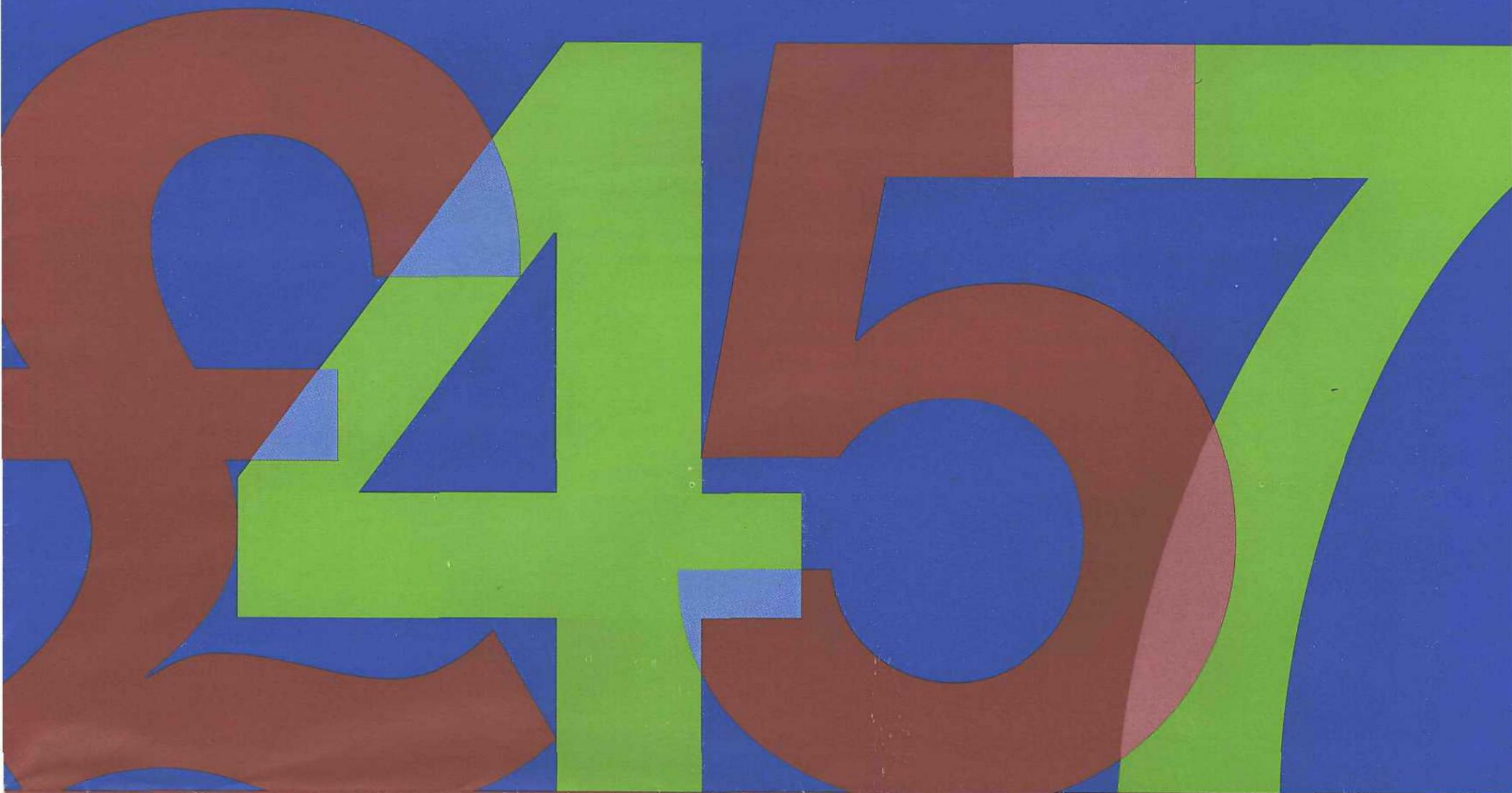


*Every second,* **BT generates**

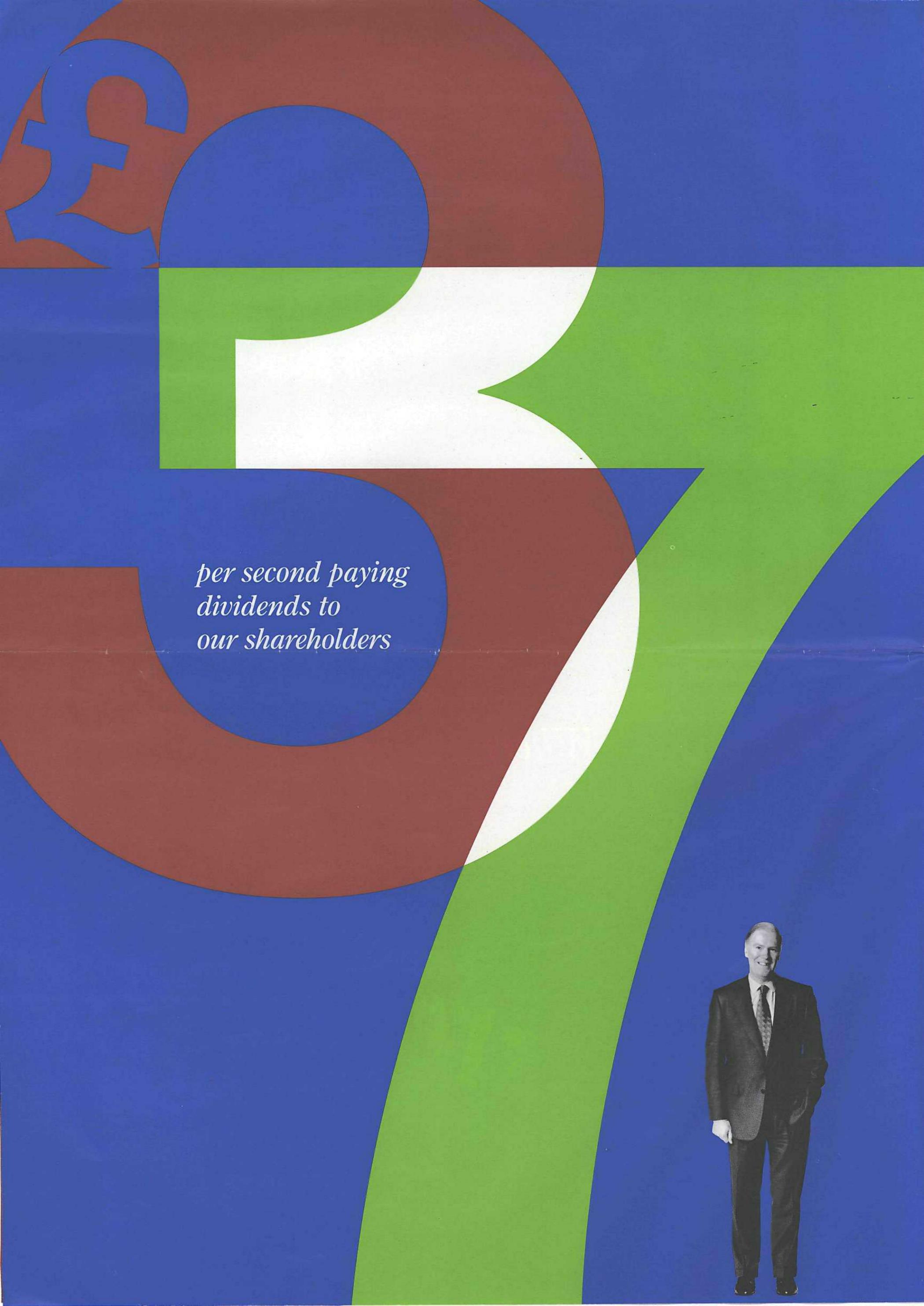


*Where* **does the money go?**



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.

