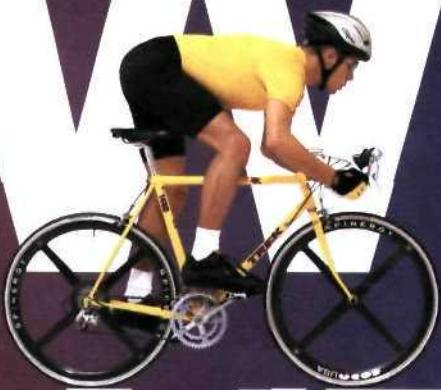


WE WHY  
WE DO  
WHAT WE DO



OPEN



*Annual review and summary financial statement 1996/97*

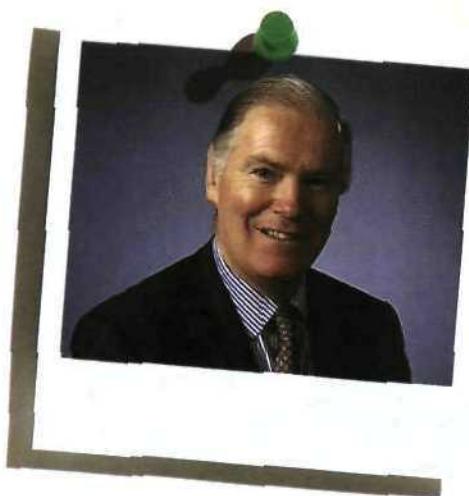
**WHY BT AND MCI ARE MERGING:** *in 1996 people spent more than 60 billion minutes communicating around the world – on the telephone, faxing, sending data, surfing the Internet; that figure could grow to 95 billion minutes by the year 2000, helping to make communications a trillion dollar business – that's one thousand billion dollars; just one per cent of that business will be worth 10 billion dollars; WE CAN*

**SERVE MORE CUSTOMERS IN CONCERT**

**1997 is a historic year in the BT story. This is the last Annual Review that you will receive from BT. Once the proposed merger with MCI is completed, all BT shares will become shares in Concert plc. BT will, of course, continue to trade as BT here in the UK.**

Concert represents BT's coming of age. We've come a long way since we were privatised back in 1984, and a large number of shareholders have remained loyal to the company throughout those years. We look forward to having you with us on the next stage of the journey - a stage that we believe will be characterised by exciting new opportunities for your new company to seize.

But, of course, things have not stood still while we wait for the merger to be completed. In fact, this year was quite a year for BT. Turnover grew by 3.4 per cent, we continued with our innovative and highly successful marketing campaigns, we made progress on building our presence around the world, and we explored the opportunities offered by the Internet. We were also pleased to be able to recommend a final dividend of 11.95 pence per share, bringing the total for the year to 54.85 pence, including the 35 pence special dividend.



So, what kind of company will Concert be?

First and foremost, it will be a company committed to free and genuine competition in every part of the communications market. The BT story in the UK is proof that competition is the best guarantee of customer benefits. In the last dozen years, customers here have experienced steadily falling prices - now among the lowest in the world - more choice and higher quality. Our partnership with MCI has already begun to help this transformation of the customer experience, with innovative programmes like the hugely popular Friends & Family.

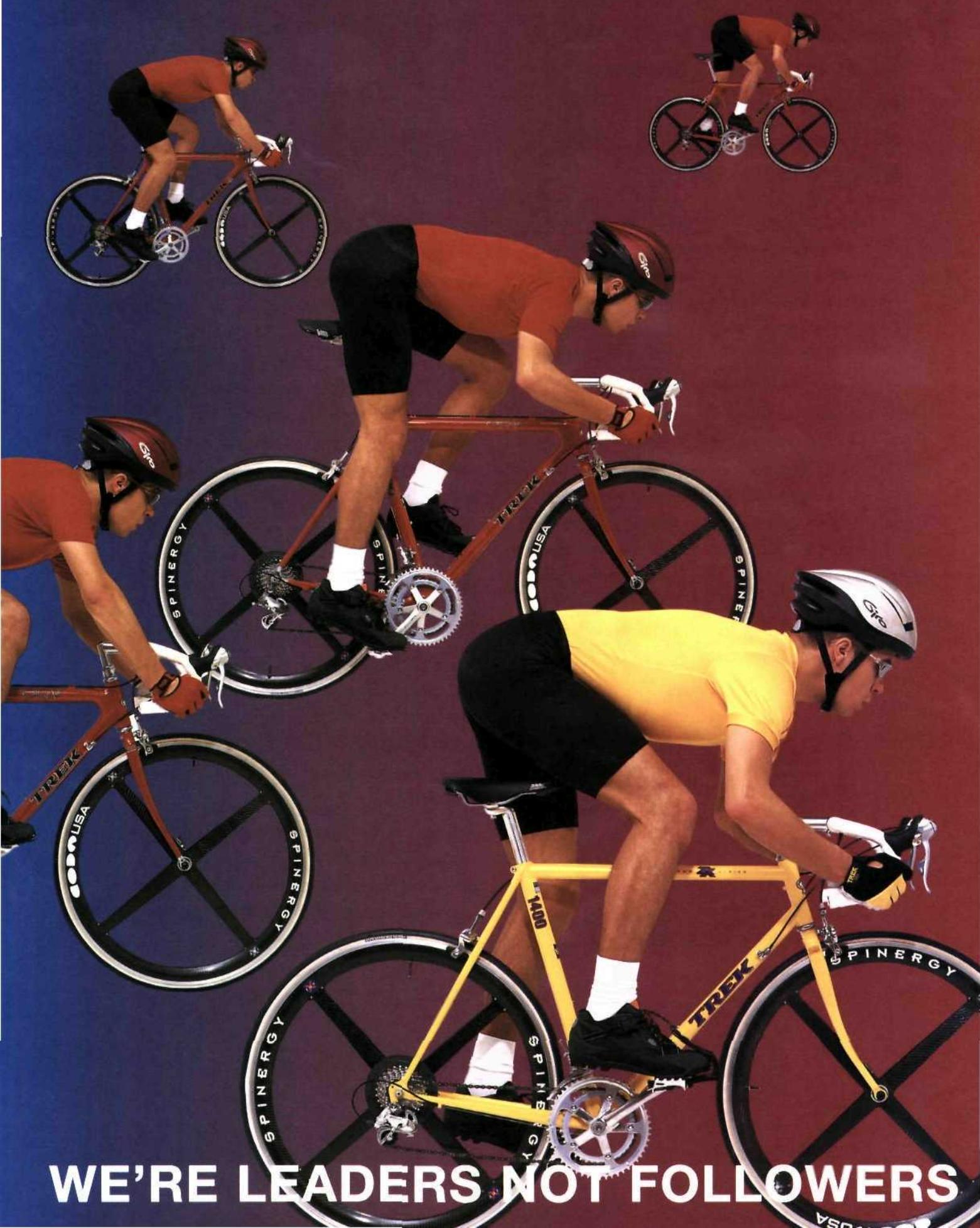
BT and MCI already have a track record of working successfully together. BT has 12 years' experience of competing successfully in the most open communications market in the world, experience that will be invaluable as the local telecommunications market in the US opens to competition. Concert will be uniquely well positioned to benefit from the opening of the European markets on 1 January 1998, and MCI's experience at winning market share from US incumbent AT&T will be vital when we have the chance to compete fully with national telephone operators in France, Germany and elsewhere in Europe.

