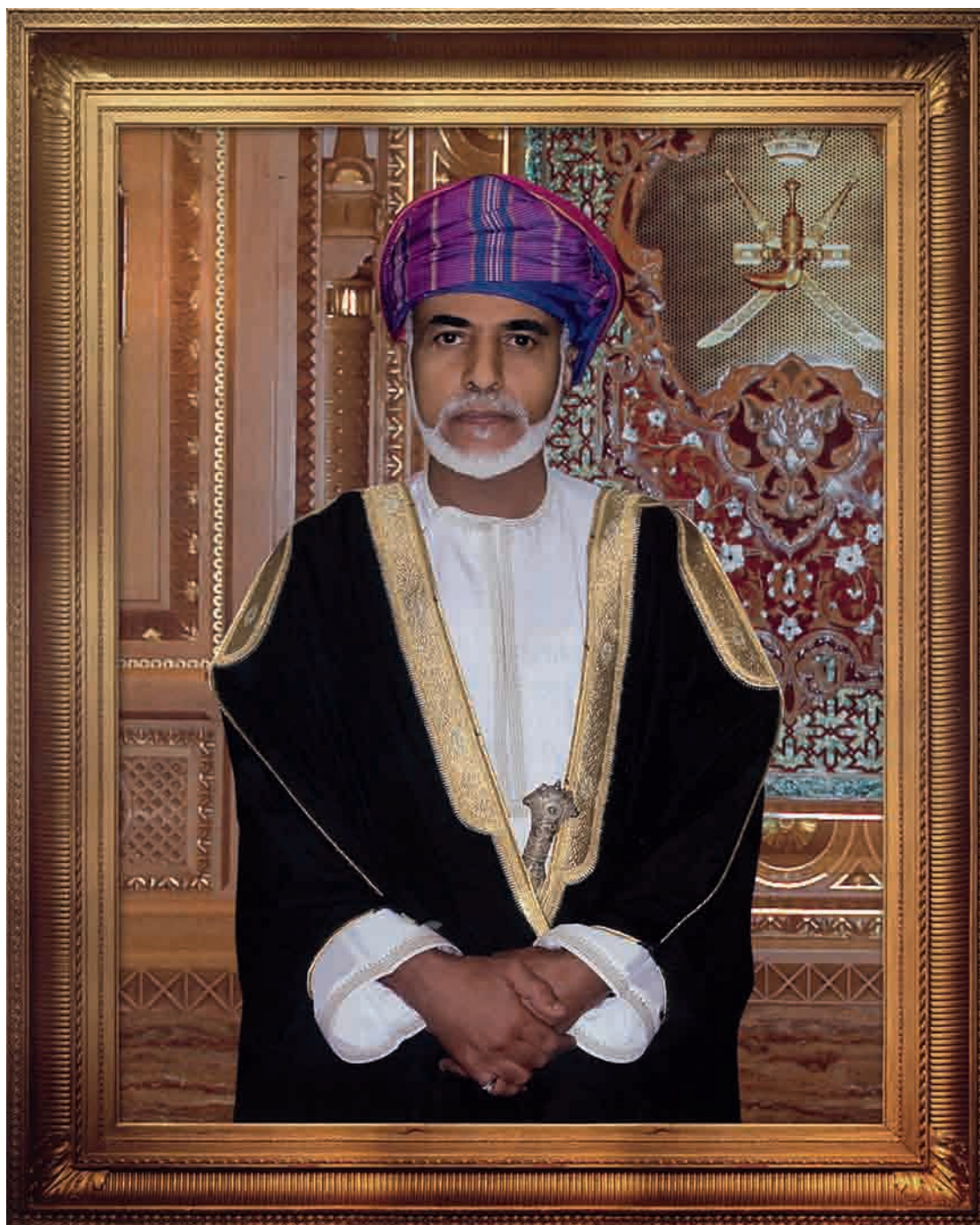




TELECOMMUNICATIONS REGULARITY AUTHORITY



TRA Annual Report 2011



His Majesty Sultan Qaboos bin Said

Contents

Chairman's Message	7
The TRA Board	8
Chief Executive's Statement	9
Vision, Mission & TRA Functions	10
Highlights of 2011	11
Looking Forward 2012	13
1. The Telecom Sector in the Sultanate of Oman - An Overview	14
An Overview of Telecom Sector Performance	13
Telecom Licensing and Standardization	24
Inspection and Monitoring of Spectrum Users	25
Issuance and Renewal of Radio Licensing	26
2. Telecom Policy Review	28
National Broadband Strategy - Status	30
Status of Universal Service Obligation (USO) Policy	31
3. Regulating for Competition	32
Competition Framework	33
Implementation of Accounting Separation	34
Review study for Weighted Average Cost of Capital (WACC)	35
Access Deficit Contribution (ADC) Guidelines	36
Tariff Transparency Guidelines	37
Interconnection & Access Initiatives	38
4. Governance and Working for Consumers	40
Tariff Promotions, New Services & Revision Proposals	42
International Roaming Framework	44
Quality of Service	45
Understanding Consumer Perceptions	48
Consumer Awareness Campaign	49
Transparency & Public Consultations	50
5. Building Institutional Capacity	52
Local & International Collaborations	33
Building TRA Capacities	35
6. 2011 Financial Statement	38



For the last decade, the Telecom sector has made remarkable achievements which helped in reduction in prices of some of the services, improvements in the quality of services and expansion of telecom networks in the country.”

Chairman's Message



I am pleased to present the eighth Annual Report of TRA while the country has ushered in its 42nd year of renaissance. We express our gratitude to His Majesty Sultan Qaboos Bin Said, for his prudent leadership, great vision and meticulous direction setting.

Drawing on fact that in this millennium, telecommunications is one of the main drivers of economic development and the TRA has made significant efforts to establish a modern regulatory framework to develop the telecommunications sector in Oman despite numerous challenges. I take this opportunity to express my profound gratitude to the previous Board, who have left a very good legacy and set an excellent base for the new Board to advance the work further and capitalize on the achievements.

For the last decade, the Telecom sector has made remarkable achievements which helped in reduction in prices of some of the services, improvements in the quality of services and expansion of telecom networks in the country. However, the TRA still has a big challenge ahead to meet public demand of introducing latest technologies in Telecom services, expanding telecom networks throughout the Sultanate, connecting 100% population and regulating the services to achieve best value of money the citizens pay for telecom services. The next decade belongs to broadband, smart devices and data communications and the TRA is ready to address the issues and emerging challenges.

The telecommunications market was opened to competition since 2003 when an additional operator was licensed for mobile service and since then Oman has witnessed great improvement in services, prices, increased consumer choices, and improved performance of the sector as a whole. Competition had helped in creation of new jobs, fueling economic growth, and improving the quality of life, health and education for the citizens & residents of Oman.

I am pleased to note that the TRA is now:

- **Facilitating the endeavor to connect every household in Oman with the high speed broadband networks to meet the Vision 2020 in association with licensed operators and the Ministry of Transport and Communications,**
- **Geared to achieve best price for the telecom services,**
- **Making efforts to further enhance competition in the sector,**
- **Creating investor friendly environment with predictability and certainty in the regulatory framework to attract investments in the telecommunications sector of Oman.**

I would like to place on record my sincere appreciations to the Chief Executive of TRA and his management and staff for putting their best efforts for achievement of TRA Vision and Mission and to make the sector more vibrant and catalytic for economic development.

Dr. Mohammed bin Hamad Al-Rumhi

Chairman, Telecommunications Regulatory Authority

The TRA Board



H.E. Dr. Mohammed bin Hamad Al-Rumhi
Chairman, TRA



H.E. Yahya bin Said Al-Jabri
TRA Board Member



Dr. Salim bin Sultan Al-Ruzaiqi
TRA Board Member



Mr. Khalaf bin Abdullah Al-Sawafi
TRA Board Member

Chief Executive's Statement



I am delighted to present TRA Annual Report 2011, which highlights the regulatory measures and initiatives taken by TRA during 2011.

I had assumed my responsibility as the Chief Executive under the wise guidance of the new Board of TRA in mid 2011. During the 2nd half of 2011 we mainly pursued the ongoing tasks initiated by the previous Board. I would like to extend my gratitude to the outgoing Board for their astounding performance and very high standards set for the organizational goals. It is quite challenging to keep up with the standards set.

I am also very pleased to note that TRA has a very professional and skilled team to perform highly complex regulatory tasks. They had worked hand in hand, from junior to the management, in order to achieve considerable progress towards the TRA corporate objectives for the year 2011, which included the followings:

- 1) Achieve organizational excellence,
- 2) Protect interests of beneficiaries/ users of the telecommunications services/ equipments,
- 3) Review and update regulatory framework to suit current market conditions,
- 4) Take steps and initiatives to provide telecoms services in the un-served and underserved areas under the USO policy,

5) Develop and implement national broadband strategy to align with government objectives including E-Oman.

Moving forward, I am confident that with the help of a highly skilled and dedicated TRA team together with the service providers and other stakeholders, we will be able to meet the challenges and seize the opportunities to bring latest technologies and most modern services in the Sultanate of Oman. The Technology is moving very fast and there are big challenges ahead to cover remote parts of the Sultanate besides aligning our Policies & Strategies with the Vision 2020 of the Sultanate.

Our major focus now is towards:

- Enhancement of fair competition,
- Enhancement of coverage through Policy measures and through market operations,
- Enhancement and spread of high speed Broadband services in the country,

I am confident that the TRA will meet the expectations of the people of Oman to bring about all what is needed for the development of the country and well being of the citizens under the wise guidance of the Board and we will honor the confidence and trust reposed in us.

Dr. Hamad bin Salem Al-Rawahi

Chief Executive, Telecommunications Regulatory Authority



To be the most efficient and effective organization in Oman, enabling the provision of world-class telecommunications services to all. ” ”

The TRA Mission

Set up and implement a fair, flexible, efficient telecommunications regulatory framework that will:

- Develop the industry through a market-driven environment,
- Ensure accessibility of all kinds of services within limits to all,
- Balance the interests of all stakeholders,
- Align with Vision 2020.

The TRA Functions

The TRA is an independent Regulatory Authority established under Royal Decree 30/2002.

TRA is mandated the following major functions and Responsibilities:

- To ensure provision of telecommunications services all over the Sultanate at reasonable costs and prices, and to take necessary actions to enable the service providers to compete abroad;
- To encourage the use of telecommunications services with the aim to facilitate the access to global markets and information;
- To use telecommunications services with the aim of encouraging the visible and non-visible exports such as accountancy, auditing, engineering and consultancy services;
- To ensure the optimal use of the frequency spectrum;
- To safeguard the interests of beneficiaries and dealers with respect to the prices of equipment and the rates, quality and efficiency;
- To ascertain financial capability of the licensees and promote entry into commercial activities and facilitate entry into the market by providing suitable conditions and enabling new licensees to compete in order to establish an effective competitive environment;
- To encourage research and development in the telecommunications sector.

Highlights of 2011

During 2011, the TRA took several initiatives and developed regulatory frameworks for expansion and development of telecom infrastructure in the country.

In brief, these initiatives, tasks and developments include:

- Issued Quality of Service (QoS) regulations after public consultation process,
- Carried out nationwide consumer satisfaction survey,
- Carried out Billing Accuracy Audit of the licensees,
- Issued Guidelines on determining Access Deficit,
- TRA approved 77 promotions and 41 new services/ tariff plans, Type Approval of 904 Telecom equipments issued,
- Issued 86 authorizations to provide internet access service in public places,
- Issued 2,998 New Radio licenses,
- TRA staff participated in 68 Telecom related events during 2011,
- ISO re-certification of Frequency Management Unit for 3 Years,
- Amongst 21 Regional Arab States, Oman is ranked 3rd in terms of Mobile Penetration with a penetration rate of 165.5% in 2010,
- The Fixed Penetration Rate is 10.1% which is 12th in the Arab Region,
- Internet user' penetration rate in Oman is ranked 3rd preceded by the UAE at the 2nd and Qatar at the 1st position.

Looking forward 2012

TRA looks forward to achieving the following objectives during the FY-2012:

Sl. No.	Objective
1	TRA to become consumer centric declaring consumers as the principal stakeholder,
2	Enact and enforce appropriate legislation and regulations in response to current and future market developments,
3	Ensure optimum utilization of scarce resources including frequency spectrum for the benefits of the country and the consumers,
4	Accelerate initiatives for providing telecom basic services to under-served and un-served areas of the Sultanate,
5	Develop and publish long term plan of TRA so that the regulatory roadmap is clear and TRA's actions are predictable and consistent,
6	Enhance Public Awareness of the TRA,
7	Equip the TRA with the tools necessary to increase its efficiency,
8	Enhance the knowledge based working environment focusing on human resources/ management development.

Quick Win Initiatives

TRA, in response to the current challenges in meeting the demands of both the consumers and the licensed operators, has proposed during 2011 a set of quick win initiatives. From the perspective of the consumers', absence of coverage, constant demand in rural areas, lowering of prices for the services and improvement in quality of service are critical. For the licensed operators there is a demand for more spectrums for 3G service provision and regulatory certainty to protect their investments. TRA, in balancing the demands of the stakeholders has evolved short, medium and long term solutions. Accordingly, following are the critical quick win initiatives/solutions for coverage and promotion of broadband services:

- 1) Reforming of 900 MHz** – to benefit the existing licensees to deploy 3G services and consumers in uncovered areas to get basic services
- 2) VOIP Regulations** – relaxation to permit PC to PC connectivity to effectively deal with illegal VOIP traffic that is widespread
- 3) Allowing mobility in the 2.3 GHz wireless access** – to promote broadband take up
- 4) Promotion of Wi-Fi Hot Spots** - to promote broadband access using both licensed and unlicensed spectrum ranges in public places, education institutions

By doing the above the TRA could concentrate more effectively on achieving the targets set in TRA-Work Plan 2012. Also, the TRA would engage both the operators substantially to implement the quick win initiatives.