*Iain Vallance*

Sir Iain Vallance Chairman 21 MAY 1996

*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.*

*Peter Bonfield*

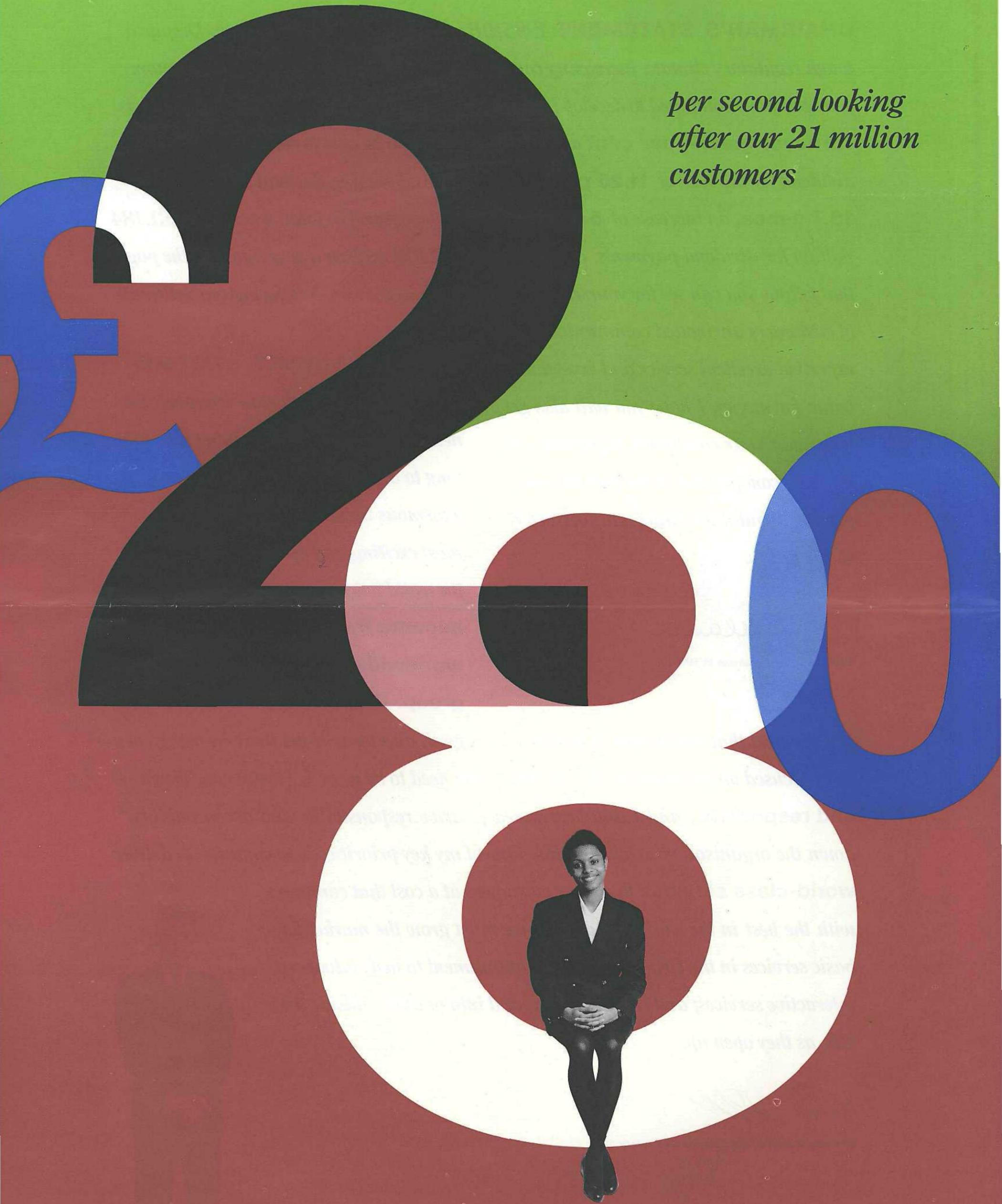
Sir Peter Bonfield CBE Chief Executive 21 MAY 1996

### **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*



*per second looking  
after our 21 million  
customers*



£280 = £133 per second paying for day to day running costs + £103 per second paying our people and associated employment costs + £44 per second paying overseas and other UK telecommunications operators for calls completed on their networks +



