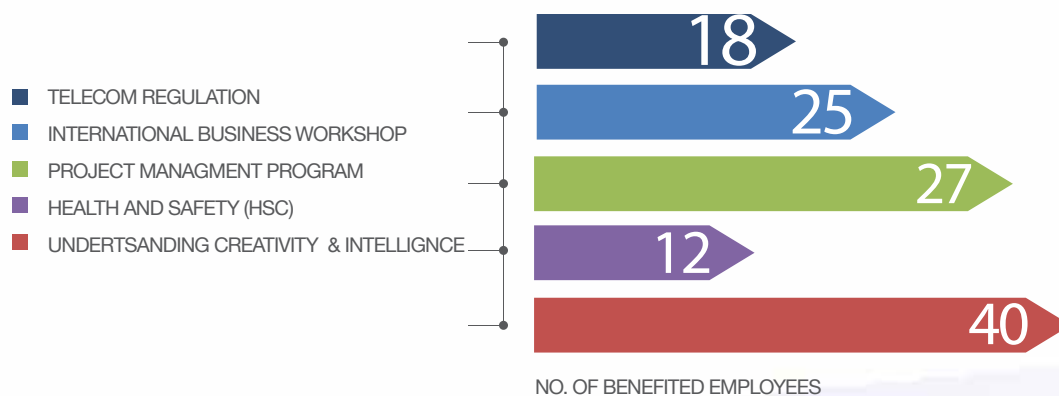


Figure 7.5: No. of participated staff in in-house Trainings

PERCENTAGE OF TRAININGS

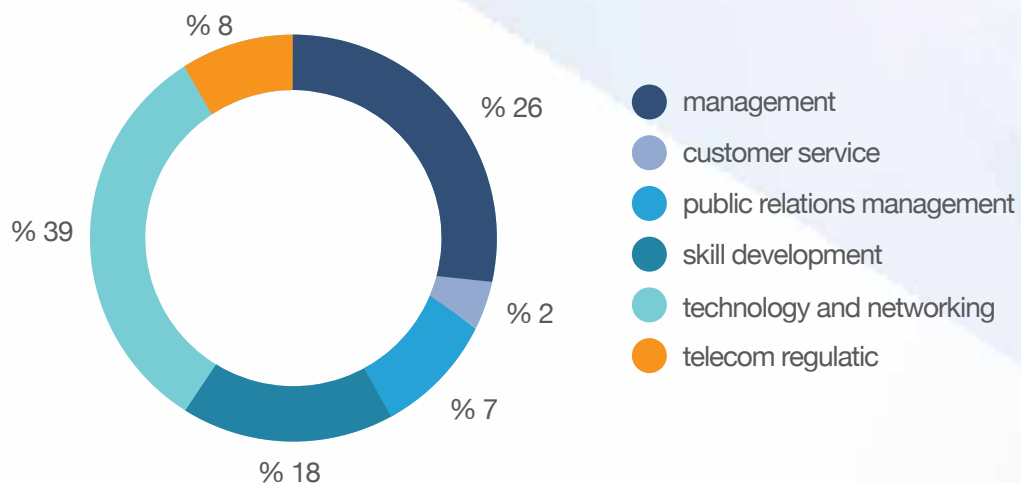


Figure 7.6: Percentage of International Trainings

TRA encourages in building strong social staff relationship and winning team working culture by organizing social and entertainment activities. During the year 2013, the activities organized were:

7.4 Charitable Donations

TRA continues to play an important role in the society by donating yearly to private charitable organization in the country , R.O 285,825 were distributed across charitable organizations during the year 2013 , compared to R.O 220,000 that was distributed last year.

