سلطنة عُمان
Sultanate of Oman

هيئة تنظيم الاتصالات
Telecommunications Regulatory Authority

TRA ANNUAL REPORT 2012

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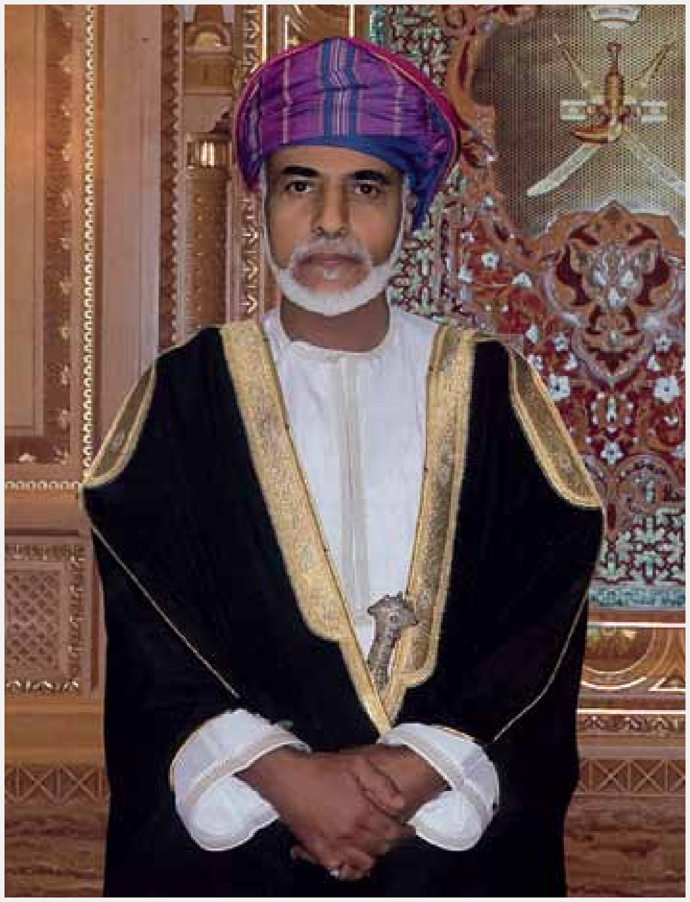

HIS MAJESTY
SULTAN QABOOS BIN SAID

ANNUAL REPORT 2012

هيئة تنظيم الاتصالات
Telecommunications Regulatory Authority

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CHAIRMAN'S MESSAGE

It is my pleasure to present the TRA's ninth annual report as the country ushers in its 43rd year of renaissance. We express our sincere gratitude to His Majesty Sultan Qaboos Bin Said, for his prudent leadership, great vision and immense support in establishing and nurturing a knowledge society.

The TRA is continuing its journey to set appropriate and clear direction for all stakeholders in the sector in three vital areas, coverage, quality of service and pricing in providing telecommunications services. The developments in ICT markets and technologies continue to remove the distinguishing features of telecom and IT by introducing convergence and innovative products and services. This has posed a challenge to the regulator to refine its remit in respect of new markets, especially those relating to information services. The new wave of business and consumer services offered through the 'cloud' has brought fresh challenges which the TRA, along with its counterparts in the region and the rest of the world, are preparing to address with the consumer as its principal focus of attention.

One significant achievement by the TRA in the period under review is its successful attempt in finalizing plans to 'connect the unconnected' in rural and remote areas through the spectrum re-farming initiative. The benefits of ICT services should reach out to everyone in the country, and this challenge, though a daunting task has been accepted by the TRA and the very supportive licensees in the sector, and the program has been initiated during the year. Higher speeds of internet service are being made available by the introduction of the latest mobile broadband technologies (LTE) as well as the deployment of fibre.

Educating consumers and conducting awareness programs is a continuing initiative of the TRA, so that consumers are informed of the potential benefits and risks associated with each of the emerging services in the market place. The TRA continues to engage with licensees and other stakeholders while shaping new polices for frameworks (such as licensing and competition) and enabling regulations.

The TRA, in cooperation with the ITA and the government, is formulating policies and programs to realize the national objectives in respect of eOman. As a national initiative, the government is committed to making Oman a knowledge society by 2020 and the country is moving towards that goal in an effective manner. Citizens, businesses and government establishments located anywhere will have access to high speed internet and other basic telecom services within the next five years. This is being planned as part of national broadband strategy that is being executed by the government.

I would like to place on record, my sincere appreciation to the Chief Executive of the TRA and his management and staff, for putting their best efforts into achieving the TRA's vision and mission, and to making the sector more vibrant and catalytic for economic development.

Dr. Mohammed bin Hamad Al-Rumhi
Chairman
Telecommunications Regulatory Authority
Sultanate of Oman

"The TRA is continuing its journey to set appropriate and clear direction for all stakeholders in the sector in three vital areas, coverage, quality of service and pricing in providing telecommunications services."

THE TRA BOARD

H.E. DR. MOHAMMED BIN HAMAD AL-RUMHI
Chairman

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

The Sultanate of Oman liberalized the telecommunications sector in 2005 when the second cellular mobile license was awarded to Omani Qatari Telecommunications Company (Nawras). Since this strategic move, the sector has made significant progress towards realizing the Government's Vision 2020, which aims at liberalizing the Omani telecommunications sector by enlisting private sector investment for economic and social development, and in turning the Sultanate into an attractive and competitive destination.
Further liberalization took place in 2009 when the second fixed-line license and a few Mobile Resale licenses were issued. The market has witnessed a visible transformation with the entry of additional players, foreign participation, and an increase in service portfolios in the expansion of services to cover un-served areas.

The effects of competitive pressure and regulatory changes in the telecom sector, rapidly rising demand for data services and investments made in manpower and telecom infrastructure, were positive for all parties; the users of the services, the investors and the Government. During 2012, most of our efforts were devoted to extending the coverage of services to under-served and un-served areas, and to improve service quality. The TRA has selected 200 new sites in collaboration with Omantel and Nawras to install new mobile sites in order to extend the mobile coverage to the selected un-served settlements. These new sites are expected to extend telecom services to around 250 settlements, which are currently without mobile communication facilities. This initiative will bear fruit in the coming months when the construction and infrastructure deployment work is completed by the operators.

With near saturation of the mobile voice market, service providers are focusing on international voice segments for growth. Oman's favorable demographics, with approximately 30% of the population expatriate, with over 70% of the population aged between 15 and 64, and with approximately 78% of the population in urban areas, will spur demand for data services. The increasing popularity of smart phones will also create additional demand for mobile broadband and other value added services. With a high percentage of expats in the country, international voice services will remain an important segment for the industry.

The TRA is working towards rationalizing regulatory regimes by reviewing the Licensing Framework, the Competition Framework, the amendments of the Telecom Act and other key regulations, to foster economic and technological development in the country. We are happy to note the positive outlook for the sector and strong interest from foreign and local investors.

I am highly indebted to the foresight and support of the TRA's Board in regulating the sector transparently and fairly, in line with the vision and guidance of His Majesty Sultan Qaboos Bin Said. I would also like to thank the management and the staff of the TRA for their hard work and professionalism.

Dr. Hamad Bin Salem Al-Rawahi
Chief Executive
Telecommunications Regulatory Authority
Sultanate of Oman

EXECUTIVE SUMMARY

Oman's telecom sector remained positive for the year 2012. Both major operators showed growth in revenues and earnings as compared to the results of 2011. The industry posted growth of 9.7% in active mobile subscribers and 6% in fixed-line subscriptions over the last year. Internet usage, including broadband subscriptions, rose to 21% during the year. Due to the liberalization of international telephony and the relaxation of some of the VoIP services resulting in the reduction of international calling rates, international traffic volumes have grown considerably. Outgoing international traffic rose by 62%, although there was a decline of 15% in international incoming traffic.

The TRA remained committed to supporting industry initiatives for expanding services to wider geographical areas and population, improving service quality, and promoting consumer interest. In the following paragraphs, we have summarized some of these initiatives.

MAJOR INITIATIVES

SERVING THE UN-SERVED AND UNDER-SERVED AREAS

The Authority has utilized the opportunity of spectrum refarming to seek coverage in remote and rural areas by engaging with mobile network operators and securing their support to extend the services to the un-served areas. The Authority has embarked on an initiative, to provide telecommunications services to more than 250 villages in rural areas of the Sultanate in collaboration with Omantel and Nawras. The implementation of this national project has commenced (with site acquisition in progress) and is expected to be completed during 2013-14.

MIGRATION OF SPECTRUM

The Authority has been pursuing migration of important non-commercial use of spectrum to make additional spectrum available for commercial use and better consumer services. During 2012, significant progress has been made on this front. The Authority would like to acknowledge that this initiative has been achieved with the active support and cooperation of the Ministries of Transport & Communication and Finance. As the additional spectrum becomes available for commercial use, the Authority will be able to facilitate improvement in service quality and in the expansion of services.

REFARMING OF SPECTRUM

The Authority has been successful in implementing the refarming of spectrum in the 900 MHz and 800 MHz bands. This has given additional flexibility to the operators to provide better services to their subscribers. As a next step, spectrum prices are being reviewed with the aim of rationalizing them for better utilization of spectrum.

REMOVING THE MOBILITY RESTRICTION IN THE BAND 2.3 GHZ

The TRA allowed the mobility feature in the frequency spectrum of 2.3 GHz band to provide broadband mobile services in the Sultanate. This will help operators to improve the usage of spectrum through this mobility feature.

PRICE BENCHMARKING

During 2012, the Authority conducted a benchmarking exercise on telecom prices in order to assess how Omani prices compared with those of telecom services providers in other selected countries especially within the GCC region. This study was conducted using a basket price methodology to suit the usage pattern observed in the Sultanate. The study methodology was shared with the service providers before conducting the actual study, and the results were also shared after completing the the study. A summary of the findings are set out below, and are indicative only. It is important to mention that such comparisons need to be used with care as these may not capture all the important underlying factors driving the prices.

- The outcome for Oman varies significantly according to the services considered. For less dynamic services such as fixed voice and leased lines, Oman's position is generally unfavourable overall. However, prices for pre-paid mobile voice users in Oman, although not the cheapest, compare well to other countries, particularly for lower usage. Handset data usage charges are also reasonable for users in Oman. Consumers of mobile services with high usage and those on post-paid tariffs fare less well, as do business users.

- By contrast, users of broadband services in Oman, both fixed and mobile, will generally find services relatively expensive, indicating a market that is still adjusting to competition.

The Authority is working with the operators to rationalize prices in accordance with the provisions of the Act and the Licenses, especially for services where there is a lack of competition and where prices are not moving.

QUALITY OF SERVICES

In order to ensure that subscribers to telecom services in Oman receive a high quality of service and value for money, the TRA attaches a lot of importance to monitoring the service quality of the licensees.
The Authority's actions in continuing to measure and publish the parameters and liaise with the licensees provide incentives to them to improve their performance level. Currently, the Authority requires operators to compile their QoS KPIs and publish them on a quarterly basis. We plan to audit the systems and carry out independent QoS checks to make the process more authentic and unbiased. The Authority also conducted an audit of billing accuracy of all the licensees during 2012 through an independent auditor and the results showed no significant discrepancies in subscribers' bills. The overall result was below the international threshold of 0.1%.

COMPETITION FRAMEWORK

The Authority has recently issued regulations for ex-ante provisions to ensure fair competition in the telecom market, while the ex-post regulations and guidelines are under review with the Ministry of Legal Affairs. The first public consultation was conducted on the draft ex-ante and ex-post regulations and a market analysis was carried out based on the market definition and dominance guidelines. This analysis has been shared with all the stakeholders in order to obtain their comments. Once finalized, the TRA will issue a determination to designate dominance in each market and impose suitable remedies to mitigate the potential risk of harm by the dominant players. This framework is expected to create clarity in the regulatory domain of the sector.

LICENSING FRAMEWORK

The general policy framework approved by the Council of Ministers requires the TRA to review the licensing framework with a view to further encourage investment in the sector and promote competition. The TRA is undertaking a study that involves a comprehensive review of the current licensing framework to evolve a futuristic framework that would address the needs of convergence and emerging IP network based delivery channels. This is a major initiative that aims to remove the barriers of entry in the telecom market in Oman and will result in effective competition for all kinds of telecom services, providing consumers with a wider choice, acceptable price levels and excellent quality of service.

E-GOVERNMENT

TRA has implemented the E-Government policy by introducing the online application of radio licenses via the successful implementation of the Advance Automated Spectrum Management System.
This system went livein 2013 and users will have easy and fast interaction with TRA.

VoIP REGULATIONS

In order to support SMEs and individuals in having access to cheaper options for international calls, the TRA has issued VoIP Regulations. Some of the popular VoIP software has been unblocked to enable the public to access them for making VoIP voice and video calls.

LAUNCH OF .OM AND .عمان

With the launch of .om and .عمان top level domain names, the TRA took over the registry system function from Omantel and started registering the entities for Top Level Domains. The TRA also received IANA (global entity) approval for the delegation of .عمان top level domain names and started to register domain names in Arabic (first domain name registered هيئة-تنظيم-الاتصالات.عمان) which would greatly support the e-Government initiatives.

