



What can we do tomorrow?

*Annual review for shareholders 2000*

welcome welcome

Whatever you want



BT aims to be at the heart of a society increasingly rich in communications and information, helping individuals, families, communities, businesses and organisations to interact, learn and flourish to the full. We have set ourselves an ambitious vision: *to be the most successful worldwide communications group*. We intend to build shareholder value by seizing the many opportunities open to us in the global market; building our current business, focusing on high-growth areas; operating to the highest standards of integrity; and fulfilling our responsibilities to the communities in which we operate.

**welcome**

*chairman's message 4*

*chief executive's statement 8*



*internet 12*



*e-business 24*



*networks  
and solutions 28*

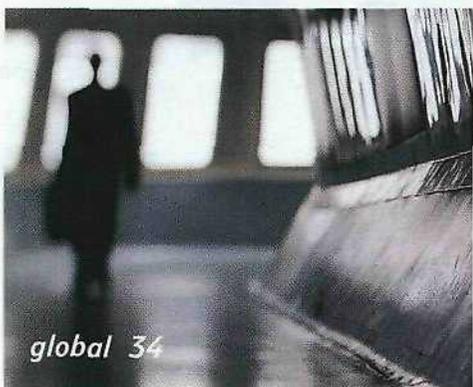
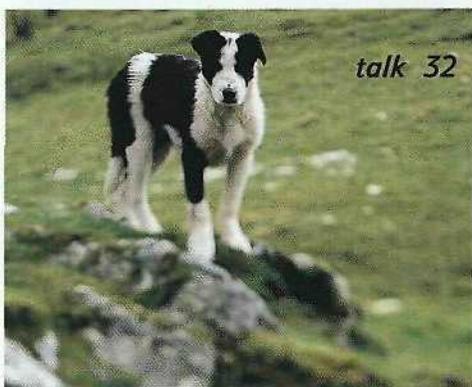
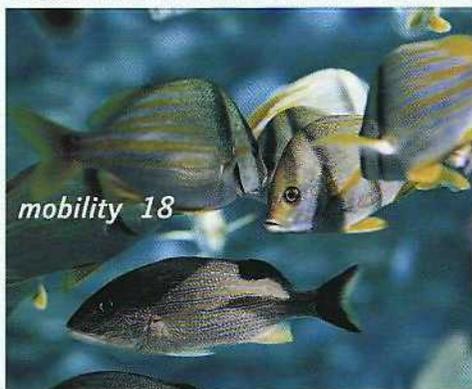
### **Shareholder information**

Shareholder information can be found on page 49 of this review. If you have any queries, please contact our Shareholder Helpline on **Freefone 0808 100 4141** (UK only), or +44 121 433 4404 (from outside the UK).

Alternatively, browse our website at **www.bt.com** or access the Shareholder Centre directly at **www.bt.com/shares**.

### **Special needs**

An audio cassette version of this annual review has been produced for shareholders with special needs. To obtain a copy of this cassette, which also contains extracts from the Notice of 2000 Annual General Meeting, please contact our Shareholder Helpline on the number shown alongside. Our textphone number is **Freefone 0800 169 6907** (UK only) or +44 121 433 8013 (from outside the UK).



***summary financial statement 38-48***

***BT board 38***

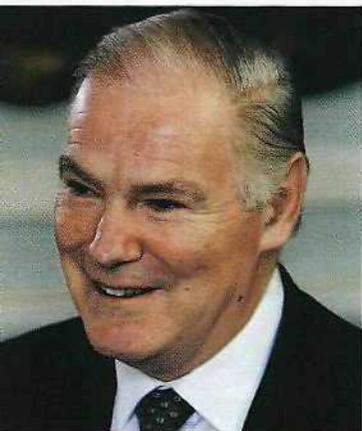
***summary directors' report 44***

***shareholder information 49***

#### **Other publications**

We also produce a series of documents reporting on BT's financial, business, social and environmental performance.

Most of these reports can be accessed on our website at [www.bt.com](http://www.bt.com). Alternatively, to obtain copies of these reports, please contact our Shareholder Helpline (see facing page).



