

Our Vision

➤ To create an optimal enabling environment in which the UAE's ICT sector will emerge as a leader in the global market place

Our Mission

To support and enable the ICT sector in the UAE by safeguarding competition, providing fair access to the domestic infrastructure, and ensuring the optimal use of natural resources through the implementation of best practice in every area.

To enhance the quality of services offered, to raise public awareness, protect the consumer interest, and facilitate the growth of the E-commerce environment. We will deliver these commitments through the encouragement of investment, innovation, development and education, through attracting and retaining a highly skilled and motivated workforce, and upholding our social and environmental responsibilities.

Our Values

Transparency

Fairness

Credibility

Sector participation

Emiratization

Creativity

Awareness

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Board of Directors

- From Left to Right
H.E. Mohamad Bin Ahmad Al-Qamzi / H.E. Mohamed Nasser Al Ghanim
H.E. Essam Abdulamir Al Tamimi / H.E. Abdul Qader Al-Khayyat
H.E. Ahmed Humaid Al Mazrouie





Chairman's Message



Chairman's Message

Since the UAE Telecommunications Regulatory Authority (TRA) was established, there have been significant advancements within the organization, and most importantly within the Information and Communications Technology Sector (ICT) as a whole.

It is my pleasure to present our work covering the period from 1st January 2007 to 31st December 2007 in this TRA third annual report.

As the industry regulator, we strive to provide clear direction and governance in the development of this vital sector and to promote its strategic role. Our values underpin everything that we do, encompassing transparency, fairness, credibility, sector participation, Emiratisation, innovation, and awareness.

Our independence affords us the flexibility to develop regulations, monitor the market and employ consultants in specialized fields. The transparency of the TRA structure is its strength, aiding smooth decision making, and the application of governance principles to all our practices.

Ours is a young organization, but it has already tackled vital work


such as setting out the regulatory framework for competition and licences, as well as the national frequency and numbering plan. Following a landmark year in 2006, the foundations are firmly in place for the TRA strategic plan.

Our goals over the next two years are clear, and may be summarized by enhancing the level of services, promoting the economies of the sector, maintaining strong competition, and developing an effective regulatory framework. These goals will reinforce the UAE leading ICT status among developed countries, and help us emerge as a leader on the global stage.

The TRA worked diligently throughout 2007 to ensure that its regulatory framework continues to promote fair competition, and that residential and business consumers are the ultimate beneficiaries of the introduction of innovative services. The TRA remains ideologically neutral and sensitive to the needs of the consumers and subscribers in the UAE as it seeks to broaden the scope of competition.

It is a fact that the UAE is experiencing a real estate, economic and knowledge boom that is creating increased demand for ICT services. The opportunities are vast. The health of the ICT industry and its infrastructure is likely to encourage private sector investment, as well as enable the provision of more advanced and competitive services.

This year's telecom sector's revenue growth rate has reached 37% in comparison to the year before, where it generated more than AED 22.8 Billion in 2007 in comparison to around AED 16.7 Billion in 2006.



According to the latest statistics, the penetration rate in the UAE for mobile phones has reached 166.4% with an annual growth rate of 38%, 49.5% for the internet with an annual growth rate of 32%, and 30.4% for fixed lines with an annual growth rate of 4%. This remains the highest among Arab states, underlining the importance of the telecoms sector to various sectors of the UAE economy, including financial services, media, and education. The TRA envisages the expansion of the ICT sector having an even greater positive impact on the overall economy of the UAE in coming years. To this end, we will continue to execute projects and initiatives that complement broader government initiatives, and encourage the introduction of advanced technologies.

The TRA believes that the success of the next phase of the industry's development is related to safeguarding the status of networks and information security in the UAE. We are set to build on a number of successful initiatives, including the UAE Computer Emergency Response Team, over the next two years.

It has been another year of considerable progress and landmark achievement for the TRA, but there remains considerable challenges to tackle before all our objectives can be achieved.

The demand for skilled UAE National graduates in the field of telecommunications engineering has yet to be met. For this reason, projects supported by the ICT Development Fund

will foster the research and development culture in the UAE universities, while the Fund itself will provide scholarships to talented individuals. The TRA also has to respond to ever-changing technological advances, and grow the penetration of broadband services over coming years.

Finally, I would like to thank my fellow Members of the Board of Directors, the TRA employees and all parties that cooperated with us, for their support, their effective participation and their distinguished work in 2007, all of which had a positive impact on the success of the TRA and contributed to achieving our goals in record time. This extraordinary work has laid the foundations for what we will achieve in 2008 and beyond.

Mohamad Bin Ahmad Al-Qamzi
Chairman of the Board of Directors

Director General's Message



Director General's Message

It has been an eventful and rewarding 12 months since competition was introduced to the telecommunications sector in the UAE. It has been a year defined by our goal to preserve and protect healthy competition, maintain regulatory certainty and safeguard security within an industry that continues to flourish.

As the TRA continues to grow in size and stature, we aim to implement best international practices that will benefit the telecoms sector in the UAE, as well as enhance our reputation internationally.

People remain at the forefront of everything we do. The past year saw a complaints and procedure policy issued, giving consumers the opportunity to air problems and grievances. The introduction of the Consumer Directory Information and Directory Database Interconnection Service policies makes clear the licensees' obligation to provide consumers with up-to-date and accurate directory information.

The Price Transparency policy was a significant regulatory advancement, as it ensures consumers have clear, accurate and complete information on pricing. Revised versions of the

Interconnect Pricing and the National Numbering Plan policies were also published. Other consumer-focused directives issued in the past 12 months include those on Interconnection Prices and International Roaming Notification.

The TRA has established the eCommerce Department and activated its role in coordination with the Ministry of Economy to encourage and facilitate Electronic Transactions and Communications by means of reliable Electronic Records, and to eliminate barriers to Electronic Commerce and other Electronic Transactions.

Seeking to develop its human resources to cope with the growth of the sector and the increase of its responsibilities, the TRA employees' number has increased by around 108% with a main growth of 120% in emiratization, where the percentage of Emiratis reached 67% by the end of last year. The training hours for the TRA employees has reached around two thousand.