01

The Telecom Sector in the Sultanate of Oman – An Overview

An overview of Telecom Sector Performance

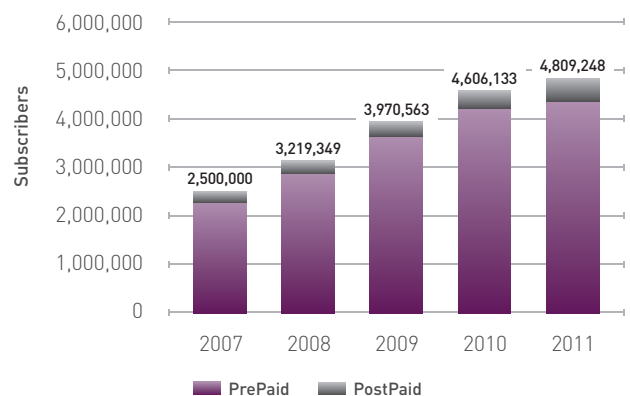
The telecom sector in Oman has continued its progress after the introduction of liberalization policy in 2003. Today the sector is served by the following licensees:

Licensees	Fixed	Mobile	Internet / Data	Leased Lines	Other value added services
Omantel	●	●	●	●	●
Nawras	●	●	●	●	●
Renna	●	●	●	●	●
Friendi	●	●	●	●	●
Mazoon	●	●	●	●	●
Injaz	●	●	●	●	●
Samatel	●	●	●	●	●

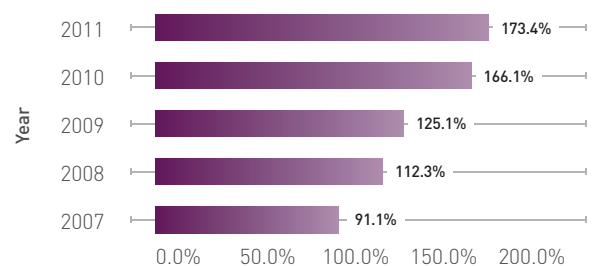
Mobile Telephony

- The number of Mobile phone subscribers have increased significantly over a period of 5 years registering a compound annual growth rate (CAGR) of 17.8% since 2007. The number of mobile subscribers in 2011 has shown 4.4% increase from 2010. The penetration rate at the end of 2011 reached to 173.4% as compared to 166.1% at the end of 2010. This growth was mainly due to innovative plans & services and competitive pressure brought in after the introduction of Mobile Resellers in the market and their initiatives to capture some market share. The following chart, shows the relative market share of the players in the mobile segment.

Mobile Subscribers



Penetration Rates per 100 Inhabitant



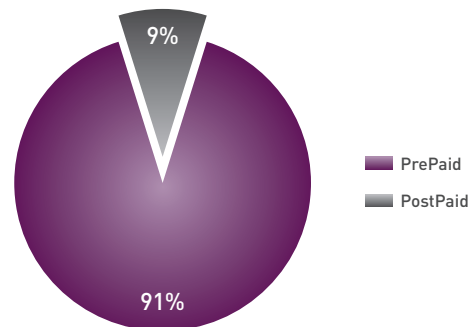
- Pre-paid mobile services subscribers form the bulk of users in the mobile segment, accounting for 91% of the subscriber base with 4,377,155 pre-paid subscribers and the rest 9% being 432,093 postpaid mobile services subscribers.
- **Experience of introducing Resellers in the Mobile market:**
In order to enhance competition in the mobile telecommunications segment, the Authority introduced mobile resellers because of non-availability of frequency spectrum for the full fledged mobile operator. The Mobile resellers launched their first service back in April 2009. Since then, the resellers have grown considerably in terms of market share. In less than three years, they collectively possess almost 13.7% of the **mobile prepaid** segment as at the end of 2011.

On the other hand, 2011 also witnessed the exit of one of the resellers; Mazoon due to operational difficulties. Since there is no exit/entry barrier, only the fittest survives in the competitive market place.

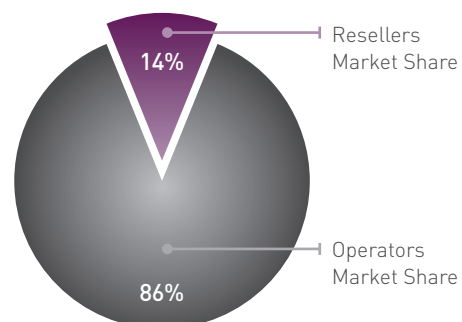
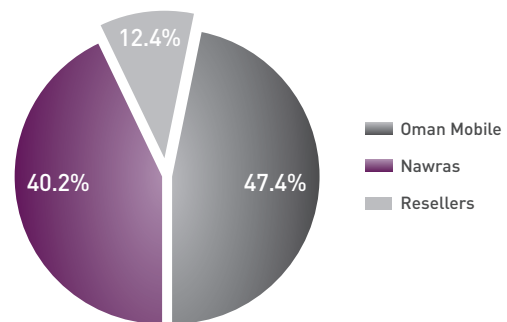
The whole-sale rates were revised during 2011 (international calling rates and Data rates) which enabled the resellers to offer attractive and competitive tariff plans in the market.

In general, the resellers have launched attractive offers that have driven the price down in the market. In particular, international calling to some selected Asian destinations, which were targeted as a niche market by the resellers helped in reducing the calling rates to these destinations. Additionally, mobile broadband offers proposed by the resellers have added value in the prepaid mobile broadband arena as well and helped reducing the prices even further. Also, the resellers have seen opportunities in some areas in the telecom market in Oman and have seized it despite some challenges, and as a consequence performed well which was ultimately reflected in their growth in terms of market share.

Mobile Market Segmentation



Mobile Subscribers



Number of subscribers

	2009	2010	2011
Resellers Subscribers	239,951	459,159	598,706
Total Prepaid subscribers	3,611,819	4,192,122	4,377,155
Total Mobile subscribers	3,970,563	4,606,133	4,809,248

Growth of Mobile resellers

End of 2010,
in comparison to
the end of 2009

91.36%

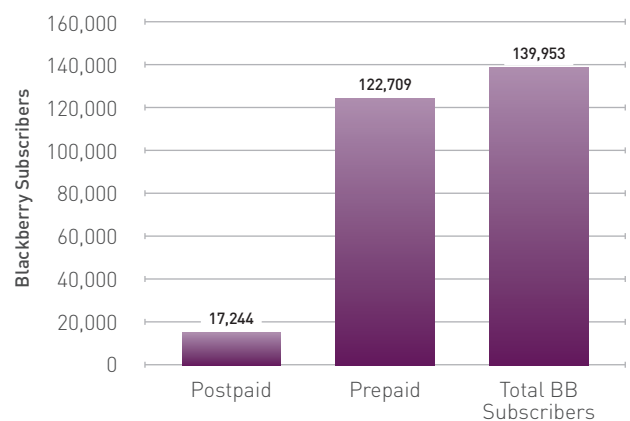
End of 2011,
in comparison to
the end of 2010

30.39%

Blackberry Subscribers

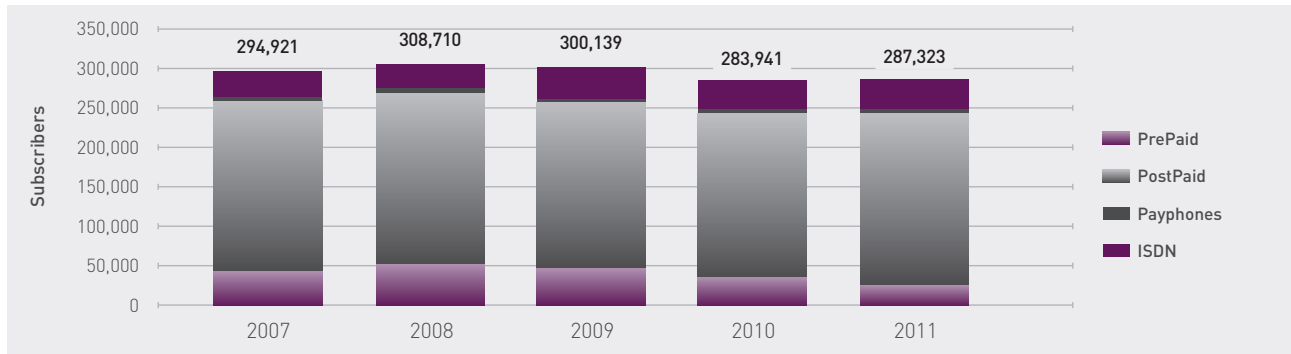
TRA started tracking Blackberry subscriber's data effective December 2011. Total subscribers at the end of the reporting period were 139,953. The breakdown by Postpaid and Prepaid is as follows:

Blackberry Subscribers represent only 2.9% of the total Mobile Subscribers base in Oman. This share is still at a very low level. However, the service providers are trying to promote this service to raise the level further.

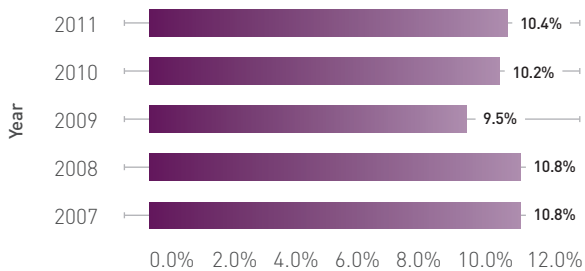


Fixed Telephony

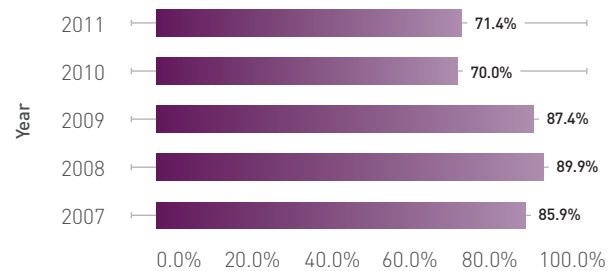
Fixed Line Subscribers



Penetration Rates by Inhabitant



Penetration Rates by household

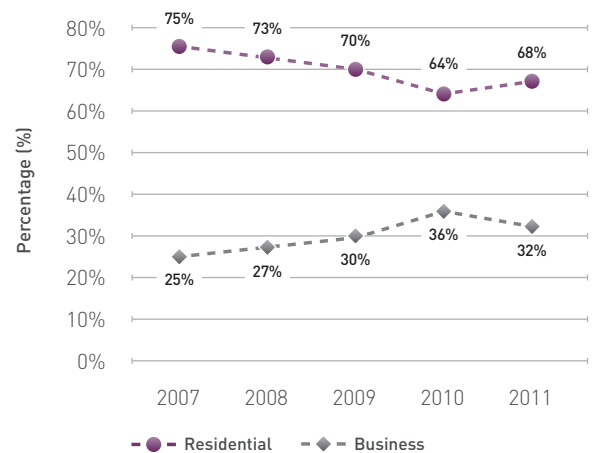


- Fixed Telephone Lines, as of 31st December, 2011, the number stands at 287,323; an increase of around 1.2% from the previous year
- Fixed telephone line penetration increased marginally in 2011 to 10.4% from 10.2% in 2010
- Fixed telephone line penetration per household is 71.4% at the end of 2011 against 70% recorded during 2010

The following graph indicates the share of fixed lines between the business and residential segments.

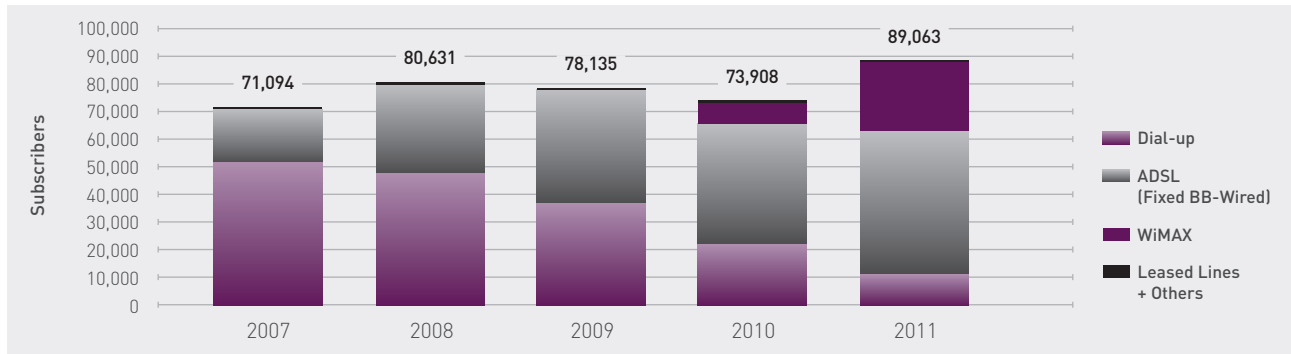
Composition of Fixed Business and residential lines has been depicted in the above chart. Over the last five years, business lines are increasing in comparison to residential lines.

Categories of Fixed Lines (%)

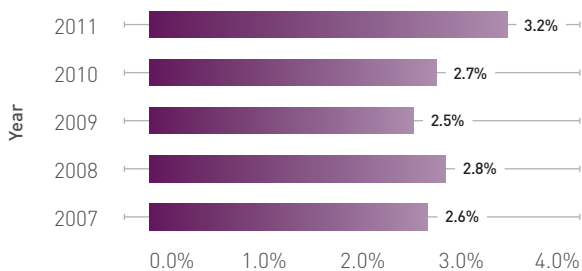


Internet Service

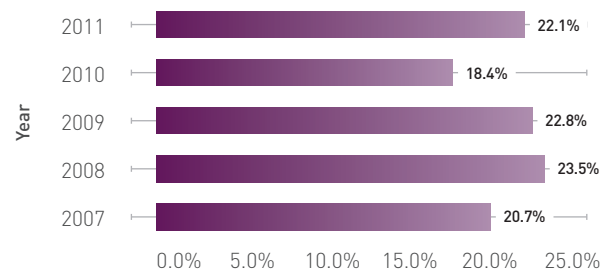
Internet Fixed Subscribers



Penetration Rates by Inhabitant



Penetration Rates by household

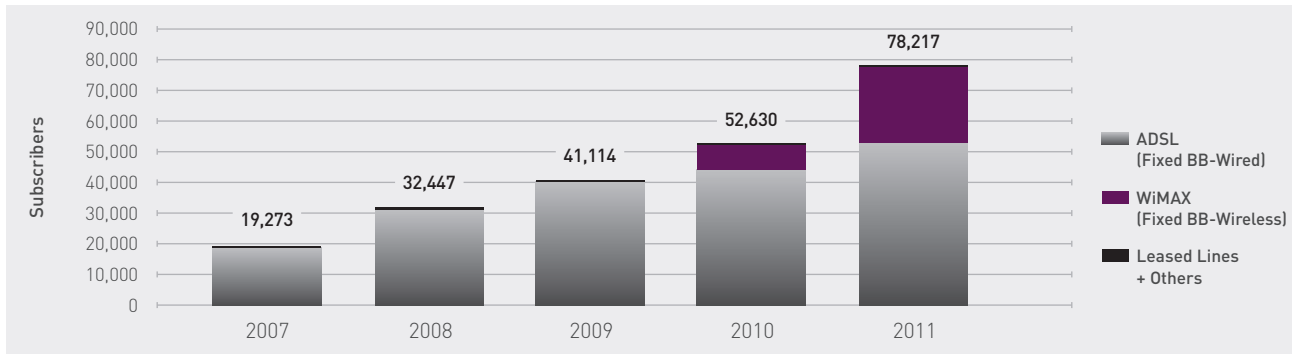


- **Dial-Up Internet:** Dial-up Subscriber trend shows a continuous decline from 2007. At the end of 2011, the number of Dial-up internet subscribers were 10,846 only, a decline of 49% compared to 21,278 at the end of 2010. This is mainly attributable to a migration to the broadband services.
- **ADSL internet (Fixed Broadband-Wired):** The ADSL Internet Subscribers show an increasing trend. At the end of 2011, the number of ADSL (Fixed BB -Wired) internet subscribers were 52,063 as compared to 44,996 at the end of 2010, an increase of 15.7% over previous year
- **WiMAX Internet (Fixed Broadband -Wireless):** NAWRAS started its WiMAX services in mid-2010 with a total of 7,181 subscribers at the end of 2010, which grew to 25,655 at the end of the year 2011

