Every second, BT generates £4,574.

Where does the money go?

Annual Review and Summary Financial Statement 1995/96
per second paying dividends to our shareholders
CHAIRMAN'S STATEMENT

1995/96 was another challenging year. Despite a tough regulatory climate, increasing competition and a general slowing of the economy, your company continued to develop its business in the UK and in major overseas markets. Turnover grew 4 per cent and we were pleased to be able to recommend a final dividend for the year of 11.25 pence per share, bringing the total for the year to 18.7 pence, an increase of 5.6 per cent on last year. (In total, we set aside £1,184 million for dividend payments, compared with £1,108 million a year ago.) In the pages that follow, you can see for yourself how BT is leading the way, by offering our millions of customers unrivalled communications expertise, excellent service and exceptional value for money. I hope you will also get a sense of your company's importance to the UK economy and of the part we are playing to build the "Information Society" of the future.

Sir Iain Vallance
Chairman 21 MAY 1996

CHIEF EXECUTIVE'S STATEMENT

I have now been with your company for nearly five months, but it didn't take that long to discover that BT is facing enormous opportunities in one of the most exciting and dynamic industries in the world today. BT's vision is to become the most successful worldwide telecommunications group. We are one of the few companies in the world that could even aspire to such a goal, and we will get there by being even more focused on the needs of our customers. We need to be more innovative, flexible and responsive; and I am determined to drive responsibility and accountability down the organisation to achieve this. One of my key priorities is to continue to deliver world-class services to all our customers at a cost that compares with the best in the world. To do this, we must grow the market for basic services in the UK; build on our commitment to new, advanced, interactive services; and continue to expand into markets outside the UK, as they open up.

Sir Peter Bonfield CBE
Chief Executive 21 MAY 1996
per second looking after our 21 million customers
ON THE MOVE
Cellnet, jointly owned by BT and Securicor, proved the UK's fastest growing mobile network and is investing a further £700 million to create one of the world's most advanced mobile phone networks. Today there are more than 5 million mobile users in the UK - with almost 2.4 million Cellnet customers. Cellnet's new digital network conforms to the Global System for Mobile Communications (GSM) standard, which enables customers to use their phones in more than 35 countries across more than 50 networks.

JUST A SECOND
On 28 June 1995, BT introduced one of the most radical changes to its pricing structure in 50 years - per second pricing. After investing £20 billion in the network and spending a further £70 million on computer equipment, BT was the first major network operator in the world to abolish unit charging immediately for all its customers. Today customers pay for the exact time they use, whether they are calling a number in the UK or abroad. Weekend local rate calls cost just a penny a minute* and all calls are subject to a minimum charge of 5p.

Strength in numbers. Faced with intense competition in the UK from about 150 licensed operators - including the cable companies who are literally digging themselves in at the local level - BT has consolidated its position as the only telecommunications company capable of offering national coverage and local service with an unmatched portfolio of products and services.

Today BT has 20.5 million residential and 6.8 million business exchange lines connecting customers to its network. In 1995/96, BT was successful in regaining the business of former customers from its competitors. BT is the largest private sector purchaser of goods and services in the UK.

The customer's right. At BT, we put our customers first and pride ourselves on the quality of service we offer. Quality of service figures from the regulatory body Oftel show that BT's performance compares very favourably with that of our competitors in almost every area.

Reducing our prices.
Since privatisation, BT has halved its main call prices in real terms. One of the highlights of 1995/96 was the launch in June of per second pricing.

BT offers a range of discount options for customers of all kinds. For residential customers, these include Friends & Family and PremierLine (which, used together, enable customers to save up to 25% on call charges).

For business customers, there is the Business Choices scheme, including the recently launched Corporate Choices.

For further information on discount schemes, please call Freephone 0800 004 800 (residential customers) or Freephone 0800 800 805 (business customers).

Contrary to rumour. Research has shown that people tend to overestimate the cost of BT calls by as much as 600%. However, BT is confronting the myth through a series of TV and radio advertisements focusing on prices.

Focusing on BT people. BT has made a major reduction in the number of people working for the group - from around 227,000 five years ago to 130,000 at the end of March 1996. BT prides itself on the fact that this reduction in numbers has been achieved on a voluntary basis.
per second investing in the future
The backbone of the business. In 1995/96, BT invested approximately £2.8 billion, primarily on modernising and expanding its network. In June 1995, a major milestone was reached when the last of BT's old analogue exchanges were replaced. Today over 7,000 digital and modern electronic local exchanges serve all of our customers.

