







Our Mission

- I.High quality Customer Care.**
- II.Overall excellence in Services.**
- III.Safe grading investor's interests & yielding continued financial success**

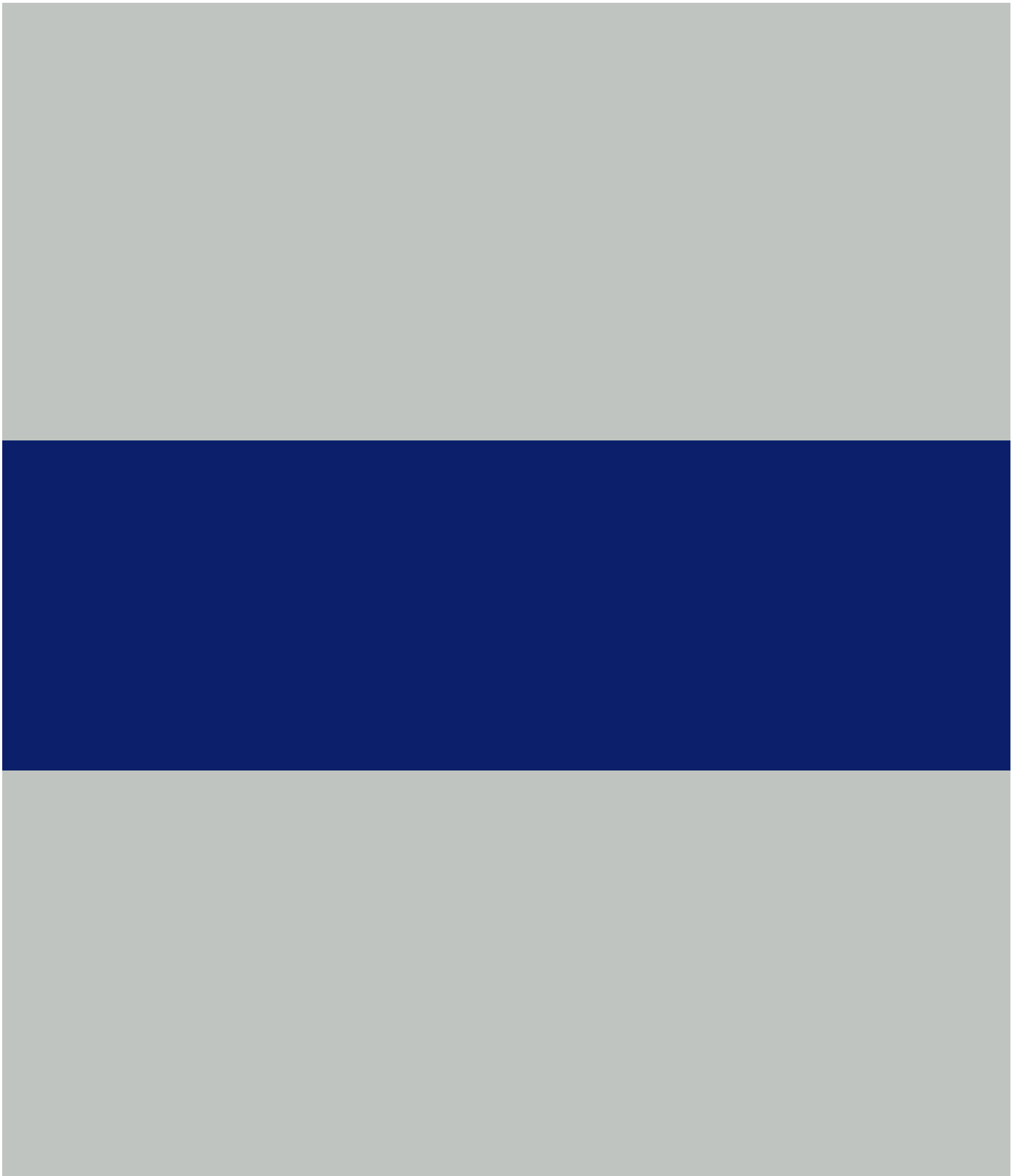




**H. H. Sheikh Jaber Al-Ahmed
Al-Jaber Al Sabah
Amir of the State of Kuwait**



**H. H. Sheikh Saad Al-Abdullah
Al-Salem Al-Sabah**
Crown Prince and Prime Minister



Contents

Page

Board of Directors

7-8

Speech by the Chairman and the Managing Director

11-12

Board of Directors' Report

13-18

Auditors' Report

20

Board of Directors



Mr. Ahmed Mohammed Al-Nassar
Chairman & Managing Director



Mr. Abdul Mohsen Al-Faris
Board Member



Mr. Asa'ad Ahmed Al-Banwan
Vice Chairman



Mr. Fahed Khaled Al-Zamami
Board Member



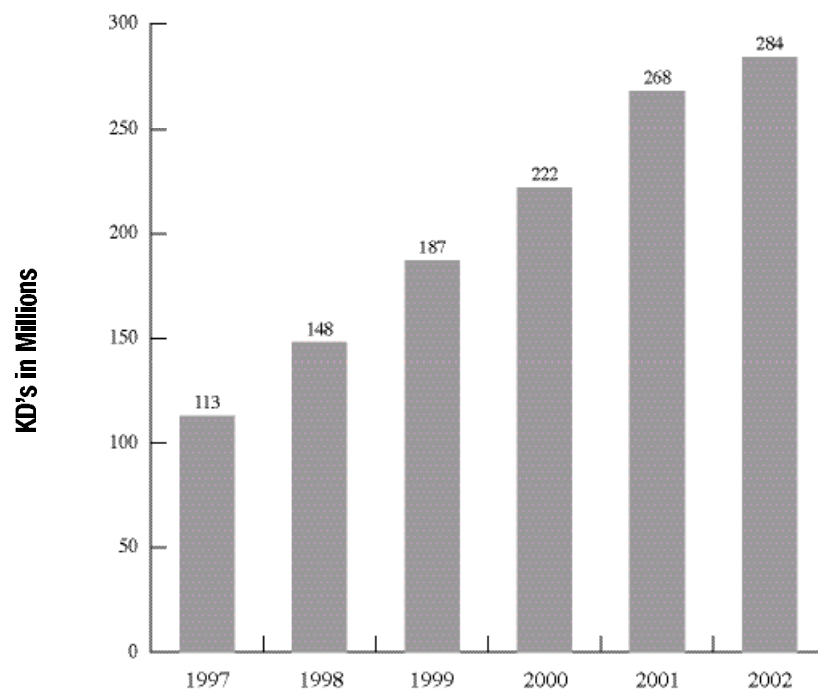
Sheikh Ahmad Salem Al-Ali Al-Sabah
Board Member