Mobile business turnover up 30% in 1995/96 to £856 million

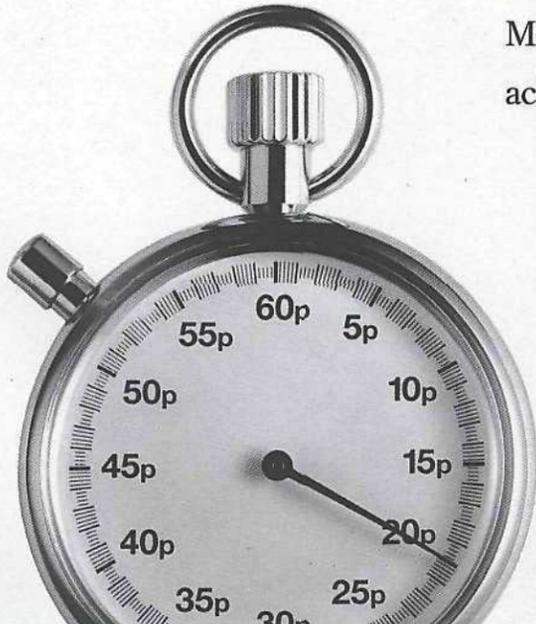
**ON THE MOVE**

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.

\*Excluding BT public payphones and BT Chargecard calls.



**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.

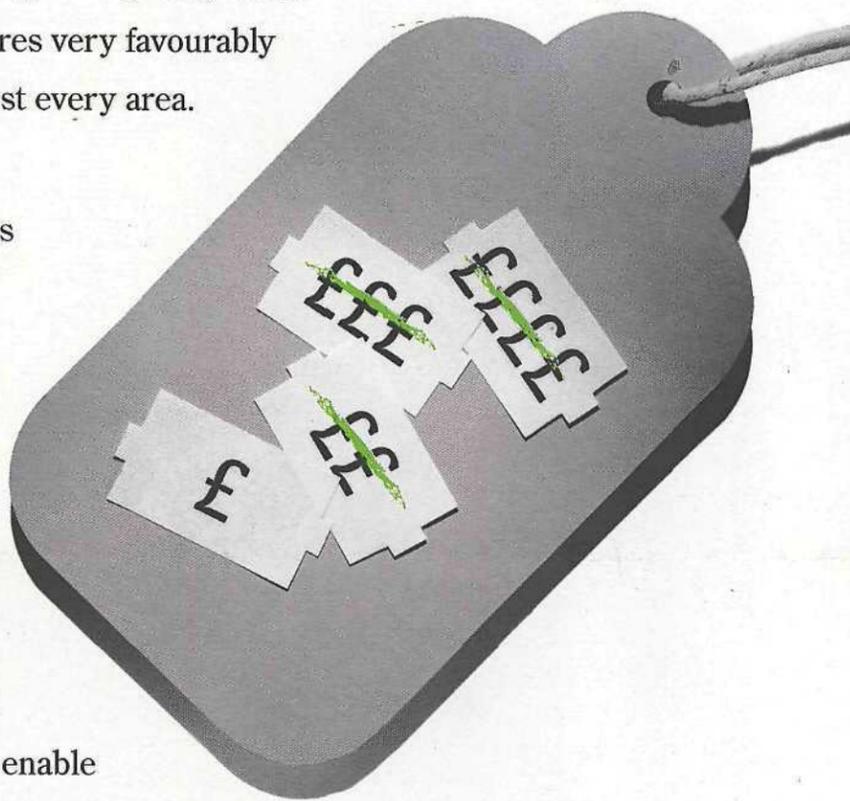
BT offers a range of discount options for customers of all kinds. For residential customers, these include *Friends & Family* and *PremierLine* (which, used together, enable customers to save up to 25% on call charges).

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

For further information on discount schemes, please call **Freefone 0800 004 800** (residential customers) or **Freefone 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*





#### AHEAD OF THE GAME

In March 1996, BT launched *BT Internet*, the access service which gives customers who have personal computers and modems all they need to get going on the Internet – software, a unique e-mail address, nationwide access via a local call to the full range of Internet services and seven days a week customer support. In partnership with games publishers, BT conducted trials of its own multiplayer video games network, *Wireplay*, also accessible to anyone with a personal computer and a modem.

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

#### GETTING THE PICTURE

BT is one of the world's largest suppliers of videoconferencing systems, in a market estimated to be worth over £330 million and growing rapidly. The world market in visual services is expected to exceed £5 billion by 1997.