TELECOMMUNICATIONS REGULATORY AUTHORITY

FINANCIAL STATEMENTS

31 December 2013

Registered office and principal place of business

PO Box 579, Ruwi

Postal code 112,

Sultanate of Oman

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF TELECOMMUNICATIONS REGULATORY AUTHORITY

Report on the financial statements

We have audited the accompanying financial statements of Telecommunications Regulatory Authority (the "Authority"), set out on pages 2 to 20, which comprise the statement of financial position as at 31 December 2013, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

17 March 2014

TELECOMMUNICATIONS REGULATORY AUTHORITY
STATEMENT OF FINANCIAL POSITION
at 31 December 2013

	Note	2013 RO	2012 RO
ASSETS			
Non-Current Assets			
Property and equipment	4	7,392,467	3,366,767
Current Assets			
Telecom frequency fees receivable	5	362,442	129,416
Advances and other receivables	6	1,222,917	1,008,835
Short term deposits	7	15,000,000	20,000,000
Bank balances and cash	8	8,684,084	5,097,489
Total current assets		25,269,443	26,235,740
Total Assets		32,661,910	29,602,507

EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		10,728,100	12,358,434
Liabilities			
Non-current liabilities			
Deferred government contributions	10	8,969,940	4,650,271
Employees' end of service benefits	11	1,314,903	915,123
Total non-current liabilities		10,284,843	5,565,394
Current liabilities			
Accounts and other payables	12	11,648,967	11,678,679
Total liabilities		21,933,810	17,244,073
Total equity and liabilities		32,661,910	29,602,507

The financial statements were authorised for issue by the Board of Directors on 17 March 2014 and signed on their behalf by:

Dr. Mohammed Al-Rumhi
Chairman

Dr. Hamed Al Rawahi
Executive President

The attached notes 1 to 24 form part of these financial statements.

TELECOMMUNICATIONS REGULATORY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	Note	2013 RO	2012 RO
INCOME			
Radio spectrum income	13	10,728,055	12,709,541
Annual telecom licenses	14	5,121,479	4,113,956
Income from issuing numbers		1,173,251	620,060
Royalties		400,157	--
Telecom equipment type approval income	15	252,211	193,097
Domain name income		24,325	16,700
Other telecom license fees		11,320	57,760
		17,710,798	17,711,114
OPERATING EXPENSES			
Salaries and employee related costs	16	(5,823,273)	(4,707,287)
General and administrative expenses	17	(1,661,554)	(1,753,879)
Consultancy fees		(1,104,129)	(530,678)
Depreciation	4	(564,442)	(489,978)
Bad debts written off		--	(141,648)
Allowance for credit losses	5 d)	(14,656)	(32,680)
Remuneration to Board of Directors		(72,000)	(111,800)
Monitoring station costs	18	(144,170)	--
Donations to charitable institutions	19	(285,825)	(220,000)
		(9,670,049)	(7,987,950)
Operating income		8,040,749	9,723,164
Government contributions	10	122,831	197,840
Interest income	20	423,081	437,411
Provision reversed during the year	5 d)	4,395	--
Other income		12,894	4,939
Surplus And Total Comprehensive Income For The Year		8,603,950	10,363,354
Note: There are no items of other comprehensive income for the year.			

The attached notes 1 to 24 form part of these financial statements.

TELECOMMUNICATIONS REGULATORY AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Accumulated surplus RO
At 31 December 2011	9,346,630
Surplus transferred to Ministry of Finance (note 9)	(7,351,550)
Surplus for the year	10,363,354
At 31 December 2012	12,358,434
At 31 December 2012	12,358,434
Surplus transferred to Ministry of Finance (note 9)	(10,234,284)
Surplus for the year	8,603,950
At 31 December 2013	10,728,100

The attached notes 1 to 24 form part of these financial statements.

TELECOMMUNICATIONS REGULATORY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 (Rials Omani)	2012 (Rials Omani)
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	8,603,950	10,363,354
Adjustments for:		
Depreciation	564,442	489,978
Net movements of allowance for credit losses	10,261	387,299
Net transfer to employees' end of service benefits	399,780	184,870
Government contributions	(122,831)	(197,840)
Interest income	(423,081)	(437,411)
Gain on disposal of property and equipment	(19)	(4,000)
Operating surplus before changes in working capital Working capital changes:	9,032,502	10,786,250
Telecom frequency fees receivable	(243,287)	(328,323)
Advances and other receivables	(220,136)	64,629
Accounts and other payables	(29,712)	(506,719)
Cash generated from operations	8,539,367	10,015,837
Interest received	38,839	18,668
Net cash generated from operating activities	8,578,206	10,034,505
CASH FLOWS FROM INVESTING ACTIVITIES		
Movements in short term deposits	5,000,000	3,000,000
Interest received	390,296	417,028
Additions to property and equipment	(4,590,257)	(2,194,593)
Proceeds from disposal of property and equipment	134	4,000
Net cash generated from investing activities	800,173	1,226,435
CASH FLOWS FROM FINANCING ACTIVITIES		
Surplus transferred to Ministry of Finance	(10,234,284)	(7,351,550)
Return of the excess of grant received	(57,500)	--
Government contributions received	4,500,000	--
Net cash used in financing activities	(5,791,784)	(7,351,550)
Increase in cash and cash equivalents during the year	3,586,595	3,909,390
Cash and cash equivalents at the beginning of the year	5,097,489	1,188,099
Cash And Cash Equivalents [Note 3 D] At The End Of The Year	8,684,084	5,097,489