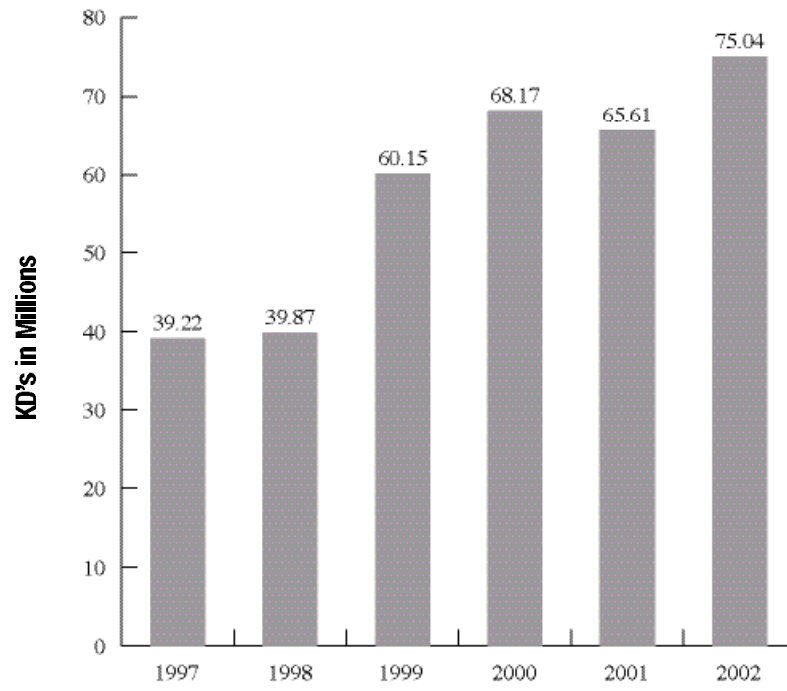
Mr. Jamal Ahmed Al-Kandary
Board Member



Mr. Mishal Al-Hama'ad
Board Member



Shareholders Equity Growth



Net Profit Growth
(Before Extra Ordinary Items)



Speech by the Chairman and the Managing Director

Honorable Shareholders,

It is a great pleasure, on behalf of myself and my colleagues on the Board of Directors, and all the staff of the Company, to welcome you to our annual meeting, where we will outline the Company's achievements for 2002.

The Board of Directors, in which you have placed your trust, is proud to present you with positive results of the Company's activities during last year. We are pleased to report that our various enterprises culminated in tangible success and outstanding growth, despite the competitive environment. Using ongoing international developments in the communications world, the efforts of the staff supported by the directions of the Board and reinforced by the trust of the shareholders have proved fruitful and remarkably successful, thanks be to God. As such, the Company has maintained its pole position at local and regional level in the field of mobile telecommunications and affirmed its solid position in the financial markets.

The Board of Directors, since assuming responsibility on 26th March 2002 has been careful to ensure that the concepts of modern management are adhered to in attaining its aims. These aims are to promote the efficiency of services presented to subscribers, increase the Company's net profit and develop the financial equity of shareholders.

Within this framework, the Company, with the caring blessing of Almighty God, achieved good growth in 2002 with net profits amounting to KD 77.4 million, an increase of KD 9.2 million on 2001 (before extraordinary revenues clause). These figures represent a 10% increase in total revenues for the year, while subscriber numbers increased by 21% in 2002, to 787 thousand.

The Company was able to achieve this excellent growth by applying a specific strategy, based on a "Subscriber First" philosophy and relying on our policy of quality presentation of all our services. The impact of this strategy has been reflected in the development of marketing techniques; the launch of a number of new services to subscribers; supporting and expanding the telecommunications network with state-of-the-art technology; and enhancing the performance of subscriber services.

The co-operation agreement with Vodafone represents the largest amalgamation of mobile telecommunications and its technology worldwide. This co-operation is an integral part of MTC's strategy and adds tangible professionalism to the performance the Company.

Our ongoing policy of pro-active leadership in all Company activities, achieved further success in the development of Company investments in 2002. With the help of God, we acquired the ownership of Fast Link Mobile Telecommunications

Company in the Hashimite Kingdom of Jordan. This represents an important step on the way to reaching the goal of regional expansion adopted by the Company.

The Company places great emphasis on developing shareholder equity and secured a substantial increase in this area in 2002. With the blessing of God, shareholder equity reached KD 284 million in 2002 representing an increase of 7.6% over 2001. The dividend per share amounted to 155 Fils, showing an increase of 14% over the preceding year. (Before extraordinary revenue clause)

As a leading national economic corporation with a social mission, the Company continued to contribute to social, cultural, health and charity activities through direct and indirect contributions.

In keeping with Company beliefs, M.T.C. maintained its fine record of attracting and developing the talents of Kuwaiti nationals. This achievement has been recognized through the Company, for the second consecutive year, being classified among the best companies in the private sector for employing the highest proportion of national labor.

The Company results during 2002 were a model of effort, production, and support of the national economy. We are looking forward to the coming years with great confidence, specific vision and clear awareness within a well-planned ambitious strategy. Our aim, with the help of Almighty God, is to enhance the Company's economic and financial position by focusing on results and achieving continuous growth.

Finally, I would like to use this opportunity, on behalf of myself, the Board of Directors and the Company staff, to express sincere thanks and appreciation to shareholders and subscribers for their support and trust which have greatly helped us in realizing our goals.

We pray to Almighty God to guide us towards continued success.

The Peace and Blessings of Allah be upon you all.

With Best Regards,
Ahmed Mohammed Al Nassar
Chairman and Managing Director

BOARD OF DIRECTORS' REPORT

It is the pleasure of the Board of Directors at Mobile Telecommunications Company to present to shareholders and members of the General Assembly its Annual Report for the year 2002.

Honorable Gentlemen, you are aware that since its establishment, your Company has achieved remarkable growth both locally and regionally thanks to the favor bestowed on it by Almighty God, the combined efforts of its entire staff and the support of the shareholders. The decision by the Public Authority for Investment to sell a part of its equity in the Company has resulted in the private sector being involved in Company management. This has created greater flexibility in management and has strengthened the policies upon which the company is based. These policies are as follows: monitoring and fulfilling the needs of subscribers, ensuring that our services are of the highest quality, protecting and developing the interests of the shareholders.