The TRA redoubled its efforts in 2007 to be a good corporate citizen. Among the many initiatives that benefited wider society was a mobile phone recycling campaign that proved a nationwide success, a donation of artworks to the local community and an education and skills challenge.

The TRA pivotal role over the past year has been recognized at local and international levels. We continue to play a major part in regulation here and further afield. Following our election to the seat at the ITU Council in 2006, the TRA successfully hosted the Seventh Global Symposium for Regulators (GSR 07). The event, organized by the International Telecommunication Union (ITU) of the United Nations, was attended by more than 500 senior executives from regulatory authorities and telecoms companies around the world, including the World Trade Organization (WTO).

Meanwhile, the TRA continues to act as an advocate for regulation within the region by chairing the General Assembly of the Arab Regulatory Authorities, and hosting the Meeting of the

Arab Regulators Network (AREGNET). This is part of the ongoing efforts of the TRA to establish best practice and adopt the latest thinking within its regulatory framework while encouraging collaboration among regional and national institutions. Among the issues addressed was the importance of applying transparency to roaming prices among Arab operators in the region.

A significant area of progress in 2007 was network security. In conjunction with the Malaysian Communications and Multimedia Commission (MCMC), the TRA endorsed the HITB Security Conference, outlining the progress made by the Computer Emergency Response Team (aeCERT). As well as enhancing cyber security in the UAE, aeCERT played a significant role in increasing security awareness among all audiences, and coordinating with local and international Computer Security Incidents Research Teams (CSIRTs).

Still, in June the TRA hosted and co-organized the Asia Pacific Top Level Domain Association (APTLD) meeting, attended by prominent local, regional and international experts. It was my privilege to deliver the keynote address, during which I acknowledged the huge progress of the ICT sector in the UAE.

The objectives of APTLD, which gathered regulators and administrators from across the region, were to agree on common working practices, how to manage Country Code Top Level Domains (ccTLD) and encourage domain name development.

The year also saw the launching of the Middle East Communications Exhibition and Conference 2007 (MECOM) taking place in Abu Dhabi. It attracted key local, regional and international regulatory authorities and companies including Etisalat, Du, Thuraya, ZTE, Cisco and Jaybeam.

The TRA also participated effectively in GITEX Technology Week that encompassed four major venues, GITEX Business Solutions, GULFCOMMS, Consumer Electronics and Global Conference. In this respect, the TRA and the ICT Development Fund participated with appropriate stands in the GULCOMMS venue that covered the telecom industry, including mobile, fixed, IP and satellite. However, GITEX Technology Week is considered one of the world's top three ICT exhibitions, where in 2007, it witnessed the participation of more than three thousand companies, representing more than eighty countries, attracting around 125 thousand visitors from 137 countries and having around 14 thousand Media Representatives. GITEX Technology Week proved to be the most important gateway to the Middle East ICT market.

The TRA was pleased to host the ITU Radio-communication Seminar for the Arab region, which focused on regulatory procedures for terrestrial and space services, and also represented the UAE at the World Radio-communication Conference in Geneva, which plays a major role in reviewing radio regulations all over the world.

There is plenty of work still to be done, and many policies to be implemented. A number of issues and challenges face the sector in coming years, not least privatization; licensing; the convergence of telecommunications, media and ICT; the Regulatory Policy of the Internet Access Management; the Mobile Number Portability; site sharing; and other related procedures, decisions, policies, directives and regulations. But the excellent work of last year has laid the foundations for the future success of our strategy.

To this end, I want to highlight the effective contribution of the telecom sector's institutions, corporations and stakeholders, which played a major role in this quantity of successes in the UAE Telecom Sector, in a record time.

The TRA greatest asset is its employees. We strive to provide an encouraging environment for our staff, and I would like to take this opportunity to thank them all for their hard work.

Finally, it gives me great pleasure to extend my gratitude to the Board of Directors for its steadfast support.

Mohamed Nasser Al Ghanim
Director General

2007 Review

➤ It was a year of significant achievement for both the TRA and the telecoms sector in the UAE, and one which saw the regulatory authority play an increasingly prominent role regionally and internationally

In 2006 the TRA finalised issuing the licenses for the two UAE telecom operators authorising them to provide full telecommunications services, including fixed network national and international call services, mobile national and international call services and internet connectivity. Following the regulatory success, the UAE telecoms sector witnessed the actual introduction of competition to a traditionally monopolistic market. Since then, and all throughout 2007, the TRA has worked extensively with key opinion formers and experts to broaden the scope of the telecommunications sector in the UAE.

To this end, the TRA issued a number of directives, regulations and decisions that resulted in introducing Carrier Selection Service to fixed line subscribers, the telecom operators sending SMS to their mobile subscribers informing them of roaming charges abroad, and releasing the mobile code 055 for Du and an additional mobile code 056 for Etisalat.


Furthermore, the TRA developed a draft licensing framework to be recommended for approval, with the objective of enabling structured and gradual market opening in the telecom sector. The TRA made significant advances to assign frequencies for supporting new technologies like the Intelligent Transportation

Systems (Dubai Metro, Salik, Opticomm Priority Control, Bridges Height Safety Gantry, etc), testing of GSM on board aircraft, introduction of Wimax, trials for mobile TV using DVB-H, etc. The TRA issued and renewed hundreds of spectrum authorizations, not to mention hundreds of fixed point to point access links for the telecom operator Du.

The TRA also started issuing the vehicle, amateur and small boat authorizations on the CR-100 sized cards convenient to carry; developed number of policies and regulations such as the Radio-communications Policy, the Cordless Telephony, the Spectrum Monitoring and Enforcement, the Broadcasting Policy and Regulations, the Interconnect Pricing Policy, the Consumer Complaint and Dispute Policy, the Consumer Directory Information Policy, the Directory Database Interconnection Service Policy, the Price Transparency Policy, etc; initiated extensive WiMAX and FSS sharing studies project with the operators to evaluate the impact of introducing WiMAX on FSS Earth Stations; established the Amateur Society in the UAE; and conducted site survey for fixed monitoring station and frequency monitoring for Sharjah TV and frequency survey for YahSat and SamaCom Earth Stations.