TRA OBJECTIVE: The Telecommunications Regulatory Authority (TRA) was established in 2002 under the Royal Decree No. 30/2002 to liberalize and promote the telecommunications services in the Sultanate. The TRA is committed to develop the telecommunications sector in the Sultanate by regulating the telecom services, promoting the interest of consumers, and ensuring that users receive international standards of telecommunications services, with a reasonable range of choices at reasonable prices.

TRA Mission

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

TRA Vision

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

1

Develop the industry through a market-driven environment

2

Ensure accessibility of all kinds of services within limits to all

3

Balance the interests of all stakeholders, and align with Vision 2020

2013
LOOKING FORWARD

The TRA looks forward to achieving the following objectives during 2013

As an important soft infrastructure, telecoms have been a significant enabler and stimulant in driving the economy. Connectivity and high speed broadband are key factors in helping the economy grow and enhancing the competitiveness of business and industry. One of the key elements of Vision 2020 of Oman is to diversify the economy into non-oil sectors, and the eOman plan has identified developing a knowledge based society in playing a significant role in this diversification process. Telecoms are recognized and play its role as major enabler in achieving the objective of a knowledge based society.

As is the case elsewhere in the world, broadband has assumed centre-stage in the ICT sector in Oman. Fibre deployment and LTE applications are much in demand by consumers, industry and trade in satisfying their requirements for speed of delivery of services. Fibre deployment for backbone, backhaul and access networks is seen as a rock solid investment opportunity along with investment in mobile networks, primarily for mobile data services. Machine to machine (M2M) communications and cloud computing services are also seen as an emerging market and represent further investment opportunities.

Technological developments including convergence of telecom and information services and the disappearance of delivery platforms pose considerable challenges to the regulatory regime. The TRA is aware of the opportunities available in the ICT sector as a result of cloud computing and M2M communications, and is reviewing the current regulations to direct the growth of the sector within the provisions of the law.

The TRA works closely with the government and its agencies to promote investment in the sector and accordingly directs its licensing policy. For the purpose of ensuring competition in the market, the TRA administers both ex ante and ex post regulations in line with international practices. TRA's preference is to regulate the wholesale markets in preference to retail markets so that retail players could be subject to lighter regulation. In addition, an ex ante approach is adopted in markets dominated by one or two players so that consumers can demand affordable prices and quality of service.

Oman is improving in terms of the indices that measure connectivity, ICT provision of services and eGovernance. The key is to enhance the competitive advantage of Oman's businesses and the TRA, in cooperation with the ITA and the government, is formulating policies and programs to realize the national objectives in respect of eOman. As a national initiative the government is resolved to make Oman a knowledge society by 2020 and the country is effectively moving towards that goal. Citizens, businesses and government establishments located anywhere will have access to high speed internet and other basic telecom services within the next five years. This is being planned as part of a national broadband strategy that is being implemented by the government.

2

THE TELECOM SECTOR IN THE SULTANATE OF OMAN

"The two integrated telecommunications services providers in the Sultanate, Omantel and Nawras, continued to show growth in terms of revenue as well as in their subscriber base, for the financial year 2012."

2.1
The telecom sector performance

The two integrated telecommunications services providers in the Sultanate, Omantel and Nawras, continued to show growth in terms of revenue as well as in their subscriber base, for the financial year 2012. Total turnover of the telecom companies comprise of revenues from fixed-line, mobile service, internet and data business and interconnection services.

The following table summarizes the position in 2012 and the details are shown in Annex-I.

	Subscribers	1Penetration (%)	ARPU, (RO)
Mobile subscribers[1]	5,277,591	160% (per 100 inhabitants)	7.8
Fixed telephony services	304,545	75.70% (per 100 households)	8.8
Public payphones	6,801	NA	2.5
Fixed internet services	119,398	29.68% (per 100 households)	28.7

[1] Penetration rate for 2012 is calculated as per the latest population figures (3,295,298), which are published in the statistical bulletin of December 2012 by NCSI. The penetration rate per household is calculated as per the 2010 census figure of 402,286.

The number of mobile subscribers: In 2012, mobile subscribers grew by 9.7% over 2011 reaching a penetration rate of 160%.

Active mobile broadband subscribers: The number of active mobile broadband subscribers continued to rise and reached 1,646,098 during 2012. The active mobile broadband subscriber's penetration rate per 100 Inhabitants at the end of 2012 was 50%.

Fixed telephone lines: By the end of 2012, there were a total of 304,545 fixed telephone lines, 6% higher than the previous year. The penetration rate increased marginally in 2012 to 10.98% per 100 inhabitants, and to 75.70% per 100 households.

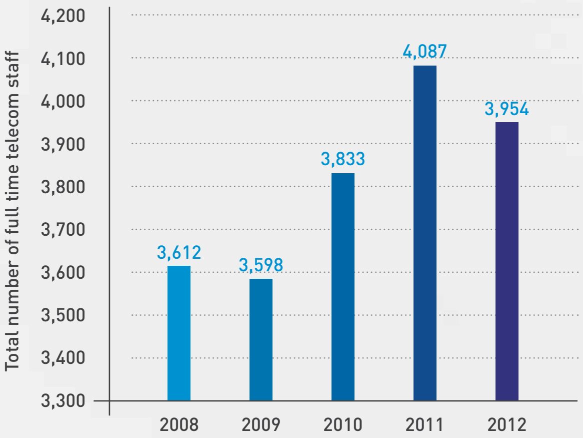
Total Fixed Internet Subscribers: The fixed internet subscriber-base increased from 98,063 in 2011 to 119,398 by the end of 2012. The fixed internet penetration rate per 100 households reached 29.68% in 2012 as compared to 22.1% in 2011.

Fixed broadband (ADSL + WiMax + internet leased lines + FTTH): Fixed broadband subscribers represent 95% of the total number of fixed internet subscribers. 2012 experienced remarkable growth of 44.88%, with a total of 113,324 subscribers. There was also a significant increase in fixed Broadband Penetration per 100 households to 28.17 % in 2012 from 19% in 2011.

EMPLOYMENT IN TELECOM

The telecom sector, including the TRA and telecom service providers, contributed to the national economy by employing 3,954 people by the end of 2012. The total number of staff has shown a slight decline of 3.25% during year 2012 as compared to the year 2011. Omantel Group contributed to this decline as a result of the terminations and voluntary separation scheme offered by the company.

The TRA achieved a 92.6% Omanisation rate, while the service providers achieved 89.4%.



Source: TRA

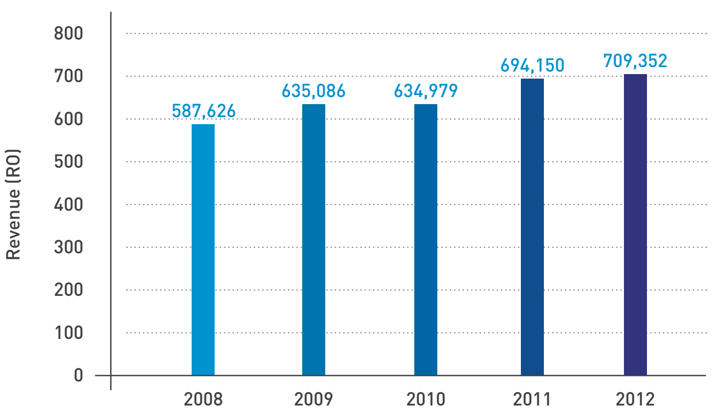
Note: The decline in total employment during 2012 was due to the voluntary separation scheme offered by Omantel and the closure of one of the mobile resellers.

The TRA achieved a 92.6% Omanisation rate, while the service providers achieved 89.4%.

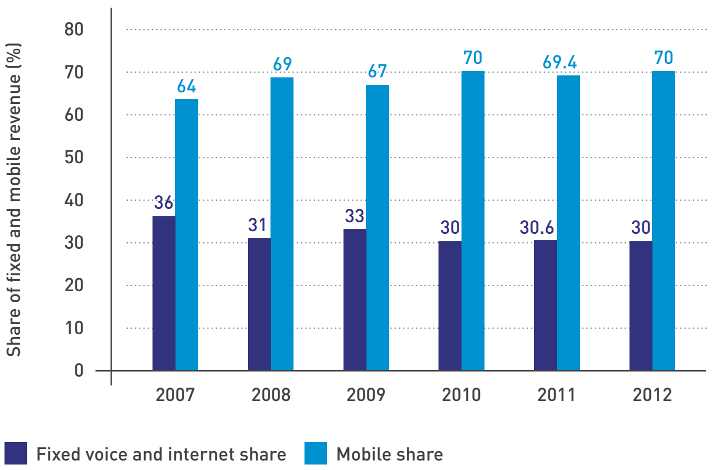
TELECOM REVENUE

Revenue for the sector during 2012 reached RO 709.352 million, showing a modest increase of 2.2%. Mobile services contributed 70% of total telecom revenue, while fixed services contributed 30%.

Total telecom sector revenue (RO million)



% share of fixed and mobile revenue

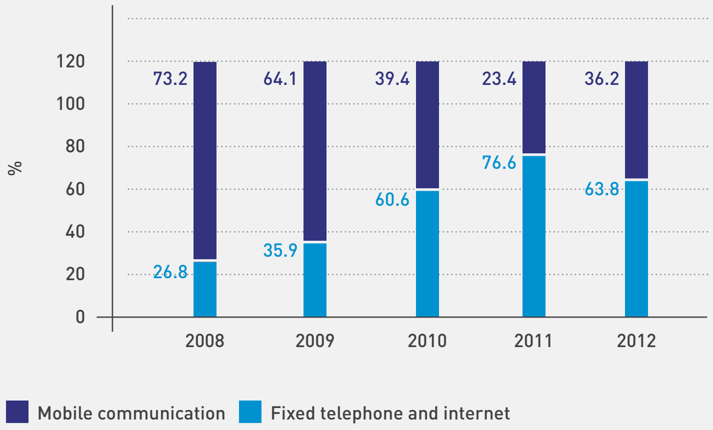


TELECOM INVESTMENTS

Total new investment made by telecom service providers reached RO 76.488 million during 2012. As in the chart below, fixed and mobile investments contributed 63.8% and 36.2% respectively.

The following chart shows fixed investment having the highest portion of total investment since 2010 due to the award of new fixed licenses to Nawras and an international gateway license to Samatel.

(%) Contribution to telecom investments



2.2
Type approval and telecom licensing

The TRA approves telecommunications equipment after checking their compliance to international standards on safety, electromagnetic compatibility, and radio frequency (RF). Due to higher demand and technological advancements, more equipment was approved in 2012 than ever before in the category of radio telecom equipment.

The table below shows the numbers approved by the TRA from each category in 2011 and 2012.

Number approved	2011	2012
Mobile phones	323	334
Radios	382	498
Terminals	199	251
Total	**904**	**1,083**

The TRA register and renew the registrations of dealers. The table below shows the number of dealers who registered or renewed their registrations with the TRA in 2012:

	2011	2012
Number of newly registered dealers	311	404
Renewed dealers	227	275

The TRA also issues advice to the customs authorities for releasing telecom equipment imported into the country. The table below shows the number of releases issued by the TRA in 2012 in comparison to 2011.

	2011	2012
Releases issued	990	1241

2.3
Fixed and mobile number portability

Number portability is a regulatory facility which enables subscribers of publicly available telephone services (fixed and mobile) to change their service provider while keeping their existing telephone numbers. Initially, this facility was only available to Class I Mobile Operators' subscribers - it is now also available to subscribers of mobile resellers.

In 2012, all technical constraints regarding fixed number portability were resolved and Fixed Number Portability (FNP) for business subscribers using primary rate interface (PRI) is now available. Both fixed line operators, Omantel and Nawras, now offer this service to interested business subscribers. The FNP for toll free and premium numbers is in the testing phase between the operators and will be offered to business customers following the successful completion of the tests in 2013.

2.4
Managing the numbering resources

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

The TRA aims at ensuring that the number allocation process is fair and transparent so as to provide a level playing field regarding the availability of numbers to all operators. Since numbers and codes are national resources, the TRA manages the National Numbering Plan in the interests of the whole of the Sultanate.

The table below shows the up-to-date numbering resources allocated to operators in 2012 as compared to 2010 and 2011.

Type of numbering resource	2010 allocation	2011 allocation	2012 allocation
Carrier selection	3	0	1
National signaling point codes	20	21	46
Fixed numbers	81,000	123,000	73,000
Mobile numbers	800,000	400,000	600,000
Voice short codes	5	1	2
SMS short codes	49	130	52
Toll free numbers	62	103	116

2.5
Inspection and monitoring of spectrum users

INSPECTION

The TRA conducted inspection visits for spectrum users in different areas of the Sultanate in order to check the compliance of technical specifications of the radio equipment in operation with the 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 related statistics:

Ships/boats inspection & survey

	Ships/boats inspection	Ships/boats survey	Total
No. of users	37	8	45
No of ships	68	10	78
No. of violations	7	-	7

VSAT inspection

Governorate	No. of stations	No. of users	No. of violations
Muscat	4	4	-
Al-Batinah South	3	3	-
Al-Batinah North	13	7	2
Al-Dhahra	13	7	6
Al-Dakhlia	12	7	1
Al-Wasta	8	6	1
Total	**53**	**34**	**10**

In addition to these inspections, Microwave (MW) links inspections were also carried out. The details are as follows:

Microwave (MW)

Governorate	No. of links	No. of stations	No. of violations
Al-Sharqia North	68	25	15
Al-Sharqia South	96	22	17
Al-Dakhlia	116	32	38
Al-Buraimi	63	13	9
Al-Dhahra	78	23	18
Dhofar	202	45	49
Total	**623**	**160**	**146**

MONITORING

Spectrum monitoring was also carried out in various areas of the Sultanate. The details are as follows:

Spectrum monitoring	
No. of locations	7
No. of users	37
No. of monitored frequencies	258

2.6
Issuance and renewal of radio licenses

During 2012, the TRA issued 23,686 Radio licenses. Of these, 2,428 new radio licenses were issued and 21,258 were renewed. The total number of licenses cancelled during 2012 was 3,066 excluding temporary licenses. The number of new Frequency assignments made during 2012 was 4,396. Details of these figures are set out in the following table.