With regard to attaining these goals, the Board of Directors in taking over the responsibility on the first of April 2002 started by reviewing the position of the Company and addressing the difficulties which were restricting progress and development. The Board outlined its priorities, specified its objectives and adopted a strategy of gradual transitional change in order to execute its ambitious plans and objectives with God's help.

The Company management selected a General Manager of experience and efficiency, Dr. Saad Hamad Al Barrak whom we believe, with the will of Almighty God, will succeed in achieving objectives that will ensure the continuance of the Company's position as the leader in mobile telecommunications in Kuwait.

As a natural starting point for development, a comprehensive study was carried out which evaluated telecommunication network performance and specified the requirements necessary for its development. Several projects were carried out which expanded the network and increased its capabilities. These included the Southern Network Extension Project, which can reach 105,000 subscribers and has a supporting network with a large number of terminals to ensure good geographical coverage.

A further 250,000 subscriber capacity was added to our PREPAID service which now has a capacity of 750,000 subscribers. In the field of service development several initiatives were launched, marketing methodology was developed and the number of subscriber-attracting opportunities was increased. Current services were improved and developed. Furthermore the Company obtained the international quality criteria ISO 9001, 2000 Edition which confirms through regular review that Company performance and service to customers is of the highest standard.

In keeping with standard Company practice of taking part in specialized exhibitions, the Company sponsored the 2nd Communication and Information Exhibition, which was held in January 2002. This exhibition was attended by a remarkable number of subscribers and added a more social touch to the Company name. Also in this area, the Company actively participated in the Summer Festival of Communications Distributors held in May 2002. Participation in these exhibitions has led to increased sales of Company services.

In response to subscriber requests, the Company has expanded the SMS service and launched a number of new services that depend on this system. In January 2002, Info 2 Cell service was launched. This service allows the user to receive the latest news and information. In August, SMS Welcome service came into operation. In another development the SMS Them service has been very well received by subscribers due to its flexible feature of allowing the transmission of SMS messages to up to 30 different subscribers while using only one number.

100 **SMS** *Them*





Contract signing session with Vodafone
Dr. Saad Al-Barrak & Mr Thomas Getnes in London

In August 2002, the Company inaugurated its new website under the address www.mtc-vodafone.com. This new website gives the subscriber Internet access to such matters as reviewing and paying bills, subscribing to different services, contacting the Customer Service Center and dealing with other Company services.

Through its new services the Company continues to keep pace with developments in international mobile telecommunications technology. Our GPRS service went into operation in September. GPRS enables the customer to access Internet, E-mail and a number of visual applications on their mobile phone.

Our multimedia messaging service MTC WOW was launched in December. MTC WOW allows the transmission of moving images, shapes and audio video excerpts through MMS.



In order to facilitate Kuwaiti citizens visiting Lebanon, MTC has signed an agreement with LibanCell Mobile Telecommunications which gives travellers the opportunity to make local calls in Lebanon at discounts of up to 50%.

We realize how important our international roaming service is to subscribers; accordingly during 2002 the Company added to and upgraded this service by introducing Optimal Routing and Outreach Messaging services. Roaming services have been extended and now reach 169 operators in 78 countries.



In September 2002 MTC signed a groundbreaking co-operation agreement with Vodafone. This agreement has created an important foundation on which MTC can accomplish such objectives as presenting extra services and developing advanced marketing methods. Moreover this agreement will ensure that the

Company will be able to fulfill subscriber requirements, meet market needs and keep abreast of international developments in the field of mobile telecommunications. Such co-operation will enable the Company and subscribers to benefit from the experience of Vodafone which is the world's largest mobile telecommunications company with approximately 300 million subscribers in more than 35 countries.

The future development of MTC requires the unification of its services, the upgrading of its operating processes and the restructuring of its offices. In order to achieve these goals it was necessary to merge its subsidiaries. Communications and Informative Consulting Group and Plus Communications Company were merged with the parent company. The aim was to update and increase the efficiency of systems and work methods. This resulted in tangible improvements in work practices which led to an improvement in the quality of services provided.

The Company has continued with its strategy of astute investment and expansion. This plan of action has enabled it to achieve substantial regional growth. The market in the Hashemite Kingdom of Jordan is seen as one of the most promising markets in the field of telecommunications and with this in mind MTC purchased shares in Mobile Services of Jordan. MTC's acquisition of 96.6% share equity in FastLink was announced in December 2002. This addition has increased the number of subscribers in its fold to approximately 1,700,000.

Along with these efforts to expand and develop company activities, MTC has also continued to broaden its social commitment. In 2002 the Company strove to enhance its message of serving society. The Company contributes to such varied fields as charity, culture, science and health. The Company name has become a familiar sight at public occasions ranging from humanitarian events to youth scientific forums.

MTC has provided its services at special discount rates not exceeding 5 fils per minute to those residing in newly



Fast Link Mobile Telecom
Prenuis in Kingdom of Jordan



developed areas such as South Surra. The company has also supported elderly people by providing four minibuses specially equipped with oxygen devices, coolers, medical equipment and medicines. In addition, MTC aided the handicapped and those with special needs by financing Al Fahad Pediatrics Physiotherapy and Rehabilitation Center in Al Sabah Medical Area. Furthermore MTC donated fifteen sports wheelchairs to the Handicapped Club so that they could practice for basketball games and racing competitions. This contribution helped the club to participate in International Championships. The Company showed its continuing deep interest in environmental matters by sponsoring and participating in various projects. MTC respects the important role being played by the Kuwait Society for Environment Protection and to help them in their work bought a fully equipped boat for the Diving Team enabling them to carry out environmental protection activities.



MTC believes in supporting the employment of national labor and for the second consecutive year has been placed in a remarkably high position among private sector companies as regards employing the highest percentage of national labor. The Company places great emphasis on the training and career development of its staff. We have initiated ongoing training programs and continue to participate in international scientific conferences. MTC is of the opinion that a highly trained technically efficient staff will benefit both the Company and subscribers alike.