Everywhere we look around the world, there is huge and exploding demand for communications services. Meeting that demand is the challenge and the opportunity that your new company faces.

Iain Vallance

SIR IAIN VALLANCE Chairman

# WHY WE'RE GOING GLOBAL:



WE'RE LEADERS NOT FOLLOWERS

# The communications industry is changing at breathtaking speed. Amazing new technology is combining with changes in customer demand and the increasing globalisation of business to create a truly global industry.

Customers are increasingly demanding seamless communications to anywhere in the world, from anywhere in the world, at a time that suits them.

The companies that successfully meet this demand will have global reach. The potential market is so enormous and so complex that no one company can hope to do it alone. Which is why mergers, acquisitions and partnerships are so much a feature of our industry today.

With 43 million customers in more than 70 countries, and revenues of £26 billion, Concert will certainly have the necessary size and scale. However, although size and scale get you into the game, they cannot guarantee that you will win it. Success will come to those companies that are rigorously customer-focused, innovative, self-confident, get the best from their people and thrive on genuine competition. Concert will be such a company. Starting with six per cent of a worldwide market, currently worth £400 billion in total and expanding fast, the opportunity for growth is enormous.

I am looking forward immensely to working with MCI in the US local market, which is opening to competition for the first time and will be worth in excess of \$100 billion a year. Amongst the opposition will be the Regional Bell Operating Companies (RBOCs) which, until recently, have been comfortable monopolies.

Nor has MCI restricted its activities to the US. Concert will be able to build on MCI's recent activities in Canada and Mexico to offer its customers seamless service across the whole of North America - the world's most lucrative call corridor. And recent alliances with Spain's Telefonica and with Portugal Telecom will enable Concert to increase its presence in Latin America, as well as filling out our already strong position in Europe, where the announcement of BT's investment in CEGETEL in France was one of many highlights of the year (see page 6).

And then there is the Asia-Pacific region, which in telecommunications terms is the fastest-growing market in the world. Concert will have a significant presence in this region from day one, but we have made no secret of the fact that we want and need to do more. One very exciting development is that BT and NTT have joined forces with two major local companies to bid for the second telecoms licence in Singapore.

On the eve of closing this historic merger, I would like to thank all our shareholders for the confidence that they have shown in BT and assure you, as we look to the future with Concert, we will continue to drive the changes in our industry.

SIR PETER BONFIELD *Chief Executive*



# WHY WE'RE SO ACTIVE IN EUROPE:



**OPEN**

**TELECOM MARKETS IN THE EU WILL BE  
OPEN TO COMPETITION FROM 1 JAN 1998**

**BT is getting ready for what amounts to the opportunity of a lifetime as the European telecommunication markets open up to competition from 1 January 1998. And, for some time now, we have been preparing to make our mark in markets which, analysts predict, could be worth around £115 billion a year.**

We are already well positioned, not only in the largest markets of Germany and France, but also in the Netherlands, Italy, Switzerland, Spain, Portugal and Scandinavia. In January 1995, BT and VIAG Aktiongesellschaft formed a joint venture - VIAG INTERKOM - to challenge Deutsche Telekom in the German market, the largest telecommunications market in Europe. The partners have now been awarded the fourth mobile licence in Germany. This takes them a major step closer to becoming a leading full-service provider and, over the next few months, VIAG INTERKOM plans to become the first European operator to provide fully integrated fixed and mobile communications over a single network. And Telenor, the Norwegian telecommunications operator, has now agreed to participate in the joint venture.

BT and MCI have also announced strategic alliances with Spain's Telefonica and with Portugal Telecom. With BT, Telefonica will explore investment possibilities in Europe and, with MCI, it will pursue opportunities in the fast-growing Latin American markets, including Argentina, Brazil, Chile, Peru and Puerto Rico. These markets are expected to be worth \$60 billion by 2000. Portugal Telecom becomes the exclusive distributor of Concert Communications' voice products in Portugal and, with MCI, will also seek opportunities in Latin America's largest market - Brazil.