*Welcome to the 2000 annual review and  
summary financial statement*

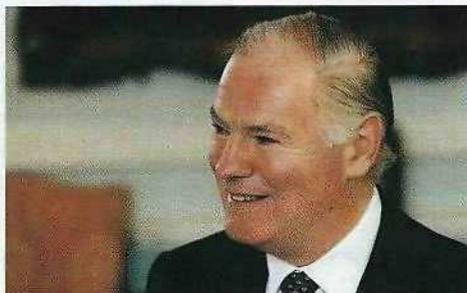
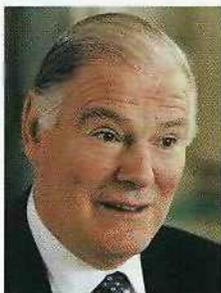
## *chairman's message*

**The past financial year has seen rapid change in the communications industry around the world, presenting BT with many outstanding opportunities and challenges.**

The opportunities have arisen from the remarkable pace of development in new-wave areas such as the internet, data and mobile services. These are now part of everyday life in many of the markets in which we operate.

We are sure to see even more change and growth in the near future, as these previously separate technologies continue to converge.

BT's progress and development over the year has been encouraging. It confirms the soundness of our vision – *to be the most successful worldwide communications group* – and positions us well to take advantage of the opportunities that the future will present.



### Financial highlights

	2000 £m	1999 £m
Total turnover	21,903	18,223
Total operating profit	3,198	3,474
Profit before taxation	2,942	4,295
Profit before goodwill amortisation, exceptional items and taxation	3,100	3,274
Net cash flow from operating activities	5,849	6,035
Investment in associates and joint ventures	3,100	1,326

During the year:

- we increased total turnover by 20 per cent;
- Concert, our global venture with AT&T, was launched to serve the needs of global customers; and
- our alliance with Japan Telecom went from strength to strength.

Events in the early days of the new financial year have ensured that we maintain this momentum. In April 2000, we announced the regrouping of our activities into new,

self-contained business units, and we were successful in our bid for a UMTS licence to operate the next generation of mobile services in the UK.

Total turnover for 1999/2000 increased by 20 per cent to £21,903 million, including our proportionate share of our ventures' revenues. Our share of our ventures' turnover grew to more than £3 billion, mainly because of the launch of Concert, and from our stakes in Japan Telecom and

our mainland European ventures.

However, pre-tax profit (excluding exceptional items and before the charge for goodwill) declined by 5.3 per cent against the 1998/99 results, on a comparable basis, caused partly by a reduction in UK call prices, and a rise in interest costs as a consequence of investment in non-UK ventures, many of which are still in start-up mode.

Your Board is pleased to recommend a final dividend of 13.2 pence per share. This gives a total dividend for the year of 21.9 pence – an increase of 7.4 per cent on 1998/99.

Your company's performance is the culmination of the efforts of BT people throughout the world. I would like to record

here my thanks to them for all that they achieved during the year.

I would also like to welcome the two new non-executive directors who joined the Board during the year – Lou Hughes and June de Moller.

BT is a company that has the potential to change people's lives and we take our responsibilities to the communities in which we operate very seriously.

We run one of the UK's largest community partnership programmes and take special care to ensure that our business activities are conducted in an environmentally friendly way.

I am delighted that, during the past year, our achievements in these areas have been



widely recognised. In the UK, we won the Business in the Community Company of the Year Award and the Impact on Society Award for our community activities, and we came top of all FT-SE 100 companies in the Business in the Environment index of environmental engagement. We also achieved certification in ISO 14001, the international environmental management system, for our UK operations.

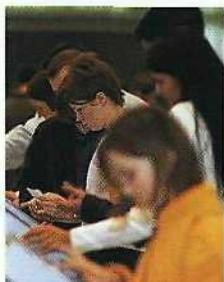
The past year has, of course, seen the beginning of a new millennium. I am delighted that BT has played a major role in marking this event, both at the Greenwich Dome, where our Talk zone has proved immensely popular, and throughout the rest of the UK with our FutureTalk programme, which has

highlighted the importance of communication as a key skill for the new millennium.

BT has achieved a great deal over the past year. We have shown that we have the vision, determination and flexibility to succeed in what is proving to be the world's most exciting and competitive industry. I look forward to further progress in the year ahead.



Sir Iain Vallance *Chairman*



**The communications industry is changing faster than ever before and, if BT is to stay ahead of the wave, it has to continue to change – in quite fundamental ways.**

Developments in information and communications technology – the internet, mobility and multimedia – are transforming all our lives – at work, at home and in between.