In 2002 as a reward for its efforts and due to the blessings of Almighty God the Company increased its total number of subscribers by 21% (786,216 Subscribers). Total Sales increased by 67% (304,769 Lines); Total Revenues by 9.8% (132.7 Million Kuwaiti Dinars); Net Profits by 13.4% (77.4 Million Kuwaiti Dinars); Total Assets by 8.7% (350 Million Kuwaiti Dinars); and Shareholder Equity by 7.6% (284 Million Kuwaiti Dinars)

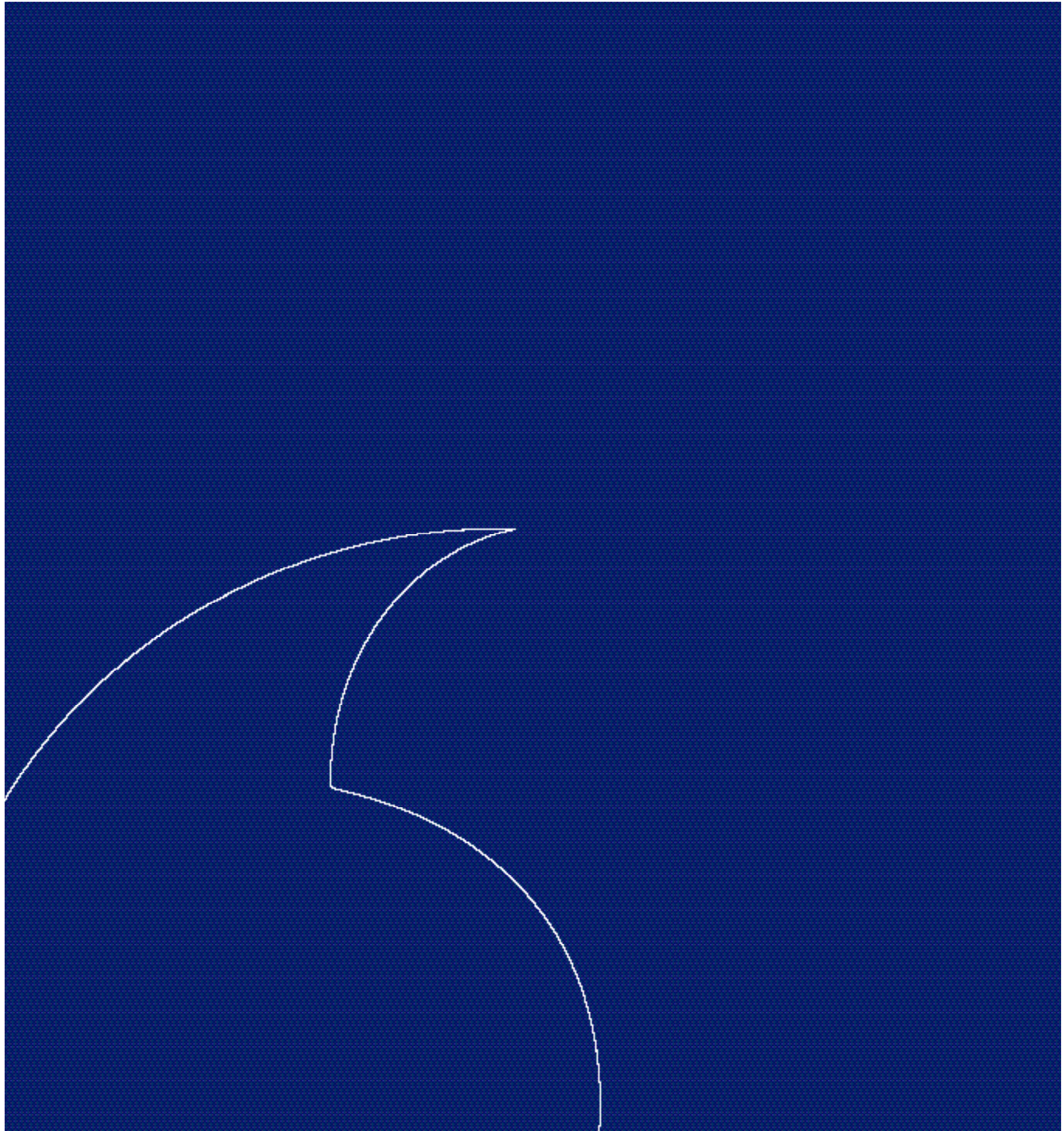
The Company has ambitious plans for the future and is working assiduously to develop its networks, systems and terminals in order to create more services to fulfill subscriber needs. The company has initiated several new services and projects, the most important of which is Ezoner. Ezoner is a unified messaging service that integrates telephone, fax and e-mail to create a more flexible service. The Company is also planning to further facilitate subscriber needs by creating a system where subscribers in the prepaid system can transfer to the postpaid system and vice versa.

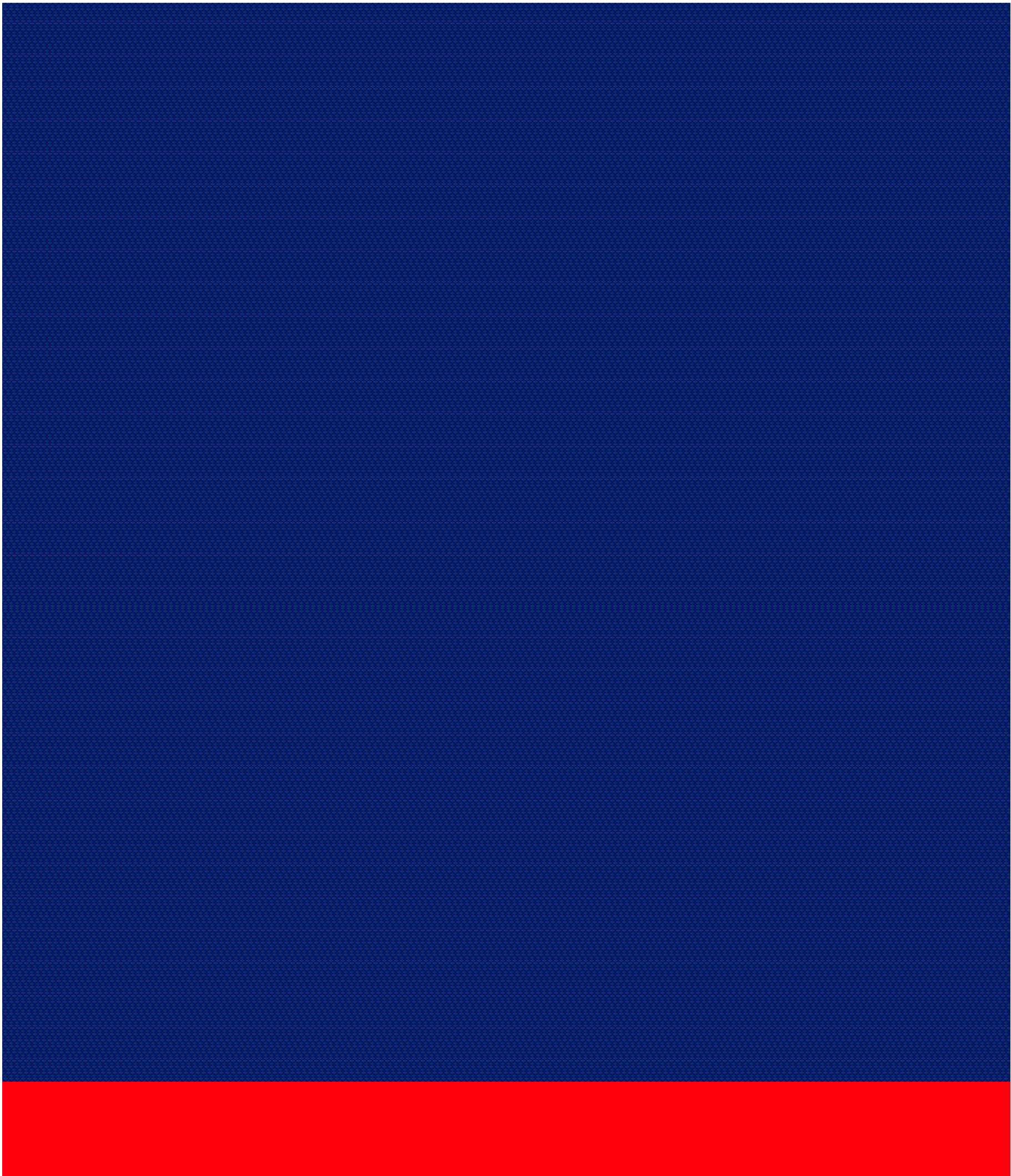
In conclusion the company would like to emphasize that it will spare no effort in its drive to expand and maintain its position as leader in the field of mobile telecommunications and subscriber services. The Company has attained this position thanks to the favor of Almighty God, the efforts of its hardworking and sincere staff, the guidance of the Board of Directors and the continued support of our esteemed shareholders. With the blessings of God, we shall endeavor to live up to our motto of "Our Subscribers Are Our First Priority". We shall strive to ensure that your company remains the first voice of Kuwait and we will continue our drive to become the regional leader in mobile telecommunications.