#### GOING DUTCH

In the Netherlands, BT teamed up with NS, the Dutch railway company, to create a joint venture - Telfort - to address the

telecommunications needs of Dutch business. In Switzerland, BT and Tele Danmark have been selected as international partners

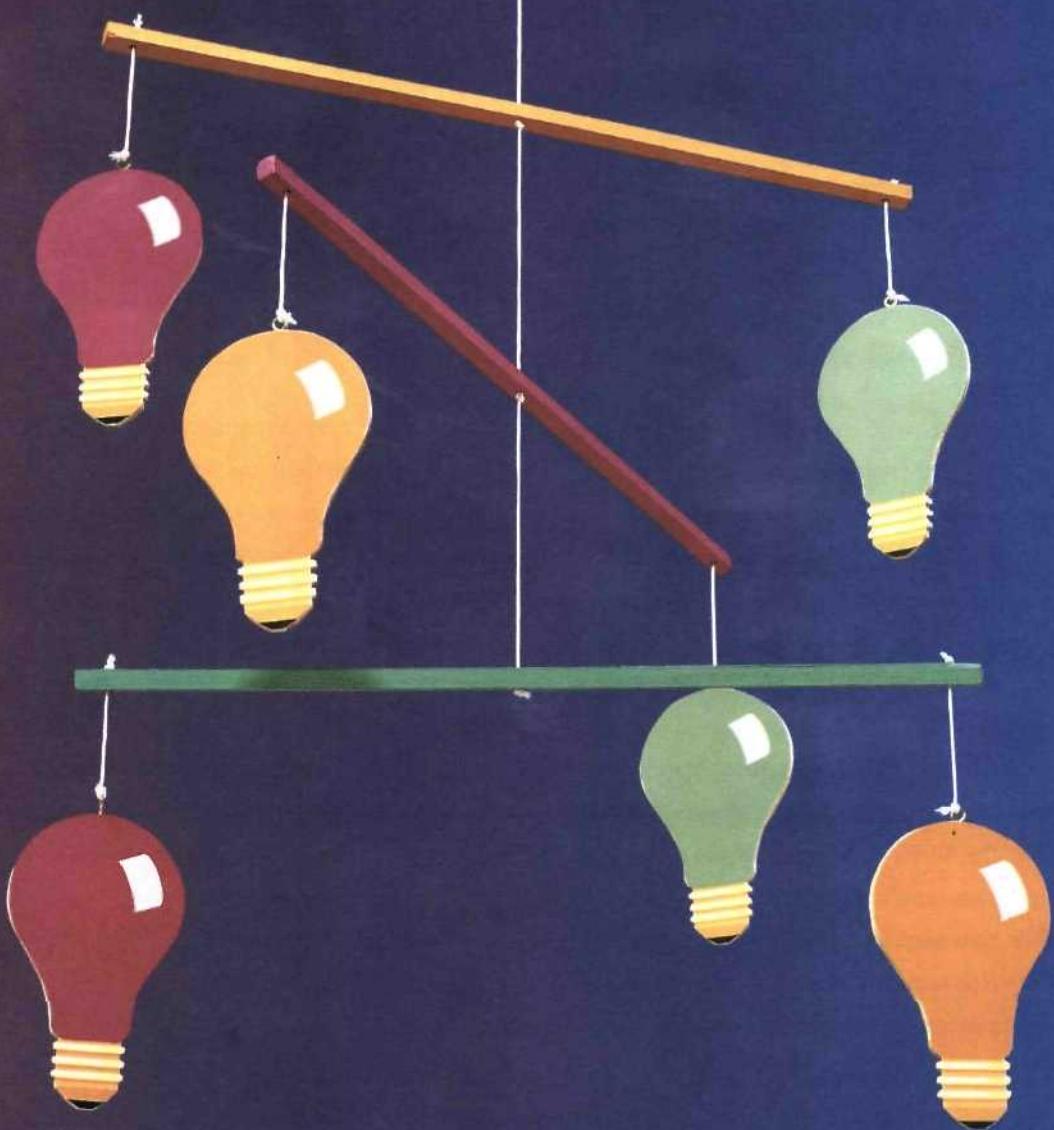


CEGETEL, BT's telecommunications venture with French utility Compagnie Generale des Eaux, has been chosen by SNCF, the French state-owned railway company, to help develop its telecoms network. CEGETEL is expected to take a stake in Telecom Development, SNCF's specialised telecoms subsidiary, which has an 8,600 km fibre optic telecommunications network linking the main towns and cities in France. The deal will help ensure that, come 1 January 1998, CEGETEL (which holds a majority stake in SFR - the highly successful second mobile operator) is an effective alternative to France Telecom in the French market.



for Newtelco which intends to become the second licensed operator.

# WHY WE'RE SPENDING OVER £290 MILLION A YEAR ON R&D:



WE'RE INVESTING IN THE FUTURE

**At BT we believe that we are on the verge of a new age of communication. In this new age, it will be possible for every conversation to take place face-to-face; teachers will be able to share their knowledge with whoever needs it; no-one will be beyond the reach of carers; the wonders of the world will be accessible to everyone, everywhere.**

In healthcare, education, business and in the home we are engineering solutions to make this vision a reality.

Our investment in research and development (R&D) - around two per cent of turnover (£291 million for the year 1996/97) - enables us to develop new technologies and bring them to market, in the form of products and services, faster than our competitors.

In particular, we are focused on generating *integrated* solutions that meet *all* a customer's communications needs, not just some of them. By choosing BT, our customers are acquiring a unique source of competitive advantage in their own marketplace.

Electronic commerce has the potential to revolutionise the way businesses market and sell products. BT is developing a portfolio of services - including on-line payment, electronic watermarking and copyright protection - that will make this way of doing business in cyberspace both easy and secure.

We are also developing a range of healthcare products that will link patient and carer regardless of where they happen to be. These products include advanced visualisation technologies for training medical students; remote foetal scanning, which enables women to seek obstetric advice from hundreds of miles away; and a system that enables paramedics at the scene of an accident to send images back to the emergency medical team based at the hospital.



Trials have just begun of a system that makes it possible for GPs to monitor the health of frail and elderly patients in their own homes, enabling them to continue to enjoy their independence in safety.