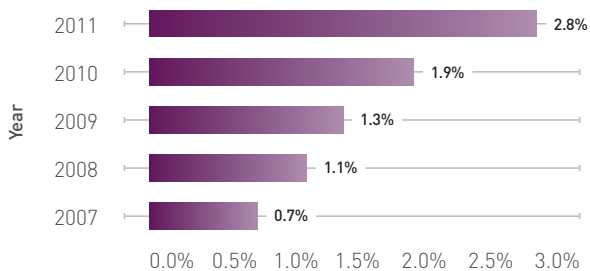
- In addition to the above, there were 477 Internet Leased Lines Subscribers and 22 Fiber-to-the-home/building (FTTH) Subscribers at the end of the year 2011
- **Total Fixed Internet Subscribers:** At the end of 2011, the total number of fixed internet subscribers including all the above categories stood at 89,063, an increase of 20.5% compared to 73,908 in 2010
- **Fixed Internet Penetration increased in 2011 to 3.2% from 2.7% in 2010**
- **Fixed Internet Penetration per household reached 22.1% in 2011 from 18.4% in 2010**

Broadband Service

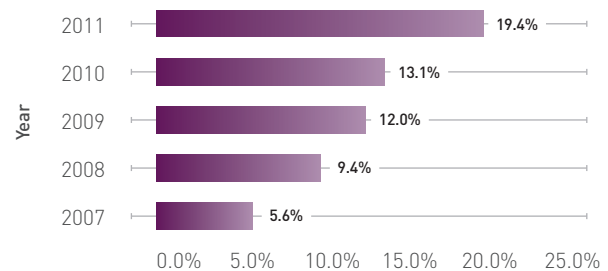
i) Fixed Broadband Subscribers (ADSL + WiMAX + Others)



BB Penetration Rates per Inhabitant



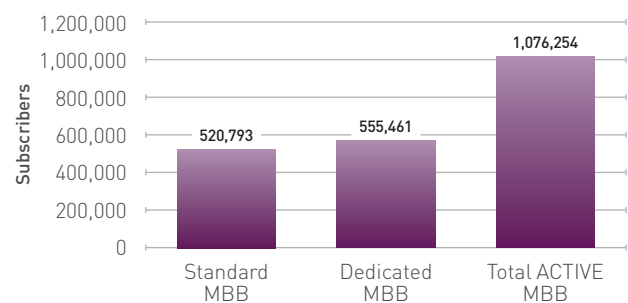
BB Penetration Rates per household



- **Fixed Broadband (ADSL + WiMAX + Internet Leased Lines + FTTH):** At the end of 2011, total fixed broadband subscriber base reached 78,217 subscribers, registering a growth of 48.6% as compared to year 2010
- **There is a slight increase in the fixed Broadband Penetration per Inhabitant which increased in 2011 to 2.8% from 1.9% in 2010**
- **Similarly, there is an increase in fixed Broadband Penetration per household reached 19.4% in 2011 as compared to 13.1% in 2010**

ii) Mobile Broadband Subscribers:

TRA has started tracking Mobile Broadband (Active) subscriber's data effective December 2011. Total subscribers at the end of the reporting period were 1,076,254. The breakdown by Standard Mobile Broadband and Dedicated Mobile Broadband is as follows:



Mobile Broadband (Active) Subscriber's Penetration per Inhabitant recorded at the end of 2011 was 38.8%.

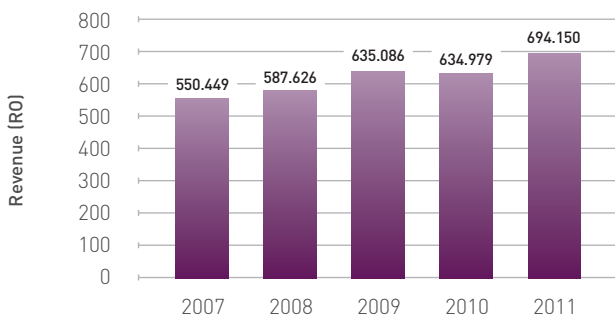
Telecom Sector Revenue

The total telecom sector revenue, from Operators and Re-sellers reached an all time high of RO 694.150 Million during the financial year 2011. This represents an increase of 9.3% compared RO. 634.979 in the previous year.

The contribution of revenue from Mobile services stands at 69.4% of the total telecom revenue. The remaining 30.6% of the total telecom revenue is from fixed line, internet and other services.

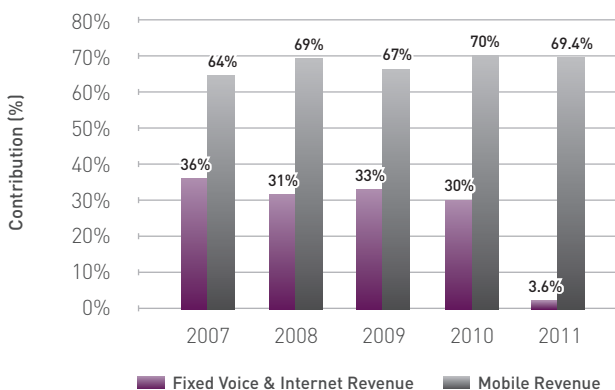
The following charts depict the above situation graphically.

Telecom Sector Revenue (RO Millions)



Source: TRA

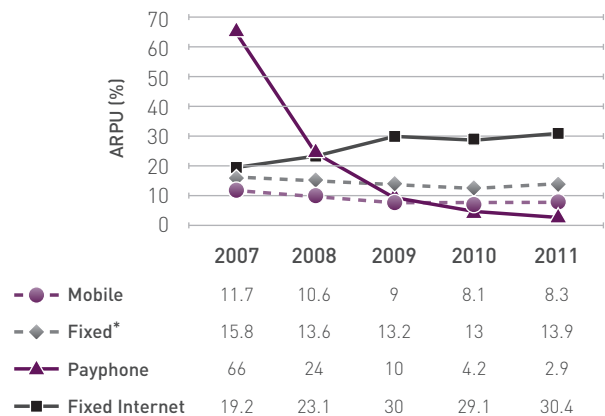
Contribution to Telecom Sector Revenue



Source: TRA

Average Revenue Per User (ARPU)

Service-wise ARPUs are shown in the following charts:



*(Postpaid & Prepaid)

- **Mobile:** The ARPU from mobile operations has increased by 2.5% to RO 8.3 per month in 2011, from RO 8.1 per month in 2010.
- **Fixed Line (Postpaid + Prepaid):** The ARPU from fixed line services also showed an increase of 6.9% to RO 13.9 per month in 2011, from RO 13 per month in 2010.
- **Payphone:** This has shown a noticeable decline of 31% from the previous year, falling from RO 4.2 per month in 2010 to RO 2.9 per month in 2011. Mobile services, especially the pre-paid segment, have contributed to this decline in the demand and use of payphones, due to ease of availability throughout the Sultanate and the convenience of use of mobile phones.
- **Fixed Internet:** There has been an increase in fixed Internet ARPU by 4.5% (From RO 29.1 in 2010 to RO 30.4 in 2011).

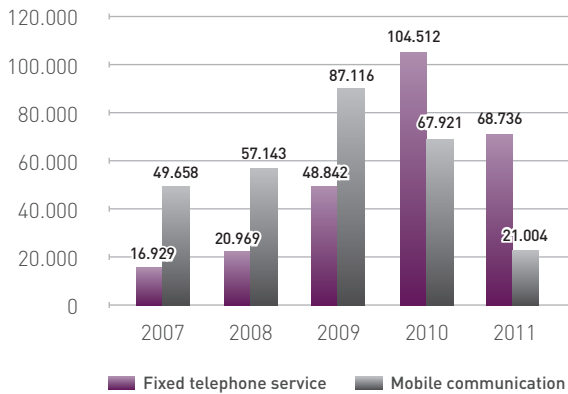
(Note: ARPU is calculated based on number of subscribers, not users).

Even though the internet penetration levels have been low, the ARPU from internet service has been on the rise. It has increased from RO 19.2 per month in 2007 to RO 30.4 per month in 2011.

Investments

The total investment in the telecommunications sector during year 2011 was RO 89.740 million. Out of this, 77% was for the fixed services and 23% for mobile services. Investments have registered a 48% decline as compared to year 2010 when total was RO 172.433 million mainly due to the fact that the total investment during year 2010 was the highest during the last five years with RO 104.512 million for fixed telephone and internet services; representing 60.6% of the total investment.

Investments in Telecom Sector, million OR

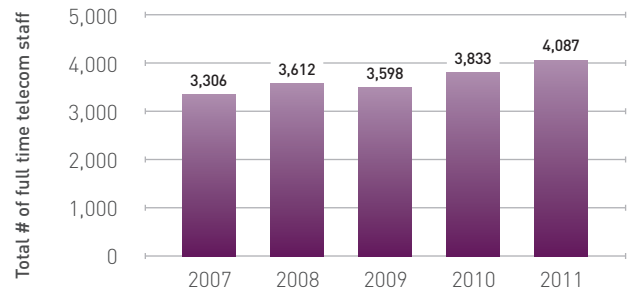


Source: Telecom Service Providers

Employment in Telecom Sector

The total employees in the telecommunications sector, including TRA was 4,087 at the end of 2011, representing a 6.6% growth compared to the year 2010.

Employment in the Telecom Sector



Source: TRA

- The sector achieved an Omanisation level of 90%.
- The ratio of women employees reached 25% at the end of FY-2011.



Telecom Licensing and Standardization

License Fees & Regulatory Charges

Annual contribution to the National Economy on account of License fees, Spectrum Charges, Penalties etc., stood at RO 13.398 Millions for FY-2011. This represents an increase of 4.9% compared to RO 12.778 Millions of the previous year. Details for other years are as follows:

License Fees etc.

(In Millions RO)

2007	2008	2009	2010	2011
14.289	19.764	16.237	12.778	13.398

Source: TRA

Type Approval of Telecom Equipments

TRA approved total of 874 Telecom communication equipments during 2011, details are as follows:

Number of Approved Telecommunications Equipment in 2011:

Terminal Equipments	199
Radio Equipments	382
GSM Equipments	323

Telecom Dealers Statistics

Number of Dealers Registered with TRA	313
Number of Dealers Renewed their Registration	227
Number of Dealers Registered as Importers of Telecom Equipments	68
Number of Releases to Customs for Imported Telecom Equipment issued:	990

Private Networks

Number of Class III licenses issued for private networks	1 (RigNet Middle East LLC)
Number of Authorization for private networks for personal use (that would not be connected to the public network issued)	20 authorizations

Inspection and Monitoring of Spectrum Users

Inspection:

TRA conducted inspection visits for spectrum users in different areas of the Sultanate in order to check the compliance of technical specifications of radio equipments in operation with the issued radio licenses. This included the inspection of spectrum users in terrestrial services as well as inspection of ships/boats. As part of the process of issuing new radio licenses, surveys were carried out as well. The following tables present the statistics findings:

Spectrum Users Inspection	
No. of Users	93
No. of Equipments	920
No. of Frequencies	401
No. of Violations	50

	Ships/Boat Inspection	Ships/Boat Survey	Total
No. of Users	41	11	52
No. of Ships	62	16	78
No. of Violations	0	-	0

In addition to the above mentioned inspections, Microwave (MW) link inspection was also carried out. The details of this inspection are presented in the table below:

Governorate	No. of Station	No. of Links	No. of Equipments	No. of Violation
Muscat	20	224	620	78
Al-Batinah North	29	132	503	14
Al-Batinah South	6	48	122	6
Total	55	404	1245	98

Monitoring:

Spectrum monitoring was carried out in various areas of the Sultanate. Details of this work are presented in the table below:

Monitoring Result	
No. of Location	17
No. of Users	15
No. of monitored Frequencies	129

Issuance and Renewal of Radio Licensing

During 2011, the total number of Radio licenses were 25,922 (New at 2948 and Renewed at 22,974 numbers) as against the corresponding 2010 number of 22,081 (New at 3674 and Renewed at 18407) radio licenses. The increase in 2011 was 17% over previous year.

The total number of licenses cancelled during 2011 was 2,114 excluding the temporary licenses.

The number of New Frequency assignments made during 2011 was 5,152 as shown in the following table:

Total number of
radio licenses
during 2011

25,922

17% increase
on 2010

	2009	2010	2011
No. of New Radio Licenses	2,914	3,674	2,948
No. of renewed Radio Licenses	17,121	18,407	22,974
No. of cancelled Radio Licenses	1,062	1,222	2,114
No. of New Assignments	5,485	6,464	5,152

Cyber Cafes

Number of Authorizations issued to provide internet access services in public places

86

Number of Authorizations renewed to provide internet access services in public places

65

Numbering Allocation

Numbers/short codes Type	2008 Allocation	2009 Allocation	2010 Allocation	2011 Allocation
Carrier Selection	0	2	3	0
International Signaling point codes	1	0	0	0
National Signaling Point Codes	22	16	20	11
Fixed Numbers	28,000	63,000	81,000	112,000
Mobile Numbers	600,000	1,500,000	800,000	400,000
Voice Short Codes	0	6	5	1
SMS Short Codes	27	216	49	84
Toll Free Numbers	36	42	62	104





02

Telecom Policy Review

The new Telecom policy proposed by the TRA has been forwarded by the Ministry Of Transport and Communication to the Council of Ministers for their consideration and approval in 2011. The policy recommendations are in line with the liberalization policy of the government aiming at promotion of investment and competition for telecom services in the market. The new policy is being drawn in line with Oman's commitment to WTO and the FTA focusing on consumer as the principal stakeholder.

Policy Review Principles and Critical Factors

Arising out of the proposed policy, TRA is adopting the following principles while regulating the telecommunications services in Oman:

- Consumers (users and beneficiaries of telecom services) in Oman shall be the primary stakeholder for the TRA; (other key stakeholders are licensed operators, service providers, potential investors and the government and its agencies);
- Affordable price and high level of quality of service shall be the principal criteria to assess consumer satisfaction;
- The Telecommunications Act (with its amendments), the Licenses, the Executive Regulations and the Decisions issued by the TRA shall be the basis for the conduct of the organization;
- Published government policy on telecommunications and international commitments made by the government (like the WTO and the FTA) shall be followed, where relevant, in promoting and sustaining competition;

- Establish, maintain and promote transparency in dealing with issues and in publishing various communications;
- Ensuring reasonableness and fairness in determining competition issues, complaints and determination of fines and levies (all in accordance with the provisions of the Law);
- Adopt non-discrimination and neutrality in technology issues;
- Adopt non-discrimination and neutrality in dealing with competition issues;
- Achieve predictability in regulatory regime over a period of time;
- Engage stakeholders (through public consultation) to examine, assess and decide on issues affecting the market;
- Provide open and easy access to all stakeholders;
- Ensuring orderly growth of the telecommunications sector.

TRA's policy outlook is designed to ensure the following critical factors:

- **Consumer friendly disposition**
- **Investor friendly disposition**
- **Predictable behavior and actions**
- **Transparent processes while dealing with investors, operators and consumers**
- **Minimal interference with licensees and applicants for licenses.**

National Broadband Strategy – Status

With the focus on making broadband services available to everyone in the Sultanate, the government has made it clear that ICT would be a priority to improve the standing of Omani businesses in the international arena. The national broadband policy currently under development aims to encourage and promote investments in passive infrastructure – such as ducts, pipes and fiber – to optimize investment in the sector and reduce the cost of telecoms services offered by the service providers.