The attached notes 1 to 24 form part of these financial statements.

TELECOMMUNICATIONS REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2013

1 - LEGAL STATUS AND PRINCIPAL ACTIVITIES

Telecommunications Regulatory Authority (the “Authority”) was established on 1 May 2002 in the Sultanate of Oman in accordance with Royal Decree 30 / 2002 as a telecom and frequency regulatory authority. The Authority commenced operations effective from 1 January 2003 and is responsible for regulating telecommunications services in the Sultanate of Oman. The Authority has taken over certain functions previously carried out by the Ministry of Transportation and Communications and Oman Telecommunications Company SAOG (Omantel). The principal activities of the Authority comprise:

- Regulating the telecommunications sector;
- Issuance of radio licenses;
- Assignment and allocation of frequency spectra;
- Issuance of licenses to telecom operators and service providers;
- Certification and type approval of telecommunication equipment;
- Registration of telecommunications dealers;
- Issuing permits for importing telecommunications equipment; and
- Issuance of licenses to postal service providers.

2 - BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements have been prepared in Omani Rials.

2.2 New and amended IFRS adopted by the Authority

The Authority has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period:

- Amendments to IAS 1 ‘Presentation of Financial Statements’ issued in June 2011 improves the consistency and clarity of the presentation of items of other comprehensive income (OCI). The amendments require an entity to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently.
- The revised IAS 19 ‘Employee benefits’ issued in June 2011 has resulted, amongst other amendments, in the removal of ‘corridor approach’ to defer some gains and losses arising from defined benefit plans. The amendment also introduces a different basis of recognizing the impact of changes in the obligation within the performance statements i.e. net interest cost.
- IFRS 10 ‘Consolidated Financial Statements’ was issued in May 2011 primarily to deal with

divergence in practice in applying the existing IAS 27 'Consolidated and Separate Financial Statements' and SIC 12 'Consolidation – Special Purpose Entities'. IFRS 10 and revised IAS 27 'Separate Financial Statements' together supersede the current IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 also applies a substance approach to control and that control will need to be reviewed on application.

- IFRS 11 'Joint arrangements' was issued in May 2011 and improves on IAS 31 'Joint ventures' by establishing principles to the accounting for all joint arrangements. IFRS 11 also eliminates the option available for accounting of joint ventures by the proportionate consolidation method.

TELECOMMUNICATIONS REGULATORY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (Continued) at 31 December 2013

2 - BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

[2.2 New and amended IFRS adopted by the Authority \(Continued\)](#)

- IFRS 12 'Disclosure of interest in other entities' was issued in May 2011 and requires an entity to disclose information to evaluate the nature of, and risks associated with, its interests in other entities and effects of those interests on its financial position, performance and cash flows. The standard introduces new disclosures for off-balance sheet vehicles.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 issued in June 2012 provide additional transition relief by limiting the requirement to present adjusted comparative information to the period immediately preceding the date of initial application.
- IFRS 13 'Fair value Measurements' was issued in May 2011 and sets out in a single IFRS a framework for measuring and disclosing fair values. The standard also introduces more disclosures on fair value for non-financial assets.
- IFRIC 20 'Stripping costs in the production phase of a surface mine' was issued in October 2011 and addresses the accounting for benefits arising from the 'stripping activity' during the production phase of the mine.
- Amendments to IFRS 7 'Financial Instruments: Disclosures' issued in December 2011 amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.
- Annual improvements to IFRS issued in May 2012 (effective for annual periods beginning on or after 1 January 2013) has resulted, amongst other amendments, changes to the following standards:
 - o IAS 1 'Presentation of Financial Statements' clarifies the requirements for comparative information.
 - o IAS 16 'Property, plant and equipment' clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. If they do not meet this definition they shall

be classified as inventory.

o IAS 32 'Financial Instruments: Presentation' addresses the perceived inconsistencies between IAS 12 'Income Taxes' and IAS 32 with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

The Management believes that the adoption of the amendments have not had any material impact on the presentation and disclosure of items in the financial statements for the current period.