BT's research and development is also focused on enhancing our day-to-day activities. Faultsman, for example, helps our engineers install new lines and fix faults more quickly. Since it was developed last winter, the service - which enables engineers to carry out line tests, identify circuits and check connections remotely - has been used more than 20 million times, saving an average of more than ten minutes on each job. Not only does it improve the quality of service we offer our customers, but it will reduce BT's costs by an estimated £50 million over the next five years.



#### WEB SITE NEWS

BT, in partnership with the BBC's The Net programme, has created the world's largest on-line interactive virtual reality

web site, where more than 700 people can "meet" in cyberspace to debate issues of the day.

# WHY WE'RE PROVIDING EVEN MORE SERVICES:

CALL MINDER

FRIENDS & FAMILY

PREMIERLINE



BING BACK

EVERY SERVICE WE PROVIDE  
IS ANOTHER REASON TO STAY

We never forget that, in a fiercely competitive market, our customers have a choice; if they don't like what we are offering, they can always go elsewhere. We know that we have to continue to review and enhance the services we offer and, as the marketing people say, "every feature has to reveal a customer benefit" - otherwise, there would be no point in having it.

And every feature has to be backed up with value-for-money prices and option packages. The secret - which is no secret at all - is to ensure that the services we offer really are tailored to our customers' lives, that they really do add value, and that they add to our attraction. And, what's more, such services encourage customers to use the phone more often and help to generate new revenues.

One example is the success of the free Call Return 1471 service; by dialling this code customers can find out who last tried to ring them. It has proved hugely popular and is called more than 11 million times each day. And we have enhanced it. Now, by pressing 3 after they have dialled 1471, customers can automatically call back the last person who called them.

More than 450,000 times a day our customers use Ring Back by pressing 5 to get the phone to call them back when the engaged number they are trying to get through to becomes free.

And we shall shortly be launching Ring Me Free to help customers keep in touch with the people they most want to hear from. Friends and relatives will be able to use the customer's unique Ring Me Free number to call him or her. The recipient will pay for the cost of the call, plus 10p. So, for example, students away at university won't have to shoulder the cost of calls home.

#### FRIENDS & FAMILY

More than 11 million people are now Friends & Family members - four times the number who had joined a year ago. And, because

we want our customers to stay with us, we're giving those who have joined both Friends & Family and PremierLine the

It's a competitive marketplace out there, and BT is making sure that our business customers want to stay with us because of our range of value-added services. As they increasingly operate more globally, so too must BT. In conjunction with MCI, we have developed a new set of advanced features to help multinational corporations route calls from their customers between different sites, so as to accommodate time differences, country-specific holidays, peak traffic periods, personnel skill sets and emergency situations.

And for its major corporate customers in the City of London, BT has developed MetroStream which offers a highly-resilient platform for private services.

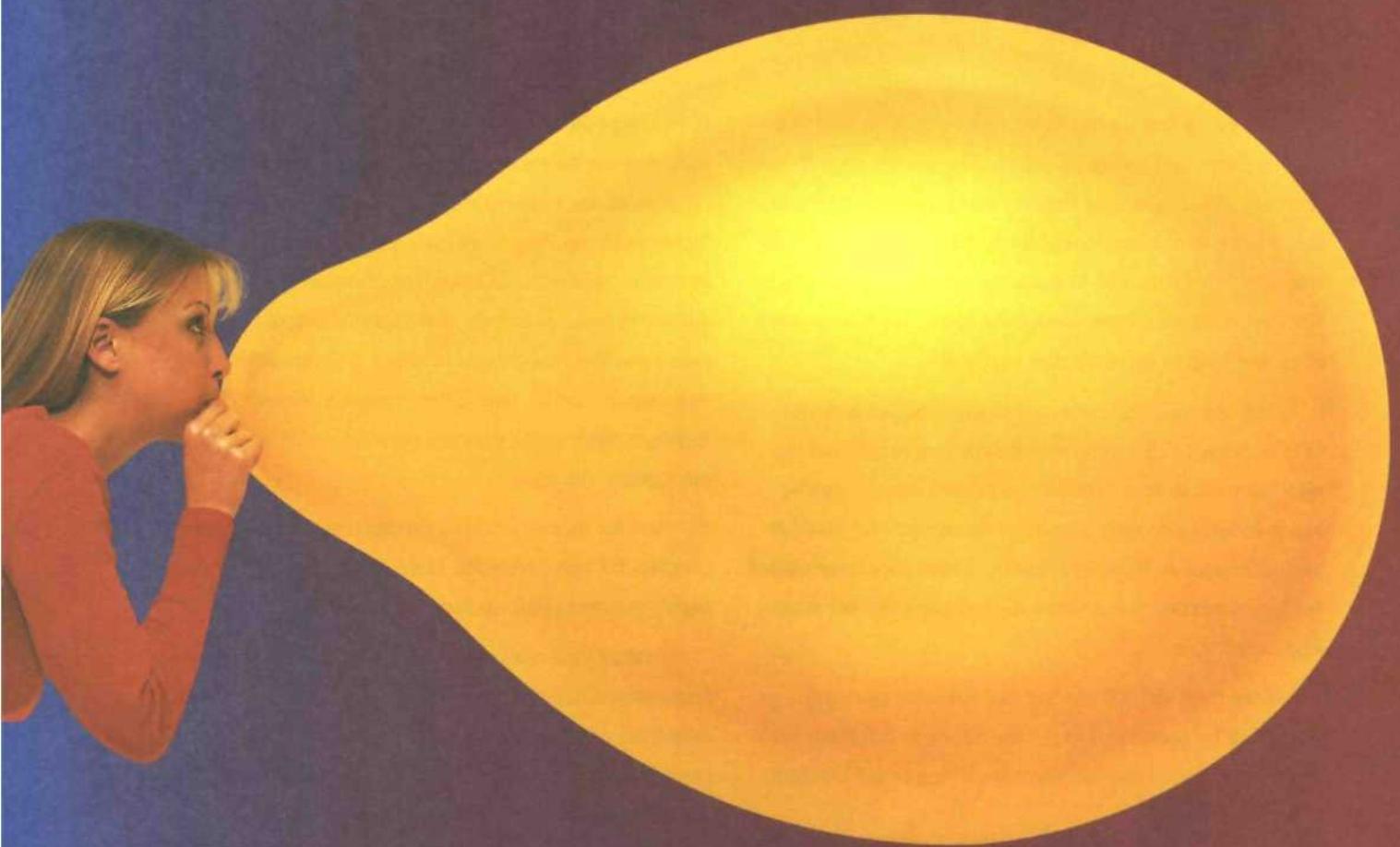
FeatureLine offers small to medium-sized businesses features and benefits they would usually be able to obtain only from private networks and, because it is able to provide these over its core network, customers don't have the expense of buying and maintaining their own equipment. It is one of the fastest-growing telecoms services in the UK.