	2010	2011	2012
No. of new radio licenses	3,674	2,948	2,428
No. of renewed radio licenses	18,407	22,974	21,258
No. of cancelled radio licenses	1,222	2,114	3,066
No. of new assignments	6,464	5,152	4,396

2.7
Managing the .om and عمان. domain names

The .om ccTLD was re-delegated in 2011 and the TRA took over the .om registry administration from Omantel in 2012.

Major milestones for 2012 included:

- The system was brought online in March 2012
- System transactions such as domain name registrations and renewals which commenced in the first week of April 2012;
- Two more companies (Nawras and Gulf CyberTech) signed up to be Domain Name Registrars and were accredited via the Registry system Portal in October 2012.
- In December 2012, two of the three registrars completed their accreditation testing for their EPP Connections and became fully accredited registrars (both Web Portal and EPP) for .om and .oman (عمان.) Domain Names and that was another major achievement for TRA Domain Name Registry System.

The big push was to get the registrars to connect via EPP (Extensible Provisioning Protocol) to the Registry so that the registration process of Domain Names could be more automated. The EPP connection will allow the online applications and responses to be made in real time and registrants will thus experience faster services.

A total of 1,451 existing domains were migrated to the new registry system while from March to December, 240 new domain names were created consisting of both .omcc TLD and عمان. IDN domains. The total number of registered domains as of the 31st December 2012 reached 1,691.

إدارة أسـماء نطـاق الإنتـرنت

Domain Names Administration

www.registry.om

3

REGULATING FOR FAIR COMPETITION

During 2012, the TRA continued its ongoing project for establishing a competitive framework for the telecom sector in Oman.

3.1
Legislation and legal studies

During 2012, the TRA issued a number of decisions for notifying new regulations and guidelines and amendments in some of the existing framework documents. The list of decisions issued during 2012 is shown in annex ii:

SETTLEMENTS

The TRA regularly carries out inspections of telecom equipment vendors and users of radio frequency equipment in order to ensure that TRA regulations are complied with. Any violators are given a chance to settle their breaches through the settlement procedure. During 2012 the TRA finalized over 36 cases.

3.2
Competition framework

During 2012, the TRA continued its ongoing project for establishing a competitive framework for the telecom sector in Oman. The project progressed well during the year as the TRA issued the ex-ante regulations and guidelines after consultation with all stakeholders. A market analysis was carried out based on the ex-ante regulations and guidelines. In 2012, the second round of consultation was started with the Market Definition and Dominance Report (MDD Report). This report was shared with all licensees to enable them to participate in the process and raise their comments and observations. The major operators all actively participated. To further facilitate the consultation process, a full-day workshop was organized by the TRA where all licensees were invited.

The second part of the competitive framework is the formulation of Competition Regulations and Guidelines, or in other words, ex-post regulations. These are under the approval process.

3.3
Monitoring the terms and conditions of tariffs of telecom services

The TRA has observed that in some cases, licensees are not publishing and displaying their tariffs in the manner approved, and that this could mislead their customers. The TRA carried out numerous tests on the tariff plans, which were launched during 2012, to ensure that full transparency measures have been taken by licensees including compliance with TRA approval conditions.

The TRA conducted around 15 tests on different tariff plans for pre-paid, post-paid, voice, data and value added services. Several re-tests were also conducted to confirm that the licensees have taken the necessary corrective measures suggested by the TRA. The majority of cases of non-compliance found were minor issues regarding transparency of tariffs and the way these are published in advertisements or websites. In these cases, the TRA contacted the licensees and requested them to immediately correct the inaccuracy or misleading information. In some cases the TRA issued directions to the licensees to provide the subscribers with measures to check their usage to avoid bill shocks.

There is also constant monitoring of the licensees' websites to ensure that users receive accurate, understandable and up-to-date information regarding the services and charges.

3.4
Guidelines on telecom services for persons with special needs

A considerable portion of the Omani population has different types of impairments; these restrict their vision, hearing or mobility and in some cases they could also reduce their ability to use basic telecommunication facilities. However, continuous development and improvement in technology has expanded the options available to people with special needs.

The Government, in the course of achieving the economic and social objectives of the telecommunication sector, as enshrined in Article (38-3) of the Telecom Act, is required "to provide telecommunications services to persons with special needs". As per the Royal Decree (121/2008) issued on 5th November 2008, the government of the Sultanate of Oman has endorsed the "International convention on the rights of persons with disabilities". Article 9 of the convention is related to "accessibility", where the states parties are required to take appropriate measures to promote access for persons with disabilities to new information and communications technologies and systems, including the internet.

Given the above, the TRA has initiated a process to ensure telecom services are available to persons with special needs in Oman. The TRA has also developed draft guidelines to set out the minimum service levels to be provided by telecom service providers in the Sultanate. A public consultation process on the guidelines document was announced in December 2012, in order to consider various stakeholders' views prior to finalizing the guidelines. By implementing these guidelines, the TRA is aiming at facilitating accessibility of telecom services to persons with special needs, including the disabled and the elderly.

3.5
Guidelines for public Wi-Fi hotspots

The Sultanate's 'e-Oman' policy envisages the spread of e-Government services and the evolution of a knowledge based society to improve the competitiveness of the national economy. In order to fulfill the national objective of e-Oman, the TRA recognizes the need to increase internet penetration to every home, school, and business at affordable prices. The TRA plans to encourage the setting up of public Wi-Fi hot-spots throughout the country with the support of licensed operators, service providers, and sponsorship of other government and private firms to include schools and university compounds. The TRA has framed guidelines for providing Wi-Fi hotspots to support the e-Government initiative.

After various consultations and feedback from the public, licensed telecom operators, and other government entities, the TRA has developed a guideline document for rolling out and deploying Wi-Fi public hotspots in the Sultanate of Oman. It specifies procedures for deploying Wi-Fi Hotspots in public places. The TRA has also started an initiative with the cooperation of current operators and sponsorship from Muscat Municipalities to start a pilot project for deploying and providing public Wi-Fi hotspots service in various public parks starting with the Muscat area. The service providers, Omantel and Nawras, have installed and activated three Wi-Fi hotspots in Qurum Park, As-Sahwa Park in Mawaleh, and Corniche Road at the entrance of Mutrah Souq providing free internet access to the public as a trial.

3.6
Telecom licensing

- During 2012, a Class I license was awarded to Awaser Oman & Co as per Royal Decree 60/2012. This license gives the right to the licensee to establish and operate a system to provide fixed telecommunication services for the public in Muscat.

- The TRA has undertaken a project to review the existing licensing framework and has engaged an expert consultancy firm to review the regulations and framework of the telecommunication license in order to bring it in line with the Sultanate's policies, technological and regulatory developments and market needs. A public consultation was initiated in December 2012 preceded by a stakeholder workshop. The TRA expects the proposed new licensing framework to be finalised after following due process of consultation.

- During 2012 some telecom services were exempted from the rules of licensing as per article 21 of the Telecom Act through Decision 116/2012.

- During 2012, the TRA issued 67 authorizations for internet cafés and renewed a further 43.

- During 2012, the TRA issued 13 authorizations for private networks for private use. These networks are not allowed to be connected to the public network. These kinds of networks are used to link more than one location belonging to the same entity for its internal communication.

3.7
Billing system accuracy

The licenses issued to the licensees also set obligations with respect to their billing systems. In order to provide guidance to Class I and Class II licensees on how to meet their license obligations with respect to billing accuracy, the TRA in its Decision 32/2009 issued The "Billing Accuracy Guidelines". In 2012, the Authority conducted an audit of Class I and Class II operators to ascertain the accuracy of their billing systems.

The audit included verification of whether the licensees are complying with their license obligations and the guidelines issued by the TRA with respect to billing accuracy. In this regard, the auditors performed various tests to check that the billing systems of the licensees are accurate and the subscribers are not being over-charged. The discrepancies noted were communicated to the licensees to take remedial measures.

3.8 Revision of short range devices (SRDs)

The TRA has shown its commitment to update the current regulation of short range devices (SRDs) in order to ensure that this regulation complies with the technological advances and accumulated experience of applying the SRD regulation in practice. This year, updates have taken into consideration the current development of SRD, technological advances, staff feedback of SRD regulation, responses from applicants and reports on compatibility issues. During 2012, the SRD regulation was updated with two new frequencies; 3155-3400 kHz for radio communication systems for persons with impaired hearing aid devices and more generally SRD's/iInductive systems and 76-77 GHz for radio communication systems for Road Transport and Traffic Telematics (RTTT).

3.9 Migration plan

In order to implement government policy in the telecom sector, the TRA played an important role in allocating RO 50 million for the execution of the radio frequency spectrum migration plan, which has been approved by the Council of Ministers. This plan will provide solutions for the existing licensed companies and for future expansion to facilitate communication services - they now suffer network congestion due to the lack of enough frequencies.

This plan will be executed within the next three years in three phases. Phase 1 of this migration plan is scheduled to have been completed by the end of April 2013. Some major achievements from phase 1:

- 90 % of GSM1800MHz band has been vacated in all governorates except Dhofar, Mussandam and North Batinah, before the end of phase 1.
- 95 % of 2.6GHz band has been vacated in all governorates except Dakhiliyah and Sharqiyah before the end of phase 1.
- Assigning the second carrier for both operators (Omantel and Nawras) in the band 2100 MHz.
- 100% of the band 800 MHz has been vacated.
- The EGSM band is to be vacated by the end of phase 1.

As a result of this plan, Nawras and Omantel were assigned frequencies in 1800MHz for the provision of 2G/4G mobile services. Furthermore, the TRA is planning to auction the portion of the bands 800 MHz and 2.6 GHz in 2013.

3.10 Spectrum refarming

Given the economic pressures that mobile operators face, and the urgency with which they need to find additional network capacity, the TRA took the initiative in refarming the 900 MHz and 1800 MHz spectrum bands and allowed Omantel and Nawras to use the above mentioned bands for the provision of 3G services and LTE. The TRA has put an obligation on the operators' to provide telecom services in rural areas (USO areas) by installing 200 sites (100 sites for each operator).

3.11 Revision of national spectrum allocation and assignment plan

Following the World Radio Communication Conference 2012 (WRC-12), the TRA revised the national frequency allocation and assignment plan in order to reflect the decisions adopted by this conference. The allocation table provides the general plan for spectrum use and the basic structure to ensure the effective utilization of the spectrum and the prevention of radio frequency interference between radio communication services.

The assignment table provides more detailed information about how each band is actually planned, sub-divided and channeled (wherever possible) to accommodate particular priority radio technologies.

4

FOCUS ON CONSUMERS INTERESTS

4.1
Tariffs of telecom services

During 2012, the service providers have been very active in introducing new tariff plans and launching promotions in the market. These activities covering new services, revisions and promotions handled during 2012 in comparison with previous years are summarized in the table below:

	2019	2010	2011	2012
Promotions	69	123	88	111
New services/ tariff plans	50	38	41	53
Revisions	18	22	31	25
Total	**137**	**183**	**160**	**189**

The following are the salient features of these activities for 2012:

The majority of the promotions were related to international calls, starter packs and broadband.