TELECOMMUNICATIONS REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2013

2 - BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

2.3 New and amended IFRS which are in issue but not yet effective

At the end of the reporting period, the following new and revised standards were in issue but not yet effective:

- IFRS 9, 'Financial Instruments', was effective for accounting periods beginning on or after 1 January 2015. The November 2013 amendment removed the effective date, which will be added once the standard has been finalised. Currently, IFRS 9 outlines the recognition and measurement of financial assets, financial liabilities and derecognition criteria for financial assets. The hedge accounting requirements were also issued in November 2013. Financial assets in accordance with IFRS 9 are to be measured either at amortised cost or fair value through profit and loss, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. A financial asset can only be measured at amortised cost if the entity has a business model to hold the asset to collect contractual cash flows and the cash flows arise on specific dates and are solely for payment of principal and interest on the principal outstanding.
- Amendments to IFRS 10, IFRS 12 and IAS 27 issued in October 2012 define an investment entity and introduce an exception to consolidating particular subsidiaries of an investment entity. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. The amendments are effective for annual periods beginning on or after 1 January 2014.
- Amendments to IAS 36 'Impairment of assets' issued in May 2013 corrects certain consequential amendments to IAS 36 disclosures when IFRS 13 was issued. The amendments also clarify other disclosure requirements relating to recoverable amount for non-financial assets. The amendments are effective for annual periods beginning on or after 1 January 2014.
- IFRIC 21 'Levies' issued in May 2013 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions, Contingent liabilities and Contingent assets'. It clarifies the accounting for a liability to pay a levy whose timing and amount is certain. The amendments are effective for annual periods beginning on or after 1 January 2014.

- Amendments to IAS 39 ‘Financial Instruments: Recognition and Measurement’ issued in June 2013 relates to the novation of a derivative and the impact on hedge accounting. The amendments are effective for annual periods beginning on or after 1 January 2014. The amendment provides relief from discontinuing hedge accounting when certain criteria are met. The Management believes the adoption of the above amendments is not likely to have any material impact on the presentation and disclosure of items in the financial statements for future periods.

3 - SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items considered material to the Authority’s financial statements.

a) Accounting convention

These financial statements have been prepared under the historical cost convention.

TELECOMMUNICATIONS REGULATORY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AT 31 DECEMBER 2013

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost includes any other costs that are directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits embodied within the part will flow to the Authority and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of the property and equipment. The estimated useful lives for the current and comparative periods are as follows:

	Years
Monitoring station	3 to 7
Motor vehicles	4
Office equipment	3
Furniture and fittings	4
Computer equipment	3

Capital work-in-progress is not depreciated until it is transferred into one of the above categories

at the time when it is ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of an asset and is recognised in the statement of comprehensive income.

c) Telecom frequency fees receivable

Receivables in respect of telecom frequency fees are stated at amortised cost less impairment losses.

d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances.

e) Accounts and other payables

Accounts and other payables are stated at amortised cost.

**TELECOMMUNICATIONS REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2013**

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Authority's employees at the end of the reporting period, having regard to the requirements of the Oman Labour Law. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the end of the reporting period. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability. Contributions to defined contribution retirement plan for Omani employees, in accordance with Oman Social Insurance Scheme, are recognised as an expense in the statement of comprehensive income as incurred.

g) Income recognition

Equipment license fees, frequency registration fees and other fees are recognised, on accrual basis, in the statement of comprehensive income when the right to receive them is established. No revenue is recognised if there are significant uncertainties regarding recovery of the fees due, associated costs or the possible refund of the amount.

License issuance fees from Telecom Operators are recognised in the statement of comprehensive income in the period in which the license is issued.