And it's only just begun.

It's rapidly becoming a broadband world. New types of network and new methods of access, via cable, fibre, satellite and wireless, will bring information, communications and entertainment to customers, wherever they are, faster than ever before.

Customers will be “always-on”, always connected.

And this requires a whole new response – a new way of thinking about what customers want and need, and how BT can supply it.

To succeed in this new world, we must:

- continue to increase our focus on our customers, whose expectations and requirements are becoming ever more sophisticated and demanding;
- bring new communications possibilities to our customers everywhere, at the right price; and
- get even better at spotting new opportunities and developing new business models.

And we have to do so *at speed*.



**chief executive's  
statement**

It is in response to these challenges that we are radically restructuring BT by creating a number of new international businesses, each with its own character and priorities but working together to meet customers' needs.

These new businesses are:

**Ignite** our international broadband network business, focused primarily on corporate and wholesale markets;

**BTopenworld** our international, mass-market internet business;

**BT Wireless** our international mobile business, with a particular emphasis on mobile data; and

**Yell** our international directories and associated e-commerce business, which we have announced we will be listing this year.

These new businesses will work alongside Concert, our global venture with AT&T, which will continue to serve the global communications needs of multinational customers.

We also intend to separate the UK fixed business into a wholesale business, using our fixed-network assets, and a retail business wholly focused on meeting customers' needs with an array of packages and propositions. Increasingly, the UK retail business will serve its customers using e-business technologies and channels.

The wholesale UK business will also benefit from the freedom to concentrate on its customers among the other operators in the UK.



#### Key achievements

- Innovative restructuring to position BT ahead of the new wave in communications – announced in April 2000
- 20 per cent growth in total turnover
- BT Cellnet's customer connections up by 2.9 million to 7.4 million
- £3.1 billion invested in strategic alliances and joint ventures in Europe, North America and Asia Pacific
- Concert, BT's global venture with AT&T, launched
- Successful bid in April 2000 for a UK third generation mobile licence



This reshaping of BT should lead to even greater strategic flexibility, provide our employees with a wealth of opportunities, increase management accountability and enhance transparency for investors.

It's about the liberation of our people and our assets – these new businesses will be free to innovate and free to operate at speed.

It's about the creation of sustainable, long-term shareholder value.

And it's about growth – in both our existing and new markets.

Just consider, for a moment, what we've got going for us:

- BT is an integrated group of international businesses, serving consumers and business customers. If any company can offer genuinely seamless communications services, it has to be BT;
- we remain financially sound, which positions us well to take advantage of new opportunities as and when they arise;
- we have world-class research and development capabilities, and an excellent track record for innovation;