chance to join Friends & Family Overseas for free. Friends & Family Overseas entitles customers to choose an

additional five international numbers which qualify for the Friends & Family discount.

**WHY WE'RE INVESTING MILLIONS  
IN OUR MARKETING EVERY YEAR:**



**WE'RE EXPANDING THE MARKET**

**When, like the pre-privatised BT, you had 100 per cent of the market, the only way your market share could go was down. Fortunately, we believe that there is tremendous scope in the UK to more than compensate for this by expanding the overall size of the market.**

The average telephone is in use for only a few minutes a day, while we have the cost of maintaining the network 24 hours a day. Consequently, it is good business to encourage our customers to get more out of life by using the phone more.

Bob Hoskins, Rory McGrath, Hugh Laurie...whoever we use, and whether the message is *It's good to talk* or *It's good to listen*, BT's high-profile residential advertising campaign has helped to break down the barriers - particularly emotional ones - that prevent people from communicating effectively on the phone. Although the campaign has been running for three years, it has evolved in recent months to take a more direct approach, with **Freephone** contact numbers given at the end of each commercial. Customers phoning in can find out more about BT's products and services, including Friends & Family and BT Chargecard.

No-one will buy from BT unless the price is right, and our research has shown that customers can overestimate the cost of calls by as much as four times. Challenging these misconceptions through TV adverts featuring political commentator Brian Walden, BT has significantly changed customers' views of prices and reinforced the value that BT provides to their business.

*On average people used to use the phone for just over 8 minutes a day...*



*...they now spend 1min 35 seconds a day longer on the phone.*

For our business customers, though, it's not just the phone that's important, but a wide range of products and services. Through our advertising campaign, *Work smarter, not just harder*, BT has shown business customers the way through the telecommunications maze, demonstrating, for example, how computers can be used more effectively to send and receive information and how visual communications can transform the way people do business.

All our marketing and advertising activity is co-ordinated to have the maximum possible impact. We not only communicate with our customers through the TV, but also through press advertising, the radio, telemarketing and direct mail. Four times a year we send 11 million of our customers personalised details of how they can save money with BT's products and services. Last year, this activity resulted in 25 million customer transactions.



#### IT'S GOOD TO TALK

The *It's good to talk* campaign was recently judged to be the most effective advertising campaign in Britain between

1994 and 1996. The campaign won the Grand Prix at the prestigious Advertising Effectiveness Awards run by the

Institute of Practitioners in Advertising. The award was made because of the campaign's impact on BT's revenues.

# WHY WE'RE INTO THE INTERNET:

*And could be worth  
more than £20 billion  
by the year 2000*

*But it's growing fast*

*The market for  
the Internet is here  
at the moment*

## WE KNOW IT'S A GROWTH MARKET

## Accessing and sharing information is an increasingly important part of our business and social lives. More and more people - 50 million in 134 nations at the last count - are connecting to the Internet, the world's largest computer network.

Although nothing more than millions of computers connected to one another through nearly 135,000 different networks, the Internet enables people to exchange documents, pictures and video clips, share news and views and chat on-line.

BT and News International jointly launched LineOne - a new mass-market Internet service. LineOne uses BT's technical skills in providing easy and fast Internet access and News International's editorial and publishing skills in providing content, including constantly updated information from its titles, including *The Times* and *The Sun*.

And you don't need a multimedia PC to get on-line. Touchpoint, BT's interactive public information kiosk, is being put through its paces in London, providing everything from news and sport, through to the opportunity to order theatre tickets, flowers and wine.

There are already more than 2.4 million commercial sites on the Internet and predictions are that business and retail transactions over the Internet will expand extremely rapidly over the next few years.

Concert InternetPlus, the world's first high-speed, high-reliability global Internet service, was launched by BT and MCI last June. This network makes it possible, for the first time, to offer worldwide guaranteed levels of service for businesses which use the Internet for their global communications.



While the Internet makes real the possibility of communicating with others on a scale never before imagined, a need has developed within the business world for secure internal networks which can link in to the Internet. Intranets - private corporate networks based on Internet technology - are now proving extremely popular with corporations for their internal communications.

BT and MCI are working with other companies, such as Microsoft and Digital, to address this rapidly-growing intranet market. According to industry analysts, by the end of 1998, products and services associated with building corporate intranets are expected to be worth around £5 billion.

For example, working for the National Health Service, BT has created Europe's first commercial intranet - Healthnet, linking hospitals and GPs around the UK. By handling patient records electronically and providing rapid access to clinical information, BT Healthnet is supporting the drive for cost efficiency in the UK's health provision.



### AT THE SUPERMARKET

BT has provided Tesco with fast connection to the Internet for their on-line supermarket. People visiting the Internet site can

purchase gifts, browse recipes and download free software, including a programme that gives advice on the right wines

for different menus, all with the click of a mouse. And now customers who shop at selected Tesco stores can buy all their

shopping on-line - a choice of more than 20,000 products - and have it delivered to their homes the next day.