Penalties for late payment of license fees are recognised in the statement of comprehensive income in the period in which the advice for payment is issued, and are calculated from the date on which the license fee is due.

Contributions from Telecom Operators are recognised in statement of comprehensive income in the period in which the related expenditure is incurred.

Royalties received from Postal Service Providers are recognised in statement of comprehensive income in the period in which they become due.

h) Government contributions

Government contributions are recognised when there is reasonable assurance that the Authority will comply with the relevant conditions and the contributions will be received. They are recognised as income on a systematic basis to match them with the related costs that they are intended to compensate.

Contributions made to reimburse costs previously incurred or to provide immediate assistance are recognised in the statement of comprehensive income in the year they become receivable.

Contributions that relate to the acquisition of an asset are recognised in the statement of comprehensive income over the useful economic life of the asset involved. These contributions are recognised as deferred income that is amortised as the related asset is depreciated or amortised.

i) Finance income / charges

Finance income comprises interest income on bank deposits. Finance charges comprise bank interest and bank charges. Finance income and charges are recognised in the statement of comprehensive income on the accrual basis.

TELECOMMUNICATIONS REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Provisions

A provision is recognised in the statement of financial position when the Authority has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

k) Taxation

In accordance with Article 19 of Royal Decree 30/2002, the Authority's assets and income are exempt from taxes in the Sultanate of Oman.

l) Foreign currencies

Transactions denominated in foreign currencies are translated into Rials Omani and recorded using rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Rials Omani at market rates of exchange prevailing at the end of the reporting period. Foreign exchange differences arising on translations are recognised in the statement of comprehensive income.

m) Impairment

Financial assets

At the end of each reporting period, the Management assesses if there is any objective evidence indicating impairment of financial assets carried at cost or non-collectability of receivables. An impairment loss, if any, arrived at as a difference between the carrying amount and the recover-

able amount, is recognised in the statement of comprehensive income. The recoverable amount represents the present value of expected future cash flows discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted.

Non-financial assets

At the end of each reporting period, the Management assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Management estimates the recoverable amount of the asset and recognises an impairment loss in the statement of comprehensive income. The Management also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the statement of comprehensive income.

n) Financial liabilities

All financial liabilities are initially measured at fair value and are subsequently measured at amortised cost.

o) Operating lease

The operating lease payments are charged to the statement of comprehensive income on a straight line basis, unless another systematic basis is representative of the time pattern of the benefit.

TELECOMMUNICATIONS REGULATORY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AT 31 DECEMBER 2013

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Estimates and judgements

In preparing the financial statements, the Management is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgements based on historical experience and other factors are inherent in the formation of estimates. Actual results in the future could differ from such estimates.

The estimates and assumption considered by the Management to have a significant risk of material adjustment in subsequent years primarily comprise:

- estimation of useful lives of the assets which is based on Management's assessment of various factors such as the operating cycles, the maintenance programs and normal wear and tear using its best estimates;
- allowance for impairment losses which is based on the Management's estimates of recoverability of the amounts based on historical experiences; and
- annual license fee which is initially based on the Management's estimate as per budget prepared by the Authority at the beginning of the year. When actual cost becomes determinable, the excess or shortage on the amount billed to operators shall be refunded or collected, respectively, from the operator, taking into account Article 18 of the Telecommunications Regulatory Act.

4 - PROPERTY AND EQUIPMENT

Year 2013	Monitoring station RO	Motor vehicles RO	Office equipment, furniture and fittings RO	Computer equipment RO	Capital work-in-progress RO	Total RO
Cost						
At 31 December 2012	2,271,591	210,406	488,877	1,266,847	2,249,719	6,487,440
Additions during the year	--	25,000	137,458	136,670	4,291,129	4,590,257
Disposals during the year	--	--	--	(37,765)	--	(37,765)
At 31 December 2013	2,271,591	235,406	626,335	1,365,752	6,540,848	11,039,932
Depreciation						
At 31 December 2012	1,948,510	55,719	416,834	699,610	--	3,120,673
Charge for the year	103,217	47,243	79,526	334,456	--	564,442
Relating to disposals	--	--	--	(37,650)	--	(37,650)
At 31 December 2013	2,051,727	102,962	496,360	996,416	--	3,647,465
Net book values						
At 31 December 2013	219,864	132,444	129,975	369,336	6,540,848	7,392,467
At 31 December 2012	323,081	154,687	72,043	567,237	2,249,719	3,366,767