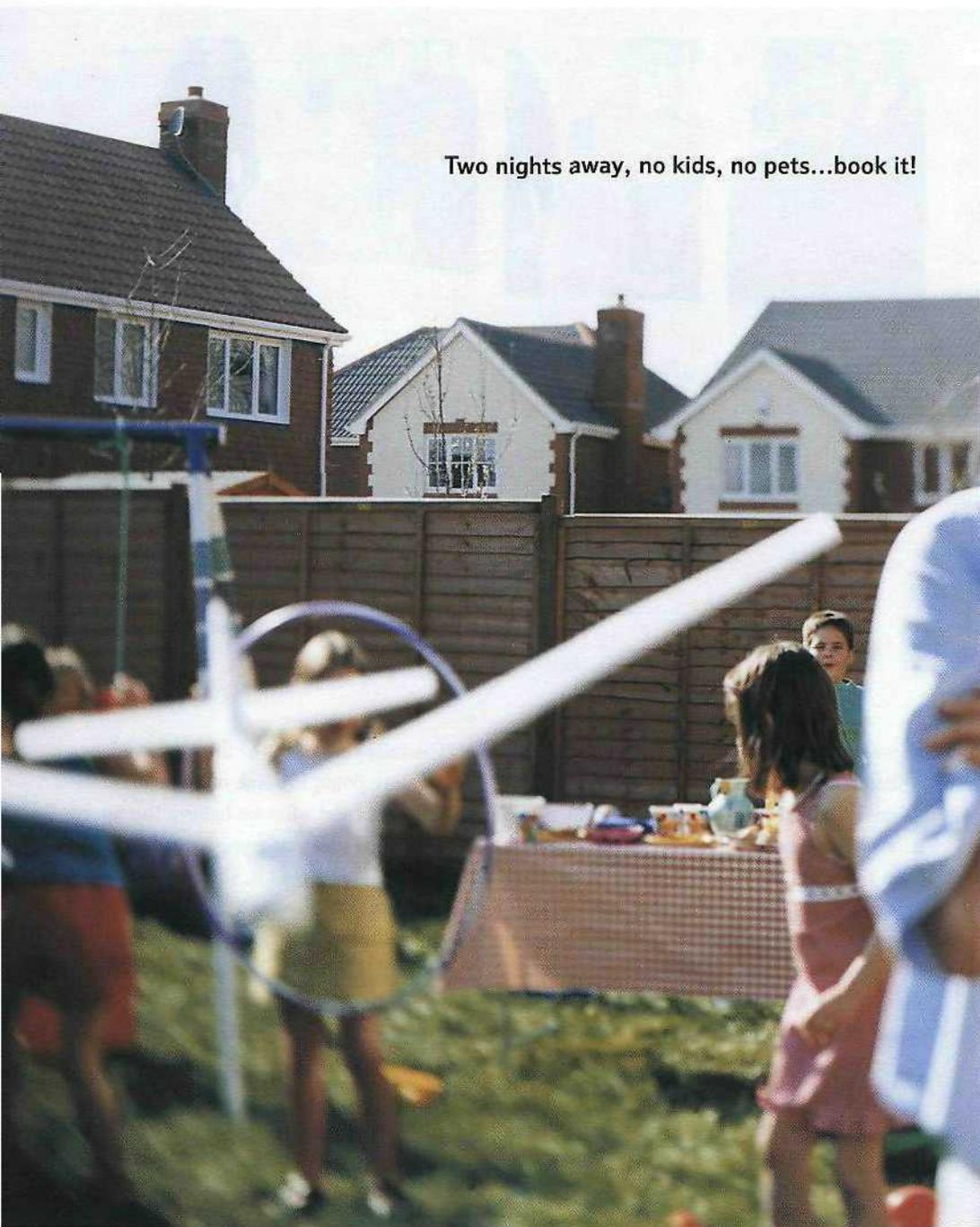
- we have a workforce of talented and committed people, who make it all possible; and
  - we have excellent partners in our ventures.
- I am confident that there continue to be good opportunities for BT and its shareholders in this new communications world. But, as we go in search of new revenue streams in new markets, we must continue to pay close and disciplined attention to issues such as market share and margins in those markets in which we already operate, as competitive pressure increases.

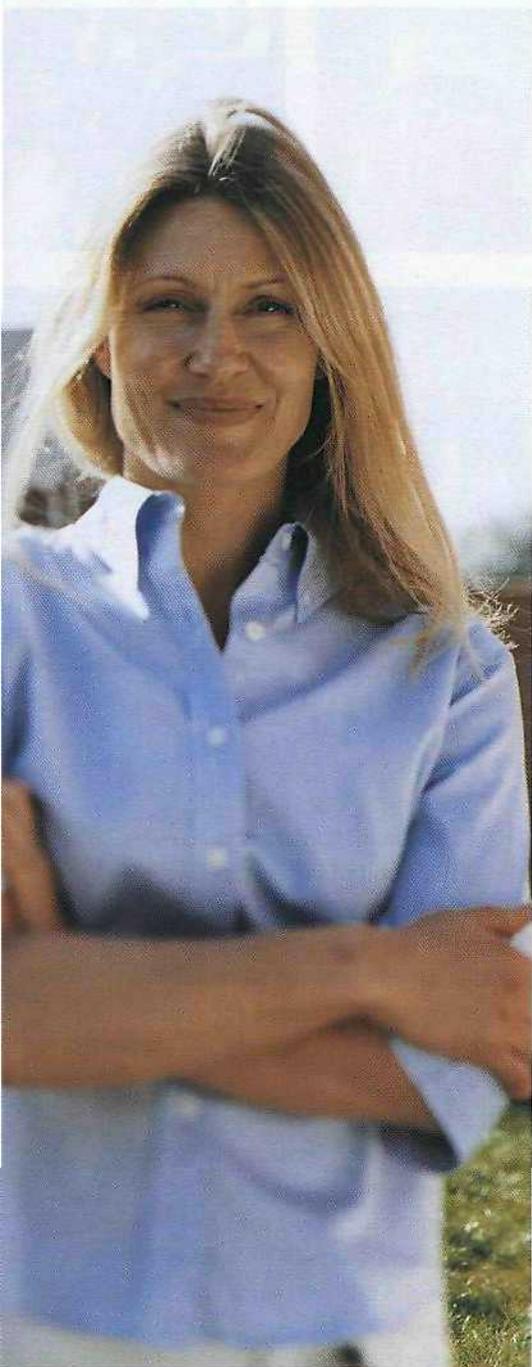
The following pages of this review show how we are doing in some of these mission-critical areas and what we believe the future holds. I hope that you enjoy it. And I also hope that, having read it, you might like to visit our website – [www.bt.com](http://www.bt.com). I'm sure you'll find something there to interest you.