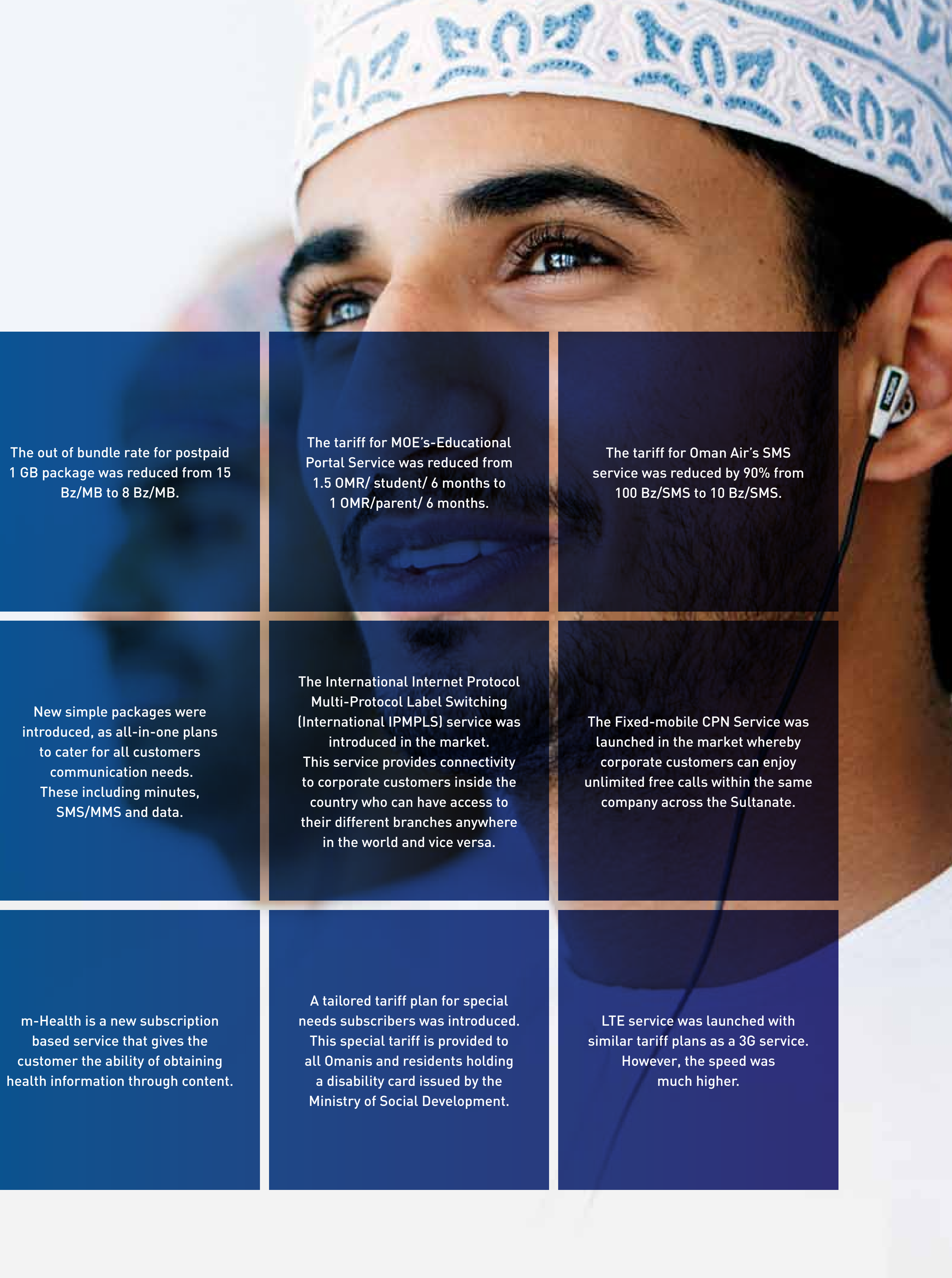
Peak hour fixed-line calling rates for 89 destinations were reduced by up to 41% resulting in an average reduction of 11.5%.

Off-peak hour fixed-line calling rates to 192 destinations were reduced by up to 80% resulting in an average reduction of 43%.

The groups of countries have been revised down from 10 groups to 5 groups. This has made announcements simpler.

Off-peak times have been unified for all destinations in order to avoid confusion among the public.

Off-peak rates for mobile calls were reduced by up to 76% for 185 destinations with an average reduction of 25%.



During Hajj season, roamers in KSA enjoyed a promotional roaming tariff as low as 70 Bz/ Min.

The out of bundle rate for postpaid 1 GB package was reduced from 15 Bz/MB to 8 Bz/MB.

The tariff for MOE's-Educational Portal Service was reduced from 1.5 OMR/ student/ 6 months to 1 OMR/parent/ 6 months.

The tariff for Oman Air's SMS service was reduced by 90% from 100 Bz/SMS to 10 Bz/SMS.

The tariff for internet leased line services for the educational sector was reduced by 50% permanently.

New simple packages were introduced, as all-in-one plans to cater for all customers communication needs. These including minutes, SMS/MMS and data.

The International Internet Protocol Multi-Protocol Label Switching (International IPMPLS) service was introduced in the market. This service provides connectivity to corporate customers inside the country who can have access to their different branches anywhere in the world and vice versa.

The Fixed-mobile CPN Service was launched in the market whereby corporate customers can enjoy unlimited free calls within the same company across the Sultanate.

Mobile business pre-paid was launched giving business customers the ability to communicate between their employees while benefiting from a convenient recharging and credit distribution facility which will help in controlling costs on their mobile spending.

m-Health is a new subscription based service that gives the customer the ability of obtaining health information through content.

A tailored tariff plan for special needs subscribers was introduced. This special tariff is provided to all Omanis and residents holding a disability card issued by the Ministry of Social Development.

LTE service was launched with similar tariff plans as a 3G service. However, the speed was much higher.

4.2
The TRA's initiative to provide telecom services to 250 villages in rural areas in cooperation with Omantel and Nawras

This joint initiative comes in the context of achieving one of the main objectives of the TRA, which is "ensuring the provision of telecommunications services to all regions of the Sultanate and thus achieve universal service to all citizens and residents in the Sultanate".

At the beginning of 2012, the TRA discussed a proposal with Omantel and Nawras to provide basic telecommunications services to selected areas and villages, and in return, the TRA would facilitate achieving spectrum refarming and allowing mobility under frequency bands assigned for fixed-wireless service. Both operators cooperated in this national initiative by agreeing to build a total of 120 mobile sites in various rural areas of the Sultanate, divided equally between Omantel and Nawras. This project, upon completion, is expected to cover more than 150 villages in the remote rural areas of Oman. Another 100 villages will be covered through similar joint initiatives.

The implementation of this national project started during the third quarter of 2012 and is expected to be completed by the end of 2013 as the project requires necessary permits/clearance from various government bodies for the proposed sites followed by preparing the sites and rolling out telecom mobile services.

This initiative is expected to benefit consumers by reducing the digital divide between rural and urban areas. Apart from providing basic telecommunication needs, this initiative is expected to aid the social and economic development efforts of the government.

It is important to highlight that under this initiative, the areas have been selected by conducting field surveys and consulting governorates to ensure best services to the communities.

4.3
Survey of un-served/under-served settlements

The TRA has completed a regional country-wide field survey to identify a number of un-served and under-served villages and towns that lack telecommunication services across the nine regions in Oman. The team has completed a survey of around 2,577 villages and towns. Feedback from the survey was entered into the main database compiled with 2010 census data along with operators' coverage reports, and later extrapolated and analyzed. The following table provides the summary of the survey:

Description	No. of villages/towns	% of total
Overall No. of villages listed in Census 2010	5,143	100%
Total No. of villages surveyed	2,577	50.10%
Overall No. of villages already covered by telecom services	3,385	65.81%
• Already covered with Fixed Service	1,187	23.08%
• Already covered with 2G Mobile Service	3,306	64.28%
• Already covered with 3G Mobile Service	434	8.43%
• Already proposed/planned under Nawras WiMax rollout	1,431	27.74%
• Already covered by Omantel LTE (4G)	9	0.17%
Overall No. of Un-served Villages including villages with zero population	1,759	34.20%
• Total No. of un served Villages only with zero population or Housing Units	929	18.06%
• Net Total of Un-served villages	830	16.13%

This survey is expected to be very helpful in formulating policy and plans to provide telecommunications services across the country in the most befitting manner.

4.4
Broadband on power lines

NADA Hitech SDN BHD (NHT), a Malaysian company in collaboration with Integrated Business Corporation (IBC), a local IT company, showcased their innovative proprietary product. A meeting was arranged by the TRA on 9th April 2012 at City Seasons Hotel Muscat, to enable these companies to demonstrate the functionality of their product. The meeting was attended by representatives of The Electricity Regulatory Authority, Nawras, Omantel and the TRA. NHT made a presentation to the audience about the features and possible uses of their product named "Satius BPL Solution" and answered a number of questions and queries from the audience. Later they demonstrated the actual functioning of SATIUS units over the power sockets in the hotel showing the broadband speed by downloading a video file from one PC to another. The technology is innovative and seems to have good potential for USO applications. The parties were encouraged to continue further deliberations and to arrange a pilot test in collaboration with Omani Telecom operators and the Electricity Distribution Companies. The TRA will look into the project once the stakeholders present a practical proposal based on test results of the pilot project.

4.5
Quality of service

In 2012, the TRA continued to put a lot of effort into ensuring the quality of service of the licensees by monitoring QoS Key Performance Indicators (KPIs) for mobile and fixed telecommunication networks, and more stringent norms were applied in ensuring that the Class I licensees fully comply with the QoS regulations issued in 2011. It is worth mentioning that the TRA gave a relaxation period of one year to the licensees to adjust to the new regulations. The new regulations on QoS were issued on 12th February 2011 and covered all indicators for fixed and mobile services from a technical and customer service perspective.

In terms of enhancing delivered telecom services to the beneficiaries, the QoS team will continue the process of following up on licensees obligations with respect broadband commitments and mobile coverage, and handling customer complaints/grievances with respect to poor quality of service in their areas.

A summary of QoS indicators for Omantel and Nawras for the period 2012 is provided in Annex III.

QUALITY OF SERVICE SURVEYS FOR MOBILE SERVICE COVERAGE

The aim of the survey was to benchmark the QoS of mobile networks and increase public awareness regarding the coverage status in their residential areas by publishing the report of these surveys on the TRA's website for each Governorate/Wilayat individually. Publishing the survey reports encourage the licensees to improve their services and enhance the mobile network coverage in the areas which suffer from poor mobile network coverage. The survey reports include a snapshot of satellite images of the surveyed areas and color coding which indicates the signal strength received by the beneficiaries' mobile handsets. In addition the main signal and call indicators of mobile networks are also illustrated in the report as an average percentage such as mean signal level, mean signal quality, drop calls and block rate.

The following survey reports were published on the TRA's website in 2012:

• Muscat Governorate (Al Amerat and Qurayat)

• Musandam Governorate (Daba and Madha)

The reports are available on the TRA's website under technical affairs – the quality of service section can be found on the following link:
http://www.tra.gov.om/newsite1/QualityofService.aspx?Menu_ID=22

4.6
Redressing consumer complaints

COMPLAINTS STATISTICS

In 2012, the TRA observed a 300% increase in the number of complaints compared to the previous year. This increase clearly indicates an improvement in the awareness of the consumer as to the role of the TRA in mitigating their complaints as well as a greater understanding of the procedure to lodge complaints.

Year	No. of complaints
2010	46
2011	31
2012	93

CONSUMER COMPLAINTS PER TELECOM SERVICE

The TRA attaches great importance to the grievances of customers of telecom services. About 80 % of the complaints that were referred to the service provider for final resolution were resolved without requiring TRA's further involvement while 20 % required our involvement and the issuance of determinations on these unresolved disputes. The following table summarizes the number of complaints resolved for the year 2011 and 2012:

Licensee	Mobile		Fixed		Internet		Total		Percentage	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Omantel	13	35	6	13	3	17	22	65	71%	70%
Nawras	5	14	1	3	3	7	9	24	29%	26%
Injaz	0	2	0	0	0	0	0	2	-	2%
Ranna	0	1	0	0	0	0	0	1	-	1%
Samatel	0	1	0	0	0	0	0	1	-	1%
Total	**18**	**53**	**7**	**16**	**6**	**24**	**31**	**93**	**100%**	**100%**
Percentage	**58%**	**57%**	**23%**	**17%**	**19%**	**26%**	**100%**	**100%**	**100%**	**100%**

4.7
Consumer awareness campaigns

DOMAIN NAME [.OM&.عمان] AWARENESS CAMPAIGN

The TRA initiated the launch of a nationwide marketing campaign to build public awareness on the ccTLD (country code top-level domain) and the importance of registering domain names under Oman's code top level web address. As Oman's local market is expanding in various fields and products, it is vital for private/public/community organizations to show their origin affiliation to Oman. Additionally, the Internationalized Arabic Domain name [.عمان] will enable Arabic speaking users to overcome the language barrier they may face when surfing the internet. In addition, it will support the increase of Arabic language content related to Oman in the world wide web.

AWARENESS EVENTS: COMEX 2012 AND SALALAH KHAREEF FESTIVAL

During the month of April 2012, the TRA participated in the IT and Telecom Exhibition (Comex). A separate stage was developed to show case the domain administration program.

4.8
Charitable donations

The TRA is committed to its social responsibility philosophy and will continue to play an important role in society by giving donations to major private charitable organizations in the country every year. To this end, an amount of R.O 220,000 was distributed among the major charitable organizations during 2012.

5

BUILDING INSTITUTIONAL CAPACITY

The TRA is actively involved in various aspects related to international telecommunications.

5.1
Local and international collaborations

The TRA is fully aware of dynamic changes in the telecommunications sector and the importance of keeping up with the developments on a global level. On this front, the TRA is actively involved in various aspects related to international telecommunications.

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 2012 actively contributed on issues related to child online protection and cloud computing. In order for the TRA to remain abreast of developments in the telecommunications sector it participated in telecom-related activities of the League of Arab States as well as the Gulf Cooperation Council during 2012.

PARTICIPATION IN INTERNATIONAL EVENTS

The TRA participated in various events in 2012 with the aim of coordinating the Sultanate's position with relevant regional and international regulatory authorities and other international organizations so as to benefit from international exposure and experience in directing the development and articulation of local telecommunications policies, consistent with Oman's Telecommunication Regulatory Act and the strategic plan of the TRA.