God is the Guardian of success.

Board of Directors









**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

**Consolidated Financial Statements
31 December 2002
and
Auditors' Report**

Auditors' Report	20
Consolidated Balance Sheet	21
Consolidated Statement of Income	22
Consolidated Statement of Changes in Shareholders,Equity	23
Consolidated Statement of Cash flows	24
Notes to Consolidated Financial Statement	25-35

**Bader & Co.
PricewaterhouseCoopers**

P.O.Box 20174,Safat 13062
4th floor, Kuwait Investment Co.Building
Opp.Al-Ahli Bank H.O. Kuwait
Tel :(965) 2408844
Fax:(965) 2408855
E-mail:pwc.kwt@kw.pwcglobal.com

KUWAIT GLOBAL GROUP
Awdah Jaber Al-Ali & Co.
Auditors & Consultants
Associated with
Moore Rowland International

P.O.Box 21111 Safat 13081 Kuwait
Tel :(965) 2425700
Fax:(965) 2404944
E-Mail:kgg@qualitynet.net

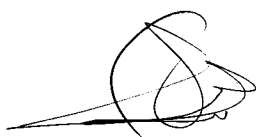
**Mobile Telecommunications Company KSC
Auditors' Report to the Shareholders**

We have audited the accompanying consolidated balance sheet of Mobile Telecommunications Company KSC and subsidiaries (the Group) as at 31 December 2002, the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing.Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

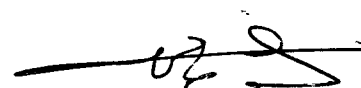
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mobile Telecommunications Company KSC and Subsidiaries as at 31 December 2002, and the consolidated results of its operations, changes in shareholders' equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards - IFRS (International Accounting Standards (IAS) and interpretations issued by International Financial Reporting Interpretations Committee (IFRIC)).

Furthermore, in our opinion, proper books of accounts have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements are in agreement therewith. We further report that we obtained all the information and explanations, that we required for the purpose of our audit and the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended and by the Company's Articles of Association; that an inventory was duly carried out and that to the best of our knowledge and belief, no violations of the Law of Commercial Companies of 1960 or of the Articles of Association have occurred during the year ended 31 December 2002 that might have had a material effect on the business of the Company or its consolidated financial position or results of its operations.



Bader A. Al Wazzan
Licence No.62 A
PricewaterhouseCoopers

Kuwait
03 February 2003



Awdah Jaber Al Ali Al Sabah
Licence No.85 A
Kuwait Global Group
Moore Rowland International

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

Consolidated Balance Sheet as of 31 December 2002

	Note	2002	2001 KD 000
ASSETS			
Current assets			
Cash on hand and at banks		12,615	22,236
Short-term deposits with banks	3	59,477	44,245
Trade and other receivables	4	33,816	38,467
Inventories	5	2,174	1,672
Investments	6	29,240	10,419
Total current assets		<u>137,322</u>	<u>117,039</u>
Non-current assets			
Investments	6	103,210	103,939
Property and equipment	7	109,061	101,315
		<u>349,593</u>	<u>322,293</u>
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST			
Current liabilities			
Trade and other payables	8	63,219	56,766
Non-current liabilities			
Post employment benefits		2,208	1,699
Shareholders' equity:			
Share capital	9	49,330	49,330
Legal reserve	9	49,330	44,733
Voluntary reserve	9	44,733	44,733
Fair valuation reserve	6	10,640	2,731
Retained earnings		134,161	126,320
		288,194	267,847
Treasury shares	10	(4,028)	(4,028)
Total shareholders' equity		<u>284,166</u>	<u>263,819</u>
Minority interest		-	9
Total liabilities and shareholders' equity		<u>349,593</u>	<u>322,293</u>

These financial statements have been approved by the Board of Directors on 03 February 2003 and signed on their behalf by:



Dr. Saad Hamad Al Barrak
Director General



Ahmed Mohammed Al Nassar
Chairman and Managing Director

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

Consolidated Statement of income-Year ended 31 December 2002

	Note	2002	2001 KD'000
Revenues	11	132,685	120,876
Direct costs		(52,147)	(47,574)
Gross profit		<u>80,538</u>	<u>73,302</u>
General and administrative expenses		(8,638)	(6,834)
Provision for doubtful debts		(1,806)	(2,759)
Operating profit		70,094	63,709
Interest income		2,085	2,531
Investment income		5,229	1,061
Foreign currency revaluation gains		1	939
Profit for the year before minority interest		<u>77,409</u>	<u>68,240</u>
Minority interest		-	14
Profit before board remuneration,contribution and taxes		<u>77,409</u>	<u>68,254</u>
Board of Directors' remuneration		(28)	(28)
Contribution to Kuwait Foundation for Advancement of Sciences		(765)	(1,350)
National Labour Support Tax	12	(1,574)	(1,270)
Profit for the year before extraordinary item		<u>75,042</u>	<u>65,606</u>
Extraordinary item		-	13,958
Net profit for the year		<u><u>75,042</u></u>	<u><u>79,564</u></u>
		Fils	Fils
Earnings per share	13	<u><u>155</u></u>	<u><u>165</u></u>