A handwritten signature in black ink, appearing to read 'Peter Bonfield'.

Sir Peter Bonfield *Chief Executive*

**Two nights away, no kids, no pets...book it!**





The internet is changing the world. 5.5 million people around the world are now using internet services provided by BT and its global partners to enter the world's biggest library, the world's biggest shopping arcade and the world's biggest meeting place. And it's getting easier and easier. You don't have to be a computer buff. You don't have to be able to type. You don't even have to be indoors. The internet is open to all comers, from people who want to use the Net for a few minutes a week to e-mail their grandchildren, to global businesses that need to keep thousands of people permanently on-line. Every day brings new discoveries about what the internet can do. There's only one question left to ask – what can we do tomorrow?

***internet***



Whoever you are, wherever you are and whatever you want to do on-line, BT has something for you. We have a range of internet services accessible from a desktop computer and are developing new ways of getting on-line – from televisions, mobile phones, payphones and palmtops.

We have internet interests in France, Germany, Hong Kong, India, the Republic of Ireland, Italy, Japan, Malaysia, the Netherlands, New Zealand, Singapore, Spain and Switzerland, as well as in the UK, and are working with a number of major companies to develop new, innovative, internet-related products and services.

Our mass-market internet businesses around the world will work together in one enterprise – BTopenworld.

Our pay-as-you-go service, *btclick.com*, provides a gateway to the Net from which you can go shopping, check the sports scores, read the news, look for a job, even trace your family tree.

Or you can go to *LineOne*, our joint venture with United News & Media, which provides news and information, discussion groups, competitions and message services.

You can find details of 1.6 million companies and other organisations around the UK via our internet portal – *Yell.com*. This incorporates a search engine and includes a

What do you want to do? BT has  
the internet answers, at home...

video on demand = *bt openworld*

fast internet = *bt openworld*

messaging = *speech mail*

UK lifestyles content = *line one*

portal, content & search = *excite.co.uk*

comparative shopping = *btspre.com*

e-mails on the move = *talk21 & uprush*

e-mail = *talk21*

premium access = *bt internet.com*

free access = *bt.click.com*

variety of consumer and business information. *Yell.com* is also home to a large number of UK small and medium-sized business websites, which rely on it for hosting and for its e-commerce infrastructure.

### Something for everyone

We can provide you with a free e-mail address via *talk21* which can be accessed from anywhere with an internet connection.

And there are a wealth of e-commerce services, such as the *btspre.com* site, where you can compare the products and deals available from different retailers.

With our subscription service for consumers, *BT Internet*, you can use the

internet free in the evenings and at weekends.

And *BT SurfTime*, due to be launched in June, will mean that surfing the Net at peak time in the UK, already cheaper than in much of Europe, can be cheaper than in the United States.

We can help businesses of all sizes to get on-line and use the power of the Net. For smaller businesses, the *btclick for business* portfolio provides ways to find new suppliers, research markets, discover local business resources and set up a website.

And products such as *BT Business Manager* and *BT People Manager* enable companies to access the very best software for functions such as stock management or payroll



enabling you to send and receive e-mails, read the news headlines, get up-to-date travel information and check the latest share prices. And soon, it will be possible to watch movie trailers and book cinema tickets too.