Still, the TRA established the eCommerce Department and recruited specialists to implement the Federal Law on Electronic Commerce and Transactions and devise the required regulatory instruments to fulfill its mandated role on the appointment of the TRA as the authority with responsibilities relating to the licensing, approval, monitoring and overseeing of the activities of Certification Service Providers.

To this end, The TRA has prepared a detailed benchmarking



study on the licensing, approval, monitoring and overseeing of the activities of Certification Service Providers (CSPs) based on the best international practices; has recommended following the moderate model of regulation in the UAE, with the focus of removing any obstacles facing electronic transactions; has developed an action plan for enforcing the law on electronic commerce and transactions; and has completed the first phase required under the CSPs framework by producing a preliminary version of the Regulation for the licensing of CSPs and attached with it a fee schedule proposed for CSPs as well as a model form of CSPs license application.

Following the UAE's election to one of the twelve available ITU Council seats in Asia and Australasia in 2006, the TRA was proud to act as an advocate for the region at the Seventh Global Symposium for Regulators (GSR 07) – an event also hosted by the TRA in Dubai.

Further, by exchanging best practice with senior representatives from regulatory authorities from around the world, the TRA was able to lead discussion on Next Generation Networks (NGN) as it works towards establishing its own NGN regulatory framework in the coming year, and participated in an ITU consultation regarding the issues relates to NGN interconnection.

The TRA also played an extremely active role at the ITU World Radio-communication Conference 2007 (WRC-07) in Geneva, where it was honored to coordinate inputs from the Arab delegations. The event takes place every four years, and plays a major role in reviewing and revising radio regulations, and

introducing new wireless communications services.

Before WRC-07, the TRA hosted the 3rd Meeting of the GCC Team Assigned to Prepare for the WRC-07 in Switzerland. This was a successful precursor to the Arab Permanent Spectrum Team.

In addition, the TRA, in conjunction with the GCC Telecommunications Bureau, chaired the 25th Coordination Meeting between the GCC and representatives from the US Department of Defense to resolve radiocommunications interference and the usage of joint spectrum in the Gulf Region.

The WRC-07 also saw the Arab Group propose and support Mr. Nasser Bin Hammad, Manager for Spectrum Coordination at the TRA, to be Vice-Chair of the ITU Radio-communication Study Group responsible for Space Services Activities for the coming four years.

Successful coordination with regional regulators and telecommunications operators was a crucial part of the TRA work in 2007. It hosted the ITU Radio-communication Seminar for the Arab Region at Abu Dhabi National Exhibition Center, where regulatory procedures for terrestrial and space radio-communication services were explored in depth.



In other notable achievements, the TRA introduced the “ae Domain Administration” (.aeDA). Following a review of the UAE domain name policy, “aeDA” is a project aiming to be by 2008, an independent, non-profit, self-funding legal entity, focusing on educating the public in the UAE, as well as delivering and promoting the “ae” domain on a global level. It is hoped the initiative will become the definitive and authoritative resource for all facets of the Domain Name Industry, both in the UAE and further afield.

Additionally, the United Arab Emirates Computer Emergency Response Team (aeCERT) gained significant momentum in 2007, as it increased awareness among all users of the sector’s vulnerabilities. The following year will see the project establish a national centre to dispense information about cyber threats, security incidences and vulnerable areas.

The TRA continued to ensure that competition is sustainable within the sector. In accordance with its Price Control Policy, the regulator monitored licensees’ retail prices to prevent anti-competitive behaviour. Key directives on interconnection between the licensees were also issued.

As well as protecting consumers’ interests, the TRA continued to take its role as a corporate citizen seriously. A number of initiatives throughout 2007 enhanced relationships with staff, suppliers and operators. One of the most innovative and far reaching was a national mobile phone recycling campaign.

This impact of telecommunications in wider society was touched upon by Mohamed Al Ghanim, TRA Board Member & Director General, who delivered the keynote address at the Middle East Communications Exhibition & Conference (MECOM) in Abu Dhabi. ‘The progress of a nation is measured by the progress of its society; the progress of the telecom industry therefore reflects the scientific and socioeconomic development of society.’

The presence of leading industry figures at MECOM, an important forum for showcasing the latest trends and technologies in ICT, demonstrated the growing confidence the sector showed in the UAE and throughout the region in 2007.

The event also marked the official inauguration of the ICT Development Fund, which supported two major research and development initiatives in 2007: the ANKABUT network and e-Government Strategy.

A review of 2007 Directives:

1. TRA Directive No.1 of 2007 (issued 8 February) concerned an interconnection agreement. Without interconnection, callers in the UAE will not be able to communicate with each other, so the TRA directed that licensees should convey all interconnection services, including carrier selection and carrier pre-selection through and between their networks.