BT's extensive portfolio of products and services is backed by ISDN and the world's first integrated multimedia conference bureau.

ISDN enables high speed transmission of voice, image, data and text in any combination over a single line. As an example of its versatility, ISDN is used for transmitting images of operations for viewing and discussion by doctors and specialists in remote locations.

**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.

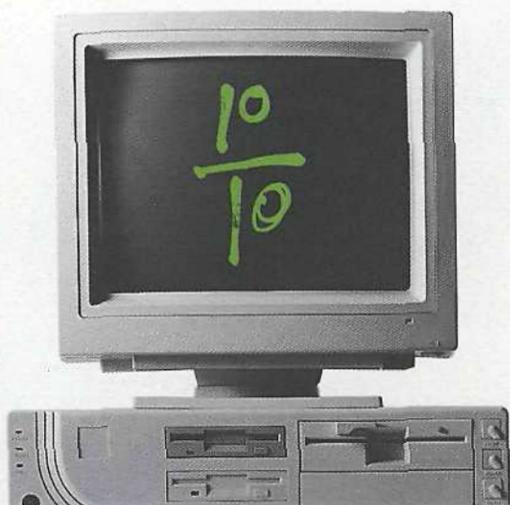
operator, Telenor, in Sweden. In Japan, BT has struck deals with Nippon Information and Communication (NI+C), and the Marubeni Corporation. In India, BT has formed an alliance with Wipro, a market leader in Information Technology.

**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.



APPROVED

APPROVED

*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.

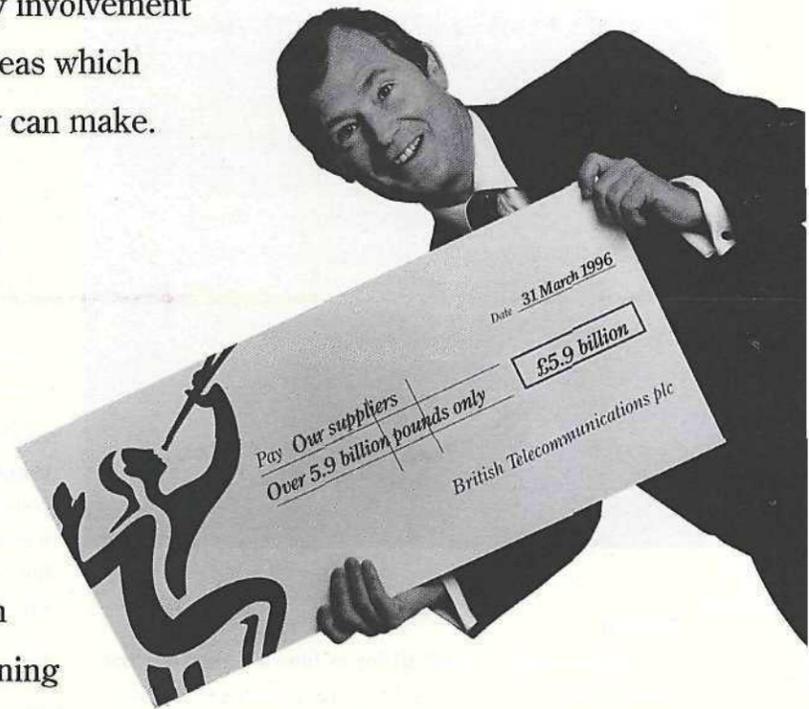
BT continues to sponsor BT Environment Week and the BT/World Wide Fund for Nature Partnership Awards, both of which work with local communities to encourage sustainable improvement of the local environment.

**A REWARDING EXPERIENCE**

In 1995/96, BT continued its longstanding major sponsorship of disabled swimming in the UK.

The company's commitment to meeting the needs of its customers with disabilities has been recognised by two prestigious awards - the 1995 Communicator of the Year award from the Royal National Institute for Deaf People, and the See It Right award for providing audio information for visually-impaired people from the Royal National Institute for the Blind.

For a free comprehensive guide to products and services for people with disabilities call Freephone 0800 800 150.



**A HELPING HAND**

To help those who need a phone to stay in touch but make very few calls themselves, BT's *Light User Scheme* allows customers to receive rebates of up to 60% of line rental. To date, nearly 3 million people have joined the scheme.