Tomorrow, today. BT currently invests over £280 million per year on research and development into products and network services. These include optical fibre technology, ISDN (BT's Integrated Services Digital Network) and new interactive services - including video on demand, educational programming, home shopping and home banking - test marketed by customers in East Anglia this year.

Small world. BT continued to build a global reputation as one of the leading players in the international telecommunications market. Over recent years we have built a series of partnerships which span the globe, with a particular focus on North America, Europe and the Asia-Pacific region.

BT has a 20% stake in MCI, the rapidly growing North American long-distance carrier. This alliance led to the setting up of Concert, a joint venture company offering a one-stop communications facility for the world's major companies, which has grown at a phenomenal rate.

In Europe, BT is involved in joint ventures with Banco Santander, one of Spain's largest banks; the German industrial group, VIAG; Banca Nazionale del Lavoro in Italy; and Tele Danmark and the Norwegian operator, Telenor, in Sweden. In Japan, BT has struck deals with Nippon Information and Communication (NI+C), and the Marubeni Corporation. In India, BT has formed an alliance with Wipro, a market leader in Information Technology.

The world of education. During 1995/96, there was a particular focus on work to highlight the importance of communications technologies for teaching and learning.

In 1995, BT launched CampusWorld, one of the world's largest on-line networks providing a dedicated service for education. This service provides focused in-depth curriculum support, a range of classroom resources and access to the Internet.

BT's CampusVision has also brought a range of benefits to schools and colleges through desktop videoconferencing.

The Bristol Education On Line Project, being piloted jointly with ICL, is providing a managed service to 11 schools in the Withywood area of the city and access to a wide range of multimedia products and services.
per second paying our taxes, contributing to the community and more besides
**Leading the way.** BT is a major force in one of the most exciting and dynamic industries in the world. Few other industries are as much a part of the social fabric as telecommunications. Few companies touch so many lives or offer such opportunities for the UK as a whole.

**Paying our way.** As one of the largest companies in the UK, our corporation tax bill for 1995/96 will be around £1 billion, currently more than the Government’s annual lottery receipts of £700 million.

Since privatisation, the Government has received £33 billion in taxes, dividends, VAT etc. from BT and its customers.

**Paying our suppliers.** In 1995/96, BT paid its suppliers over £5.9 billion (£187 per second) - with £2.3 billion (£73 per second) going into capital projects.

**Training and developing our people.** BT puts great emphasis on training and development. In the year to March 1996, BT provided more than 400,000 formal training and development days - equivalent to more than 3 days per person.

**Contributing to the community.** BT’s programme of community involvement remains the largest of its kind in the UK, focusing increasingly on areas which relate to BT’s business and the particular contribution its technology can make.

In 1995/96, BT contributed £15 million in cash and kind through its Community Partnership Programme.

This help was targeted at people with disabilities, people in need, economic regeneration, education, environment and the arts.

BT not only provides assistance to charities but also supports regeneration projects, including job creation and training schemes, educational awards and material for schools, as well as touring and regional arts events.

BT has been working to stimulate economic activity and improve employment prospects within the community. In the North East, for example, BT’s encouragement and support for the Tyneside Economic Development Company has enabled the development of an enterprise centre in Jarrow which aims to create 200 new jobs every year and safeguard a further 200.

**Caring for the environment.** BT has developed a policy of environmental improvement and is pursuing ways in which it can promote use of recycled materials, recycle its waste and improve energy efficiency. For example, BT’s energy consumption has been reduced by more than 13 per cent over the four years to March 1996.

BT continues to sponsor BT Environment Week and the BT/World Wide Fund for Nature Partnership Awards, both of which work with local communities to encourage sustainable improvement of the local environment.
New services are being developed all the time, and in February BT launched its own Internet product. In addition, children in schools will be able to access the Internet through CampusWorld - a new on-line education service to more than 2,000 schools who have subscribed.

BT is determined to continue to improve the quality of all its services for customers. Overall, the latest figures show that the reliability of the network continues at a high level. BT has significantly improved its repair service with more than 82 per cent of residential and nearly 90 per cent of business repairs now completed within the target time.

Global presence

BT's already well established as one of the leading operators in the international arena. Concert - BT's joint venture company with North American carrier MCI - launched its second generation of products at the end of 1996, beating the competition who had yet to bring a first generation to market.