The TRA's staff participated in 106 international events and 5 local events in 2012. The following table gives an indication of the various international forums participated in during 2012:

Participation in international events	No. of events
ITU	48
GCC	14
Arab League	9
ARNET	2
Others	33
Total	**106**

In 2012, the TRA extended its participation in various international events, some of which are mentioned below:

ITU'S WORLD TELECOMMUNICATION AND INFORMATION SOCIETY DAY (WTISD)

The 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 2012 WTISD theme was "Women and Girls in ICT". The Sultanate's accomplishments in the ICT field were highlighted. The event was held under the auspices of Her Highness Dr. Mona bint Fahad Al-Said, Assistant Vice-Chancellor for External Co-operation at Sultan Qaboos University.

RADIO ASSEMBLY MEETING (RA-12)

TRA participated at the Radio Assembly meeting for 2012 and presented its views through the ASMG common proposals. The TRA's representative, Eng. Yousuf Abdullah Al Balushi was re-elected for the Radio Advisory Group (RAG) as a vice-chairman for the period 2012-2016

WORLD RADIO COMMUNICATION CONFERENCE 2012 (WRC-12)

The TRA participated at WRC-12, held in Geneva from 23 January – 17 February 2012, and presented its views through ASMG common proposals. The TRA succeeded with the support of Arab and African Administrations in identifying the band 700 MHz for International Mobile Telecommunication (IMT) applications subject to the provisions of Resolution232(WRC-12).

1ST MEETING OF THE GCC WORKING GROUP TO PREPARE FOR THE WORLD RADIO COMMUNICATION CONFERENCE 2015 (WRC-15)

The TRA invited representatives of the Gulf Cooperation Council (GCC)'s telecom ministries and regulatory authorities in Salalah to prepare for the upcoming World Radio Communication Conference 2015 (WRC-15) at which the Sultanate submitted proposals on the preparatory plan for the conference proceedings as well as the work mechanism for the GCC Working Group. The event was held under the auspices of His Excellency Dr. Hamed bin Salim Al Rawahi, Chief Executive of the Telecommunications Regulatory Authority.

GLOBAL REGULATORS-INDUSTRY DIALOGUE (GRID 2012)

The International Telecommunication Union (ITU)'s Global Regulators-Industry Dialogue (GRID 2012) took place in Colombo, Sri Lanka from 2nd to 3rd October 2012 as a major event of the Global Symposium for Regulators.

The GRID is a result of the ITU's decision to reform the Global Industry Leaders Forum to further strengthen the dialogue between industry and regulatory agencies. The newly created Global Regulators-Industry Dialogue (GRID or Global Dialogue) is now an integral part of the Global Symposium for Regulators (GSR) and it takes place during the first two days of the GSR, which are open to regulators, policy-makers and industry representatives.

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

ITU'S GLOBAL SYMPOSIUM FOR REGULATORS (GSR)

The International Telecommunication Union (ITU)'s 10th Global Symposium for Regulators (GSR-12) took place in Colombo, Sri Lanka from 2nd to 4th October 2012. The GSR is an annual event bringing together the heads of national regulatory authorities from both developed and developing countries. The GSR-12 theme in 2012 was, ''Why Regulate in a Networked Society?" - and at the close of the symposium, best practice guidelines designed to provide a framework for innovation, investment and competition in cloud infrastructure and services, were endorsed while at the same time ensuring protection of consumer interests. Topics discussed at the symposium included implementing broadband strategies, net neutrality, international roaming, cyber security, new partnership models to promote investment in new network infrastructure, spectrum policies, cloud computing, online safety with a focus on data protection and privacy, international and regional IP interconnection, as well as public-private-partnerships to foster investment and deployment of broadband NGN networks. A high-level delegation led by the TRA's Chief Executive, Dr. Hamed bin Salim Al-Rawahi participated.

ITU'S TELECOM WORLD

The International Telecommunication Union (ITU)'s Telecom World took place in Dubai, United Arab Emirates from 14th – 18th October 2012. ITU Telecom World 2012 brought together Heads of State, Government and international organizations together with company CEOs, mayors of top cities, thought leaders, innovators, researchers etc. and provided a platform to network, share knowledge, seek solutions to global challenges to discuss the radical transformation of the ICT industry and the implications for policy, regulation and competitive strategy. A central theme that emerged was "Change, its challenges and opportunities". A high-level delegation led by the TRA's Chief Executive Dr. Hamed bin Salim Al-Rawahi attended the event.

ITU'S WORLD CONFERENCE ON INTERNATIONAL TELECOMMUNICATION REGULATIONS (WCIT)

The International Telecommunication Union (ITU)'s World Conference on International Telecommunication Regulations (WCIT) took place in Dubai, United Arab Emirates from 3rd-14th December 2012. ITU WCIT 2012 reviewed the International Telecommunication Regulations (ITRs), which serve as the binding global treaty designed to facilitate international interconnection and interoperability of information and communication services, as well as ensuring their efficiency and widespread public usefulness and availability.

The treaty sets out general principles for assuring the free flow of information around the world, promoting affordable and equitable access for all and laying the foundation for ongoing innovation and market growth. The ITRs were last negotiated in Melbourne, Australia in 1988, and there is broad consensus that the text now needs to be updated to reflect the dramatically different information and communication technology (ICT) landscape of the 21st century.

5.2
Outgoing and visiting delegations

LICENSING FRAMEWORKS
In the continuing spirit of regional cooperation and collaboration, delegations from the TRA conducted visits to the Kingdom of Bahrain's Telecommunications Regulatory Authority as well as to the Hashemite Kingdom of Jordan in order to exchange and benefit from experiences relating to licensing frameworks.

ICANN
The TRA also received incoming delegations from the Ministry of Telecommunications & Information Technology of Yemen, as well as the Arab Regional Representative of the Internet Corporation for Assigned Names and Numbers (ICANN).

THE GCC INITIATIVE ON INTERNATIONAL ROAMING TARIFFS
Realizing the importance of making international roaming affordable to citizens and residents, the GCC Secretariat in cooperation with national regulators developed and enforced price caps for international roaming voice calls made while travelling across the six GCC countries. For Omani users, the caps represented reductions that reached up to 78% of rates that were prevailing before 2010.

The GCC is the second economic block in the world which regulates international roaming after the European Union. Considering the active role that the TRA in Oman had played in implementing the initiative, the Authority was invited to present the GCC experience at the International Mobile Roaming Symposium at the World Trade Organization (WTO) headquarters in Geneva in March 2012.

Furthermore, given the increasing importance of the data services, the GCC Secretariat has recently started working to develop a similar regulation for data roaming services.

FM COORDINATION MEETINGS
The TRA has completed the coordination processes with all GCC Administrations including Yemen for 137 broadcasting FM channels.

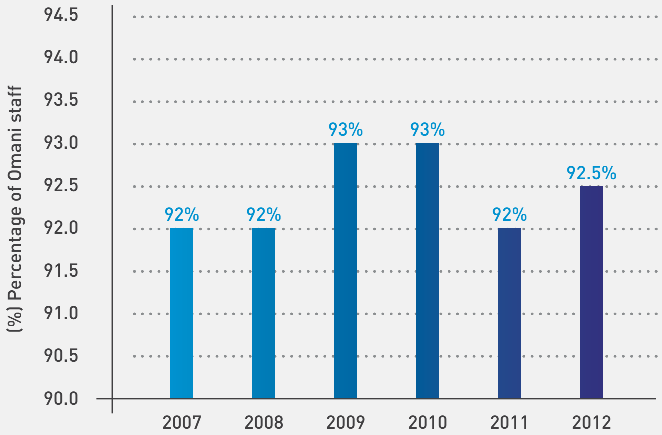
OMAN – UAE BILATERAL COORDINATION MEETING
To avoid spillover coverage and frequency interference of GSM and 3G networks between the Sultanate and UAE borders, the Bilateral Coordination Meetings continue to be held between the Sultanate and the United Arab Emirates (UAE). In this regard, a Bilateral Coordination Meeting was held in UAE (Abu Dhabi) on the 18th and 19th July 2012 to discuss and agree on a mechanism related to the movement and usage of communication tools and equipment through the common border of the two countries.

5.3

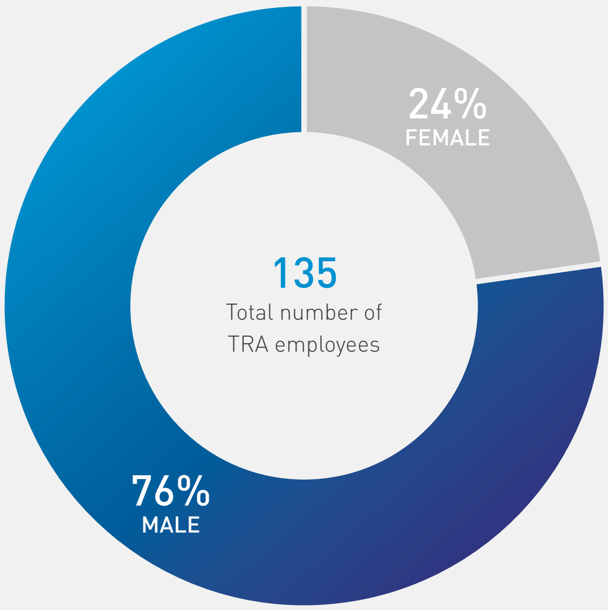
Capitalizing on human resources

OMANISATION

As part of its commitment towards building up the Omani staff team, the TRA achieved an Omanisation rate of 92.5% during 2012.



By the end of December 2012, the total number of employees was 135, 24% of whom were female.



TRAINING & COURSES

Human capital is the most important resource for any modern organization. In order to best utilize human capital, it is essential to provide the best working environment, growth opportunities and skill development. During 2012, the TRA arranged a number of training and development events. The details are summarized below:

Number of training & courses	
Internal	11
External	100
Number of benefitted employees	114

In addition to the above, the TRA arranged a number of social events for its staff to foster the family-like bonds and team work evident in our organisation.

ENTERPRISE RESOURCE PLANNING SYSTEM (ERP)

The TRA implemented the Enterprise Resource Planning (ERP), Microsoft Dynamics Axapta ("MS AX") ERP software suite to automate its business processes in 2012. The Financials Module, the Human Resources Module and the Customer relationship Management & e-Payment Modules were implemented during 2012.

In order to ensure that the intended objectives of implementing the ERP system will be met, and that it is suitable to continue future expansion on the selected platform, the TRA appointed an IT Consultant to carry out an independent Post-Implementation Review (PIR) of the ERP system to focus on the following aspects:

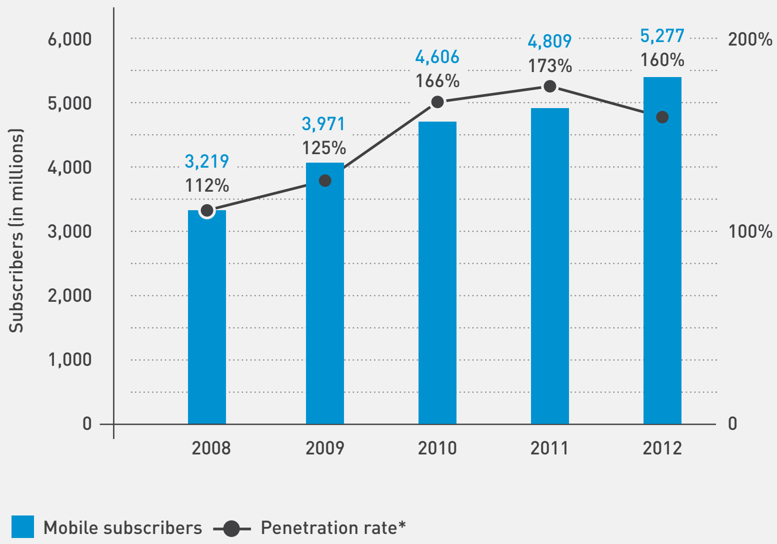
- Satisfying financial prudence criteria of In Time and In Budget execution;
- Value delivered to the organization by the ERP;
- Comparison of ERP implementation with other ERP Projects of a similar nature and size;
- Comparison of ERP implementation with industry leading practices;
- Security Review of the ERP implementation with respect to the inline payment system interface;
- Hardware infrastructure;
- Hardware configuration robustness, resilience and expandability;
- Data migration;
- Quality of application support facility and requirements to develop skill-set for in-house helpdesk management; and
- Interface with other systems.

The result of this engagement will be to help the TRA to develop a roadmap for IT for the coming 3-5years.