2. TRA Directive No.2 of 2007 (issued 11 July) concerned Carrier Selection Interconnection Service.

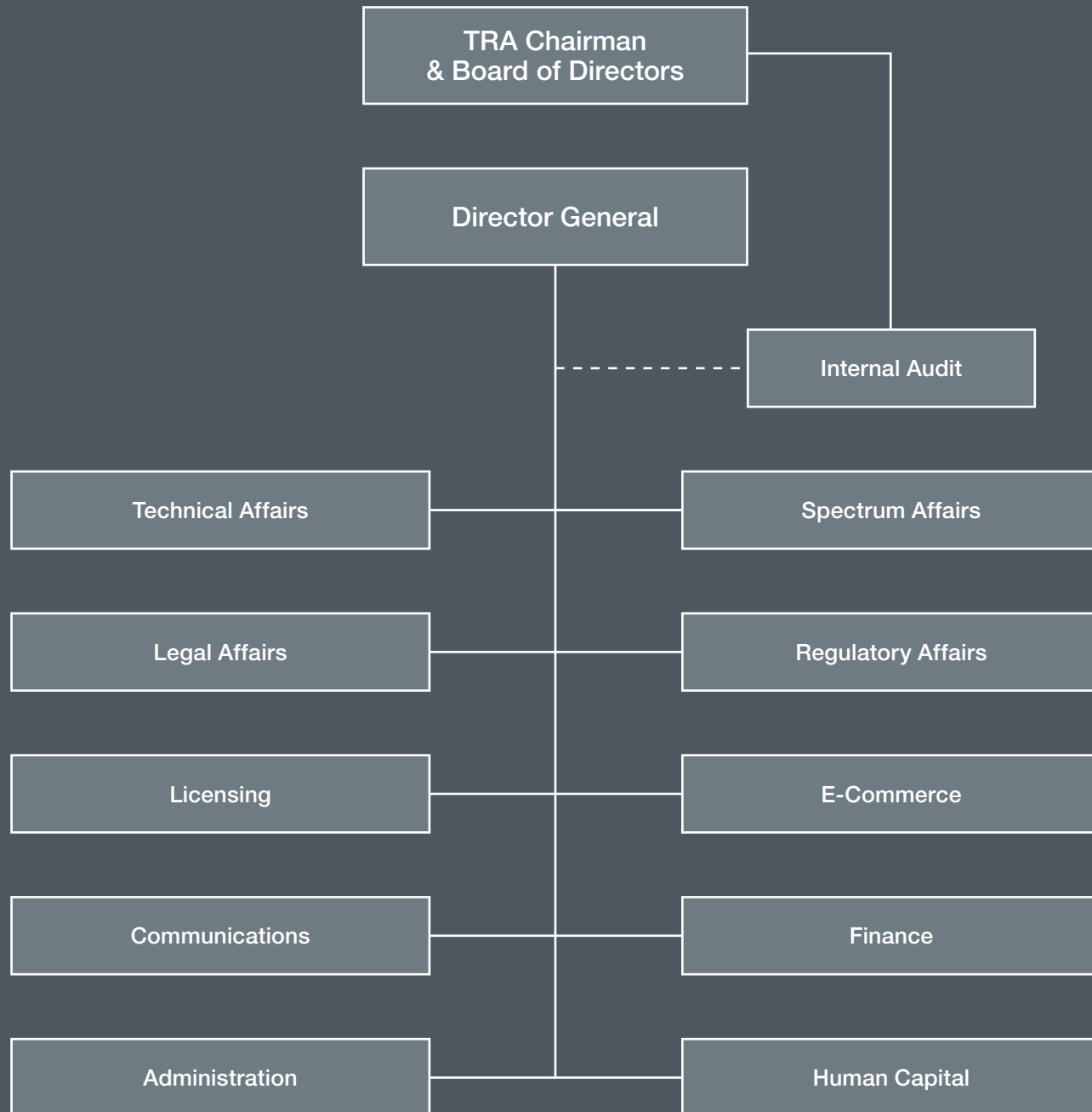
3. TRA Directive No.3 of 2007 (issued 7 September) concerned roaming charges. Both licensees were to inform their respective mobile subscribers of the retail roaming prices once they reach

another country. This requires both licensees to send an SMS to their mobile subscribers travelling abroad, advising them of the roaming rates of incoming and dialled calls in the country they have just reached.

4. TRA Directive No.4 of 2007 (issued 30 December) concerned interconnection prices. Having considered the provisions of Federal Law by Decree No.3 of 2003, as amended, TRA directed that Etisalat should apply prices for the provision of the applicable fixed network interconnected services on a prorated per second basis.



Organization Structure



ICT Development Fund

➤ To provide financial support and advice to companies, organizations and individuals that can strengthen innovation and knowledge capital within the UAE ICT sector.

The UAE ICT (Information & Communications Technology) Development Fund was formally launched in 2007 by the TRA with a mission to provide financial support and advice to companies, organizations and individuals that can strengthen innovation and knowledge capital within the UAE ICT sector.

The ICT Development Fund is driven by a passion to offer first-class support through a proactive approach, and works closely with applicants to provide hands-on monitoring of each project. Educational institutions, research companies, business start-ups and entrepreneurs can all benefit from the Fund's target of implementing ideas that will lead to rapid growth.

Providing comprehensive resources and support, the Fund has a clear vision of establishing and achieving a leading global position for the UAE ICT sector. From financial capital, in the form of grants and scholarships, to the provision of expert business acumen and technical support, the Fund strives to nurture brave and innovative ideas.

To this end, 2007 marked a significant year for the ICT Development Fund through the implementation of two large-scale projects. The first, ANKABUT (Arabic for spider), is spearheaded

by Etisalat University College (EUC), and will transform knowledge sharing among the UAE academic community.

ANKABUT seeks to build, operate and maintain an educational and research network throughout the country. Linking major universities and educational institutions via a high-speed Wide Area Network, the initiative will enable data transfer for education and research purposes. The network will be owned by a non-profit entity similar to Internet 2 in the United States and Geant in Europe, two of the biggest providers of similar network solutions.

The five-year funding for ANKABUT will also boost the research culture among the UAE universities, enabling academics, scientists and researchers to work together from multiple locations.

The second project is a transformation of the Ministry of Development strategy, "The Federal e-Government Programme." This scheme sees the revitalisation of the e-Government Strategy that was initially approved in 2004. Support from the ICT Development Fund is integral to the transformation programme, which aims to provide an efficient and effective route to the best knowledge portals and services via e-Government channels.

In the final analysis, by promoting and encouraging initiative, research and education, the ICT Fund is – par excellence – the source for empowering innovation...it is the implementation of the roots of success.

aeCERT

➤ aeCERT will raise awareness of the need for cyber security across the UAE, ensuring corporate and personal information is safe and secure

The past year saw a landmark development in the TRA drive to safeguard the ICT sector via the introduction of its new initiative, the UAE Computer Emergency Response Team (aeCERT), to constitute a cyber security coordination center in the UAE and to facilitate the detection, prevention and response to the broader set of cyber security incidents on the Internet.

To this end, the aeCERT vision is to be the leading trusted and secure cyber coordination center in the region, while its mission is to sustain a resilient and vigilant ICT infrastructure against a broader set of cyber security threats and to build a secure and safe cyber culture in the UAE. Yet, the aeCERT goals may be summarized by enhancing the cyber security law and assist in the creation of new laws; enhancing information security awareness across the UAE; building national expertise in information security, incident management and computer forensics; providing a central trusted point of contact for cyber security incident reporting in the UAE; establishing a national center to disseminate information about threats, vulnerabilities and cyber security incidents;

fostering the establishing of and providing assistance to sector-based Computer Security Incident Response Teams (CSIRTs), coordinating with domestic and international CSIRTs and related organizations; and becoming an active member of recognized security organizations and forums.