# WHY WE'RE INTO EDUCATION:



# LEARNING'S GOING DIGITAL

**Education is at the top of everyone's agenda - politicians, business people and, of course, students. And education is going digital. Rather than the "talk and chalk" style of teaching, multimedia offers us the chance to learn by active participation.**

There is no question that new technologies have the potential to revolutionise the educational experience. Add one child to one PC and factor in the Internet, and the result is almost infinite possibilities. Teachers report strange phenomena: children queuing to get into school in the morning; children taking charge of their own learning.

Of course, parents as well as children have an interest in education and, earlier this year, BT launched HomeCampus to help them get more involved and to work with their children. Friendly experts are on hand to explain how to make best use of the Internet for a child's learning, and discussion can take place with teachers and other parents on children's development.

Encouraging parents to become involved with their children's education can lead to them taking a second opportunity to improve their own. This has been demonstrated by the ReachOut project in Liverpool where more than 130 parents, who left school with minimal qualifications, are now following degree courses. BT is investing £235,000 to expand the scheme.

UK children had the chance to cast their vote before the grown-ups in the recent UK general election. By connecting to CampusWorld, BT's on-line education service, children in schools across the UK were able to learn about election processes and party politics. CampusWorld, which has links to more than 1,000 Internet sites, brings together more than 18,000 pages of educational information. The aim of the exercise was to help prepare children for citizenship by developing their interest in the democratic process and in issues such as law and order and the economy. The result: Labour won, but failed to achieve a clear majority!

#### TEACHER TRAINING

BT is helping the teachers too, by running training courses to introduce student teachers, classroom teachers and head

teachers to new technology, such as the Internet and videoconferencing, and to increase their awareness and

But, of course, education is not just something that ends in the classroom. From pre-school to continuing adult education and training at home, school, college or work, BT provides a suite of on-line products which play their part in developing the concept and practice of lifelong learning. Report after report suggests that one of the biggest threats to UK competitiveness in world markets is the lack of suitably-trained people in British companies. And, here again, communications technology may be the key. For example, BT is currently working with Suffolk College to develop a "televersity". Small companies with few opportunities to acquire up-to-date management, IT and engineering skills will be able to tap into the latest thinking at local centres equipped with videoconferencing technology.



understanding of the implications of this technology for their schools.

# WHY WE'RE HELPING THE COMMUNITY:



WE'RE ALL PART OF THE SAME TEAM

**Henry Ford said that "a business that makes nothing but money is a poor kind of a business". And it is increasingly clear that businesses cannot regard themselves as in some way separate from the societies in which they operate. Besides, research has shown that the decision to purchase from one company rather than another is not a decision about price alone.**

Customers and investors are drawn to particular companies by their reputations. A good community programme improves a company's reputation and a good reputation improves a company's competitiveness.

Last year, BT was a European Quality Awards prizewinner - the largest company ever to have reached the finals. The judging panel was particularly impressed by BT's "impact on society" and congratulated us on our efforts to meet the needs of the local, national and international communities.

Here are some of the ways we are helping:

BT is the sole sponsor of the Comic Relief site on the Internet - the UK's first-ever site which attempts to raise funds for the voluntary sector over the Internet.

BT's work with the Samaritans not only includes a £1 million sponsorship deal, but also the sharing of expertise to create a single contact number for the organisation. Helping people to get in touch with the Samaritans more easily when they need it most can make a real difference.

BT is concerned about the environment too, and we were awarded a Business Commitment to the Environment Award for our work on developing new cooling systems for telephone exchanges. Our annual *Environmental Performance Report* is available on the Internet via the BT home page at <http://www.bt.com> or telephone (0171) 728 8430 for a copy.

#### THE BT SWIMATHON

The year saw the eleventh anniversary of the BT Swimathon. BT's support for this event has ensured its success and helped

Swimathon to raise more than £10 million over the years. Almost 250,000 swimmers have taken part, covering 295,000



BT also has a tradition of developing products and services for people with disabilities. Working with researchers at Birmingham University, BT engineers have recently developed a navigational system which enables blind and visually-impaired people to find their way around the streets unaided. Equipped with a small mobile computer, they are connected to a satellite in space that beams back information about their precise location to within a few yards.

As part of our continued efforts to train people for jobs and help regenerate the local economy, we have supported some notable projects, such as that to redevelop the Chavasse Park area in Liverpool. BT is contributing £300,000 towards this major project which will accommodate leading-edge, communication-based companies and an interactive multimedia education/leisure complex expected to create around 2,000 jobs.



miles and raising money for more than 25 national charities, including ChildLine and the Prince's Trust.

# HERE'S THE SUMMARY FINANCIAL STATEMENT

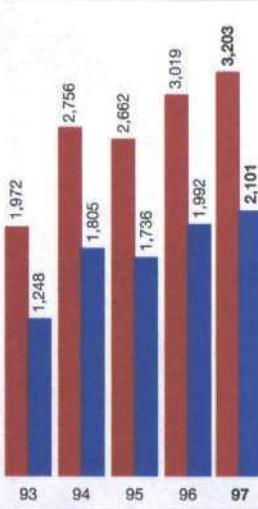
## Summary group profit and loss account FOR THE YEAR ENDED 31 MARCH 1997

	1997 £m	1996 £m
<b>Turnover</b>		
Operating costs (a)	14,935	14,446
<b>Operating profit</b>	<b>(11,690)</b>	<b>(11,346)</b>
Group's share of profits of associated companies	3,245	3,100
Profit on sale of group companies	139	82
Net interest payable	8	7
Premium on repurchase of bonds	(129)	(170)
<b>Profit before taxation</b>	<b>(60)</b>	-
Taxation	3,203	3,019
<b>Profit after taxation</b>	<b>(1,102)</b>	<b>(1,027)</b>
Minority interests	2,101	1,992
<b>Profit for the financial year</b>	<b>(24)</b>	<b>(6)</b>
Dividends (b)	2,077	1,986
<b>Retained profit (transfer from reserves)</b>	<b>(3,510)</b>	<b>(1,184)</b>
Earnings per share	(1,433)	802
Dividends per share (b)	32.8p	31.6p
Directors' emoluments	54.85p	18.7p
(a) including redundancy charges	2.6	2.5
(b) 1997 figures include ordinary dividends of 19.85p per share, totalling £1,266m, and the special dividend of 35p per share, totalling £2,244m.	367	421