BT works with the Groundwork Foundation on its campaign to clean up and transform derelict industrial heritage sites across the country.

Better community architecture is encouraged through support for the Royal Institute of British Architects Community Architecture Fund. The fund awards grants to community groups for projects such as landscaping housing estates.



## Summary financial statement

FOR THE YEAR ENDED 31 MARCH 1996

### Summary directors' report

BT performed satisfactorily during the year, in spite of considerable regulatory pressure and a general slowing of the economy. Profit before tax was up 13 per cent in the year, largely due to lower redundancy costs. Turnover grew by 4 per cent to £14.4 billion, aided by a 30 per cent increase in turnover in the mobile market, where the number of customers grew on average by about three per cent a month.

Although the rate of volume growth of inland calls was down slightly on the previous year, the number of international calls grew significantly, helping to offset the effect of the current price cap of RPI minus 7.5 per cent, agreed with Oftel, which remains in place until a new price cap becomes operative in 1997.

BT spent more last year on marketing - with advertising campaigns such as "Work smarter, not just harder" aimed at the business market. More was also spent on BT's expansion overseas and in the mobile market.

The year also saw the first full year's contribution from MCI. The results were healthy, but affected by BT's £73 million share of MCI's restructuring costs.

BT's capital expenditure increased by 4 per cent. BT spent more than £2 billion in the year on modernising and expanding its networks to meet the wide-ranging needs of its customers at home and abroad.

Overall, BT's balance sheet remained strong with a £1.3 billion fall in net debt.

The directors are proposing a final dividend for the year of 11.25 pence per share.

#### Pricing

BT introduced per second pricing in June last year, the first national operator in the world to provide such a facility on all direct dialled calls. Since privatisation in 1984, BT's main call prices have fallen on average by more than half in real terms. The UK's telephone prices are now among the lowest in the world, according to an independent report from the OECD.

The number of customers taking advantage of BT's residential discount packages, which offer savings of up to 25 per cent on calls, continued to rise. Membership of PremierLine doubled in the year and the number of customers who have opted for Friends & Family trebled.

#### Mobile

At the end of March 1996, almost 2.4 million people were registered as customers of Cellnet, the company owned jointly by BT and Securicor. Up 655,000 in the year, mobile again proved to be a major success story for BT, with growth not only in the business sector but among residential customers, too. Customers of all kinds are benefiting from reduced digital tariffs, an increase in off peak time and the introduction of one second billing.

#### Investment

During the year, BT achieved a landmark when all our customers were connected to digital or modern electronic exchanges. More than 90 per cent of customers can now take advantage of advanced network services such as Caller Display and Call Return, and the new message service - Call Minder.

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 which more than 2,000 schools 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 is 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 1995, 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 VIAG, who have already formed a joint venture company known as VIAG INTERKOM, moved towards forming a triple alliance with German industrial group 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 Swimathon 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 as full 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/or future years, free of charge, by completing and returning the request card which accompanies this annual review.*

#### Summary group profit and loss account

FOR THE YEAR ENDED 31 MARCH 1996

|  | 1996<br>£m    | 1995<br>£m |
|--|---------------|------------|
| <b>Turnover</b>                                  | <b>14,446</b> | 13,893     |
| Operating costs (a)                              | <b>11,346</b> | 11,230     |
| Operating profit                                 | <b>3,100</b>  | 2,663      |
| Group's share of profits of associated companies | <b>82</b>     | 92         |
| Profit on sale of group companies                | <b>7</b>      | 241        |
| Net interest payable                             | <b>(170)</b>  | (259)      |
| Premium on repurchase of bonds                   | <b>-</b>      | (75)       |
| <b>Profit before taxation</b>                    | <b>3,019</b>  | 2,662      |
| Taxation   | <b>1,027</b>  | 926        |
| <b>Profit after taxation</b>                     | <b>1,992</b>  | 1,736      |
| Minority interests                               | <b>6</b>      | 5          |
| Profit for the financial year                    | <b>1,986</b>  | 1,731      |
| Dividends  | <b>1,184</b>  | 1,108      |
| <b>Retained profit</b>                           | <b>802</b>    | 623        |
| <b>Earnings per share</b>                        | <b>31.6p</b>  | 27.8p      |
| <b>Dividends per share</b>                       | <b>18.7p</b>  | 17.7p      |
| (a) including redundancy charges                 | <b>421</b>    | 820        |
| Directors' emoluments                            | <b>£3.5m</b>  | £2.9m      |