### **A wired world**

Throughout the world, we are working as strategic partners with 30 leading content and technology companies to bring the benefits of the mobile internet revolution to

the widest possible audience. And we are working closely with AT&T and Microsoft to develop new mobile internet offerings for customers around the world.

Over the next few years, it won't just be traditional communications devices – computers, phones and televisions – that will be connected to the internet. Cars, houses and even refrigerators will be linked up, sending and receiving signals over the Net.

*transactions on-line = **bt buynet***

*extranet & supply chain = **bt marketsite***

*application leasing = **bt business manager***

*knowledge management = **bt intranet***

*on-line security = **bt trustwise***

*on-line trading = **bt store centre***

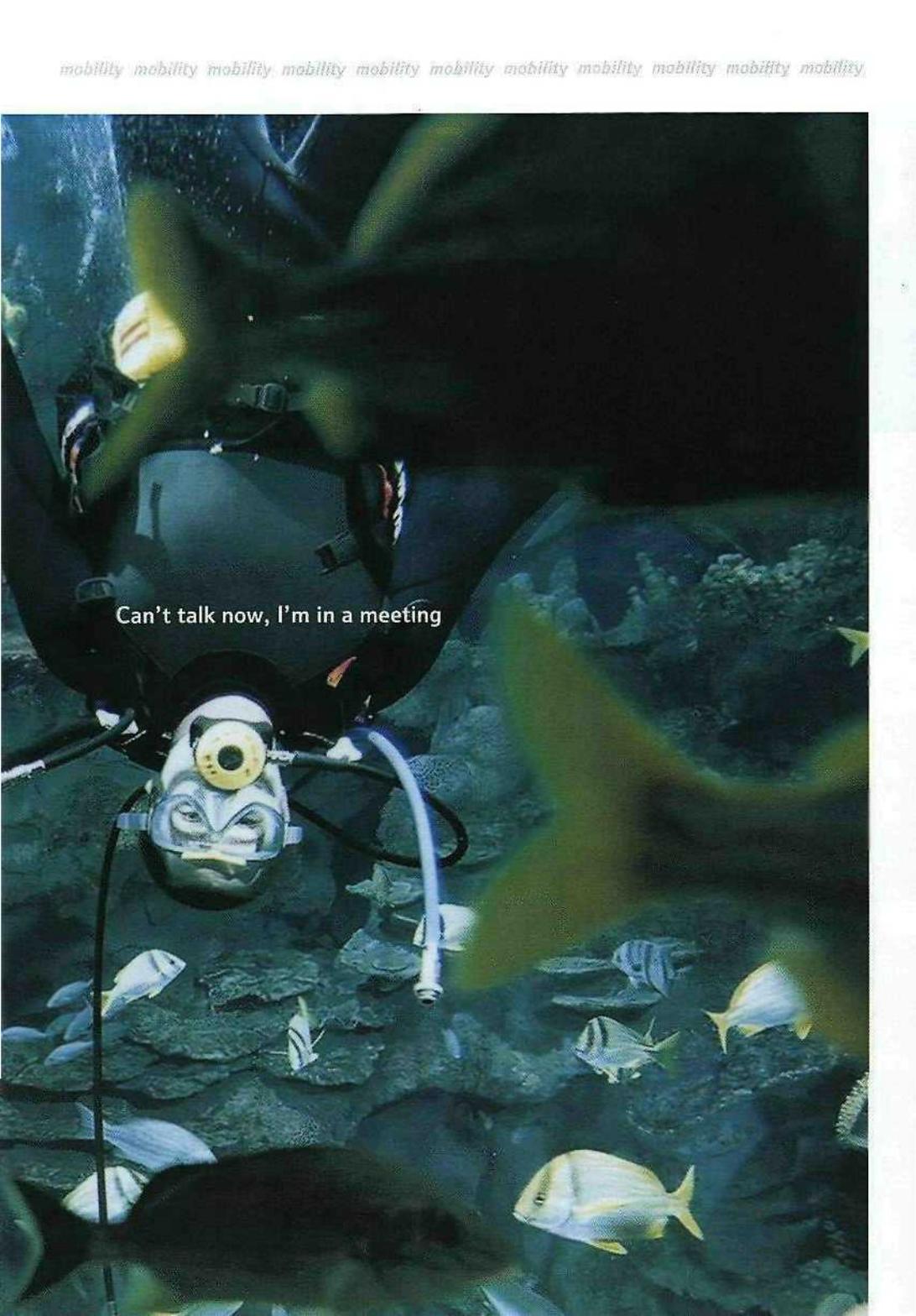
► For more information, visit [www.bt.com](http://www.bt.com)