TELECOMMUNICATIONS REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

4 - PROPERTY AND EQUIPMENT (Continued)

Year 2012	Monitoring station RO	Motor vehicles RO	Office equipment, furniture and fittings RO	Computer equipment RO	Capital work-in-progress RO	Total RO
Cost						
At 31 December 2011	2,271,591	88,506	467,755	648,517	829,778	4,306,147
Additions during the year	--	135,200	21,122	618,330	1,419,941	2,194,593
Disposals during the year	--	(13,300)	--	--	--	(13,300)
At 31 December 2012	2,271,591	210,406	488,877	1,266,847	2,249,719	6,487,440
Depreciation						
At 31 December 2011	1,816,519	45,699	360,800	420,977	--	2,643,995
Charge for the year	131,991	23,320	56,034	278,633	--	489,978
Relating to disposals	--	(13,300)	--	--	--	(13,300)
At 31 December 2012	1,948,510	55,719	416,834	699,610	--	3,120,673
Net book values						
At 31 December 2012	323,081	154,687	72,043	567,237	2,249,719	3,366,767
At 31 December 2011	455,072	42,807	106,955	227,540	829,778	1,662,152

5 - TELECOM FREQUENCY FEES RECEIVABLE

	2013 RO	2012 RO
Fees and penalties receivable	405,383	162,096
Less: allowance for credit losses [see note 5 d)]	(42,941)	(32,680)
	362,442	129,416

The following further notes apply:

- Telecom frequency fees receivable represent amounts due from customers in respect of equipment license fees, frequency registration fees and other fees together with penalties for delays in payment of license fees.
- Fees and penalties receivable amounting to RO 85,061 (2012 – RO 26,961) are neither past due nor impaired.
- At the end of the reporting period, the following fees and penalties receivable are past due but

not impaired and are estimated as collectible based on historical experience:

	2013 RO	2012 RO
Amounts due between 1 to 3 months	195,892	68,320
Amounts due between 3 to 6 months	77,566	33,541
Amounts due for more than 6 months	3,923	594
	277,381	102,455

**TELECOMMUNICATIONS REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013**

5 - TELECOM FREQUENCY FEES RECEIVABLE (Continued)

d) The movement in allowance for credit losses is as follows:

	2013 RO	2012 RO
At the beginning of the year	32,680	419,979
Provided during the year	14,656	32,680
Reversed during the year	(4,395)	--
Written off during the year	--	(419,979)
At the end of the year	42,941	32,680

e) The allowance account in respect of telecom frequency fees receivable is used to record impairment losses unless the Authority is satisfied that no recovery of the amount owing is possible, at which point the amount considered irrecoverable is written off against allowance account.

6 - ADVANCES AND OTHER RECEIVABLES

	2013 RO	2012 RO
Advances to suppliers	961,761	823,867
Prepayments	179,088	171,882
Other receivables	82,068	13,086
	1,222,917	1,008,835

7 - SHORT TERM DEPOSITS

The short term deposits of RO 15 million (2012 – RO 20 million) represent deposits made with local banks for a period of six months to one year at interest rate of 1% to 1.35% (2012 – four months to one year at interest rate of 1.75% to 2.60%) per annum.

8 - BANK BALANCES AND CASH

	2013 RO	2012 RO
Bank balances	8,683,584	5,096,989
Cash	500	500
	8,684,084	5,097,489

9 - SURPLUS TRANSFER TO THE MINISTRY OF FINANCE

In accordance with Article 18 of Royal Decree 30/2002 and its amendments by Royal Decree 134/2008, the surplus amount as per Article 11(6c) shall be the amount transferable to the Government (represented by Ministry of Finance).

TELECOMMUNICATIONS REGULATORY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (Continued) at 31 December 2013

10 - DEFERRED GOVERNMENT CONTRIBUTIONS

	2013 RO	2012 RO
At the beginning of the year	4,650,271	4,848,111
Fund received from Government	4,500,000	--
Amortised as income during the year (see note below)	(122,831)	(197,840)
Return of excess grant received	(57,500)	--
At the end of the year	8,969,940	4,650,271

The following further note applies:

The Government contributions towards the acquisition of assets are initially recognised as deferred income and are credited to the statement of comprehensive income over the estimated useful economic lives of the assets involved. During the year, the depreciation charges relating to these assets amounted to RO 122,831 (2012 – RO 197,840).