The key objectives of the broadband strategy are to enable Omani businesses to compete in the global market, raise GDP, and generate employment.

The National Broadband Strategy initiative under the auspices of Ministry of Transport and Communications (MOTC) is ably supported by the TRA in providing information, analysis and review

of documents submitted by the consultant in evolving a future-proof strategy to position Oman in the ever growing broadband map in the world. The TRA participated and contributed in the stakeholders' meetings held by the Ministry as well as workshops conducted to deliberate future strategies. It is now recognized that the NBS would have an overbearing effect on the Universal Services Obligations (USO) initiative of the Government as well since reaching out to the rural Oman by way of spread of broadband would partially fulfill the objectives of USO as well. NBS is at its final stage of development and it is expected that MOTC would conduct a public consultation followed by submission to the council of ministers for approval.

Status of Universal Service Obligation (USO) Policy

Development in USO Policy and implementation Strategy

TRA aims at expanding telecommunications access networks to cover a wider proportion of the population and geographical areas of Sultanate of Oman through the liberalization process and market reforms. However, due to economic reasons, the telecom service providers are not expected to venture into economically unattractive areas to develop telecom networks and provide telecommunication services. Thus, many rural and remote areas in the Sultanate may continue to lack telecommunications access for some time until some support and initiative is provided by the Government.

The Universal Service Policy and implementation Strategy was approved by the council of ministers in June 2009. The policy reflects the objectives of the TRA, the ITA, the MoTC and other Government stakeholders; in implementing the 'Digital Oman' strategy which will require wide spread of internet access across the country. The USO Policy document serves as a guideline on how the obligations set out in the Article (38) of the telecom Act are met and to ensure the availability and provision of set of telecom services in Oman. Further, the USO policy sets out how the Authority would implement the Universal Service projects in Oman to provide the telecom services in the rural areas.

On 22 December 2010, TRA invited Omantel to submit its proposal under Article (39) of the Act and in accordance with the terms and conditions stipulated in the USO Information Memorandum. Omantel USO proposal was received in February 2011;

However, due to the latest technological and regulatory developments and commissioning of a study by the Government to develop the National broadband Strategy for Oman, it was agreed to cancel the pilot project and to incorporate the USO Policy objectives under the National Broadband Strategy, in order to have a comprehensive Government strategy for the Telecom sector and to efficiently utilize the resources.

Spectrum Policy and Regulations

During the year 2011, TRA conducted the following studies and Implemented systems concerning Spectrum, details as follows:

- **Study the possibility of Exemption Private Mobile Radio PMR 446 equipment from Individual Licensing**

A study was conducted to assess the possibility of permitting the operation and the exemption of Private Mobile Radio (PMR 446) equipment from Radio licensing in the Sultanate based on the international practice on this matter. The study resulted in approving the exemption of such operations from individual licensing on non-interference and non-protection basis provided that a set of technical characteristics and regulatory requirements are met.

- **Harmonization and making available frequency bands for railway in GCC countries**

TRA submitted a proposal to the GCC technical meeting committee in April 2011 to harmonize and make available frequency bands for railway in the GCC countries. As a result, the band 876-880MHz paired with 921-925MHz was officially identified and harmonized frequency band in the GCC countries for the new railway system linking the Gulf Cooperation Council (GCC).

- **Spectrum bands for systems of safety services**

TRA has conducted a study on assessing the possibility of exempting systems of Safety Services from the utilization and registration fees. In this sense, TRA has defined the systems of safety services in a more precise manner with the related frequency/frequencies bands. These proposed radio communication systems and / or technologies in the frequency bands once approved will be part of the Regulation organizing the registration and utilization of frequencies and radio equipment and their pricing.

- **Implementation of an Advanced Automated Spectrum Management System (AASMS)**

As per TRA's mandated Functions & Responsibilities and keeping in view the increasing demand for radio spectrum and growing complexity of radio regulatory tasks, TRA has signed a contract to implement an Advanced Automated Spectrum Management System (AASMS). The implementation of this system will be carried out in two phases and it is expected to be completed by end of 2012. The new system will allow spectrum users to do most of their licensing processes online without the intervention of TRA employees.



03

Regulating for Competition

Competition Framework

In line with His Majesty's government policy to liberalize the telecommunications sector and introduce competition, the TRA has been focusing its efforts since its inception on creating a market environment that facilitates sustainable competition. The competitive process resulted in improved market outcomes on several accounts, such as innovation in services, increased options, lower prices and higher service quality levels.

As the competition develops, it becomes imperative that safeguards are put in place against potential anti-competitive conduct by market players, especially the operators enjoying a dominant position. In the absence of a competition law and/or a Competition Authority in the Sultanate, and with the development of competition in the Omani telecommunications market, the Authority's role in maintaining a healthy competitive environment demands higher importance.

- **Project Objective**

In view of the above, the TRA had initiated a project to develop a competition framework, with the aim of structuring regulatory interventions in the telecom market. It is expected that putting such a framework in place, would make the market more conducive to investment and innovation, and contribute towards enhancing regulatory certainty, and increasing the confidence of both existing market players and potential new players, through advancing the predictability and transparency of future regulatory interventions.

- **Type of Interventions**

Regulatory interventions are generally classified into two types; ex-ante regulations are anticipatory interventions. Ex-ante regulation uses specified controls to prevent anti-competitive

conduct or abuses that may be undertaken by operators by virtue of their dominant positions resulting in undesirable actions or market outcomes. The Authority establishes rules, regulations, frameworks and guidelines, within which market players operate. Ex-ante regulation is designed to encourage and safeguard competition. The second type is ex-post regulatory interventions. These are measures through which anti-competitive instances are addressed, upon detecting an anti-competitive practice, through observation or receipt of complaints, investigations and analysis are carried out, and appropriate corrective measures are taken.

- **Project Phases**

The competition framework project under implementation by the TRA is segregated in two phases. The first phase is the development of a legislative and regulatory framework, which enables structured, transparent and proportionate regulatory interventions. The second phase is applying the regulatory framework for the first time through a market review process. The due process includes defining various telecom services markets, followed by analyzing the competitive status in each market, designating dominant players in each market if any, and finally determining appropriate regulatory remedies, proportionate to the risk of harm that is posed by the dominant operators on the competitive process.

- **Project Status as of 2011**

In 2011, The Authority completed a public consultation on the draft regulatory framework, encompassing the relevant regulations and guidelines. In view of the market developments and changing regulatory needs, market review will be carried out periodically after adopting the recommendations of the Project, which are under consideration.

Implementation of Accounting Separation

TRA issued the Accounting Separation, Regulatory Accounting and Reporting Requirements regulation during the end of 2009. Accounting Separation is a regulatory tool by which the accounting information of the notified operator are to be divided between the different services/ products provided in order to determine the costs and revenues of each service/ product.

This separation and the production of regulatory accounting statements enable the TRA to identify cross-subsidization and other anti-competitive practices. Usually, accounting separation regulations are mandated in markets where competition is not effective. The obligation is reviewed periodically with reference to the changing competitive status of different markets. So far, Omantel is the only licensee who is subject to this regulation. However, the obligation may be reviewed with reference to the changing competitive status of different markets.

Omantel, in adherence to this regulation has produced Detailed Accounting Separation Methodology (DASM) which was reviewed and approved by the TRA in 2011. This document states Omantel's approach for Accounting Separation Regulation.

The document includes: Regulatory Accounting Policies to be followed, level of separation, attribution methodologies, transfer charges calculation methodology and format, current cost accounting policies, current cost accounting evaluation methodologies, and the costing model definition and structure.

TRA is expecting to receive the first set of Accounting Separation from Omantel pertaining to FY-2010 accounts beginning of 2012, followed by the second submission pertaining to FY2011.

Review study for Weighted Average Cost of Capital (WACC)

The Weighted Average Cost of Capital (WACC) is used to determine the cost of obtaining and maintaining the capital of a particular company. It is also used to determine the minimum required return a company should achieve in order to satisfy the expectation of capital providers. The required return is subject to the riskiness of the company and the business where the company is operating. Most companies maintain a mixture of debt and equity in their capital structure. Therefore, the weighted average is used to assign the right weight of return to each component.

• WACC Study Objectives

The regulators use the WACC as the appropriate measure of cost of capital for the regulated companies. In 2006, TRA conducted a study to determine the WACC for Omantel. Thereafter, major market developments have occurred. Therefore, in 2011 a new study was launched by TRA to determine the WACC for the telecom sector and operators in Oman. The purpose is to

determine the WACC for the Omani sector and operators. This WACC would help in many uses such as: price control, setting cost based charges, testing/investigating anti-competitive complaints, interconnection charges, and validating some tariff proposals.

• WACC Study Status as of 2011

The draft report¹ of the study was published for public consultation on October 2011 which contains the major outcomes of the study. Comments from the stakeholders and public were gathered on November 2011. The analysis of the received responses was concluded in December 2011. The final report after considering the comments received is expected to be made public in early 2012. The level of the WACC is an indicator only and it is changing depending on the market conditions. Therefore, this study is expected to be repeated periodically.

¹ See <http://www.tra.gov.om/newsite1/NewsDetails.aspx?newsid=251>



Access Deficit Contribution (ADC) Guidelines

The term “access deficit” used in the telecommunications regulatory context refers to the difference between the cost of installing and maintaining the access service and the revenues generated from the line rental, installation charges and line dependent services.

Traditionally, fixed line monopolies around the world, were owned by governments. Hence, local calls and line rental charges were set below their relevant costs, which were recovered mainly from international calls charges resulting in prices much higher than actual costs. This price structure was adopted due to a number of reasons, such as the need to encourage service take up, encouraging usage of local calls, and social factors relating to affordability. This tariff structure was sustainable as long as there was no competition; however, with liberalization of markets, the need arises to align service prices with their underlying costs as much as possible.

In an attempt to rebalance the tariffs of the fixed services provided by Omantel, the prices for line rental, calls to fixed, calls to mobile and international calls services were revised in 2008, in preparation

for the imminent competition expected from the second fixed License issued in 2009. Keeping in view the affordability factors, and the general trend of decline in fixed services uptake and usage, it was not possible to fully rebalance the fixed services tariffs (i.e. fully align the tariffs with their respective costs). Therefore, the Authority, despite being in principle not supportive of Access Deficit Contribution schemes, agreed to allow the incumbent operator (Omantel) a period of three years during which it would be entitled to receive access deficit contributions, provided it is successful in establishing that a deficit exists.

The Access Deficit contributions are paid by international gateway licensees to Class I licensees who should prove that an access deficit is resulting due to regulated access and access dependent charges.

The TRA prepared detailed guidelines and issued public consultation document for ADC claims submission. The responses of stakeholders were analyzed and given due considerations where deemed appropriate, and a position statement concluding the consultation process was published in 2011. The final guidelines were issued by the Authority in the last quarter of 2011.

Tariff Transparency Guidelines

As competition in the telecom service market increases, the Licensees tend to focus more on increasing their competitiveness and customer acquisition. Lately, more tariff bundles and packages have appeared making it difficult for the beneficiaries to compare them to others or understand them.

The TRA being the telecommunications regulator approves all retail tariffs for various telecom services before they are launched in the market. While approving tariffs, TRA wherever necessary imposes certain conditions to ensure that the retail tariffs, terms and conditions and any other necessary tariff information are clearly communicated to the customers in order to facilitate the beneficiaries in making an informed decision regarding the choice of what service offers or plans to subscribe for in according with their assessment of the offer personal preferences and usage patterns.

To this end, the TRA developed Guidelines to ensure that all Licensees comply with the minimum standard of transparency and to assist the customers understand the tariffs that are being offered to them. In summary, the guidelines require licensees to ensure that transparent and up to date information on applicable prices and tariffs is available to beneficiaries and emphasizes to the Licensee's duty to disclose all tariff limitations and conditions such as the fair usage policy, validity periods and automatic renewals.

The draft guidelines were shared with the stakeholders through a public consultation during the second half of 2011. The Licensees have also responded and provided the TRA with enriching comments which will be taken into consideration as deemed appropriate. The final position and guidelines are being finalized and are expected to be issued by the Authority in due course.

Interconnection and Access Initiatives

The Initiatives undertaken by TRA toward Interconnect and Access are as follows:

- **Costing Data Verification**

TRA carried out on site verification of Operator's Cost data (Nawras & Omantel) to ensure these operators' regulatory inputs/ submissions to TRA are consistent. These inputs were subsequently used while approving tariff proposals to ensure that tariffs are not below cost and benefits/ discounts are passed on to resellers as part of Wholesale Tariffs.

- **Price Squeeze Test Models**

TRA has developed a Price Squeeze Test Model covering Omantel Reference Access Offers and provided the same to Omantel so that they can update their Reference Access Offers consistent with Price Squeeze requirements. A margin squeeze is considered anti competitive when a vertically integrated incumbent/ dominant operator supplying the essential infrastructure elements leverages its market power by keeping its wholesale prices at a very high level or dropping its retail tariffs to a low level so as to squeeze the entry of competitors' margin to foreclose the retail market to equally efficient operators. TRA as such has to test and ensure that these types of conditions are prevented.

- **New Submarine Cable Agreements**

New agreements were signed between the national operators and international carriers augmenting the submarine cable capacity available for Oman. Additional capacities will be available for many countries in the region, Asia and Europe. Few new capacities have become operational during 2011.

TRA as Regulator has to ensure that all Agreements being finalized by Oman's Telecom licensees with other International entities relating to Submarine Cables with additional international capacity to Oman, are consistent with all regulatory and competition principles and need approval before finalization.