Around the world, BT aims to provide services to multinational customers and their extended enterprises in Europe, North America and the Asia-Pacific region. In Europe, BT and Vagi, who have already formed a joint venture company known as VIAG INTERSYSTEM, moved towards forming a triple alliance with German industrial giant RWE to offer telecommunications services in Germany, the largest telecommunications market in Europe.

BT people

By the end of March 1996, around 130,000 people were employed by BT, compared with 227,000 five years ago.

BT remains committed to equal opportunities and actively encourages the employment, training and career development of disabled people. It has registered under the Government's Two Ticks disability scheme.

In the community

BT continues to be the largest corporate donor in the UK to community and charitable causes. During the year, BT made contributions in cash and kind worth £15 million to projects ranging from the BT Swinam to environmental initiatives.

Although telecommunications technology is extremely energy efficient and is an alternative to travel, BT is conscious of its own effect upon the environment. Each year it sets itself targets for environmental improvement and has reduced energy consumption by over 13 per cent in the last four years.

Important note

This summary financial statement does not contain sufficient information to allow an understanding of the results of the group and state of affairs of the company or the group as would be provided by the full report and accounts.

Shareholders who would like more detailed information may obtain a copy of the full report and accounts for 1995/96 and for future years, free of charge, by completing and returning the request card which accompanies this annual review.
Information for shareholders

Shareholder enquiries
Lloyds Bank Registrars (450)
The Causeway
Worthing
West Sussex
BN19 6DA
England

Phone: 0345 010 707 (UK callers only)
Fax: +44 171 356 5520

The Share Price Line service provided by Teledata Limited gives up-to-the-minute buying and selling prices for BT shares. Calls are charged at 39p per minute cheap rate and 49p per minute at all other times, including VAT.*

*Prices correct at the time of going to press.

General enquiries
British Telecommunications plc
BT Centre
81 Newgate Street
London
EC1A 7AJ
England

Phone: 0171 356 5050 Fax: 0171 356 5520

From overseas: +44 171 356 5050 Fax: +44 171 356 5520

Please contact BT at the above address if you have general enquiries about the company. For queries about your BT shareholding, you should contact Lloyds Bank Registrars direct.

For the benefit of blind and partially-sighted shareholders, highlights of this annual review and extracts from the Notice of 1996 Annual General Meeting will be available shortly on audio cassette from Lloyds Bank Registrars (details as above).

Directors
Details of the current directors of the company are shown in the panel on this page. All served throughout the financial year with the exception of Dr Iain Anderson who was appointed to the Board as from 1 November 1995 and Sir Peter Bonfield who was appointed as from 1 January 1996. In addition, Mr Michael Hepler and Mr Paul Bosonnet served on the Board until their retirement as directors on 31 December 1995, and Sir Michael Bett served until his retirement on 31 January 1996.

Auditors' statement to the shareholders of British Telecommunications plc
We have examined the summary financial statement, including details of The BT Board and the Directors, on the page opposite and on this page.

Respective responsibilities of directors and auditors
The summary financial statement is the responsibility of the directors. Our responsibility is to report to you our opinion on its preparation and consistency with the full annual financial statements and directors' report.

Basis of opinion
We conducted our work in accordance with the Auditing Guideline "The auditors' statement on the summary financial statement" adopted by the Auditing Practices Board.

Opinion
In our opinion the summary financial statement is consistent with the full annual financial statements and the directors' report of British Telecommunications plc for the year ended 31 March 1996 and complies with the requirements of Section 251 of the Companies Act 1985, and the regulations made thereunder.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
LONDON 21 MAY 1996

The auditors' report on the full financial statements for the year ended 31 March 1996 was unqualified and did not include a statement under sections of the Companies Act 1985 dealing with inadequate accounting records, financial statements not agreeing with the records or failure by the auditors to obtain necessary information and explanations.

This summary financial statement was approved by the Board on 21 May 1996 and was signed on its behalf by:

Sir Iain Vallance
Chairman

Sir Peter Bonfield CBE Chief Executive

Robert Brace Group Finance Director

British Telecommunications plc
Registered office: 81 Newgate Street, London EC1A 7AJ
Registered in England No: 1800000
Printed in England on paper awarded the Nordic White Swan label, an internationally recognised environmental standard.
Thafs where

That's where the money goes