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

Consolidated Statement of Changes in Shareholders' Equity
31 December 2002

	Share Capital	Legal Reserve	Voluntary Reserve	Cumulative Changes in Fair value	Retained Earnings	Treasury Shares	Total
	KD	KD	KD	KD	KD	KD	KD
At 31 December 2000	46,981	36,483	36,483	-	105,790	(4,028)	221,709
Effect of adopting IAS 39	-	-	-	-	1,243	-	1,243
Issue of bonus shares	2,349	-	-	-	(2,349)	-	-
Cash dividends (2000 - 90%)	-	-	-	-	(41,428)	-	(41,428)
Net profit for the year 2001	-	-	-	-	79,564	-	79,564
Transfer to reserves	-	8,250	8,250	-	(16,500)	-	-
Changes in fair value of available-for- sale investments	-	-	-	2,731	-	-	2,731
At 31 December 2001	49,330	44,733	44,733	2,731	126,320	(4,028)	263,819
Cash dividends (2001 - 130%)	-	-	-	-	(62,832)	-	(62,832)
Net profit for the year 2002	-	-	-	-	75,042	-	75,042
Transfer to reserves	-	4,597	-	-	(4,597)	-	-
Realised (gains)/losses on available-for-sale investments	-	-	-	(144)	228	-	84
Changes in fair value of available-for- sale investments	-	-	-	8,053	-	-	8,053
At 31 December 2002	49,330	49,330	44,733	10,640	134,161	(4,028)	284,166

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

Consolidated Statement of Cash flows - year ended 31 December 2002

	2002	2001 KD'000
Cash flows from operating activities		
Profit for the year before minority interest	77,409	68,240
Adjustments:		
Depreciation	13,289	10,268
Provision for doubtful debts	1,806	2,759
Provision for post employment benefits	823	615
Impairment loss	3,640	8,277
Interest income	(2,085)	(2,531)
Investment income	(5,229)	(1,061)
Operating profit before working capital changes	89,653	86,567
Decrease/(increase) in trade and other receivables	3,104	(11,245)
(Increase)/decrease in inventories	(502)	424
Increase in trade and other payables	6,306	10,604
Settlement of post employment benefits	(314)	(92)
Payment of Board of Directors' remuneration	(28)	(28)
Paid to Kuwait Foundation for the Advancement of Sciences	(1,635)	(1,412)
Cash flows before extraordinary items	96,584	84,818
Proceeds from U.N.Compensation Claim arising from Iraqi invasion	-	14,243
Net cash from operating activities	96,584	99,061
Cash flows from investing activities		
Decrease/(increase) in short-term deposits	39,199	(9,836)
Acquisition of investments	(18,942)	(26,190)
Proceeds from investments	13,599	15,587
Acquisition of property and equipment	(25,257)	(36,326)
Proceeds from sale of property and equipment	-	62
Interest received	1,826	2,531
Net cash from/(used) in investing activities	10,425	(54,172)
Cash flows from financing activities		
Dividends paid	(62,187)	(41,096)
Minority interest	(12)	(5)
Net cash used in financing activities	(62,199)	(41,101)
Net increase in cash and cash equivalents	44,810	3,788
Cash and cash equivalents at beginning of year	27,282	23,494
Cash and cash equivalents at end of year (Note 14)	72,092	27,282

Mobile Telecommunications Company KSC and subsidiaries

Notes to the Consolidated Financial Statements - 31 December 2002

1. Incorporation and activities

The Mobile Telecommunications Company KSC (the parent) is a Kuwaiti shareholding company incorporated in 1983 in accordance with the Law of Commercial Companies. Its shares are traded on the Kuwait Stock Exchange.

The principal subsidiaries, incorporated in Kuwait are as follows:

Name of the subsidiary	Percentage of ownership
Communication & Information Consultancy Group Company K.S.C.(Closed)	100%
Etisalat Plus Company K.S.C.(Closed)	100%
E - Communication Company W.L.L.	100%

The parent company and subsidiaries (the Group) provide telecommunications and paging systems services under a license from the Government of Kuwait. They are also engaged in sale of handsets and accessories and invest surplus funds in investment securities.

The registered office of the parent is at P.O.Box 22244,13083 Safat,State of Kuwait.

2. Basis of preparation and Accounting Policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards - IFRS (International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC)). These financial statements are prepared under the historical cost basis of measurement except for investments 'held for trading' and 'available for sale' which are stated at fair values.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the amounts reported in these financial statements.

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date that control effectively commences until the date that control effectively ceases. Equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and statement of income respectively. At the acquisition date, the minority interests are measured by the proportion of the pre-acquisition carrying amounts of the identifiable assets and liabilities of the subsidiaries.

Mobile Telecommunications Company KSC and subsidiaries

Notes to the Consolidated Financial Statements - 31 December 2002

Significant accounting policies (Contd.)

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Group adopted IAS 39 Financial Instruments: Recognition and Measurement in 2001.

2.2 Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the statement of cash flows.

2.3 Inventories

Inventories are stated at the lower of weighted average cost and net realizable value.

2.4 Investments

Investments are initially recognized at cost on the settlement date. These are classified as 'held to maturity', 'held for trading' and 'available for sale'.

Held to maturity financial assets are those with fixed and determinable payments and fixed maturity, where the management has the positive intent and ability to hold them to maturity, but excludes financial assets originated by the Group. These are subsequently re-measured and carried at amortised cost using the effective yield method, less any provision for impairment. The impairment loss is recognised in statement of income.

Held for trading are those financial assets, which are acquired principally for the purpose of generating a profit from short term fluctuations in price and are subsequently measured and carried at fair value. Resultant unrealised gains and losses arising from changes in fair value are included in statement of income. This includes derivative financial instruments.