- **Fiber to the Home Trial**

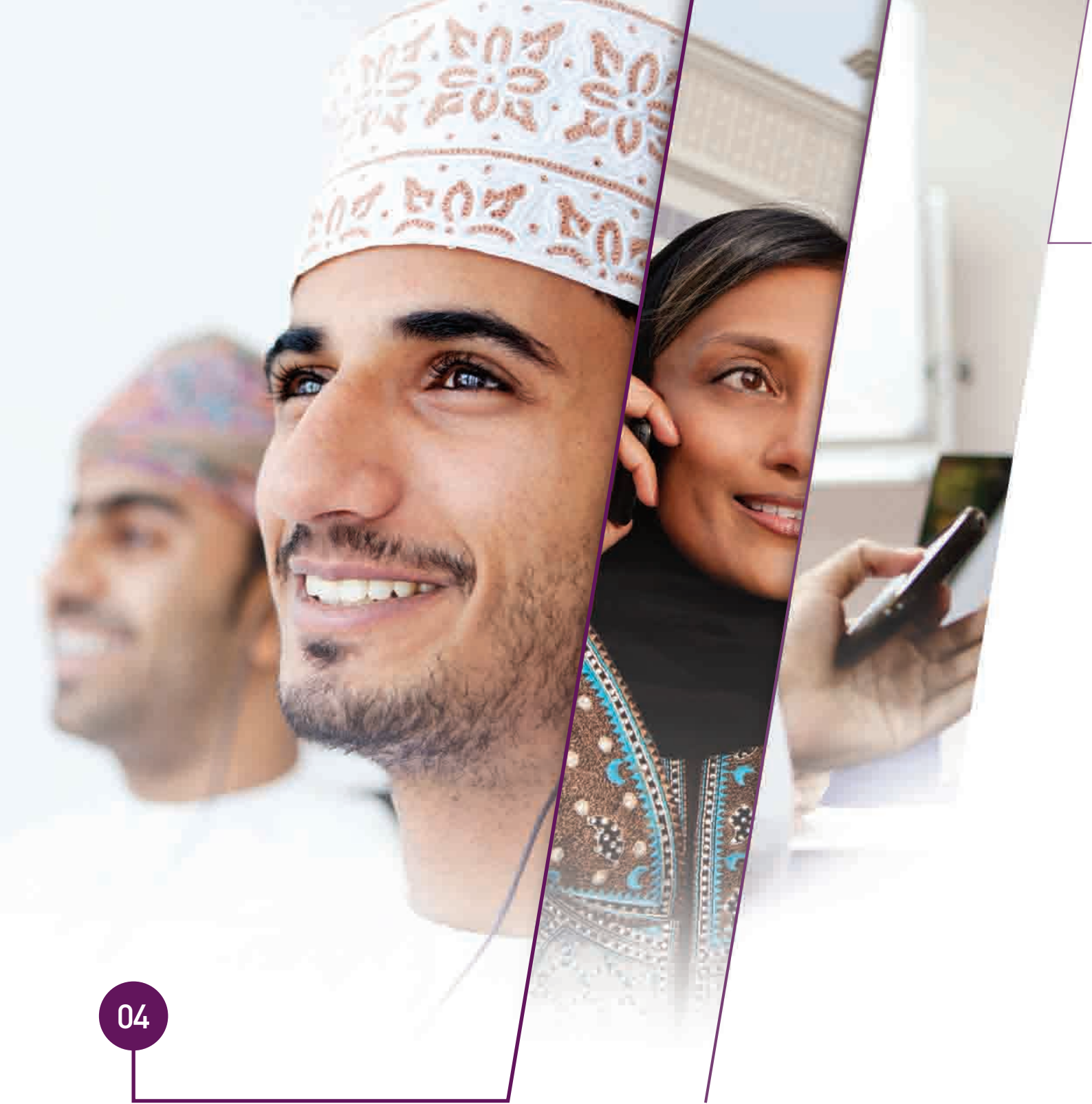
TRA approved the Fiber-To-The-Home (FTTH) pilot project in the Sultanate, which involves connecting high-speed Internet to homes in Ma'bailah North and Ma'bailah South, along with other telecom services according to the choice of the operators. The aim of this pilot project is to test the technical feasibility of the fiber-optic infrastructure (FTTH), where the government has already allocated a budget for building a fiber-to-the-home network (FTTH) as part of Muscat Wastewater Project implemented by Haya Water Company.

The pilot project would extend for a period of nine months from the date of start of the project and would be implemented by the two licensed operators, Omantel and Nawras.

The selected users will be provided free high speed internet through fiber optic technology during the trial period to test the service and ensure its stability.

TRA considers this project as one of the most important projects that may contribute to the future increase of the spread of broadband services in the Sultanate. The project is complemented by the public consultation floated in 2011 on the draft regulations on sharing Telecom passive infrastructure. The pilot project is expected to be concluded at the first half of 2012.





04

Governance and Working for Consumers

Telecom Violations

TRA plays an important and effective role to curb violations of telecom Act or other instruments issued by the Authority. These violations are dealt with in accordance with the Telecommunications Regulatory Act and the regulations and decisions issued for implementation. TRA has established a basic principle in dealing with these violations through the application of reconciliation. This is especially with violations concerning the handling or use of equipment or use of unlicensed radio frequency. During 2011, more than (50) violation were resolved in cooperation with the concerned departments of the Authority.

Furthermore, the TRA is coordinating with the various parties outside TRA such as the public prosecutor, the courts and Royal Police of Oman for cases related to Telecommunication Sector.

Dispute Resolution & Consumers Grievance:

TRA is responsible for settlement of disputes between licensees in accordance with the procedures set forth in Dispute Resolutions Settlement Regulation issued by Decision No: 44/2010. During 2011, two disputes were filed with TRA and both the disputes were settled with mutual agreements between the parties, before issuing official decisions.

Handling Consumer grievance is another major role assigned to TRA. Any complaint should be filed first with the concerned operator before approaching the TRA. In case the operator fails to take any action with the complaint or the consumer is not satisfied with its decision then, he has the right to file a grievance to TRA within thirty days of receiving the operator's decision or forty-five days of submitting the first complaint to the operator. The legal Affairs Unit coordinates with other TRA units, the operators and the consumer in order to issue a determination or settle the issue between the parties.

Tariff Promotions, New Services & Revision Proposals

A number of new services and tariff Plans were launched by the licensees during 2011. Details of promotions and Tariff proposals approved/ rejected during 2011 by TRA are illustrated in the following table:

In brief, during 2011 TRA approved 77 promotions, 41 new services/ tariff plans, 31 revisions and it rejected 11 proposals as they were not either complying with the tariff filing conditions and guidelines or were not considered appropriate.

The majority of the promotions were on international calls, starter packs, blackberry and broadband services.

Some of the important new services and revisions approved by the Authority during the year 2011 are mentioned below:

A. Tariff Revisions:

1) Fixed Broadband:

Many attractive packages emerged during this year. The tables below illustrate the previous and current plans offered by Omantel and Nawras:

	2009	2010	2011
Promotions	69	119	77
New services/ tariff plans	50	38	41
Revisions	18	22	31
Rejections	0	4	11
Total	137	183	160

Download/Upload Speed	Monthly Fee (R.O)	GB bundled	Additional Usage (R.O/GB)	Fixed Line Rental
Up to 2Mb/128Kb	7	0	3	Not Included
512 Kbps/128 Kbps	12	0	1	Not Included
Up to 2Mb/128Kb	12	0	1*	Not Included
1 Mbps/128 Kbps	19	2	1	Not Included
Up to 2Mb/512Kb	20	Unlimited	0	Included**
2 Mbps/256 Kbps	29	5	1	Not Included
3Mb–5Mb/768Kb	25	Unlimited	0	Included**
4 Mbps/256 Kbps	39	10	1	Not Included
8 Mbps/512 Kbps	99	Unlimited	N/A	Not Included
8Mb–12Mb/1Mb	35	Unlimited	0	Included**
16Mb–24Mb/2Mb	50	Unlimited	0	Included**
40Mb/5Mb	60	Unlimited	0	Included**

Omantel

NOTES: the PURPLE shaded areas represent previous/cancelled tariffs

* Monthly charges are capped at R.O 39 including Broadband rental and usage. This is the tariff under the current proposition and we will continue to offer it for the benefit of those customers who may not want to change their plan).

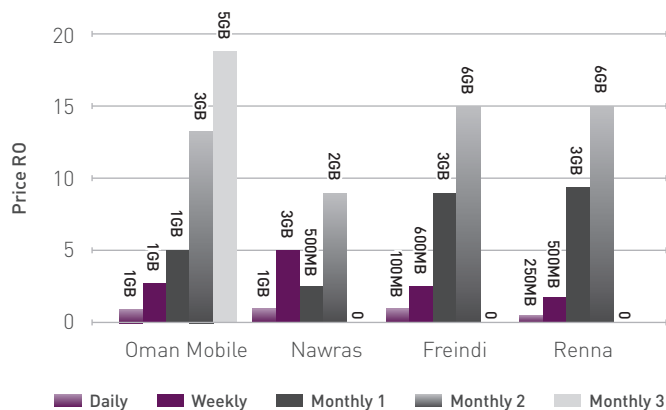
** Fixed line rental is included as well as 100 minutes of on net fixed to fixed calls; out of bundle minutes will be charged as follows: on net fixed to fixed at the prevailing tariffs of 15Bz/Min in peak and 7.5Bz/Min in off-peak and off net calls at 33Bz/Min. Upgrade to fixed unlimited plan currently priced at RO 7.9/month would be available at an additional price of only R.O 3.9 per month.

Nawras

Download/Upload Speed	Monthly Fee (R.O)		Included data (GB)		Additional Usage (Bz/MB)	Fixed Line Rental
512 Kbps/128Kbps	9		1		0.002	Not Included
1Mbps/384Kbps	15	14	6		0.002	Not Included
3Mbps/1Mbps	25	19	12	20	0.002	Not Included
5Mbps/2Mbps	35	24	20	Unlimited	N/A	Not Included

2) Mobile Broadband:

The graph below shows the most popular mobile broadband packages offered in the market during 2011:

Mobile Broadband Plans

Source: TRA

4) Revised Tariff for Internet Leased Line:

The tariff reduction for this service ranges from 8% to 24%.

5) Revised Tariff for Corporate ADSL:

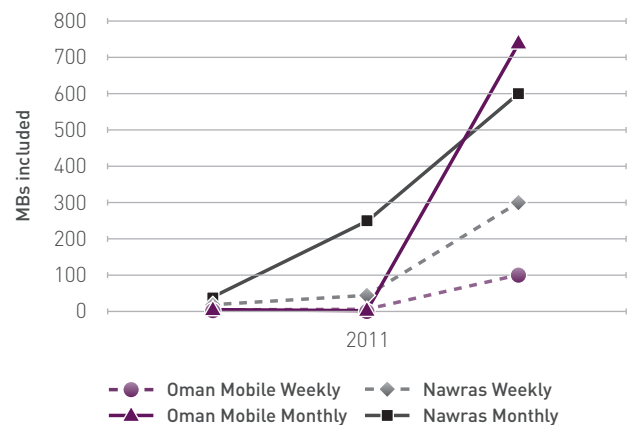
Monthly fee has been decreased by 56% for some packages.

6) Prepaid International Fixed Line Tariff:

The rates have been reduced by 18% to 56% to some destinations.

3) Blackberry:

The prepaid segment has seen lots of enhancement in terms of data allocation. The graph below illustrates the increase in data bundle during 2011 while the rates remained the same (i.e. OMR2 per week or OMR9 per month):

Blackberry Prepaid Packages**7) Postpaid International Fixed Line Tariff:**

On average 18% discount offered to all destinations.

8) Corporate Internet Tariffs:

Reduction in this Tariff ranges from 9% to 63%.

9) National Toll Free:

Tariff of this service was reduced by 10% for mobile calls and by 43% for fixed calls.

B. Introduction of New Services

Following is snapshot of some of the new services offered:

1) Postpaid to Postpaid Credit Transfer Service:

This service allows postpaid subscribers to transfer credit to other postpaid accounts.

2) New Payment Channel for Postpaid Customers:

This service is allowing postpaid customers to conveniently use recharge cards as a new payment channel.

3) Free Corporate SMS:

Enabled corporate members to exchange SMSs freely among them in return for OMR 1 per line per month.

4) Public Prosecution SMS Inquiry Service:

It provides the public with easy access to information on their legal cases details using SMS e.g. case status, hearing date and attendance date etc.

5) International Airtime Recharge Service:

This Service enables customers, in real time, to recharge the mobile telephone accounts of friends and family residing in other countries through their local mobile account.

6) Price Xpress:

Allows customers to obtain price information on different products of different suppliers and get a list of the brand names (Approved, yet to be launched).

7) Business Prepaid:

Provides business customers with means of cost control and predictability in terms of their telecom spend while maintaining the favorite features of Business Postpaid such as preferential rates for calls among employees.

International Roaming Framework

International roaming is a service which enables consumers to continue using their mobile phone and SIM card while travelling outside the country where the connection was bought and activated. Users may continue using the same group of service that is offered back home, such as voice and video calls, SMS, MMS and internet browsing using the same number and receiving one bill.

Commercial arrangements

The roaming service is enabled by way of bilateral agreements that are commercially negotiated between mobile network operators and their counterparts in foreign countries. These agreements contain among other things, the charges at which the visited

operator, offers other mobile operators, the service of utilizing its network to facilitate the roaming service to its travelling beneficiaries.

These commercially negotiated charges are called Inter-Operator-Tariffs (IOT). The visited operator IOT constitutes a large part of the final roaming retail price paid by the travelling beneficiary to its home operator. Home operators set their final international roaming retail prices taking the foreign IOT in consideration, in addition to a mark-up to cover their retail costs.

The GCC initiative

Realizing the increasing importance of telecommunications services for the travelers, and in order to make the prices of calls made while travelling between the GCC countries more reasonable and affordable to the GCC nationals and residents, a working group comprised of specialists from the telecommunications regulators under the umbrella of the GCC General Secretariat in Riyadh – KSA was tasked to develop and implement a regulatory framework for international roaming prices within the GCC.

The price caps developed set a ceiling on the international roaming prices. These were implemented over a two years period. The caps apply to roaming calls within the visited country and to the home country or other GCC countries. Phase I of this regulation was implemented in 2010, where the price caps were set at 138bz/min within the visited country and 344bz/min for calls to any GCC country. These caps constituted reductions in roaming charges up to 71% and 45% from the prices that were in place before the

implementation for calls within the visited country and calls to any GCC countries respectively.

Under Phase II of this regulation price caps were reduced to 106 bz/min, and 255 bz/min for calls in the visited country and calls to any GCC country respectively. These caps resulted in further reduction up to 78% and 59%, of the original prices before 2010.

It is important to mention that these rates are ceilings and operators are free to compete by setting prices below the regulatory caps and provide more attractive prices to the consumers.

Having accomplished this first milestone, and keeping in view, the increasing importance of mobile data services, the GCC roaming working group intends developing appropriate price caps regulations for SMS, MMS and data roaming charges.



Quality of Service

TRA issued QoS regulation dated 12th February 2011 requesting all licensees to submit QoS report covering key indicators for Fixed and Mobile Services, from technical and customer services perspective. This report is required to be submitted to TRA on quarterly basis along with Licensees' justifications if they fail to achieve the targeted value for that indicator. Also, during 2011 the QoS team had started an essential task to evaluate the QoS for mobile network coverage for licensees by conducting surveys in the main cities of Oman.