6
ANNEXES

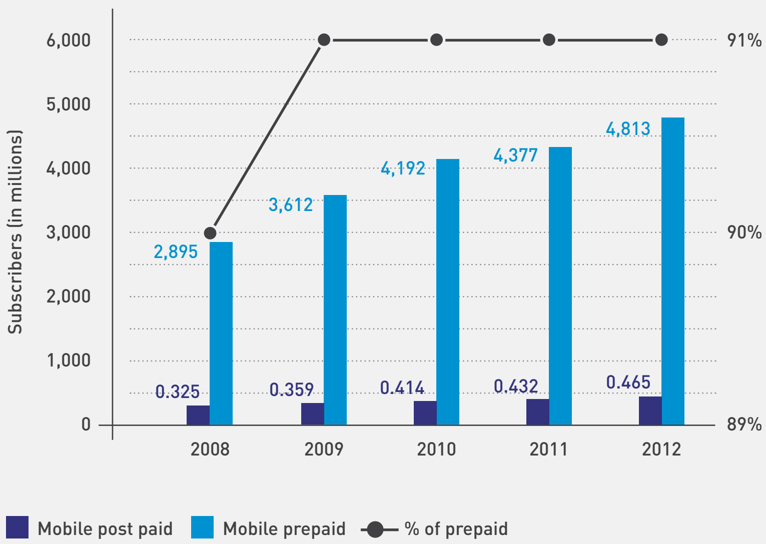
6.1
Telecom sector in figures

MOBILE TELECOMMUNICATION
Total Mobile Subscribers (in millions)

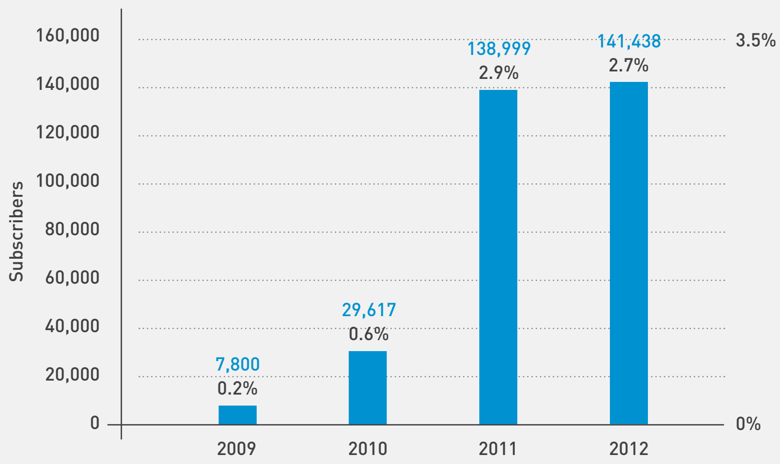


***Penetration rate** for 2012 is calculated as per the latest population (3,295,298), which is published in the Statistical Bulletin of December 2012 by NCSI.
The previous penetration rates were calculated as per the corresponding yearly population published by NCSI.

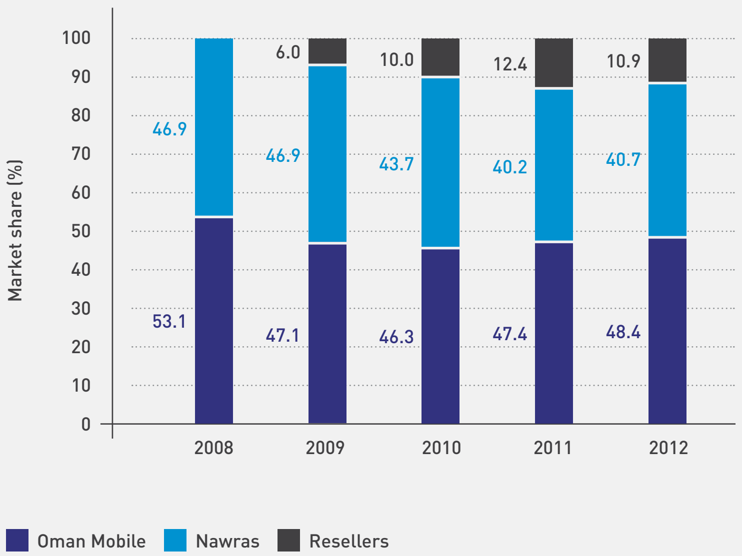
MOBILE TELECOMMUNICATION
Mobile subscribers post paid and prepaid (millions)



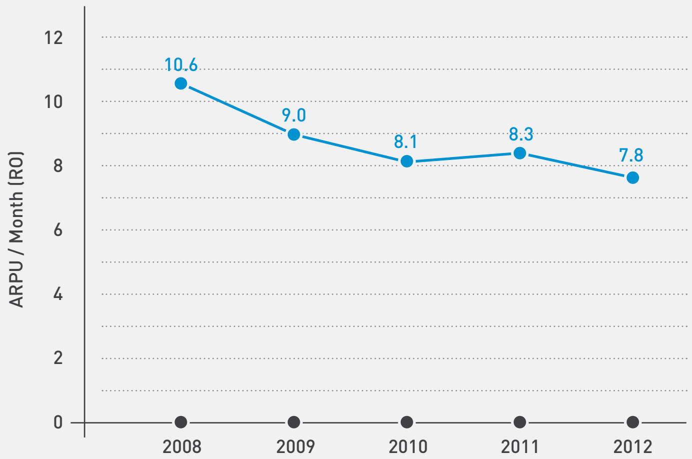
MOBILE TELECOMMUNICATION
Blackberry subscribers



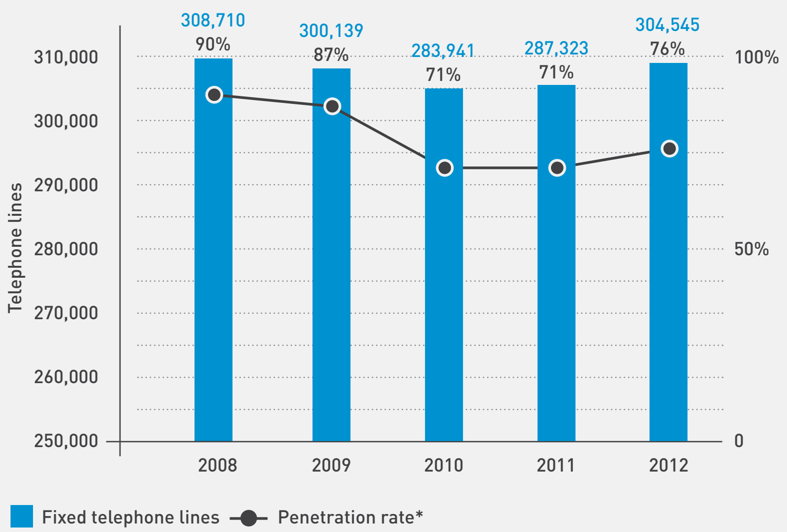
MOBILE TELECOMMUNICATION
Market share for mobile service providers (%)



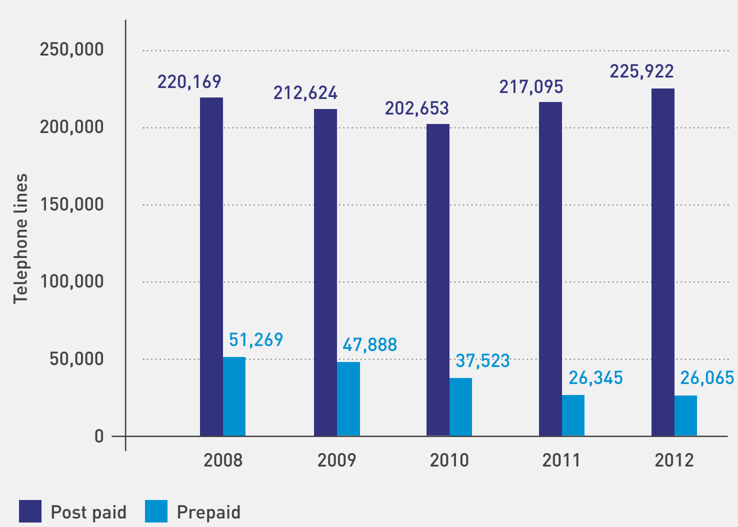
MOBILE TELECOMMUNICATION
Mobile services ARPU (RO)



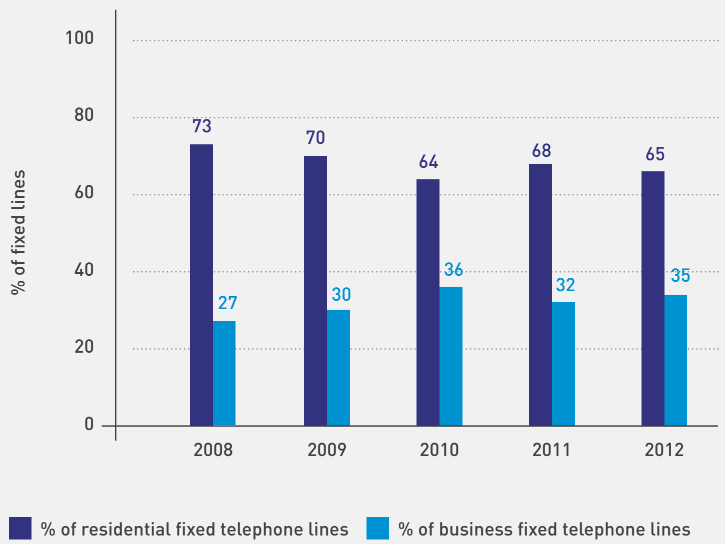
FIXED TELEPHONY
Total fixed telephone lines



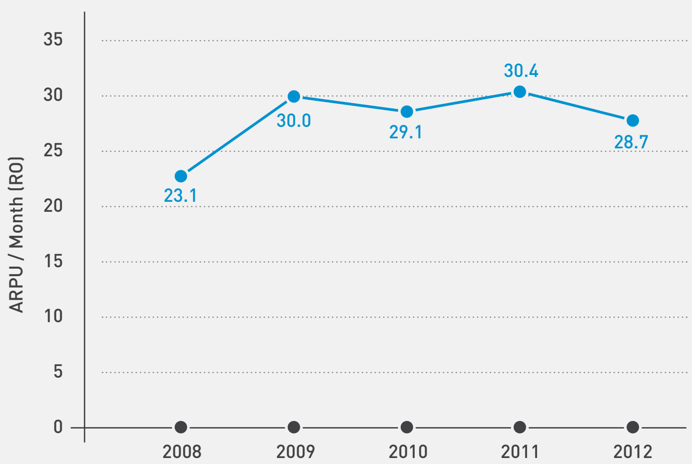
FIXED TELEPHONY
Fixed telephone lines post paid and prepaid



FIXED TELEPHONY
% of residential vs business fixed telephone lines



FIXED TELEPHONY
Fixed internet RPU (RO)

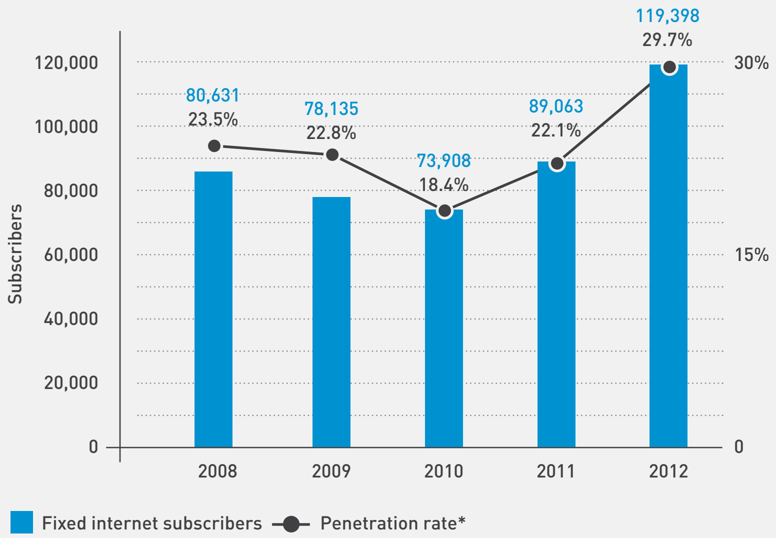


***Penetration rate** is calculated as per the latest No. of Households (402,286), which is published in the Census 2010.