In this respect, the aeCERT launched the National Security Awareness Campaign during the Middle East IT Security Conference (MEITSEC 2007), which took place in November and brought under the spotlight law enforcement role in fighting cyber terrorism.

The National Security Awareness Campaign aims at building a UAE safe cyber culture by informing the public of the latest cyber threats that they may face in their day-to-day life, and planning to increase the awareness in the field of electronic security. The Campaign is focused on integrating electronic security in every aspect of the individuals' life and practices.

Hence, with this young fresh blood effort, the aeCERT is successfully setting up its performance, including setting up the teams and processes of each function. The functions, however, include the establishment of appropriate procedures and processes in how to conduct proper contacts and contracts with the parties of different sectors that will benefit from aeCERT

services, such as banking, financial, telecom, educational, and governmental entities; including actual recruitment and training, building the expertise, and the hands-on system.

The National Security Awareness Campaign was launched for a period of 12 months divided into four stages, where each stage will hold a theme. The theme of the first quarter was entitled “Protecting your Online Identity and Security Essentials.” Under this theme, the campaign had addressed three modules: Information Protection, Password Security and Social Engineering.

Furthermore, the aeCERT will be releasing e-learning modules every month focused on its theme and the distinct target

audiences, such as business and general users, students, and children. These security awareness e-learning modules will be available directly from the aeCERT web-portal, where each module will be supplemented with supporting material.

In the final analysis, this initiative represents one of the main objectives of the TRA with respect to a safer and an established UAE cyber space, serving the national economy and the Telecom and ICT Sectors.

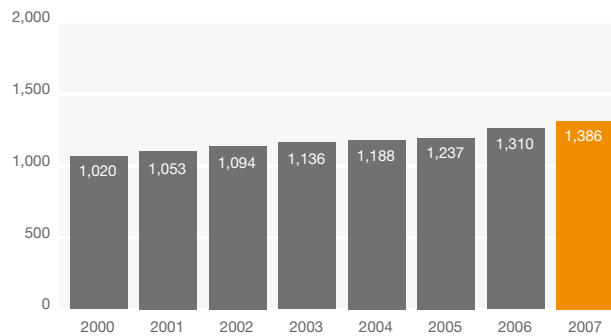


Overview of ICT Sector in the UAE

The UAE is ranked 1st in the Arab World in Networked Readiness Index (NRI), according to the Global Information Technology Report produced by the World Economic Forum. This index measures the propensity of countries to leverage the opportunities offered by ICT for development and increased competitiveness.

Fixed Telephone Lines Subscribers

Thousand subscribers

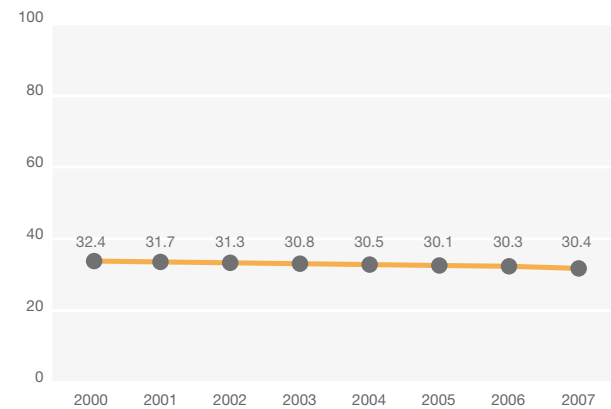


Among the Arab States, the UAE has the highest fixed line penetration, the highest mobile penetration and the highest internet penetration.

Fixed line subscription reached 1.38 million subscribers, with 48% of the lines being residential.

Fixed Telephone Lines Penetration

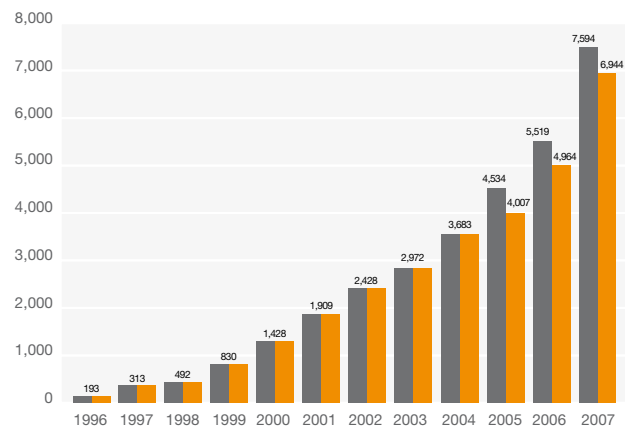
(Per 100 inhabitants)



Mobile subscription grew by 38% to reach 7.6 million subscribers, with 91% being prepaid.

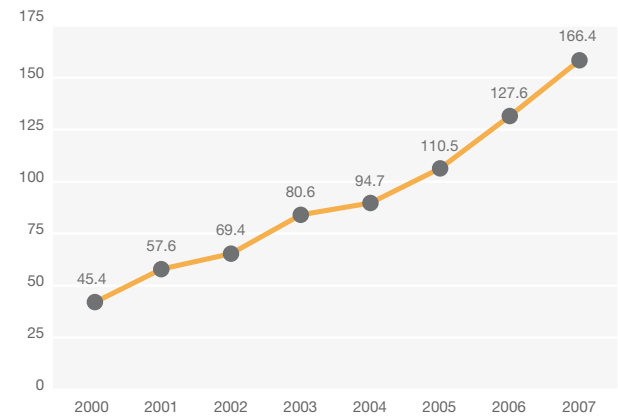
Mobile Subscribers

Total ■ Prepaid ■



Mobile Penetration

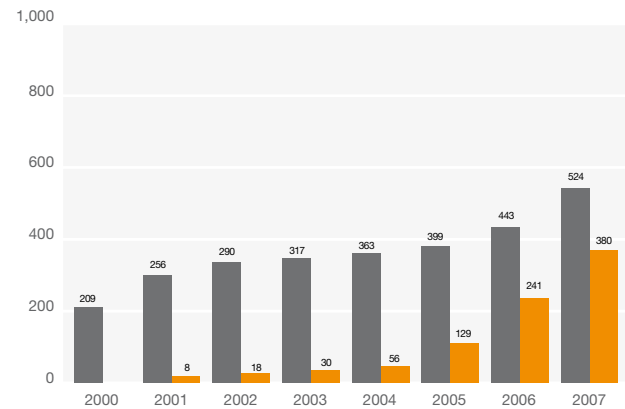
(Per 100 inhabitants)