## Summary group balance sheet AT 31 MARCH 1997

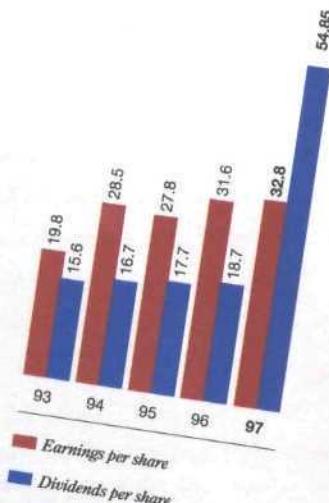
	1997 £m	1996 £m
Fixed assets		
Current assets		
Creditors: amounts falling due within one year	(9,654)	(6,089)
Net current liabilities	(2,667)	(106)
Total assets less current liabilities	15,408	17,447
Creditors: amounts falling due after one year		
Provisions for liabilities and charges		
Minority interests		
Capital and reserves	15,408	17,447

Profit before and after tax (£m)



■ Profit before tax  
■ Profit after tax

Earnings & dividends per share (pence)



■ Earnings per share  
■ Dividends per share

# Following a strong performance by its UK business, including encouraging growth in newer activities, BT's earnings per share grew by 3.7 per cent in the year to 31 March 1997.

The directors are proposing a final dividend for the year of 11.95 pence per share, which will be paid at the same time as the special dividend of 35 pence per share announced last November.

The company is succeeding in growing the market in the UK whilst offering consistently good quality of service and giving customers the benefit of substantial price reductions. Demand for the group's advanced products and services remains strong and costs continue to be kept under control.

BT is thus well positioned, with its commercial and financial strengths, to combine with MCI to form Concert. The new group will be uniquely placed to meet the opportunities of the fast-liberalising global marketplace.

## PRICING

BT's innovative approach to pricing has been a major success story. Since privatisation, charging bands and tariff periods have been simplified; itemised billing has been made universally available; per second pricing has replaced unit charging and, overall, prices have been cut by more than half in real terms. The UK is now one of the cheapest places in the world in which and from which to make a call.

Price cuts resulted in total customer savings of over £800 million in the year.

## INVESTMENT

More than £2 billion was invested in networks and systems in the year, bringing the total to more than £27 billion since privatisation. The objective of this investment is to enhance the reliability and flexibility of the network and to enable the introduction of new services more quickly and to make them available to even more customers.

## INNOVATION

BT invests two per cent of turnover in its research and development activities - £291 million in 1996/97. One market of vital importance to the company - and a market that is growing very fast - is the Internet. BT and MCI jointly launched Concert InternetPlus, the world's first high-speed, high-reliability global Internet service, aimed primarily at businesses; while LineOne - a new, mass-market Internet service - was jointly launched by BT and News International. BT is also exploring opportunities in the corporate Internet and intranet markets.

## QUALITY OF SERVICE

BT recognises that success in competitive markets requires a resolute focus on customers and a commitment to the continuous improvement of the quality of all its services. Industry-wide comparative performance indicators show that BT's performance continues to compare favourably with that of its competitors.

## DIRECTORS

Details of the current directors of the company are shown overleaf. All served throughout the financial year, with the exception

## OUTSIDE THE UK

The main news in the year was the proposed merger with MCI to form Concert, which BT believes will be very well placed to succeed in the global communications markets of the future. In the first year or two, Concert will focus on the US and European markets, but will also be developing an entry strategy into other markets as they open up, particularly the Asia-Pacific region and Latin America.

BT now has one of the most coherent "extended global families" of any communications operator in the world. And, during the year, it continued to develop that family, particularly in Europe. In addition to agreeing the purchase of a 26 per cent stake in CEGETEL, a new French telecommunications group, at a cost of approximately £1 billion, BT also built up its presence in Germany, the Netherlands, Italy, Switzerland, Spain, Portugal, Greece, and selected parts of Eastern Europe.

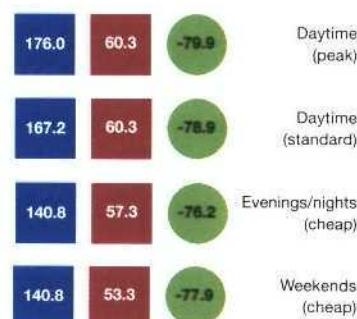
Recent alliances with Spain's Telefonica and with Portugal Telecom not only give BT the opportunity to establish a presence in Iberian markets, but signal the intention, along with MCI, to compete in Latin America.

## BT PEOPLE

By the end of March 1997, around 127,000 people were employed by BT, compared with 227,000 six years ago.

BT remains actively committed to providing equal opportunities for all its people, and continues to encourage the employment, training and career development of people with disabilities.

Three minute call to the USA/Canada



Aug  
1984  
(pence)

Feb  
1997  
(pence)

Real  
terms %  
change

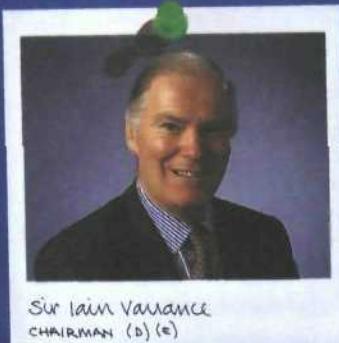
BT ANNUAL REVIEW 1997



of Mr Gerald H Taylor who was appointed to the Board as from 4 November 1996. In addition, Lord Tebbit served on the Board until his retirement as a director on 2 November 1996. The four executive directors will receive pensions on retirement.