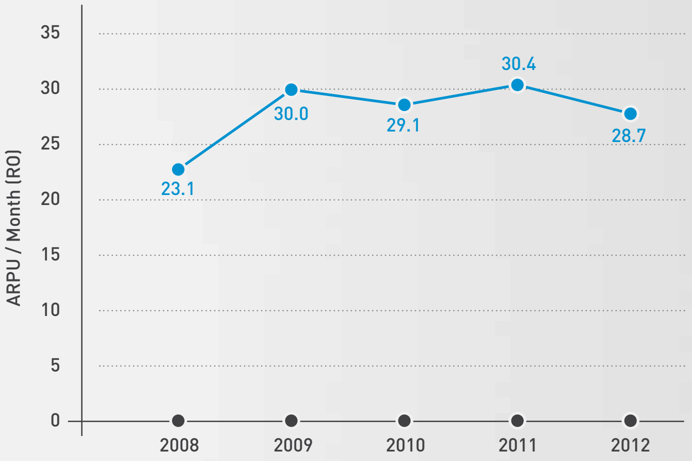
FIXED TELEPHONY

Fixed telephone lines by regions as on 2012 (% distribution)

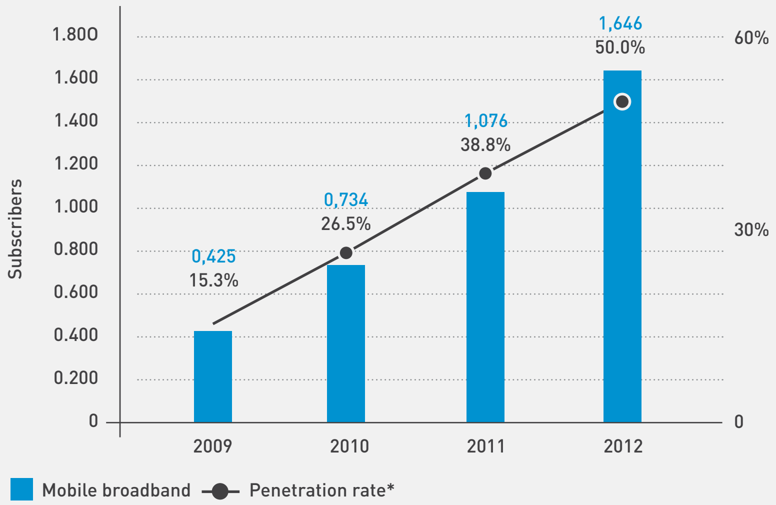
INTERNET SERVICES
Fixed internet subscribers



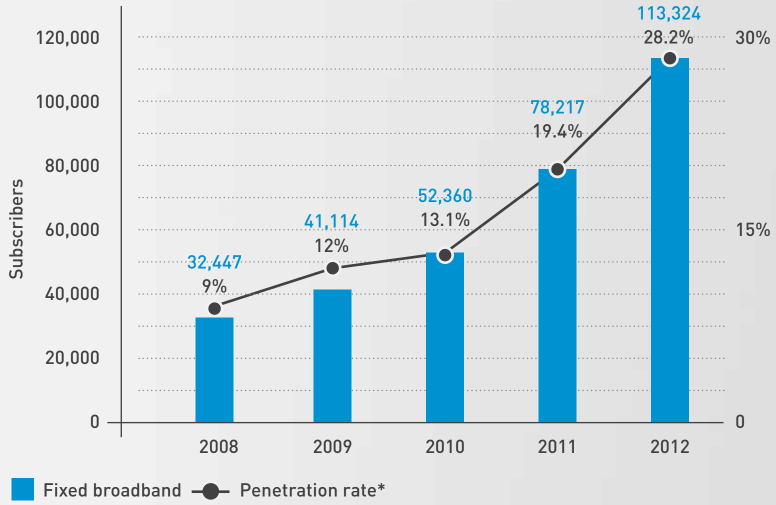
INTERNET SERVICES
Fixed internet ARPU (RO)



INTERNET SERVICES
Active mobile braodband subscribers



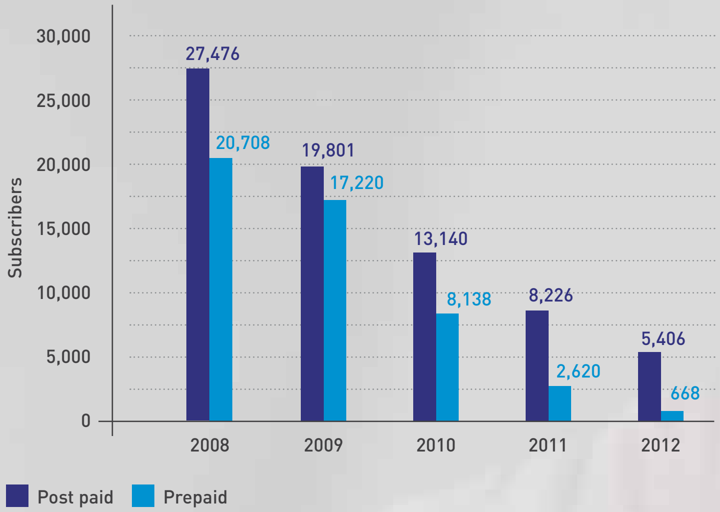
INTERNET SERVICES
Fixed broadband subscribers



***Penetration rate** is calculated as per the latest No. of Households (402,286), which is published in the Census 2010.

INTERNET SERVICES

Internet dial-up subscribers (prepaid and post paid)



6.2
List of TRA decisions issued in 2012

No	Decision No	Date of issue	Subject	Gazette No & date of publication
1	25/2012	22/1/2012	Amendment of Resolution No. 133/2008 issuing Regulation for Organizing the Registration and Usage of Frequencies and Radio Equipment and Their Pricing.	960 published 11/2/2012
2	34/2012	11/3/2012	Terms & Condition for the Provision of Public Basic Voice Telecommunications Service via Voice Over Internet Protocol (VOIP)	965 published 17/3/2012
3	35/2012	11/3/2012	Regulation on Premium Rate Services	965 published 17/3/2012
4	36/2012	11/3/2012	Amendments of Executive Regulation of the Telecom Act.	965 published 17/3/2012
5	69/2012	14/5/2012	Ex-ante Regulations for Market Definition and Dominance Guidelines	975 published 2/6/2012
6	15/2012	27/8/2012	Operating Earth Stations on Board Vessels in the Bands (5925-6425) MHz and (14 - 14.5) GHz	983 published 8/9/2012
7	119/2012	27/8/2012	Domain Name Regulation Framework	983 published 8/9/2012
8	120/2012	27/8/2012	Determining the Registrar Fee and Domain name fees under Domain .om & .عمان	983 published 8/9/2012
9	116/2012	27/8/2012	Exempting some telecommunications services from license provision in the telecommunications Act	984 published 15/9/2012
10	128/2012	29/9/2012	Amendments of Some provisions of the Executive Regulation of the Telecom Act	991 published 24/11/2012

6.3
Quality of service indicators in 2012

TABLE.1: OMANTEL QOS INDICATORS IN 2012

	Target value as per the license	Actual quality achieved				
		Q1-12	Q2-12	Q3-12	Q4-12	Year-12 (Avg.)
Mobile						
Percentage of calls dropped	Less than 0.8%	0.52	0.57%	0.52	0.45	0.52
Percentage of calls blocked due to congestion	Less than 1.1%	0.59	0.56%	0.37	0.38	0.48
Percentage of billing complaints resolved within 20 working days	Greater than 96%	100%	100%	100%	99.61%	99.90%
Fixed						
Faults per 100 lines per year	Less than 12	1.84	2	2.24	2.47	2.14
Percentage of faults to be cleared within 24 hours	Greater than 90%	94.27%	94.14%	96%	96.08%	95.12%
Unsuccessful call ratio for local and national fixed calls	Less than 1%	NA	0.32%	0.06	0.02	0.13
Percentage of orders for access lines in the served areas completed within 10 working days	Greater than 90%	97.98%	96.24%	96%	97.97%	97.05%
Percentage of beneficiaries billing complaints per 1000 bills	Less than 1.5%	1.20%	0.78%	0.36	0.343	0.67
Percentage of billing complaints resolved within 20 working days	Greater than 96%	100%	100%	100%	100%	100%
Percentage of payphones in working order to the total number of public payphones	Greater than 96%	99.77%	99.80%	99.77	99.73%	99.77%

6.3 continued
Quality of service indicators in 2012

TABLE.2: NAWRAS QOS INDICATORS IN 2012

	Target value as per the license	Actual quality achieved				
		Q1-12	Q2-12	Q3-12	Q4-12	Year-12 (Avg.)
Mobile						
Percentage of calls dropped	Less than 0.8%	0.13	0.15	0.17	0.17	0.16
Percentage of calls blocked due to congestion	Less than 1.1%	0.06	0.03	0.06	0.13	0.07
Percentage of billing complaints resolved within 20 working days	Greater than 96%	100%	100%	100%	100%	100%
Fixed						
Faults per 100 lines per year	Less than 12	NA	NA	0.3	0	0.15
Percentage of faults to be cleared within 24 hours	Greater than 90%	100%	100%	100%	100%	100%
Unsuccessful call ratio for local and national fixed calls	Less than 1%	0.07	0.11	0.05	0.10	0.08
Percentage of orders for access lines in the served areas completed within 10 working days	Greater than 90%	95.55%	92%	98%	96.7%	95.56%
Percentage of beneficiaries billing complaints per 1000 bills	Less than 1.5%	0.30%	0.4	0.5	0.6	0.45
Percentage of billing complaints resolved within 20 working days	Greater than 96%	100%	100%	100%	100%	100%
Percentage of payphones in working order to the total number of public payphones	Greater than 96%	NA	NA	NA	NA	NA

6.4
2012 Financial Statement

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Telecommunications Regulatory Authority (the "Authority"), set out on pages 2 to 20, which comprise the statement of financial position as at 31 December 2012, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

OTHER MATTERS

The Authority's financial statements for the year ended 31 December 2011 were audited by another auditor whose audit report dated 24 March 2012 expressed an unqualified opinion on the financial statements.

4 March 2013

STATEMENT OF FINANCIAL POSITION
at 31 December 2012

	Note	2012	2011
		RO	RO
ASSETS			
Non-current assets			
Property and equipment	4	3,366,767	1,662,152
Current assets			
Telecom frequency fees receivable	5	129,416	186,677
Advances and other receivables	6	1,008,835	1,073,464
Short term deposits	7	20,000,000	23,000,000
Bank balances and cash	8	5,097,489	1,188,099
Total current assets		26,235,740	25,448,240
Total assets		**29,602,507**	**27,110,392**
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus and total equity		12,358,434	9,346,630
Liabilities			
Non-current liabilities			
Deferred government contributions	10	4,650,271	4,848,111
Employees' end of service benefits	11	915,123	730,253
Total non-current liabilities		5,565,394	5,578,364
Current liabilities			
Accounts and other payables	12	11,678,679	12,185,398
Total liabilities		17,244,073	17,763,762
Total equity and liabilities		**29,602,507**	**27,110,392**

The financial statements were authorised for issue by the Board of Directors on 4 March 2013 and signed on their behalf by:

H.E. Dr. Mohammed bin Hamad Al-Rumhi

Chairman

Dr. Hamad bin Salem Al-Rawahi

Chief Executive

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	Note	2012	2011
		RO	RO
INCOME			
Radio spectrum income	13	12,709,541	9,538,363
Annual telecom licenses	14	4,113,956	3,133,451
Income from issuing numbers		620,060	499,542
Telecom equipment type approval income	15	193,507	171,989
Domain name income		16,700	--
Other telecom license fees		57,350	54,750
		17,711,114	13,398,095
OPERATING EXPENSES			
Salaries and employee related costs	16	(4,707,287)	(4,029,563)
General and administrative expenses	17	(1,753,879)	(1,220,745)
Consultancy fees		(530,678)	(560,711)
Depreciation	4	(489,978)	(428,639)
Bad debts written off		(141,648)	--
Allowance for credit losses	5 c)	(32,680)	(1,139)
Remuneration to Board of Directors		(111,800)	(54,000)
Monitoring station costs	18	--	(450,000)
Donations to charitable institutions	19	(220,000)	(220,000)
		(7,987,950)	(6,964,797)
Operating income		9,723,164	6,433,298
Government contributions	10	197,840	356,115
Interest income	20	437,411	267,746
Provision reversed during the year	5 c)	--	326,794
Other income		4,939	2,401
Surplus and total comprehensive income for the year		**10,363,354**	**7,386,354**

Note:
There are no items of other comprehensive income for the year.
The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	Accumulated surplus
	RO
At 31 December 2010	13,333,703
Surplus transferred to Ministry of Finance (note 9)	(10,279,458)
Surplus payment to the telecommunication operators (note 14)	(1,093,969)
Surplus for the year	7,386,354
At 31 December 2011	9,346,630
At 31 December 2011	9,346,630
Surplus transferred to Ministry of Finance (note 9)	(7,351,550)
Surplus payment to the telecommunication operators (note 14)	--
Surplus for the year	10,363,354
At 31 December 2012	12,358,434

STATEMENT OF CASH FLOWS
for the year ended 31 December 2012

	2012	2011
	RO	RO
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	10,363,354	7,386,354
Adjustments for:		
Depreciation	489,978	428,639
Net movements of allowance for credit losses	387,299	(325,655)
Net transfer to employees' end of service benefits	184,870	136,738
Government contributions	(197,840)	(356,115)
Interest income	(437,411)	(267,746)
Gain on disposal of property and equipment	(4,000)	--
Operating profit before changes in working capital	10,786,250	7,002,215
Working capital changes:		
Telecom frequency fees receivable	(328,323)	1,211,562
Advances and other receivables	64,629	(924,448)
Accounts and other payables	(506,719)	3,432,211
Cash generated from operations	10,015,837	10,721,540
Interest received	18,668	51,551
Net cash generated from operating activities	10,034,505	10,773,091
CASH FLOWS FROM INVESTING ACTIVITIES		
Movements in short term deposits	3,000,000	(5,500,000)
Interest received	417,028	236,117
Purchase of property and equipment	(2,194,593)	(969,268)
Proceeds from disposal of property and equipment	4,000	--
Net cash generated from / (used in) investing activities	1,226,435	(6,233,151)
CASH FLOWS FROM FINANCING ACTIVITIES		
Surplus transferred to Ministry of Finance	(7,351,550)	(10,279,458)
Surplus payment to the operators	--	(1,093,969)
Return of the excess of grant received	--	(114,223)
Government contributions received	--	3,000,000
Net cash used in financing activities	(7,351,550)	(8,487,650)
Increase / (decrease) in cash and cash equivalents during the year	3,909,390	(3,947,710)
Cash and cash equivalents at the beginning of the year	1,188,099	5,135,809
Cash and cash equivalents [note 2 d)] at the end of the year	**5,097,489**	**1,188,099**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

1) Legal status and principal activites
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.