Internet subscription grew by 32% to reach 904 thousand subscribers. Broadband subscription, which is dominated by

Internet Subscribers

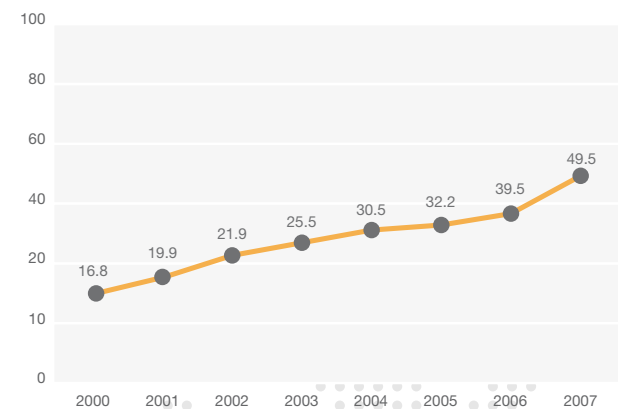
Dial Up ■ Broadband ■



residential, is growing far faster than dial-up. Last year broadband represented only 35% of internet subscription while today it is 42%.

Internet Penetration*

(Per 100 inhabitants)



* Estimated number of users per Internet subscription = 2.5

Corporate Social Responsibility (CSR)

➤ For the TRA, good corporate citizenship means a responsibility to employees, customers, suppliers and society as a whole

The TRA places great importance on Corporate Social Responsibility (CSR), striving to set the highest standards within and outside the workplace. For the TRA, good corporate citizenship means a responsibility to employees, customers, suppliers and society as a whole.

In 2006 the TRA made great strides, with a number of initiatives aimed at meeting the needs of all its stakeholders. Following a successful employee satisfaction survey, human resources implemented a number of measures to improve daily working life. Investment in development and skills, increasing female employment opportunities and allowing employees time to pursue further academic study were just some of the initiatives introduced.

These achievements have been built upon throughout 2007, most notably with the purchase of 36 abstract paintings by talented national artists from the Ministry of Culture, Youth and Community Development. The paintings adorn the TRA head office, providing a talking point for employees and visitors. Tackling a number of subjects with a national, traditional and humanitarian theme, the artwork combines creative use of colour and shape to portray the UAE in a contemporary light.

The TRA conscientiously provides vendor and supplier payment on a timely basis, and encourages national business by using national airlines, Etihad and Emirates.

The TRA consumer affairs section continued to address consumer concerns in 2007, while a number of regulations and policies were introduced to protect the rights of consumers.

In order to contribute to the needs of the greater UAE community in 2007, the TRA developed and sponsored a significant number of projects. Among them was a socio-humanitarian initiative from Al Mawaheb Photography Team, entitled Cheer Your Life. The non-profit organization of more than 100 UAE amateur and professional photographers donates its photographs to humanitarian charities. Cheer Your Life saw more than 100 culturally themed pictures donated to decorate the Ajman Elderly Nursing Home.

The development of skills is of key importance to the TRA. Following the success of Career UAE 2006, where the TRA provided workplace training for graduates, the past year saw the sponsorship of the UAE Educational IT Challenge. The competition aims to engage students and teachers from colleges and universities throughout the UAE and the GCC (Gulf Cooperation Council) to develop teamwork across sectors. Teams create and implement projects that promote the use of IT within educational institutions. Winning proposals will be awarded and represented in international competitions, due to take place during 2008.

While the TRA aims to support new initiatives each year, it is imperative that an emphasis is placed on long-term CSR. This last year saw the TRA launch one of its most ambitious ventures, The UAE National Telecom Recycling Campaign, in conjunction with the UAE Ministry of Environment and Water, EnviroFone, telecoms providers Etisalat and Du, and the charity Gulf for Good. The

campaign aims to reduce the environmental damage caused by toxins in mobile phones and accessories.

More than 270 drop boxes were placed across the UAE, and the public was encouraged to deposit unwanted mobile phones. The impressive response is ongoing. As a reward for the public's assistance, a bonus system will be introduced, with prizes such as money off mobile bills and prepaid cards, and discounts at sponsoring stores. Monthly raffles will also be held. The aim for the forthcoming year is to gather 120,000 mobile phones for recycling by the end of 2008.



Financial Statements

➤ Independent Auditor's Report
Ahmad Nimer
– Partner, Deloitte & Touche
Registration No 380
31 January 2008

Report on the financial statements

We have audited the accompanying financial statements of Telecommunications Regulatory Authority (the "Authority"), which comprise the balance sheet as at 31 December 2007, the statement of income and expenditure, statement of changes in accumulated surplus and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies outlined in note 2 to the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Telecommunications Regulatory Authority as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies outlined in note 2 to the financial statements.

Balance Sheet
at 31 December 2007

	Notes	2007 AED	2006 AED
Assets			
Non-current assets			
Property, plant and equipment	4	14,088,731	4,233,240
Long term receivables	5	134,038,577	169,601,373
Total non-current assets		148,127,308	173,834,613
Current assets			
Trade and other receivables	6	152,786,761	26,786,496
Prepayments		7,228,143	2,474,821
Bank and cash	7	795,147,440	368,743,523
Total current assets		955,162,344	398,004,840
Total assets		1,103,289,652	571,839,453
Accumulated Surplus and Liabilities			
Accumulated surplus			
Accumulated surplus		639,858,024	342,723,480
Non-current liabilities			
Provision for end-of-service benefit	8	572,961	319,939
Current liabilities			
Trade and other payables	9	462,858,667	228,796,034
Total liabilities		463,431,628	229,115,973
Total accumulated surplus and liabilities		1,103,289,652	571,839,453

The accompanying notes form an integral part of these financial statements.