Available for sale financial assets are those which are not classified as above, and are principally those acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or equity prices. These are subsequently measured and carried at fair value. Any resultant unrealised gains and losses arising from changes in fair value are taken to fair valuation reserve in equity. When the "available for sale" asset is disposed off or impaired, any prior fair value adjustments earlier reported in equity are transferred to statement of income.

Fair values of listed instruments are based on quoted closing bid prices or using the current market rate of interest for that instrument. Fair values for unlisted instruments are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity investments whose fair values cannot be reliably measured are carried at cost and adjusted for any impairment.

Mobile Telecommunications Company KSC and subsidiaries

Notes to the Consolidated Financial Statements - 31 December 2002

Significant accounting policies (Contd.)

2.5 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

Property and equipment are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

	Years
Buildings and constructions	20
Machinery and equipment	5 - 10
Equipment for hire	3
Furniture	Year of purchase

Property and equipment are reviewed periodically for any impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to statement of income.

2.6 Provisions

Provisions are recognized when as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation; and the amount can be reliably estimated.

2.7 Post employment benefits

The Group is liable under Kuwait's Labour Law to make payments under defined benefit plans to employees on completion of employment. This liability, which is unfunded, represents the amount payable to employees as a result of involuntary termination on the balance sheet date, and approximates the present value of the final obligation.

2.8 Treasury shares

Treasury shares consist of the Parent's own shares that have been issued, subsequently acquired by the Parent and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (gain on sale of treasury shares), which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, then reserves. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account.

No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Mobile Telecommunications Company KSC and subsidiaries

Notes to the Consolidated Financial Statements - 31 December 2002

Significant accounting policies (Contd.)

2.9 Accounting for leases

Where the Group is the lessee

Operating leases

Leases of property and equipment under which, all the risks and benefits of ownership are effectively retained by the lessor are classified as operating lease. Payments made under operating leases are charged to statement of income on a straight-line basis over the period of the lease.

2.10 Revenue

Airtime revenue is recognized based on actual usage. Revenue from prepaid call cards is deferred until such time as the customer uses the airtime. Subscription income is recognized on a time proportion basis. Other revenue from mobile communications primarily comprising of equipment and simcard starter pack sales are recognized upon delivery to customers. Interest income is recognized on a time proportion basis and dividend income is recognized when the right to receive payment is established.

2.11 Foreign currencies

The functional currency of the Group is the Kuwaiti Dinar. Foreign currency transactions are recorded at rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated to Kuwaiti Dinars at rates of exchange prevailing on that date. Resultant gains and losses are taken to statement of income.

2.12 Contingencies

Contingent assets or liabilities are not recognized in the financial statements. Contingent assets are disclosed when an inflow of economic benefits is probable and contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

3. Short-term deposits with banks

	2002	2001
	KD'000	
Term deposits maturing within three months	59,477	5,046
Term deposits maturing within a period of more than three months and less than a year	-	39,199
	<u>59,477</u>	<u>44,245</u>

The effective interest rate on short-term deposits range between 1.5% and 3.38% per annum. (2001- 2.13% and 5.59%)

Mobile Telecommunications Company KSC and subsidiaries

Notes to the Consolidated Financial Statements - 31 December 2002

4. Trade and other receivables

	2002	2001
	KD'000	
Subscribers	38,985	40,612
Provision for doubtful debts	(13,539)	(11,799)
	25,446	28,813
Accrued income	420	462
Staff	430	4,086
Distributors	5,132	2,526
Ministry of Communication	600	600
Prepayments, advances and deposits	1,788	1,980
	33,816	38,467

5. Inventories

	2002	2001
	KD'000	
Goods for sale	6,646	6,219
Provision for obsolescence	(4,472)	(4,547)
	2,174	1,672

6. Investments

	2002	2001
	KD'000	
Current investments		
<i>Held for trading</i>		
Portfolio investments	11,990	10,419
Funds	17,250	-
	29,240	10,419
Non current investments		
<i>Available for sale</i>		
Portfolio investments	56,331	57,615
Listed equity	4,260	3,987
Funds	32,041	35,987
Unlisted equity	11,485	7,291
Impairment loss	(1,907)	(1,941)
	102,210	102,939
<i>Held to maturity</i>		
Bonds	1,000	1,000
	103,210	103,939

Mobile Telecommunications Company KSC and subsidiaries

Notes to the Consolidated Financial Statements - 31 December 2002

Portfolio investments comprise of investments in listed and unlisted equity securities and bonds.

The effective interest rate of bonds held to maturity is 8.125% (2001 - 8.125%).

Available for sale investments include unlisted securities with original cost of of KD 4,973,000 (2001 - KD 5,720,000) carried at cost less impairment losses since it was not possible to reliably measure its fair value.

During the year the Group recognized KD 8,053,000 (2001 - KD 2,731,000) in equity as net unrealized gain arising from fair valuation of 'available for sale' investments and transferred a loss of KD 84,000 (2001 - Nil) to statement of income arising from disposal.

7. Property and equipment

	Buildings and constructions	Machinery and equipment	Equipment for rental	Projects in progress	Total
	KD '000				
Cost					
As at 31 December 2001	11,727	157,207	530	4,187	173,651
Additions	24	3,871	-	21,362	25,257
Transfers/Adjustments	183	9,091	-	(10,703)	(1,429)
As at 31 December 2002	11,934	170,169	530	14,846	197,479
Depreciation					
As at 31 December 2001	4,058	67,749	529	-	72,336
Charge for the year	603	12,686	-	-	13,289
Impairment losses	-	3,640	-	-	3,640
Adjustments	(4)	(843)	-	-	(847)
As at 31 December 2002	4,657	83,232	529	-	88,418
Net Book Value					
As at 31 December 2002	7,277	86,937	1	14,846	109,061
As at 31 December 2001	7,669	89,458	1	4,187	101,315

Depreciation has been allocated as follows:

	2002	2001
	KD'000	
Direct costs	11,418	9,101
General and administrative expenses	1,871	1,167
	13,289	10,268

During the year the Group recognized KD 3,640,000 (2001 - KD 8,277,000) in statement of income as impairment loss of machinery and equipment.

Mobile Telecommunications Company KSC and subsidiaries

Notes to the Consolidated Financial Statements - 31 December 2002

8. Trade and other payables

	2002	2001
		KD'000
Trade payables	21,902	22,102
Subscriptions received in advance	8,007	7,807
Subscribers' deposits	3,441	3,842
Roaming partners	4,014	3,715
Accrued expenses	18,805	10,394
Directors' remuneration	28	28
Kuwait Foundation for the Advancement of Sciences	765	1,635
National Labour Support Tax	2,061	1,270
Dividend payable	2,813	2,208
Other payables	1,383	3,765
	<u>63,219</u>	<u>56,766</u>

9. Share capital and reserves

Share capital

The authorised, issued and fully paid up share capital as of 31 December 2002 consists of 493,298,592 shares of 100 fils each (2001 - 493,298,592 shares of 100 fils each).