Monitoring of the service quality performances of the Licensees is a continuous function of TRA. The QoS Bi-annual results for 2011 were compiled for analysis. Table-1 lists the QoS parameters for Mobile operators and Table-2 shows for parameters related to Fixed operators:

Table.1: Mobile QoS indicators in 2011

License		Oman Mobile		Nawras Mobile	
KPI	KPI Target	Achieved in 1st half year 2011	Achieved in 2nd half year 2011	Achieved in 1st half year 2011	Achieved in 2nd half year 2011
Percentage of Calls Dropped	Less than 0.8%	0.52%	0.57%	0.22%	0.15%
Percentage of Calls Blocked due to Congestion	Less than 1.1%	0.58%	0.78%	0.17%	0.05%
Percentage of billing complaints resolved within 20 working days	More than 96%	99.86%	100%	100%	100%

Table.2: Fixed QoS indicators in 2011

License		Omantel		Nawras Mobile	
KPI	KPI Target	Achieved in 1st half year 2011	Achieved in 2st half year 2011	Achieved in 1st half year 2011	Achieved in 2st half year 2011
Faults per 100 lines per year	Less than 12	3.77	2.48	0	0
Percentage of faults to be cleared within 24 hours	More than 90%	93.86%	95.48%	100%	100%
Unsuccessful Call Ratio for local and national fixed calls	Less than 1%	0.96%	0.03%	0.04%	0.05%
Percentage of Orders for access lines in the Served Areas Completed within 10 days	More than 90%	96.01%	N/A	97%	94%
Percentage of payphones in working order	More than 96%	99.79%	99.83%	N/A	N/A
Billing Complaints per 1000 bills	Less than 1.5%	0.89%	0.26%	0.18%	0.30%
Percentage of billing complaints resolved within 20 working days	More than 96%	100%	100%	100%	100%

It can be noted, from the above tables, that the achieved values of each indicator is within the TRA set KPI target values.

Quality of Service Surveys for Mobile Service Coverage

The aim of the survey was to benchmark the QoS for mobile network of the licensees and increase the public awareness with regards to how good the coverage is within their residential areas. Survey reports² are published on TRA website for each Governorate/ Wilayat individually. Also, publishing of such survey reports would encourage the licensees to improve their services and enhance the mobile network coverage in the areas which still suffer from poor

mobile network coverage. The survey reports include a snapshot of satellite image of surveyed area and color coding indicating the signal strength received by the beneficiaries' mobile handset. In addition, the main signal and call indicators of mobile network are illustrated in the report as average percentage, such as mean signal level, mean signal quality, drop calls, and block rate.

So far, four (4) survey reports have been published on the TRA website for the following Governorate / Wilayats:

- 1) Muscat Governorate (Except Al Amerat and Qurayat)
- 2) Al Batinah Governorate (Barka, Mussanah, Sohar)
- 3) Buraimi Governorate (Buraimi)
- 4) Masandam Governorate (Khasab)

² See http://www.tra.gov.om/newsite1/QualityofService.aspx?Menu_ID=22

Understanding Consumer Perceptions

Consumer Survey

The Consumer Affairs Department carried out a nationwide consumer satisfaction survey during 2011. This Survey was the first survey of its kind since the inception of the TRA. The objective of the consumer satisfaction survey was to assess the consumer satisfaction level for telecom services amongst different segments of the customer base in Oman. One of the key mandates of the TRA is to ensure and maintain availability of telecommunications services to the public and other users at reasonable prices and acceptable level of quality. The survey results are considered to be a valuable foundation for TRA's strategies and future plans.

Submission of Consumer Complaints through the Network

In order to boost the TRA's role in safeguarding the beneficiaries' interest, TRA introduced a new channel to keep in contact with the consumers through Complaint Management System over the Internet where any consumer can contact TRA from anywhere to submit any comments or suggestions and follow up the processing of his/her complaint over the Internet.

Consumer Complaints

During 2011, TRA received a total of 31 registered valid complaints from consumers on issues where no settlement was reached with their service provider compared to 46 complaints in 2010, registering a decrease of 32.6%. Most of the complaints, amounting to 58.1%, were in relation to mobile and mostly in respect of billing. Complaints of fixed lines this year were 22.6% and Internet represented 19.4% of the total complaints.

For details, please see the following Table:

Service	Mobile	Fixed Line	Internet	Total	Percentage
Omantel	13	6	3	22	71%
Nawras	5	1	3	9	29%
Total	18	7	6	31	100%
Percentage	58.1%	22.6%	19.4%	100%	

TRA arranged amicable settlements between beneficiaries and service providers and issued determinations on unresolved disputes.

Consumer Awareness Campaign

Awareness Campaigns and Informative Supplements

TRA launched "my number... My Identity" Awareness campaign which was aimed to educate mobile users to use registered identified sim cards only. The campaign was launched to combat the misuse of mobile sim cards among users. In addition, it played an educational and legal role to fulfill the public order within the society of Oman. From March to April 2011, a number of public awareness messages were dispatched through local media channels.

My Number ... My Identity Public Awareness Matrix:-

No.	Awareness Channel	Number
1	Bulk sms messages	1,000,000
2	Press Advertisement inserts	300
3	Radio messages	205
4	No. of participants in the Awareness competition on Oman T.V. during Khareef Festival	50,000 participants
5	Radio, T.V. and Press Interviews	25
6	Press supplements	4
7	Outdoor Media: Mega Com, billboard,	7
8	Awareness stations [Comex and Khareef Festival]	2

The outcome of the campaign was recognized by various government authorities and public. Mobile users updated their sim cards personal data through the service providers.

Media and consumer Affairs produced TRA corporate short film. The new produced film portrays the story of TRA in a nutshell. It will be used by TRA during exhibitions, conferences, and meeting events. The film was launched on social media channels to maximize the TRA awareness to public.

IT and Telecom Exhibition (Comex)

TRA had an active participation in the IT and Telecom Exhibition during the first quarter of 2011. A new stand was set up for the TRA to leverage the presentation of TRA Services and its role as a regulator. During Comex, TRA had launched the new automated internet based systems for Consumer complaints and type approvals of telecom devices and instruments.

A live presentation was given to all TRA's stand visitors through three major awareness stations (Consumer Affairs, Type Approval, and My Number...My Identity). Visitors had an active involvement in understanding and using TRA's Consumer Affairs Complaints services. "My Number...My Identity" awareness station greeted visitors by a mascot which carried the awareness theme of the campaign.

A daily radio show broadcast from the TRA's stand discussed various Telecommunications topics.

Transparency and Public Consultations

Legislation and Legal Studies

The Telecommunications sector witnessed substantial changes during the year by receiving three Royal Decrees. The 1st Royal Decree No: 68/2011 titled Amendment of some provisions of the Telecommunications Regulatory Act, the 2nd Royal Decree No: 69/2011 titled Formation of the Board of Directors of the TRA, and the 3rd Royal Decree No.: 70/2011, titled appointing Chief Executive for the Authority.

In addition, TRA issued the following Decisions:

No.	Decision No.	Issue date	Title	Gazette No.
1	11/2011	9th Feb 11	Rules regulating World Wide Web (Internet) access service provision in public places	930 published on 1st March 11
2	13/2011	12th Feb 11	Terms & Condition determining Licensee Quality of Service Requirements	930 published on 1st March 11
3	22/2011	8th Mar 11	Guideline of Quality of service definition & KPIs	Internal guideline
4	17/2011	24th Oct 11	Amending Class I License of the Omani Telecommunications Company (S.A.O.C) for the Provision of Basic Fixed Public Telecommunications Services	950 published on 12th Nov 2011
5	18/2011	24th Oct 11	Issuing the Authorization Conditions & Procedures for the Provision of World Wide Web (Internet) Access Service Provision in Public Places	950 published on 12th Nov 2011
6	142/2011	13th Dec 11	Guideline on contribution of recovering Access deficiency	Internal guideline
7	143/2011	28th Dec 11	Amending Decision No (81/2007) re-drafting of Decision 81/2008 on Determining Fees of Telecommunications Numbers	956 published on 7th Jan 2012

Legal Studies:

TRA had prepared various sector related legal studies, as follows:

- A study on Intellectual Property Right on the Internet
- A study on the government rights to restrict access to the telecommunication market in coordination with the World Trade Organization (WTO) & Free Trade Agreement (FTA) with USA
- The Legal Affairs Unit participated in the First Study Group under ITU by preparing a questionnaire on the cyber security awareness
- As a member in the Arab Telecommunications Network, the TRA Provide suggestion on the Children protection Project which was submitted by the Lebanon Government
- Prepared analytical study for the amendment of the TRA Decision No 152/2008 regarding Formation & regulating the Work of Settlement Committee
- Prepared a practical study regarding the consumer complaints with the purpose to set a practical procedure which shall be fast and affective.

Public Consultations

TRA issued and published the following consultations for seeking views and comments from the general public and other stake holders during the year 2011:

- 1) Premium Rate Services Regulations,
- 2) Establishment and Sharing of Telecom Passive Infrastructure,
- 3) Call Centers Regulations,
- 4) Rules regulating the provision of Voice Services over Internet Protocol Regulation,
- 5) Guidelines of establishing WiFi Hotspots,
- 6) Tariff transparency Guidelines,
- 7) Weighted Average cost of Capital Methodology.





05

Building Institutional Capacity

Local and International Collaborations

TRA plays an active and a dynamic role at both the international and regional levels in telecommunications development and continues to develop ties with its fellow regulators, and builds on further strengthening bilateral relationships with regional authorities as well as other related bodies.

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 (ARNET) and in 2010 actively contributed on issues of tariff benchmarking.

Participation in International Events

The TRA participated in various events in 2011 with the aim to represent the Sultanate in relevant regional and international regulatory authorities and other international organizations in the radio communication, telecommunication standardization and telecommunication development sectors, as well as to benefit from international exposure and experiences in directing the development and articulation of local telecommunications policies, consistent with Oman's Telecommunication Regulatory Act and the strategic plan of TRA.

TRA staff participated in 68 events in 2011. The frequent participation of staff in such events is reflected in the number of man days spent at these forums. The following table gives an indication of participation in the various international forums during 2011:

Participation in International Events

No. of Events	
ITU	21
GCC	14
Arab League	3
ARNET	1
Others	29
Total	68

In 2011, the TRA extended its participation in various international events, some of which are mentioned below:

- **ITU's Global ICT Industry Leaders Forum (GILF)**

The International Telecommunication Union (ITU)'s 4th Global ICT Industry Leaders Forum (GILF-11) took place in Armenia City, Colombia on 20 September 2011.

The GILF is an annual event which provides a neutral platform for ITU-D Sector Members to share their views with policy makers and regulators on major issues facing the ICT sector, with a particular emphasis on reducing barriers to ICT investment in developing and least developed countries. The GILF-11 focused on how key trends are shaping the regulatory landscape, discussing the role of telecommunications regulation, and on exploring the changing relationship between industry and regulators, and was organized around three main thematic sessions: 1) Taxation; 2) Innovation and Entrepreneurship - New Applications and Services Driving Future Growth; and, 3) Impact of Social Media on the Regulatory Environment.

TRA's participation in the Global ICT Industry Leaders Forum consisted of a high-level delegation led by TRA Chief Executive Dr. Hamed bin Salim Al-Rawahi.

- **ITU's Global Symposium for Regulators (GSR)**

The International Telecommunication Union (ITU)'s 11th Global Symposium for Regulators (GSR-11) took place in Armenia City, Colombia from 21 to 23 September 2011. The GSR is an annual event bringing together heads of national regulatory authorities from both developed and developing countries. The GSR-11 theme in 2011 was, 'Smart Regulation for a Broadband World' and at the close, the symposium adopted best practice guidelines aimed at advancing the deployment of broadband connectivity worldwide. Topics discussed at the symposium included the following: m-banking services and the role of regulators, wireless broadband spectrum pricing, satellite regulation, open access regulation, setting national broadband policies, strategies and plans, financing universal access/ service, e-waste and recycling, protecting rights, such as intellectual property, of all stakeholders in a digital ecosystem, regional initiatives to foster broadband connectivity.

TRA's participation in the "Global ICT Industry Leaders Forum" consisted of a high-level delegation led by TRA Chief Executive Dr. Hamed bin Salim Al-Rawahi.

• ITU's Telecom World

The International Telecommunication Union (ITU)'s Telecom World took place in Geneva, Switzerland from 24 to 27 October 2011. ITU Telecom World 2011 brought together Heads of State, Government & International organizations together with company CEOs, Mayors of top cities, thought leaders, innovators, researchers and more and provides a platform to network, share knowledge, seek solutions to global challenges and design a Manifesto for a connected world on how connected technologies can make global citizens happier, healthier, safer and smarter.

TRA's participation in the Global ICT Industry Leaders Forum consisted of a high-level delegation led by TRA Chief Executive Dr. Hamed bin Salim Al-Rawahi.

• ITU's World Telecommunication and Information Society Day (WTISD)

TRA celebrated the 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 2011 WTISD theme "Better life in rural communities with ICTs" the Sultanate's accomplishments in the ICT field were highlighted. The event was held under the auspices of His Excellency Dr. Ahmed Al-Futaisi Minister of Transport & Communications.

• International Events Participation (World Radiocommunication Conference WC-12)

TRA actively participated in the preparation of the World Radiocommunication Conference (WRC-12) by preparing 25 working documents for the GCC Team for the preparation for the work of WRC-12 meeting and succeeded in making the meeting to adopt most of Oman's view points. As a result, common GCC proposals were submitted to the Arab Spectrum Management Group meeting (ASMG). This meeting has adopted the majority of submitted GCC working documents and were considered as a common Arab working documents to the WRC-12.

• ITU Arab Regional Workshop on Policy Advocacy and Capacity Building in Child Online Protection (COP)

TRA, in cooperation with the Information Technology Authority (ITA) hosted the ITU's Arab Regional Workshop on Policy Advocacy & Capacity Building in Child Online Protection (COP) from 30 to 31 October at the Shangri La Barr Al Jissah. The event was held under the auspices of His Excellency Dr. Ahmed Al-Dheeb, Undersecretary of the Ministry of Commerce and Industry.

This is in line with the TRA initiative to tackle cyber security as specifically related to children, in an approach that addresses legal, technical, organizational and procedural issues as well as capacity building and international cooperation with the belief that this issue can only be addressed through a coherent strategy taking into account the role of different stakeholders and existing initiatives, within a framework of an international collaborative network. "Our children are our future" this universal fact, coupled with young people's particular vulnerability in an online environment makes this an urgent issue that TRA has placed as a high priority.

• Oman – UAE Bilateral Coordination Meeting

In order to avoid spill-over coverage and frequency interference of GSM and 3G networks between the Sultanate and UAE, bilateral meeting continued in 2011 as well.

The 12th bilateral meeting, being a follow-up of previous bilateral meeting, was held in Bahrain during the period 3-4 April 2011. The meeting had discussed actions done by operators in both countries related to the control of GSM (2G) networks in border areas. Furthermore, the meeting resulted in an agreement of the two countries about the technical limits related to the control of 3G networks in border areas. Both regulators are to carry out necessary drive tests in the border areas to check on the compliance of operators in both sides.

Outgoing and Visiting Delegations

In the continuing spirit of regional cooperation and collaboration, delegations from TRA conducted visits to the United Arab Emirates' Telecommunications Regulatory Authority as well as the Dubai Courts & Dubai DIFC Courts in order to exchange and benefit from experiences in the following fields:

- Management of complaints and dispute resolution
- International relations and collaboration
- Accounting Separation

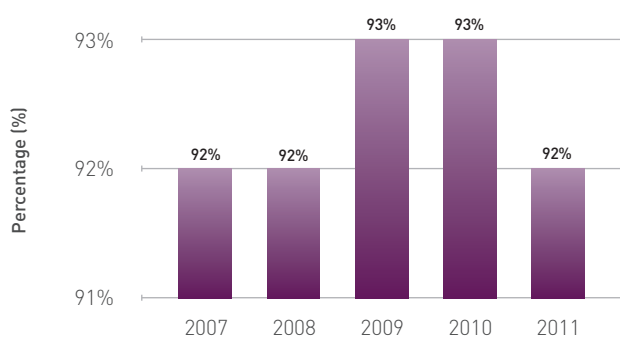
The TRA also received incoming delegations comprising of a delegation headed by the Republic of Finland's Ambassador to Oman as well as Jordanian businessmen from the Jordanian Technical Trade sector.