Statement of Income and Expenditure at 31 December 2007

	Notes	2007 AED	2006 AED
Income			
Licenses and authorisations	10	363,940,839	355,379,862
Interest income		13,608,950	2,076,718
Other income		674,899	190,039
Total income		378,224,688	357,646,619
Expenses			
Staff cost		33,104,115	17,790,827
Rent		5,055,098	974,877
Training, seminars and publications		8,318,963	3,847,645
Consultancy fees		15,090,683	6,335,050
Advertisement and exhibition expenses		6,257,286	4,638,884
Depreciation	4	2,378,987	1,691,251
Other operating expenses		10,885,012	4,381,498
Total expenses		81,090,144	39,660,032
Surplus of income over expenses for the year		297,134,544	317,986,587

The accompanying notes form an integral part of these financial statements.



➤ Statement of Changes in Accumulated Surplus
at 31 December 2007

	AED
Balance at 1 January 2006	24,736,893
Surplus of income over expenditure for the year	317,986,587
<hr/>	
Balance at 1 January 2007	342,723,480
Surplus of income over expenditure for the year	297,134,544
<hr/>	
Balance at 31 December 2007	639,858,024

The accompanying notes form an integral part of these financial statements.



Statement of Cash Flows at 31 December 2007

	2007 AED	2006 AED
Operating activities		
Net surplus for the year	297,134,544	317,986,587
Provision for end-of-service benefit charge	368,711	223,584
Depreciation of property, plant and equipment	2,378,987	1,691,251
Interest income on fixed deposits	(13,608,950)	(2,076,718)
Cash flows from operating activities before movement in working capital	286,273,292	317,824,704
Increase in trade and other receivables	(126,000,265)	(22,116,608)
Increase in prepayments	(4,753,322)	(1,243,055)
Increase in trade and other payables	234,062,633	225,497,735
	389,582,338	519,962,776
Decrease/(increase) in long term receivables	35,562,796	(169,601,373)
End of service benefit paid during the year	(115,689)	(37,146)
Net cash from operating activities	425,029,445	350,324,257
Investing activities		
Purchase of property, plant and equipment	(12,234,478)	(802,490)
Increase in fixed deposits	(197,146,200)	—
Interest received on fixed deposits	13,608,950	2,076,718
Net cash (used in)/from investing activities	(195,771,728)	1,274,228
Net increase in cash and cash equivalents	229,257,717	351,598,485
Cash and cash equivalents at the beginning of the financial year	368,743,523	17,145,038
Cash and cash equivalents at the end of the financial year (note 7)	598,001,240	368,743,523

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements at 31 December 2007

1 General

Telecommunications Regulatory Authority ("Authority") was established as an independent public authority, for the purpose of regulating the Telecommunication sector in the United Arab Emirates (UAE), under the Article (6) of Telecom Law (Federal Law by Decree No. 3 of 2003).

The Authority is governed by the Federal Law (Decree No. 3 of 2003 and its Executive Order).

The registered office of the Authority is P.O Box 26662, Abu Dhabi, United Arab Emirates.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared under the historical cost basis. Telecommunications Regulatory Authority maintains its accounting records and prepares its financial statements in accordance with its accounting policies.

These financial statements are presented in UAE Dirhams (AED) since that is the currency in which the majority of the Authority's transactions are denominated.

The principal accounting policies adopted are set out below:

2.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment is their purchase cost together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight line basis over the expected useful economic lives of the assets concerned. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are:

	%
Leasehold improvements	20.00
Computer hardware & software	33.33
Furniture & fixtures	20.00
Frequency monitoring equipment	20.00
Office equipment	25.00
Vehicles	25.00

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

Capital work in progress

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Authority's policies.

2.3 Impairment

At each balance sheet date, the Authority reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.4 Foreign currencies

For the purpose of these financial statements, the U.A.E Dirhams (AED) is the functional and the presentation currency of the Authority.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in income statement in the period in which they arise.

2.5 Provision for end-of-service benefit

Provision for end-of-service benefit for expatriate employees is made in accordance with the Authority's Human Resources policies, which is not less favorable than UAE Labour Law. For UAE national staff, the Authority makes a contribution to the UAE Federal Pension Scheme as per the rules of the Scheme.

2.6 Revenue recognition

License fees

License fees are recognised as and when the license is granted, which is usually the agreement date.

Spectrum fees

Spectrum fees are recognised when the basis for these fees can be measured reliably, in accordance with the relevant agreements, and it is probable that the economic benefits associated with such fees will flow to the Authority.

Numbering fees

Numbering fees are recognized on receipt of funds or on confirmation from the licensee regarding acceptance of final invoice.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.



2.7 Cash and cash equivalents

For the purpose of the statement of cash flows, the Authority considers all bank and cash balances and bank deposits with an original maturity of less than three months from the date of placement and other than those under lien, to be cash and cash equivalents.

2.8 Government grants

Land granted by the government is recognised at nominal value where there is reasonable assurance that the land will be received and the Authority will comply with any attached conditions, where applicable.

2.9 Financial instruments

The Authority's principal financial assets are bank and cash balances, trade and other receivables.

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for doubtful amounts.

The principal financial liabilities are trade and other payables which are stated at their nominal value.

3 Critical accounting judgements and key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Key sources of estimation

Property, plant and equipment

As described in note 2, the Authority reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Management has determined that these expectations do not differ from previous estimates.

Allowance for doubtful debts

Management has estimated the recoverability of accounts receivable balances and has considered the allowance required for doubtful receivables. Management estimates that there are no doubtful receivables based on prior experience and the current economic environment.