# HERE ARE THE BT BOARD MEMBERS

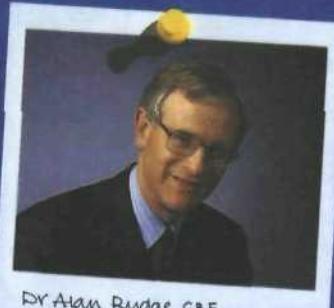
## EXECUTIVE DIRECTORS



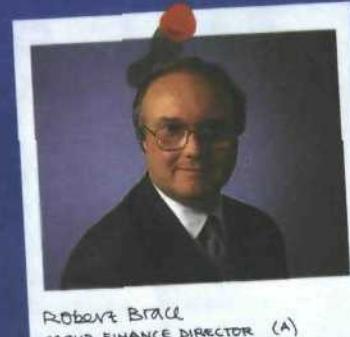
Sir Iain Vallance  
CHAIRMAN (D) (E)



Sir Peter Bonfield CBE  
CHIEF EXECUTIVE (A) (D)



DR Alan Rudge CBE  
DEPUTY CHIEF EXECUTIVE (A)

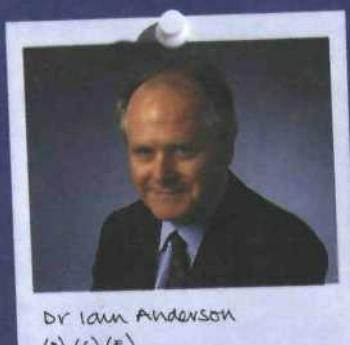


Robert Brack  
GROUP FINANCE DIRECTOR (A)

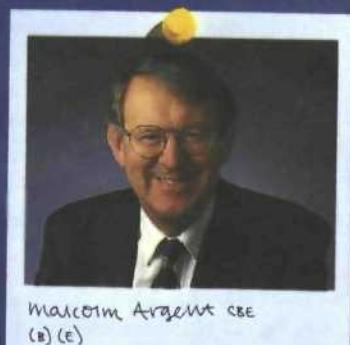
## NON-EXECUTIVE DIRECTORS



Sir Colin Marshall  
DEPUTY CHAIRMAN (B) (C) (E)



DR Ian Anderson  
(B) (C) (E)



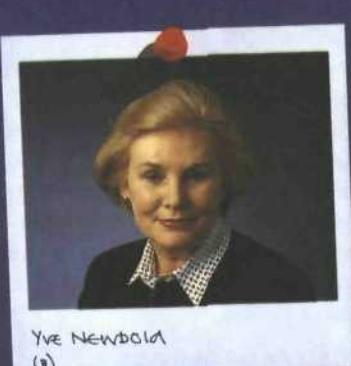
Malcolm Argent CBE  
(B) (E)



Birgit Breuel  
GERMANY



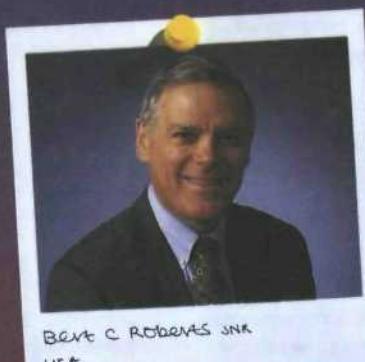
Sir Ewen Fergusson QCMG, QCVO  
(C) (E)



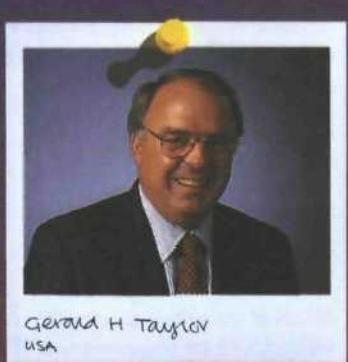
Yve Newbold  
(B)



Keith Dakin  
(B) (C) (E)



Bent C Roberts SNC  
USA



Gerald H Taylor  
USA

**The auditors' report on the full annual accounts for the year ended 31 March 1997 is unqualified and does not contain any statement concerning accounting records or failure to obtain necessary information and explanations.**



**AUDITORS' STATEMENT TO THE SHAREHOLDERS OF BRITISH TELECOMMUNICATIONS PLC**

We have examined the summary financial statement on pages 19 to 22.

**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 1997 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 20 MAY 1997

This summary financial statement was approved by the Board on 20 May 1997 and was signed on its behalf by:

**Sir Iain Vallance Chairman**

**Sir Peter Bonfield CBE Chief Executive**

**Robert Brace Group Finance Director**

**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 1996/97 and/or future years, free of charge, by completing and returning the request card which accompanies this annual review.

**SHAREHOLDER ENQUIRIES**

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

**☎ Lo-call 0345 41 41 41** (+44 1903 833 950 from overseas)  
Fax: (01903) 833 062 (+44 1903 833 062 from overseas)

**SHARELINE**

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

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

**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 50p per minute, including VAT.\*

\*Different rates apply to calls from non-BT networks.

**INTERNET**

This report is available via the BT home page at <http://www.bt.com>

**GENERAL ENQUIRIES**

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

British Telecommunications plc, BT Centre,  
81 Newgate Street, London EC1A 7AJ

**☎ (0171) 356 5000** (+44 171 356 5000 from overseas)  
Fax: (0171) 356 5520 (+44 171 356 5520 from overseas)

**For the benefit of blind and partially-sighted shareholders, this annual review and extracts from the Notice of 1997 Annual General Meeting will be available shortly on audio cassette from Lloyds Bank Registrars (details as above).**



**KEY TO PHOTOGRAPHS OF THE BOARD**

(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



# THAT'S WHY



1996 European Quality Awards prize winner

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.