11 - EMPLOYEES' END OF SERVICE BENEFITS

	2013 RO	2012 RO
At the beginning of the year	915,123	730,253
Charge for the year (note 16)	400,976	209,936
Paid during the year	(1,196)	(25,066)
At the end of the year	1,314,903	915,123

12 - ACCOUNTS AND OTHER PAYABLES

	2013 RO	2012 RO
Accounts payable	74,591	208,395
Advances from customers	7,127,768	6,577,268
Payable to operators	1,954,486	2,843,878
Provision for consultancy	818,980	598,099
Accrued expenses	835,257	650,552
Deposits from customers	50,450	49,830
Royalties payable	--	338,558
Other payables	787,435	412,099
	11,648,967	11,678,679

Advances from customers relate to the license fees and registration fees received by the Authority in advance.

TELECOMMUNICATIONS REGULATORY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (Continued) at 31 December 2013

13 - RADIO SPECTRUM INCOME

	2013 RO	2012 RO
Licensing fee for use of frequency spectra	10,193,674	9,851,253
Application fees	280,900	275,700
Cancellation fees, penalties and other charges	116,363	1,716,543
Frequency registration fees	100,968	811,634
Equipment retention fees	22,400	20,366
Amendment fees	12,150	32,145
Survey fees	1,600	1,900
	10,728,055	12,709,541

14 - ANNUAL TELECOM LICENSES

In accordance with Article 11 of the Telecom Act, issued under the Royal Decree 30/2002, the Authority has charged telecom operators towards the expenses incurred by the Authority in respect of the telecommunication expenses for the year ended 31 December 2013 in performing its function as a regulatory body. The charge is initially determined by Management based on the Authority's budget for the year as approved by the Council of Ministers and adjusted based on the actual cost determined. Accordingly, an amount of RO 427,923 (2012 – RO 1,526,563) is determined to be refunded to the operators for the year ended 31 December 2013. During the year, the revenue from annual telecom licenses was RO 5,121,479 (2012 – RO 4,113,956).

During the year, the Authority paid surplus relating to the year 2011 to telecommunication operators amounting to RO 1,317,315. The surplus relating to the year 2012 amounting to RO 1,526,563 will be paid subsequent to the end of the reporting period.

15 - TELECOM EQUIPMENT TYPE APPROVAL INCOME

	2013 RO	2012 RO
Radio equipment	73,525	52,525
GSM equipment	46,000	41,750
Other terminal equipment	41,675	27,200
Import permit	31,560	30,690
Registration fees	10,955	10,190
Others	48,496	30,742
	252,211	193,097

16 - SALARIES AND EMPLOYEE RELATED COSTS

	2013 RO	2012 RO
Salaries and wages	3,569,476	2,919,726
Bonus	742,898	611,815
Social insurance	437,045	369,865
Employees' end of service benefits (note 11)	400,976	209,936
Staff training and development	349,408	366,491
Other benefits	323,470	229,454
	5,823,273	4,707,287

TELECOMMUNICATIONS REGULATORY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (Continued) at 31 December 2013

17 - GENERAL AND ADMINISTRATIVE EXPENSES

	2013 RO	2012 RO
Travel expenses	365,331	454,059
Advertisement and publications	323,334	239,891
Domain name expenses	291,683	395,875
Rent	204,543	211,752
Repairs and maintenance	166,846	163,273
Communications	72,091	82,213
Membership fees	40,407	28,118
Printing and stationary	37,575	42,888
Utilities	19,895	22,007
Recruitment charges	16,315	18,421
Subscription for books and periodicals	15,325	17,090
Professional services	9,800	11,750
Miscellaneous expenses	98,409	66,542
	1,661,554	1,753,879

18 - MONITORING STATION COSTS

During the year 2013, the amount paid by the Authority for the maintenance and management of the monitoring station amounted to RO 144,170 (2012 – nil).