Legal reserve

During the year, appropriation to legal reserve has been made to the extent required to equal the share capital. This is subject to approval of shareholders as the Law of Commercial Companies and the Articles of Association permit them to discontinue transfers to legal reserve after it reaches 50% of share capital. This reserve can be utilised only for distribution of a maximum dividend of 5% in years when the retained earnings are inadequate for this purpose.

Voluntary reserve

During the year, as permitted by its Articles of Association, the parent discontinued appropriation to voluntary reserve. This is subject to approval of the shareholders. There is no restriction on distribution of this reserve.

Proposed dividend

The Board of Directors recommends distribution of a cash dividend of KD 67,665,229 being 140 fils per share (2001 - 130 fils per share), subject to the approval of the shareholders.

Mobile Telecommunications Company KSC and subsidiaries

Notes to the Consolidated Financial Statements - 31 December 2002

10. Treasury shares

	2002	2001
Number of shares	9,975,530	9,975,530
Percentage of issued shares	2.02%	2.02%
Market value (KD '000)	20,151	17,357
Cost (KD '000)	4,028	4,028

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No.10 of 1987 and No.11 of 1988. Reserves equivalent to the cost of treasury shares held are not distributable.

11. Revenues

	2002	2001
	KD'000	
Airtime and subscription	121,081	115,939
Trading income	11,604	4,937
	132,685	120,876

12. National Labour Support Tax

This represents 2.5% of the net distributable profit payable to the Ministry of Finance under National Labour Support Law No.26 of 2001.

13. Earnings per share

Basic earnings per share based on weighted average number of shares outstanding during the year is as follows:

	2002	2001
	KD'000	
Net profit for the year	75,042	79,564
	Shares	Shares
Number of shares issued and paid-up	493,298,592	493,298,592
Weighted average number of treasury shares	(9,975,530)	(9,975,530)
	483,323,062	483,323,062
	Fils	Fils
Earnings per share	155	165
Earnings per share excluding the extraordinary item	155	136

Mobile Telecommunications Company KSC and subsidiaries

Notes to the Consolidated Financial Statements - 31 December 2002

14. Cash and cash equivalents

	<u>2002</u>	<u>2001</u>
		<u>KD'000</u>
Cash on hand and at banks	12,615	22,236
Short-term deposits with banks	<u>59,477</u>	<u>5,046</u>
	<u>72,092</u>	<u>27,282</u>

15. Staff costs

At 31 December 2002, the Group employed 976 employees (2001 - 1,042). Staff costs for the year amounted to KD 12,177,000 (2001 - KD 10,949,000).

General and administrative expenses include KD 67,000 (2001 - KD 67,000) paid to the Board of Directors of Communications & Information Consultancy Company K.S.C. and KD 67,000 (2001 - Nil) paid to the Board of Directors of Etisalat Plus Company K.S.C.

16. Financial instruments and risk management and fair values

In the normal course of business, the Group uses primary financial instruments such as cash, deposits, investments, receivables and payables and as a result, is exposed to the risks indicated below.

Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the related notes.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits, bonds and receivables. The Group's fixed and short notice bank deposits are placed with high credit rating financial institutions. Bonds held by the Group are issued by either high credit rating financial institutions or the Government of Kuwait. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

Market risk

Market risk arises due to movements in market prices of assets, interest rates and foreign currency rates. The Group manages market risk by setting limits on exposures on investments, currency and counterparty and transacting business in Kuwaiti Dinars and other major currencies with counterparties of repute.

Mobile Telecommunications Company KSC and subsidiaries

Notes to the Consolidated Financial Statements - 31 December 2002

An analysis of short-term deposits and investments by geographical location is as follows:

	2002				2001			
	KD'000				KD'000			
	Kuwait and Middle East				Kuwait and Middle East			
	Europe	America	Total		Europe	America	Total	
Short Term Deposits	59,477	-	-	59,477	44,245	-	-	44,245
Current investments	29,240	-	-	29,240	10,419	-	-	10,419
Non-current investments	63,643	4,846	34,721	103,210	62,436	27,195	14,308	103,939

Other risks

Other risks are mainly liquidity and cash flow risks. Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Group within the normal terms of trade. These risks are managed by placing cash with various financial institutions of high credit rating and by monitoring on a regular basis that sufficient funds are available to meet maturing obligations.

Fair value of financial instruments

At 31 December 2002, the fair values of financial instruments carried at amortised cost or at cost less impairment in the balance sheet are not significantly different from their carrying values.

17. Contingent assets - Compensation claim

The parent has submitted a claim amounting to KD 30,313,000 to the United Nations Compensation Commission (UNCC) for losses suffered as a result of the Iraqi invasion and occupation of Kuwait. A total amount of KD 15,734,000 was collected as of the balance sheet date out of the approved compensation claim as per a report issued by UNCC on 19 March 1999. The amounts collected are booked and recorded as extraordinary item when received.

The extra ordinary item is presented net of related Kuwait Foundation for Advancement of Sciences (KFAS) contribution as follows:

	2002	2001
	KD '000	
Received from United Nations Compensation Commission	-	14,243
Contribution to KFAS	-	(285)
	-	13,958

Mobile Telecommunications Company KSC and subsidiaries

Notes to the Consolidated Financial Statements - 31 December 2002

18. Commitments

The parent has decided to make a strategic investment in Jordan Mobile Telephone Services Company (Fastlink), a Jordanian registered limited liability company providing telecommunication services, by acquiring 91.596% of its issued shares. The transaction is valued at US\$ 423,900,000 (approximately KD 127,096,000) and the parent expects to complete the acquisition not later than February 2003.

Other commitments are as follows:

	<u>2002</u>	<u>2001</u>
		<u>KD '000</u>
Capital expenditure	17,959	16,482
Uncalled share capital of investee companies	4,481	-
	<u>22,440</u>	<u>16,482</u>

19. Contingent liabilities

At the balance sheet date, the Group is contingently liable in respect of the following:

	<u>2002</u>	<u>2001</u>
		<u>KD '000</u>
Letters of credit	2,702	1,385
Letters of guarantee	655	1,150
	<u>3,357</u>	<u>2,535</u>

20. Comparative figures

Certain of the prior year amounts have been reclassified to conform with current year presentation.