4 Property, plant and equipment

	Leasehold Improvements AED	Computer Hardware & Software AED	Furniture & Fixtures AED	Office Equipment AED	Frequency Monitoring Equipment AED	Vehicles AED	Capital Work-in Progress AED	Total AED
Cost								
At 1 January 2006	1,367,366	3,323,736	452,035	255,639	—	148,450	—	5,547,226
Additions	76,580	545,207	124,670	49,833	6,200	—	—	802,490
At 1 January 2007	1,443,946	3,868,943	576,705	305,472	6,200	148,450	—	6,349,716
Additions	3,403,010	3,467,907	2,411,109	280,320	—	79,200	2,592,932	12,234,478
At 31 December 2007	4,846,956	7,336,850	2,987,814	585,792	6,200	227,650	2,592,932	18,584,194
Accumulated Depreciation								
At 1 January 2006	160,186	191,560	12,015	37,068	—	24,396	—	425,225
Charge for the year	286,233	1,189,901	106,862	70,833	310	37,112	—	1,691,251
At 1 January 2007	446,419	1,381,461	118,877	107,901	310	61,508	—	2,116,476
Charge for the year	437,780	1,584,267	193,516	105,271	1,240	56,913	—	2,378,987
At 31 December 2007	884,199	2,965,728	312,393	213,172	1,550	118,421	—	4,495,463
Carrying amount								
At 31 December 2007	3,962,757	4,371,122	2,675,421	372,620	4,650	109,229	2,592,932	14,088,731
At 31 December 2006	997,527	2,487,482	457,828	197,571	5,890	86,942	—	4,233,240

Property, plant and equipment include plots of land granted by the Government of Abu Dhabi and Government of Dubai on which the Authority has the intention to build its head office premises. The land is accounted at a nominal value of AED 1 each.

5 Long term receivables

	2007 AED	2006 AED
Initial license fee	87,150,000	112,050,000
Annual spectrum fees	84,238,577	82,451,373
	171,388,577	194,501,373
Less: current portion (note 6)	(37,350,000)	(24,900,000)
	134,038,577	169,601,373

The receivables due are as follows:

	2007 AED	2006 AED
Within one year	37,350,000	24,900,000
In the second and third year	134,038,577	169,601,373
	171,388,577	194,501,373
Less: Amount due within 12 months	(37,350,000)	(24,900,000)
Amounts due after 12 months	134,038,577	169,601,373

This represents initial license fee and spectrum charges receivable from Etisalat Integrated Telecommunication Company in installments as per the agreed schedule.

6 Trade and other receivables

	2007 AED	2006 AED
Other receivables	115,436,761	1,886,496
Current portion of long term receivables (note 5)	37,350,000	24,900,000
	152,786,761	26,786,496

The above trade and other receivables include an amount of AED 134,814,816 (2006 – AED 24,900,000) receivable from Emirates Integrated Telecommunications Company.

Other receivables include interest receivable of AED 4,106,222 accrued on fixed deposits relate to the ICT Fund.

7 Bank balances and cash

	2007 AED	2006 AED
Cash in hand	16,259	10,790
Bank balances	118,152	4,632,553
Fixed deposits	795,013,029	364,100,180
	795,147,440	368,743,523
Less: Fixed deposits maturing after three months	(197,146,200)	—
	598,001,240	368,743,523

Fixed deposits include an amount of AED 445,013,029 (2006 – AED 221,100,180) placed with the Authority's bank account which relates to the ICT Fund.

The fixed deposits were placed with a local bank in the United Arab Emirates. The deposit earns interest an average of 3% to 5% p.a.

8 Provision for end of service benefit

	2007 AED	2006 AED
At 1 January	319,939	133,501
Charge during the year	368,711	223,584
Paid during the year	(115,689)	(37,146)
At 31 December	572,961	319,939

9 Trade and other payables

	2007 AED	2006 AED
Trade payables	6,565,693	3,522,167
Accrued liabilities	7,173,723	4,173,687
ICT funds received in advance	449,119,251	221,100,180
	462,858,667	228,796,034

ICT funds received in advance represent funds received on behalf of Information & Communication Technologies Fund. This fund was established to serve the telecommunication sector in the UAE to support the scientific research and development. The fund is managed by a Board of Trustees. The funds received will be transferred to the ICT Fund upon finalisation of its establishment.

10 Licenses and authorisation

	2007 AED	2006 AED
Application fee	1,772,836	1,174,169
License fee	2,000,000	124,500,000
Spectrum and other license fees	226,768,905	229,629,649
Registration fee	70,945	76,044
Fines and penalties	300,000	—
Numbering fees	133,028,153	—
	363,940,839	355,379,862

Numbering fees include an amount of AED 61,554,744 pertaining to the numbering resources issued by the Authority in the prior year.

11 Financial instruments**11.1 Financial risk management objectives**

The Authority is exposed primarily to the following risks related to financial instruments- credit risk, liquidity risk and fair value interest rate risk. The Authority does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

Trade and other receivables mainly comprise amounts due from Emirates Integrated Telecommunications Company.

Trade and other payables mainly comprise amounts outstanding for trade purchases and ongoing costs and amounts due to related parties. The average credit period taken on trade purchases is 45 – 60 days.

11.2 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Authority, and arises principally from the Authority's trade and other receivables and bank balances. The Authority's receivable mainly include amounts due from Emirates Integrated Telecommunications Company in year 2006 and 2007.

The Authority's management does not consider that this significant concentration as credit risk. Balances with bank were assessed to have low credit risk.

The amount that best represents its maximum credit risk exposure at the balance sheet date, in the event counter parties fail to perform their obligations under financial instruments generally approximates their carrying value. Trade and other receivables and balances with banks are not secured by any collateral.

11.3 Liquidity risk

The Authority has no significant exposure to liquidity risk.

11.4 Interest rate and currency risks

The Authority has no significant exposure to interest rate or currency risks.

11.5 Fair value of financial instruments

Management considers that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values.

12 Approval of the financial statements

The financial statements were approved by Management and authorised for issue on 31 January 2008.

13 Comparative figures

Certain comparative figures for the prior year have been reclassified, where necessary, to conform with the current year presentation.

Regulations and Resolutions

TRA Regulations

- National Numbering Plan Policy (6/03/2007)
- Interconnect Pricing Policy (15/03/2007)
- Consumer Complaint and Dispute Policy (17/04/2007)
- Consumer Complaint and Dispute Procedure (17/04/2007)
- Consumer Directory Information Policy (7/06/2007)
- Directory Database Interconnection Service Policy (7/06/2007)
- Price Transparency Policy (24/06/2007)

Resolutions

Resolution No.1 Regarding the Emirates Integrated Telecommunications Company (EITC) request on Carrier Selection and Carrier Pre-Selection.

Resolution No.2 Regarding Approving Numbers Resources Allocation and Use Fees

Resolution No.3 For approving Budget 2007 for the General Authority for Regulating the Telecommunication Sector.