2) Basis of preparation and adoption of new and amended IFRS

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

2.2) New and amended IFRS adopted by the Authority
The Authority has adopted the following new and revised Standards and Interpretations issued by IASB and the IFRIC, which were effective for the current accounting period:

• Amendments to IAS 12 'Deferred Taxes' issued in December 2010 provides a practical approach for measuring deferred tax assets and liabilities when investment property is measured using the fair value model under IAS 40 'Investment Property'.
The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

• Amendments to IFRS 7 'Financial Instruments' issued in October 2010 helps the users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and promotes transparency in the reporting of transfer transactions, particularly those that involve securitization of financial assets.

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

2.3) New and amended IFRS which are in issue but not yet effective
At the end of the reporting period, the following new and revised standards were in issue but not yet effective:

• IFRS 9, 'Financial Instruments', is effective for accounting periods beginning on or after 1 January 2015. The standard was issued in November 2009, which was added to in October 2010 and further amended in December 2011 amending the effective date from 1 January 2013 to 1 January 2015. Currently, IFRS 9 outlines the recognition and measurement of financial assets, financial liabilities and the derecognition criteria for financial assets. Financial assets are to be measured either at amortised cost or fair value through profit and loss, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. A financial asset can only be measured at amortised cost if the entity has a business model to hold the asset to collect contractual cash flows and the cash flows arise on specific dates and are solely for payment of principal and interest on the principal outstanding.

• Amendments to IAS 1 'Presentation of Financial Statements' issued in June 2011 improves the consistency and clarity of the presentation of items of other comprehensive income (OCI). The amendments require an entity to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment is effective for annual periods beginning on or after 1 July 2012.

• IFRS 10 'Consolidated Financial Statements' was issued in May 2011 primarily to deal with divergence in practice in applying the existing IAS 27 'Consolidated and Separate Financial Statements' and SIC 12 ' Consolidation – Special Purpose Entities'. IFRS 10 and revised IAS 27 'Separate Financial Statements' together supersede the current IAS 27 'Consolidated and Separate Financial Statements'. The standard is effective for annual periods beginning on or after 1 January 2013.

• IFRS 11 'Joint arrangements' was issued in May 2011 and improves on IAS 31 'Joint ventures' by establishing principles to the accounting for all joint arrangements. IFRS 11 also eliminates the option available for accounting of joint ventures by the proportionate consolidation method. The standard is effective for annual periods beginning on or after 1 January 2013.

• IFRS 12 'Disclosure of interest in other entities' was issued in May 2011 and requires an entity to disclose information to evaluate the nature of, and risks associated with, its interests in other entities and effects of those interests on its financial position, performance and cash flows. The standard is effective for annual periods beginning on or after 1 January 2013.

• IFRS 13 'Fair value Measurements' was issued in May 2011 and sets out in a single IFRS a framework for measuring and disclosing fair values. The standard is effective for annual periods beginning on or after 1 January 2013.

• Annual improvements to IFRS issued in May 2012 (effective for annual periods beginning on or after 1 January 2013) has resulted, amongst other amendments, changes to the following standards:

– IAS 1 'Presentation of Financial Statements clarifies the requirements for comparative information.
– IAS 16 'Property, plant and equipment' clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. If they do not meet this definition they shall be classified as inventory.
– IAS 32 'Financial Instruments: Presentation' addresses the perceived inconsistencies between IAS 12 'Income Taxes' and IAS 32 with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

• Amendments to IFRS 10, IFRS 11 and IFRS 12 issued in June 2012 provide additional transition relief by limiting the requirement to present adjusted comparative information to the period immediately preceding the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2013.

• Amendments to IFRS 10, IFRS 12 and IAS 27 issued in October 2012 define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. The amendments are effective for annual periods beginning on or after 1 January 2014.

The Management believes that the adoption of the amendments is not likely to have any material impact on the presentation and disclosure of items in the financial statements for future periods.

3) Significant accounting policies

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

a) Accounting convention

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

b) Property and equipment

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

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

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

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

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

Capital work-in-progress is not depreciated until it is transferred into one of the above categories at the time when it is ready for use.

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

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

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

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

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

e) Accounts and other payables
Accounts and other payables are stated at amortised cost.

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

Contributions to defined contribution retirement plan for Omani employees, in accordance with Oman Social Insurance Scheme, are recognised as an expense in the statement of comprehensive income as incurred.

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

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

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

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

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

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

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

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

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

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

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

m) Impairment

Financial assets

At the end of each reporting period, the Management assesses if there is any objective evidence indicating impairment of financial assets carried at cost or non-collectability of receivables. An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognised in the statement of comprehensive income. The recoverable amount represents the present value of expected future cash flows discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted.

Non-financial assets

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

n) Financial liabilities

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

o) Operating lease

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

p) Estimates and judgements

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

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

- estimation of useful lives of the assets which is based on Management's assessment of various factors such as the operating cycles, the maintenance programs and normal wear and tear using its best estimates;

- allowance for impairment losses which is based on the Management's estimates of recoverability of the amounts based on historical experiences; and

- annual license fee which is initially based on the Management's estimate as per budget prepared by the Authority at the beginning of the year. When actual cost becomes determinable, the excess or shortage on the amount billed to operators shall be refunded or collected, respectively, from the operator, taking into account Article 18 of the Telecommunications Regulatory Act.

4) Property and equipment

YEAR 2012

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

YEAR 2011

	Monitoring station	Motor vehicles	Office equipment furniture and fittings	Computer equipment	Capital work-in-progress	Total
	RO	RO	RO	RO	RO	RO
Cost						
At 31 December 2010	2,271,591	56,856	366,531	403,034	238,867	3,336,879
Additions during the year	--	31,650	101,224	245,483	590,911	969,268
At 31 December 2011	2,271,591	88,506	467,755	648,517	829,778	4,306,147
Depreciation						
At 31 December 2010	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
At 31 December 2011	1,816,519	45,699	360,800	420,977	--	2,643,995
Net book values						
At 31 December 2011 455,072	42,807	106,955	227,540	829,778	1,662,152	
At 31 December 2010 644,303	21,808	75,323	141,222	238,867	1,121,523	

5) Telecom frequency fees receivable

	2012	2011
	RO	RO
Fees and penalties receivable	162,096	606,656
Less: allowance for credit losses		
[see note c) below]	(32,680)	(419,979)
129,416	186,677	

The following further notes apply:

a) Telecom frequency fees receivable represent amounts due from customers in respect of equipment license fees, frequency registration fees and other fees together with penalties for delays in payment of license fees.

b) Fees and penalties receivable amounting to RO 129,416 (2011 – RO 186,677) are neither past due nor impaired.

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

	2012	2011
	RO	RO
At the beginning of the year	419,979	745,634
Provided during the year	32,680	1,139
Reversed during the year	--	(326,794)
Written off during the year	(419,979)	--
At the end of the year	32,680	419,979

d) During the year 2011, aggregate amount of RO 0.320 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.

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

6) Advances and other receivables

	2012	2011
	RO	RO
Advances to suppliers	823,867	923,758
Prepayments	171,882	140,979
Other receivables	13,086	8,727
1,008,835	1,073,464	

7) Short term deposits

The short term deposits of RO 20 million (2011 – RO 23 million) represent deposits made with local banks for a period of four months to one year and carry interest of 1.75% to 2.60% (2011 – 1.15% to 1.25%) per annum.

8) Bank balances and cash

	2012	2011
	RO	RO
Bank balances	5,096,989	1,187,599
Cash	500	500
5,097,489	1,188,099	

9) 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).

10) Deferred Government contributions

	2012	2011
	RO	RO
At the beginning of the year	4,848,111	2,318,449
Amortised as income during the year	(197,840)	(321,615)
Recognised as income during the year	--	(34,500)
Return of excess grant received	--	(114,223)
Fund received from Government	--	3,000,000
At the end of the year	4,650,271	4,848,111

The following further notes apply:

a)The Government contributions towards the acquisition of assets are initially recognised as deferred income and are credited to the statement of comprehensive income over the estimated useful economic lives of the assets involved. The income amortised during the year related to the assets amounted to RO 197,840 (2011 – RO 321,615).

b)As expenditure arises from the grant allocated to operating costs, income is recognised in the statement of comprehensive income. During the year 2011, the income recognized amounted to RO 34,500 (2012 – nil).

11) Employees' end of service benefits

	2012	2011
	RO	RO
At the beginning of the year	730,253	593,515
Charge for the year (note 16)	209,936	201,006
Paid during the year	(25,066)	(64,268)
At the end of the year	915,123	730,253

12) Accounts and other payables

	2012	2011
	RO	RO
Accounts payable	208,395	340,289
Advances from customers	6,577,268	8,826,552
Payable to operators	2,843,878	1,317,315
Provision for consultancy	598,099	652,528
Accrued expenses	650,552	594,654
Royalties payable	338,558	71,366
Deposits from customers	49,830	50,260
Other payables	412,099	332,434
	11,678,679	12,185,398

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

13) Radio spectrum income

	2012	2011
	RO	RO
Licensing fee for use of frequency spectra	9,851,253	9,152,572
Cancellation fees, penalties and other charges	1,716,543	15,435
Frequency registration fees	811,634	60,606
Application fees	275,700	257,600
Amendment fees	32,145	31,800
Equipment retention fees	20,366	19,050
Survey fees	1,900	1,300
	12,709,541	9,538,363

14) Annual telecom licenses

In accordance with Article 11 of the Telecom Act, issued under the Royal Decree 30/2002, the Authority has charged telecom operators towards the expenses incurred by the Authority in respect of the telecommunication expenses for the year ended 31 December 2012 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 1,526,563 (2011 – RO 1,317,315) is determined to be refunded to the operators for the year ended 31 December 2012. During the year, the revenue from annual telecom licenses was RO 4,113,956 (2011 – RO 3,133,451).

During the year 2011, the Authority paid surplus relating to the year 2010 to telecommunication operators amounting to RO 1,093,969. The surplus relating to the year 2011 amounting to RO 1,317,315 was paid subsequent to the reporting period.

15) Telecom equipment type approval income

	2012	2011
	RO	RO
Import permit	30,690	26,910
Radio equipment	52,525	40,500
GSM equipment	41,750	40,375
Other terminal equipment	27,200	22,625
Registration fees	10,190	9,150
Others	31,152	32,429
	193,507	171,989

16) Salaries and employee related costs

	2012	2011
	RO	RO
Salaries and wages	2,919,726	2,665,085
Bonus	611,815	416,987
Staff training and development	366,491	260,887
Social insurance	369,865	297,400
Employees' end of service benefits (note 11)	209,936	201,006
Other benefits	229,454	188,198
	4,707,287	4,029,563

17) General and administrative expenses

	2012	2011
	RO	RO
Travel expenses	454,059	281,172
Domain name expenses	395,875	--
Advertisement and publications	239,891	305,694
Rent	211,752	201,952
Repairs and maintenance	163,273	103,801
Communications	82,213	83,839
Printing and stationary	42,888	42,055
Membership fees	28,118	27,412
Utilities	22,007	23,230
Recruitment charges	18,421	33,258
Subscription for books and periodicals	17,090	21,159
Professional services	11,750	11,000
Miscellaneous expenses	66,542	86,173
	1,753,879	1,220,745

18) Monitoring station costs

During the year 2011, the amount paid by the Authority for the maintenance and management of the monitoring station amounted to RO 450,000 (2012 – nil).

19) Donations to charitable institutions

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

As at 31 December 2012, RO 220,000 (2011 – RO 220,000) was set aside to finance the donations made to various charitable institutions.

20) Interest income

	2012	2011
	RO	RO
Interest on bank current accounts	18,668	51,551
Interest on short term deposits	418,743	216,195
	437,411	267,746

21) Transactions with related parties

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

	2012	2011
	RO	RO
Basic salaries and allowances	569,044	531,109
Social security costs	185,254	58,206
Employees' end of service benefits	72,948	39,222
Other benefits and expenses	40,063	78,999
	867,309	707,536

22) Taxation

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

23) Commitments

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

	2012	2011
	RO	RO
Capital commitments contracted for	5,250,281	7,500,000

24) Financial Risk Management

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

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

a) Market risk

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

Currency risk

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

Interest rate risk

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

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

For every 0.5% change in interest rate, the impact on the statement of comprehensive income will approximate to RO 100,000 (2011 – RO 115,000) based on the level of deposits at the end of the reporting period.

b) Credit risk

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

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

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

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

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

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

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

	2012	2011
	RO	RO
Telecom frequency fees receivable	162,096	606,656
Short term deposits	20,000,000	23,000,000
Bank balances	5,096,989	1,187,599
Other receivables	836,953	932,485
	26,096,038	25,726,740

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

c) Liquidity risk

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

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

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

31 December 2012

	Carrying Amount	6 months or less	6 – 12 months
	RO	RO	RO
Accounts payable	208,395	208,395	--
Other payables	4,623,186	4,475,832	147,354
	4,831,581	4,684,227	147,354

31 December 2011

	Carrying Amount	6 months or less	6 – 12 months
	RO	RO	RO
Accounts payable	340,289	340,289	--
Other payables	2,968,297	2,968,297	--
	3,308,586	3,308,586	--

d) Fair value estimation

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

25) Compartives

Comparatives have been reclassified, wherever necessary, to conform to the presentation adopted in the Authority's financial statements for the current year.