Building TRA Capacities

Omanization

TRA continues to maintain a high percentage of Omanization throughout the past years by providing various job opportunities for Omani nationals:

Omanization at TRA (%)



By End of December 2011, the total number of employees were 118 Omanis against 10 expatriate (Total 128) out of them 31 females. The Omanization ratio at TRA at the end of 2011 was: 92%.

Capitalizing on existing Human Resources

It is always the intention of TRA to induct best of class professionals. In the existing scenario of changing technologies and methodologies, In-House, External and Internal Trainings are arranged.

In-House Training

In order to develop employees Skills TRA had organized the following In-house Training Programs:

Training Program	Benefited employees
Office Management	8
Project Management	20
(NGN/ NGA)	50
Telecom Regulation	46
Emotional Intelligence	60
CCNA Cisco Certificate	9

External and Internal Trainings

TRA treats its employees as a valued asset and facilitates them for External and Internal Training Programs in order to enhance their capabilities to produce more efficiently and effectively with better quality output.

The below Table shows the total number of Training and Courses against total number of employees benefited from such training Programs:

Number of Training and Courses	
External	Internal
82	18
Number of Benefitted Employees	
81	

Re-certification of SMU Quality Management System as per the ISO 9001:2008

Spectrum Management Unit (SMU) was certified in August 2008 by Vinçotte International which is a leading international certification body with Head Office in Brussels, Belgium. This ISO certification was with validity period of 3 Years. In 2011, the authority submitted its request for another ISO accredited body in order to re-confirm the compliance with the ISO 9001:2008 standards. A comprehensive audit was carried out by this accredited body and SMU was granted the ISO 9001:2008 certificate on 25 Aug 2011 with a validity period of 3 Years.

Staff Social Relations

TRA continues its efforts to strengthen staff relationship by organizing several social and entertainment activities. Events were arranged in selected spots in which TRA staff along with their families with kids and friends participated. During the year 2011, the activities organized were:

- **Iftar in Ramadan:**

TRA had organized an Iftar dinner party for its employees and their families. It was held in Hormuz ferry with a beautiful journey in the sea of Muscat.

- **Open Day:**

A full day of Entertainment for Employees and their families in Millennium Hotel in Musana. At the end of the day, Valuable gifts were given to employees.

- **Employee Long Service Awards:**

As part of TRA's philosophy to express its appreciation to its valued employees, gifts were given to employees who completed 5 years of continuous service with TRA.

Enhancing IT knowledge

ERP System

The ERP e-project of TRA is used to manage all activities needed for the internal resources electronically, including financial resource and human resources. The purpose is to facilitate the flow of information between all functions within the TRA. This project uses the latest Microsoft software solution technologies.

CRM System

TRA has recently implemented an eServices platform (Customer Relationship Management (CRM)) that is aimed at automating and streamlining its business operations. The new service offering that is blended with TRA's public internet presence facilitates provisioning of eServices to TRA's customers through a seamless manner.

Back ended with an ERP system and a CRM module to fulfill service requests, the eServices platform provides TRA with an extensible solution to provision, publish and serve its services. As a result, TRA was able to automate customer facing services to provide end-to-end online services.

Furthermore, the platform provides integration with the Government ePayment gateway and an SMS gateway to provide full range of interactivity and automation. In addition, back-office operations are now tightly integrated with the eServices platform to ensure that services are streamlined and delivered transparently.

There are 26 services offered by CRM, as follows:

- 1) Registration of new user account
- 2) Registration for dealing with telecom activities
- 3) Renewal in dealing with telecom activities
- 4) Add branches for registered e-service user of telecom activities
- 5) Add activities for registered e-service user of telecom activities
- 6) Amendment of registered e-service user of telecom activities
- 7) Cancellation of registered e-service user of telecom activities
- 8) Authorization to import telecom equipment
- 9) Type approve telecom equipment
- 10) Release of telecom equipment from the customs
- 11) Permission to store unlicensed radio equipment
- 12) Renewal of the permission to store unlicensed radio equipment
- 13) Permission to supply radio equipment from stock
- 14) Permission to import telecom equipment for demo purpose
- 15) Permission to import radio equipment for re-export
- 16) Permission to export faulty radios for repairing purpose
- 17) Re-issue the certificate
- 18) General Enquiry
- 19) Application for Class Two license
- 20) Application for Class Three license
- 21) Permission for Private network
- 22) Complain Request
- 23) Registration for Internet Café
- 24) Renewal of Internet Café
- 25) Amendment of registered Internet Café
- 26) Cancellation of registered Internet Café

Setting up Domain Name Management Function

As per the Telecom Act, TRA is mandated to managing the country code top level domain names ccTLD '.om' and 'عمان' which is partially being done by Omantel currently. In order for TRA to fully pursue this function, the ccTLD infrastructure (registry and Domain Names System) has to be deployed.

Towards deployment initiatives, TRA awarded the assignment to execute the related works to a reputable vendor. TRA had also signed the contract with the vendor after several rounds of negotiations.

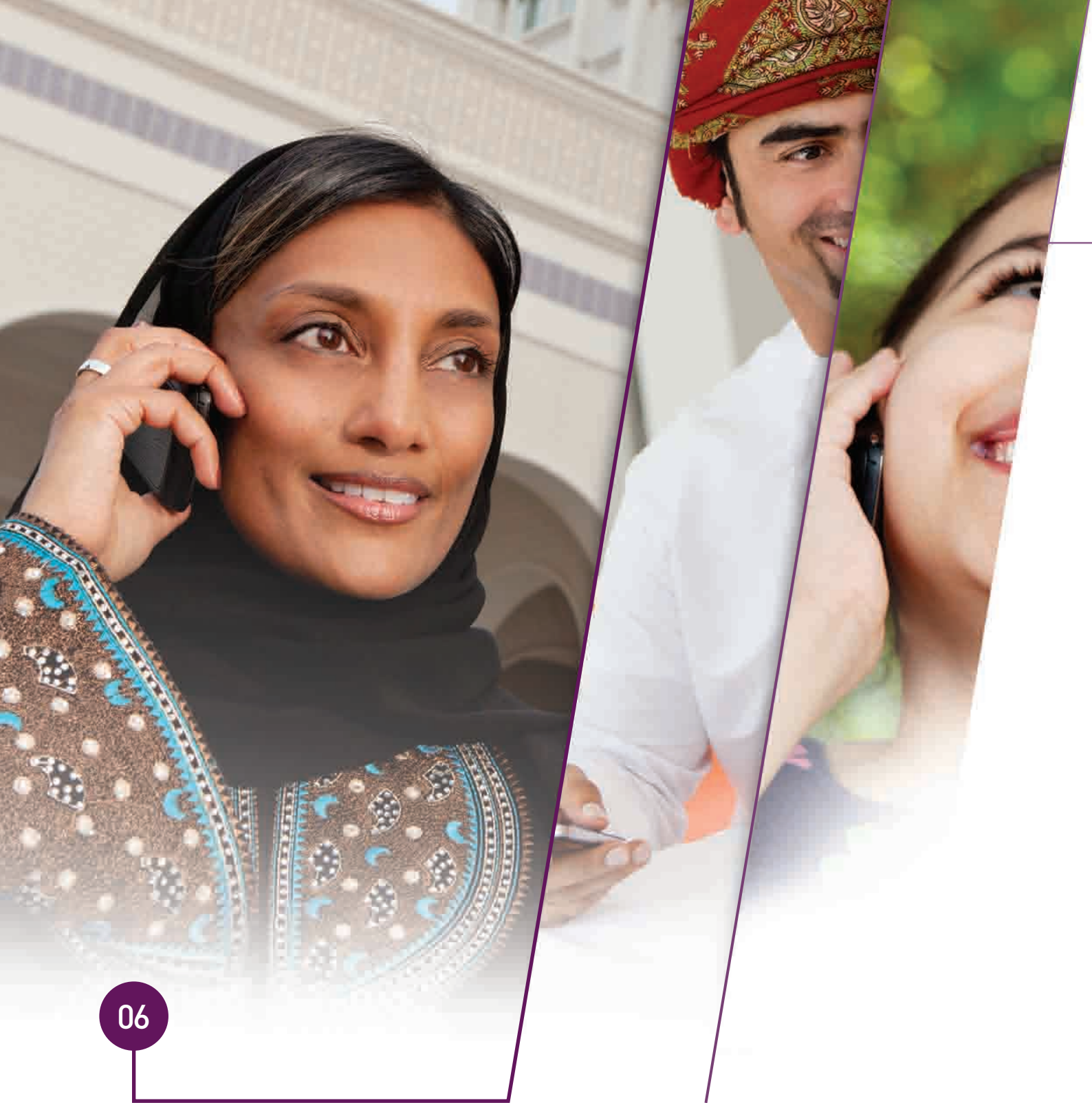
During the year 2011, lots had been done towards the finalization of this project; the most important achievement were:

- 1) **Gaining ICANN (the international body responsible for managing and assigning names) approval for the re-delegation of .om registry,**
- 2) **Re-delegation of the .om ccTLD from Omantel to TRA was completed and approved making TRA officially the new .om ccTLD DNS Country Root Zone manager for Oman.**

The re-delegation process included several steps such as verification of Omantel agreeing with the request etc., ICANN requested for evidence that TRA is capable of operating and managing the National ccTLD domain name spaces and administratively & technically well-suited for this role. Also, ICANN requested for a documentation of community support.

On the other side of the technical achievement of the project, hardware installation and interconnections between the new DNS Registry System primary site and Disaster Recovery site were completed.

Policies for .om were reviewed and new policy for 'عمان' had been developed as well, pending finalization. Domain Names Registrars agreement were published for public consultation. TRA also floated a tender for a marketing campaign.



06

2011 Financial Statement

Independent auditor's report to the members of Telecommunications Regulatory Authority

Report on the financial statements

We have audited the accompanying financial statements of Telecommunications Regulatory Authority (the "Authority"), which comprise the statement of financial position as of 31 December 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 25.

Management's responsibility for the financial statements

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 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 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 Telecommunications Regulatory Authority as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
24 March 2012

Statement of financial position at 31 December 2011

ASSETS	2011 (R0)	2010 (R0)	NOTES
Non-current assets			
Property and equipment	1,662,152	1,121,523	6
Current assets			
Telecom frequency fees receivable	186,677	1,072,584	7
Advances and other receivables	1,073,464	168,938	8
Fixed deposits	23,000,000	17,500,000	9
Cash and cash equivalents	1,188,099	5,135,809	10
Total current assets	25,448,240	23,877,331	
Total assets	27,110,392	24,998,854	

EQUITY AND LIABILITIES	2011 (R0)	2010 (R0)	NOTES
Equity			
Accumulated surplus	9,346,630	13,333,703	
Non-current liabilities			
Deferred government contributions	4,848,111	2,318,449	12
End of service benefits	730,253	593,515	13
Total non-current liabilities	5,578,364	2,911,964	
Current liability			
Trade and other payables	12,185,398	8,753,187	14
Total liabilities	17,763,762	11,665,151	
Total equity and liabilities	27,110,392	24,998,854	

Statement of comprehensive income for the year ended 31 December 2011

	2011 (R0)	2010 (R0)	NOTES
Income			
Radio spectrum income	9,538,363	9,638,976	15
Annual telecom licenses	3,133,451	2,192,004	16
Income from issuing numbers	499,542	710,338	
Telecom equipment type approval income	171,989	150,769	17
Other telecom license fees	54,750	85,750	
	13,398,095	12,777,837	
Operating expenses			
Salaries and related costs	(4,029,563)	(3,160,840)	18
General and administrative expenses	(1,220,745)	(927,411)	19
Consultancy fees	(560,711)	(261,703)	
Monitoring station costs	(450,000)	(450,000)	20
Full time members' remuneration	(54,000)	(120,000)	
Depreciation of property and equipment	(428,639)	(385,190)	6
Donations to charitable institutions	(220,000)	(186,000)	21
Allowance for impairment of receivables - net release	325,655	2,527,399	7
	(6,638,003)	(2,963,745)	
Operating income	6,760,092	9,814,092	
Government contributions	356,115	385,829	12
Interest income	267,746	396,087	22
Other income	2,401	34,088	
Surplus for the year	7,386,354	10,630,096	

Statement of changes in equity for the year ended 31 December 2011

	Accumulated surplus (R0)
Balance at 1 January 2010	12,363,739
Surplus transferred to Ministry of Finance (Note 11)	(9,115,942)
Surplus payment to the telecommunication operators (Note 16)	(544,190)
Surplus for the year	10,630,096
Balance at 1 January 2011	13,333,703
Surplus transferred to Ministry of Finance (Note 11)	(10,279,458)
Surplus payment to the telecommunication operators (Note 16)	(1,093,969)
Surplus for the year	7,386,354
Balance at 31 December 2011	9,346,630

Statement of cash flows for the year ended 31 December 2011

	2011 (R0)	2010 (R0)
Operating activities		
Surplus for the year	7,386,354	10,630,096
Adjustments for:		
Depreciation	428,639	385,190
Provision for impairment of receivables	1,139	226,467
Release of provision for impairment of receivables	(326,794)	(2,753,866)
Net transfer to end of service benefits	136,738	129,584
Government contributions	(356,115)	(385,829)
Interest income	(267,746)	(396,087)
Gain on disposal of property and equipment	-	(267)
Operating profit before changes in working capital	7,002,215	7,835,288
Working capital changes:		
Telecom frequency fees receivable	1,211,562	(666,671)
Advances and other receivables	(924,448)	2,510,821
Trade and other payables	3,432,211	176,551
Cash generated from operations	10,721,540	9,855,989
Interest received	287,668	484,487
Net cash from operating activities	11,009,208	10,340,476
Investing activities		
Fixed deposits	(5,500,000)	(2,700,000)
Purchase of property and equipment	(969,268)	(306,439)
Proceeds from disposal of property and equipment	-	355
Net cash used in investing activities	(6,469,268)	(3,006,084)
Financing activities		
Surplus transferred to Ministry of Finance	(10,279,458)	(9,115,942)
Surplus return to the operators	(1,093,969)	(544,190)
Return of the excess of grant received	(114,223)	-
Government contributions received	3,000,000	22,715
Net cash used in financing activities	(8,487,650)	(9,637,417)
Net change in cash and cash equivalents	(3,947,710)	(2,303,025)
Cash and cash equivalents at the beginning of the year	5,135,809	7,438,834
Cash and cash equivalents at the end of the year (Note 10)	1,188,099	5,135,809

Notes to the financial statements for the year ended 31 December 2011

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.

These financial statements are presented in Rials Omani (RO) since that is the currency of the country in which the majority of the Authority's transactions are denominated.

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

For the year ended 31 December 2011, the Authority has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the year beginning on 1 January 2011.