#### Summary group balance sheet

AT 31 MARCH 1996

|   | 1996<br>£m     | 1995<br>£m |
|---|----------------|------------|
| Fixed assets  | <b>17,553</b>  | 17,094     |
| Current assets  | <b>5,983</b>   | 4,365      |
| Creditors: amounts falling due within one year          | <b>(6,089)</b> | (5,090)    |
| Net current liabilities                                 | <b>(106)</b>   | (725)      |
| Total assets less current liabilities                   | <b>17,447</b>  | 16,369     |
| Creditors: amounts falling due after more than one year | <b>3,322</b>   | 3,361      |
| Provisions for liabilities and charges                  | <b>1,267</b>   | 879        |
| Minority interests                                      | <b>180</b>     | 132        |
| Capital and reserves                                    | <b>12,678</b>  | 11,997     |
|   | <b>17,447</b>  | 16,369     |





## The BT Board

### EXECUTIVE DIRECTORS

**Sir Iain Vallance** (d) (e) *Chairman*  
**Sir Peter Bonfield CBE** (a) (d) *Chief Executive*  
**Dr Alan Rudge CBE** (a) *Deputy Chief Executive*  
**Robert Brace** (a) *Group Finance Director*

### NON-EXECUTIVE DIRECTORS

**Sir Colin Marshall** (b) (c) (e) *Deputy Chairman*  
**Dr Iain Anderson** (b) (c)  
**Malcolm Argent CBE** (b) (e)  
**Birgit Breuel** Germany  
**Sir Ewen Fergusson GCMG, GCVO** (c)  
**Yve Newbold** (b) (c)  
**Keith Oates** (b) (c) (e)  
**Bert C Roberts Jnr** USA  
**The Rt Hon Lord Tebbit CH** (b) (c) (e)

### SECRETARY

**Colin Green** (a)

### Key

- (a) Member of *Executive Committee*
- (b) Member of *Board Audit Committee*
- (c) Member of *Board Committee on Executive Remuneration*
- (d) Member of *Board Committee on Non-Executive Remuneration*
- (e) Member of *Nominating Committee*

Left to right: Bert C Roberts Jnr, Robert Brace, The Rt Hon Lord Tebbit, Sir Iain Vallance, Birgit Breuel, Sir Ewen Fergusson, Sir Colin Marshall, Dr Iain Anderson, Sir Peter Bonfield, Malcolm Argent, Dr Alan Rudge, Yve Newbold, Keith Oates.

## Information for shareholders

### Shareholder enquiries

Lloyds Bank Registrars (450)  
The Causeway  
Worthing  
West Sussex  
BN99 6DA  
England

☎ **Lo-call 0345 414 141** (+44 1903 833950 from overseas)

### Shareline

☎ **Lo-call 0345 010 707** (UK callers only)

Shareline reports the 9.00 am BT share price each weekday, together with recorded news about the company – updated daily by 10.00 am.

When you use one of BT's **Lo-call 0345** numbers from anywhere within the UK, you pay only the price of a local call. Different rates apply to calls from non-BT networks.

### Share Price Line

☎ 0891 222 334 (UK callers only)

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

☎ (0171) 356 5000 Fax (0171) 356 5520

From overseas: ☎ +44 171 356 5000 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 Hepher 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

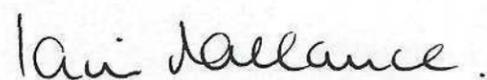
In our opinion the summary financial statement is consistent with the full annual financial statements and the directors' report of British Telecommunications plc for the year ended 31 March 1996 and complies with the requirements of Section 251 of the Companies Act 1985, and the regulations made thereunder.

### 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  
Designed by johnson banks  
Printed in England on paper awarded the Nordic White Swan label, an internationally recognised environmental standard.





dividends

day to day running expenses

employment costs

payments to telecommunications operators

depreciation

retained profits

taxation

redundancy and other

*That's where* **the money goes**