19 - DONATIONS TO CHARITABLE INSTITUTIONS

As per Article 16 of the Telecom Act, issued under the Royal Decree 30/2002, income generated from special numbers can be retained by the Authority for donations to charitable institutions.

At the end of the reporting period, RO 285,825 (2012 – RO 220,000) was set aside to finance the donations made to various charitable institutions.

20 - INTEREST INCOME

	2013 RO	2012 RO
Interest on short term deposits	384,242	418,743
Interest on bank current accounts	38,839	18,668
	423,081	437,411

21 - TRANSACTIONS WITH RELATED PARTIES

During the year, the Authority has entered into transactions with key management personnel in the normal course of its activities. The compensation to key management personnel during the year amounted to:

	2013 RO	2012 RO
Basic salaries and allowances	662,895	569,044
Social security costs	76,487	72,948
Employees' end of service benefits	78,490	40,063
Other benefits and expenses	233,413	185,254
	1,051,285	867,309

TELECOMMUNICATIONS REGULATORY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (Continued) at 31 December 2013

22 - TAXATION

In accordance with Article 19 of the Telecom Act, issued under the Royal Decree 30/2002, the Authority's assets and income are exempt from taxes in the Sultanate of Oman.

23 - COMMITMENTS

Commitments, for which no provision has been made in these financial statements, in respect of property and equipment are as follows:

	2013 RO	2012 RO
Capital commitments contracted for	6,542,523	5,250,281

24 - FINANCIAL RISK MANAGEMENT

The Authority's financial assets include telecom frequency fees receivable, advances and other receivables, short term deposits and bank balances. The financial liabilities include accounts and other payables. The Management believes that the fair value of the Authority's financial assets and financial liabilities approximate to their carrying amounts.

The Authority's activities expose it to various financial risks, primarily being, market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Authority's risk management is carried out internally in accordance with the policies approved by the Management.

a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates affecting the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Authority's functional and presentation currency is Rial Omani and its performance is substantially independent of changes in foreign currency rates. At the end of the reporting period, there are no significant financial instruments denominated in foreign currency and consequently, foreign currency risk is not significant.

Interest rate risk

The Authority is exposed to interest rate risk on its interest bearing assets (bank balances and short term deposits). The interest rate risk is managed by constantly monitoring the changes in interest rates.

The interest rates on short term deposits are disclosed in note 7 to the financial statements

For every 0.5% change in interest rate, the impact on the statement of comprehensive income will approximate to RO 75,000 (2012 – RO 100,000) based on the level of deposits at the end of the reporting period.

TELECOMMUNICATIONS REGULATORY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AT 31 DECEMBER 2013

24 - FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Authority's receivables from customers.

The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Authority has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

In monitoring customer credit risk, customers are segmented according to their credit characteristics in the following categories:

- Private individual customers
- Corporate customers
- Government customers
- Other customers

Credit risk on receivables is limited to their carrying amount as the Authority's Management regularly reviews the balances to assess recoverability and provides for those balances whose recovery is considered doubtful.

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the end of the reporting period was on account of:

	2013 RO	2012 RO
Telecom frequency fees receivable	405,383	162,096
Short term deposits	15,000,000	20,000,000
Bank balances	8,683,584	5,096,989
Other receivables	1,043,829	836,953
	25,132,796	26,096,038

There is no concentration of credit risk as total portfolio of Telecom frequency fees receivable is spread over many customers.

c) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due.

The Authority maintains sufficient amount of bank balances and cash to meet its obligations as they fall due for payment and is therefore not subject to significant liquidity risk.

TELECOMMUNICATIONS REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2013

24 - FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity risk (Continued)

The following are the contractual maturities of the financial liabilities (excluding advances and deposits from customers):

31 December 2013	Carrying amount RO	6 months or less RO	6 – 12 months RO
Accounts payable Other payables	74,591	74,591	--
	4,396,158	4,017,020	379,138
	4,470,749	4,091,611	379,138
31 December 2012	Carrying amount RO	6 months or less RO	6 – 12 months RO
Accounts payable Other payables	208,395	208,395	--
	4,843,186	4,695,832	147,354
	5,051,581	4,904,227	147,354

d) Fair value estimation

In the opinion of the Management, carrying value of the financial instruments as stated in the statement of financial position approximates their fair value.

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