2.1 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has

not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendment to IAS 1 – Annual Improvement to IFRSs

The amendment clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements.

Amendments to IAS 24 – Related Party Disclosure

The amendments simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government related entities) and clarify the definition of related party.

Amendments to IAS 32 – Classification of Rights Issues

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities.

Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirements

The amendments addresses when refund or reductions in future contributions should be regarded as available in accordance with IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting for extinguishment of financial liability by the issue of equity instruments

2.2 Standards and Interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
IFRS 7: Financial Instruments: Disclosures, amendments enhancing disclosures about transfers of financial assets	July 2011
IAS 12: Income Taxes, limited scope amendment (recovery of underlying assets)	January 2012
IAS 1: Presentation of Financial Statements, amendments to revise the way other comprehensive income is presented	July 2012
IAS 19: Employee Benefits, amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 2013
IAS 27: Consolidated and Separate Financial Statements, reissued as IAS 27 Separate Financial Statements (as amended in 2011)	January 2013
IAS 28: Investments in Associates, reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)	January 2013
IFRS 7: Financial Instruments: Disclosures, amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 2013 and interim periods within those periods
IFRS 10: Consolidated Financial Statements	January 2013
IFRS 11: Joint Arrangements	January 2013
IFRS 12: Disclosure of Interests in Other Entities	January 2013
IFRS 13: Fair Value Measurement	January 2013
IFRS 7: Financial Instruments: Disclosures, amendments requiring disclosures about the initial application of IFRS 9	January 2015 (or otherwise when IFRS 9 is first applied)
IFRS 9: Financial Instruments: Classification and Measurement of financial assets (intended as complete replacement for IAS 39)	January 2015 (mandatory application date amended December 2011)

New Interpretations and amendments to Interpretations:

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 2013
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Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Authority in the period of initial application.

3. Significant accounting policies

Basis of preparation

- a) The financial statements are prepared on the historical cost basis except as disclosed in the accounting policies below and in accordance with International Financial Reporting Standards (IFRS).
- b) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgement in the process of applying the Authority's accounting policies. Critical accounting judgments and key sources of estimation uncertainty are disclosed in Note 4.

A summary of significant accounting policies, which have been consistently applied by the Authority and are consistent with those used in the previous year, is set out below:

a) Property and equipment

i) Recognition and measurement

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, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of that asset if it is probable that future economic benefits embodied within the part will flow to the Authority and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is recognised in profit or loss 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

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 profit or loss.

Capital work-in-progress is not depreciated.

Management annually reassess the useful lives and residual values of property and equipment.

b) Telecom frequency fees receivable

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

c) 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 maturing within three months from the date of placement.

d) Trade and other payables

Trade and other payables are stated at amortised cost.

e) 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 profit or loss as incurred.

f) Income recognition

Equipment license fees, frequency registration fees and other fees are recognised, on accrual basis, in the profit or loss 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 profit or loss in the period in which the license is issued.

Penalties for late payment of license fees are recognised in profit or loss 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 profit or loss in the period in which the related expenditure is incurred.

g) 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 profit or loss in the year they become receivable.

Contributions that relate to the acquisition of an asset are recognised in profit or loss 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.

h) Finance income / charges

Finance income comprises interest income on bank deposits. Finance charges comprise bank interest and bank charges. Interest income and charges are recognised in profit or loss on the accrual basis.

i) 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.

j) 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.

k) 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 on the end of the reporting period. Foreign exchange differences arising on translations are recognised in profit or loss.

l) Impairment

The carrying amounts of the Authority's assets are reviewed at each end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses in respect of assets are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation, if no impairment loss had been recognised.

4. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from Management's estimates resulting in future changes in estimated liabilities and assets.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

a. Impairment of receivables

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the end of the reporting period, telecom frequency fees receivable amounted to RO .607 million (2010 : RO 1.818 million), and the provision for impairment of receivables is RO 0.420 million (2010 : RO .746 million). Any difference between the amounts actually collected in future periods and the amounts expected to be collected will be recognised in the profit or loss.

b. Useful lives of property and equipment

Depreciation is charged so as to allocate the cost of assets over their estimated useful lives. The calculation of useful lives 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.

c. Estimated annual license fee

The telecom operators reimburse all the cost incurred related to telecommunications sector by the Authority. The payment is made on an annual basis, initially based on estimate as per budget prepared by the Authority. When actual cost becomes determinable, the excess or shortage on the amount billed to operators shall be refunded or collected, respectively, from the operators, taking into account the Article 18 of the Telecommunications Regulatory Act.

5. Financial risk management

Financial instruments carried on the statement of financial position comprise cash and cash equivalents, bank deposits, trade and other receivables and trade and other payables.

Financial assets are assessed for indicators of impairment at each end of the reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Overview

The Authority has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Foreign currency risk
- Interest rate risk

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance.

i) 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

The potential risk in respect of amounts receivable is limited to their carrying values as management regularly reviews these balances whose recoverability is in doubt.

The Authority establishes an allowance for impairment that represents its estimate of potential losses in respect of telecom frequency fees receivable and other receivables.

Exposure to credit risk

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:

	2011 (R0)	2010 (R0)
Telecom frequency fees receivable	606,656	1,818,218
Other receivables	932,485	68,761
Fixed deposits	23,000,000	17,500,000
Cash at bank	1,187,599	5,135,309
	25,726,740	24,522,288

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

The age of telecom frequency fees receivables and related impairment provision at the end of the reporting period was:

	Gross (R0)	2011 Impairment (R0)	Gross (R0)	2010 Impairment (R0)
Not past due	25,616	-	29,168	-
Past due less than 1 year	109,789	-	257,931	101,756
More than 1 year	471,251	419,979	1,531,119	643,878
	606,656	419,979	1,818,218	745,634

ii) 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.

Typically the Authority ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

The Government guarantees payment of the Authority's obligations on due dates. Further, the Authority ensures that sufficient cash balance is maintained to cover its outstanding liabilities.

The following are the maturities of the financial liabilities:

31 December 2011

	Carrying amount (R0)	6 months or less (R0)	6-12 months (R0)
Accounts payable	340,289	340,289	-
Other payables	2,968,297	2,968,297	-
	3,308,586	3,308,586	-

31 December 2010

Accounts payable	152,180	152,180	-
Other payables	2,758,692	2,464,012	294,680
	2,910,872	2,616,192	294,680

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates affect 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.

iv) Foreign currency risk

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

v) Interest rate risk

The Authority has bank deposits, which are interest bearing and exposed to changes in market interest rates.

At the end of the reporting period the interest rate profile of the Authority's interest bearing financial instruments was:

	2011	2010
Fixed rate instruments		
Financial assets	1.15% - 2.55% p.a.	1.15% - 1.25% p.a.

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.

	Monitoring station (R0)	Motor vehicles (R0)	Office equipment, furniture and fittings (R0)	Computer equipment (R0)	Capital work- in-progress (R0)	Total (R0)
Cost						
1 January 2010	2,271,591	40,550	347,114	303,460	79,950	3,042,665
Additions	-	16,306	26,717	104,499	158,917	306,439
Disposals	-	-	(7,300)	(4,925)	-	(12,225)
1 January 2011	2,271,591	56,856	366,531	403,034	238,867	3,336,879
Additions	-	31,650	101,224	245,483	590,911	969,268
31 December 2011	2,271,591	88,506	467,755	648,517	829,778	4,306,147
Depreciation						
1 January 2010	1,399,676	26,160	248,732	167,735	-	1,842,303
Charge for the year	227,612	8,888	49,688	99,002	-	385,190
Disposals	-	-	(7,212)	(4,925)	-	(12,137)
1 January 2011	1,627,288	35,048	291,208	261,812	-	2,215,356
Charge for the year	189,231	10,651	69,592	159,165	-	428,639
31 December 2011	1,816,519	45,699	360,800	420,977	-	2,643,995
Net book value						
31 December 2011	455,072	42,807	106,955	227,540	829,778	1,662,152
31 December 2010	644,303	21,808	75,323	141,222	238,867	1,121,523

7. Telecom frequency fees receivable

Telecom frequency fee receivables 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.

	2011 (R0)	2010 (R0)
Fees and penalties receivable	606,656	1,818,218
Less: allowance for impairment of receivables	(419,979)	(745,634)
	186,677	1,072,584

The movement in allowance for impairment of telecom frequency fees receivables is as follows:

	2011 (R0)	2010 (R0)
Balance at 1 January	745,634	3,273,033
Add: charge during the year	1,139	226,467
Less: provision released during the year	(326,794)	(2,753,866)
Balance at 31 December	419,979	745,634

At the end of the reporting period, aggregate amount of R0 0.320 million (2010: R0 2.682 million) of the released provision pertains to the provision made for receivables from Diwan of Royal Court DG and Ministry of Information on account of subsequent collections of receivable from these parties.

The allowance account in respect of telecom frequency fees receivables 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.

8. Advances and other receivables

	2011 (R0)	2010 (R0)
Advances to suppliers	923,758	37,897
Prepayments	140,979	100,177
Other receivables	8,727	30,864
	1,073,464	168,938

9. Fixed deposits

The fixed deposits of R0 23 million (2010: R0 17.5 million) represent deposits made with local banks for a period of four months to one year and carry interest of 1.15% to 2.55% (2010: 1.15% to 1.25%) per annum.

10. Cash and cash equivalents

	2011 (R0)	2010 (R0)
Cash on hand	500	500
Cash at bank	1,187,599	5,135,309
	1,188,099	5,135,809

11. Surplus transfer to the Ministry of Finance

In accordance with Article 18 of Royal Decree 30/2002 and its amendments on 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).

12. Deferred government contributions

	2011 (R0)	2010 (R0)
At 1 January	2,318,449	2,681,563
Amortised as income during the year	(321,615)	(362,829)
Recognised as income during the year	(34,500)	(23,000)
Return of excess grant received	(114,223)	-
Fund received from government	3,000,000	22,715
	4,848,111	2,318,449

- a) The Government contributions towards the acquisition of assets are initially recognised as deferred income and are credited to the profit or loss over the estimated useful economic lives of the assets involved. The income amortised during the year related to the assets amounted to R0 321,615 (2010: R0 362,829).
- b) As expenditure arises from the grant allocated to operating costs, income is recognised in profit or loss. The income recognized during the year amounted to R0 34,500 (2010: R0 23,000).

13. End of service benefits

	2011 (R0)	2010 (R0)
At 1 January	593,515	463,931
Charge for the year (Note 18)	201,006	153,757
Payments made	(64,268)	(24,173)
	730,253	593,515

14. Trade and other payables

	2011 (R0)	2010 (R0)
Advances from customers	8,826,552	5,795,715
Accrued expenses	594,654	492,941
Provision for consultancy	652,528	357,643
Accounts payable	340,289	152,180
Deposits from customers	50,260	46,600
Royalties payable	71,366	33,136
Payable to operators	1,317,315	1,590,849
Other payables	332,434	284,123
	12,185,398	8,753,187

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

15. Radio spectrum income

	2011 (R0)	2010 (R0)
Licensing fee for use of frequency spectra	9,152,572	8,595,173
Cancellation fees, penalties and other charges	15,435	606,680
Application fees	257,600	323,200
Frequency registration fees	60,606	68,838
Amendment fees	31,800	32,685
Equipment retention fees	19,050	10,950
Survey fees	1,300	1,450
	9,538,363	9,638,976

16. 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 to the expenses incurred by the Authority in respect of the telecommunication expenses for the year ended 31 December 2011 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 1,317,315 (2010: RO 1,590,849) is determined to be refunded to the operators for the year ended 31 December 2011. The revenue from annual telecom licenses was RO 3,133,451 (2010: RO 2,192,004).

During 2011, the Authority paid surplus to telecommunication operators amounting to RO 1,093,969 (2010 : 544,190).

17. Telecom equipment type approval income

	2011 (RO)	2010 (RO)
Import permit	26,910	27,610
Radio equipment	40,500	34,105
GSM equipment	40,375	11,760
Other terminal equipment	22,625	16,120
Registration fees	9,150	17,452
Others	32,429	43,722
	171,989	150,769

18. Salaries and related costs

	2011 (RO)	2010 (RO)
Wages and salaries	2,665,085	1,982,546
Bonus	416,987	515,018
Staff training and development	260,887	214,531
Social insurance	297,400	195,833
End of service benefits (Note 13)	201,006	153,757
Other benefits	188,198	99,155
	4,029,563	3,160,840

19. General and administrative expenses

	2011 (RO)	2010 (RO)
Advertisement and publications	305,694	221,361
Travel expenses	281,172	230,513
Rent	201,952	130,544
Sponsorships and workshops	-	71,470
Communications	83,839	52,263
Printing and stationary	42,055	45,240
Repairs and maintenances	103,801	29,042
Membership fee	27,412	24,736
Utilities	23,230	15,536
Subscription for books and periodicals	21,159	12,556
Professional services	11,000	10,500
Recruitment charges	33,258	9,842
Miscellaneous expenses	86,173	73,808
	1,220,745	927,411

20. Monitoring station costs

Management fees	450,000	450,000
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The above cost pertains to the amount paid by the Authority for the maintenance and management of the monitoring station.

21. 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. As at 31 December 2011, RO 220,000 (2010: RO 186,000) was used to finance the donations made to various charitable institutions.

22. Interest income

	2011 (R0)	2010 (R0)
Interest on bank current accounts	51,551	34,136
Interest on fixed deposits	216,195	361,951
	267,746	396,087

23. Related parties

Related parties comprise the members, key management personnel and entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Authority maintains balances with these related parties which the Management consider to be comparable with those adopted for arm's length transactions with third parties.

The following is a summary of significant transactions with related parties which are included in the financial statements:

	2011 (R0)	2010 (R0)
Key management compensation		
Basic salaries and allowances	531,109	404,772
Other benefits and expenses	78,999	67,403
Social security costs	58,206	28,729
End of service benefits	39,222	20,127
	707,536	521,031

24. 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.

25. Commitments

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

	2011 (R0)	2010 (R0)
Capital commitments contracted for	7,500,000	2,110,000

26. Capital management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern and benefit other stakeholders. The management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development.

Management is confident of improving the current level of profitability by enhancing top line growth and prudent cost management. The Authority is not subject to externally imposed capital requirements.

27. Approval of financial statements

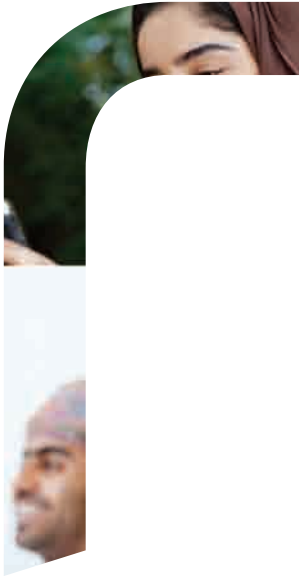
The financial statements were approved by the members and authorised for issue on 24 March 2012.



سلطنة عُمان
Sultanate of Oman



هيئة تنظيم الاتصالات
Telecommunications Regulatory Authority



التقرير السنوي لهيئة تنظيم الاتصالات ٢٠١١