# *mobility*

It would be a bit daft, in the 21st century, to let where we happen to be at any given moment of the day limit what we could and couldn't do. You might not want to get the football results half way up the north face of the Eiger. On the other hand, you just might. You might not want to finish your working day on the bus taking you home; but plenty of people do. You might just want to call a quick business meeting while you're on holiday on the beach. Whatever. Communication is too important for us to tolerate any "down time". It's a lifestyle thing. It's a matter of personal choice.



A diver in a black wetsuit is shown from a top-down perspective underwater. The diver's face is visible through a mask, showing a grumpy or annoyed expression with furrowed brows and a downturned mouth. A yellow speech bubble is positioned above the diver's head, containing the text "Can't talk now, I'm in a meeting". The diver is surrounded by various fish, including several yellow-striped snappers and a striped wrasse. The background consists of a rocky seabed with some coral and green algae. The overall lighting is dim, typical of an underwater environment.

Can't talk now, I'm in a meeting



Mobile communications are booming, all around the world. And they are coming to mean much more than just talk. The market is being transformed dramatically. Already, the internet is going mobile, and this is just the beginning. Over the next year or two, the power of your mobile phone is set to grow enormously – sending and receiving data, e-mails, audio and video.

Within two years, we expect all new mobile phones and other new mobile devices to be internet-enabled and, by 2003, more people could be accessing the Web from mobile devices than from desktop computers.

BT is at the heart of the action and we are determined to stay there.

Which is why, in April 2000, we announced our intention to bring all BT's mobile assets worldwide together in one business – BT Wireless.

#### **Around the world**

Outside the UK, with our partners in 15 countries throughout the world, we have more than 31 million mobile customers, up 145 per cent in a year.

And we are making a very significant mark in this rapidly growing, fast-changing market.



In the year, for example:

- we announced the formation of Advance, a strategic alliance with AT&T, aimed at creating seamless mobile communications services around the world. Advance will focus on global travellers and multinational customers;
- we acquired an interest in J-Phone Communications in Japan. This is a move of huge strategic importance because Japan is the world's second largest mobile market;
- jointly with AT&T, we acquired approximately 33 per cent of Rogers

Cantel Mobile Communications, one of Canada's leading mobile operators with around two million customers;

- we won the fourth Italian mobile licence as part of the Blu consortium;
- we acquired a 20 per cent stake in SmarTone, the Hong Kong-based mobile operator; and
- we acquired a majority stake in Esat Digifone, the number two player in the Irish mobile market.

In the UK, we took full control of BT Cellnet by buying Securicor's 40 per cent stake.

At the end of March 2000, BT Cellnet had

well over seven million customers in the UK, an increase of more than 60 per cent in twelve months.

BT has scored a series of firsts. The BT *Internet Phone*, for example, is the first commercial wireless application protocol (WAP) service in the UK. WAP is a means of transmitting internet information, specially created to work well over mobile networks.

A wide range of services is available from a large number of information providers, including our own *Genie Internet*, already a world-leading mobile information service which sends information to users' mobile phones – including sports scores, share prices, travel news and e-mails.

Beyond this, with a number of partners, we are running a trial of general packet radio services (GPRS), an advanced system that will make browsing the internet on a mobile phone simple, convenient and five to ten times faster than is currently possible.

With GPRS, the network is only used when data is being transmitted, but the user retains a virtual connection throughout the day – in effect, the link is always-on. Once again, we are taking the lead – the world's first GPRS data transfer call was made by BT Cellnet in November 1999.

And, in April 2000, BT successfully bid for a licence to offer third generation mobile multimedia services in the UK.



Advances in mobile communications are not just about technology. We are introducing new ways to pay for and use mobile phones. BT Cellnet has restructured its pricing for the mobile internet age.

For personal customers, we have a full range of “voice only” and “internet and voice” call plans to suit everyone’s needs – from pre-pay to the more traditional subscription options.

And our *BT Cellnet Business First* calling plan is aimed at businesses of all sizes. Instead of having to manage a variety of mobile phones and price packages, business customers can opt for a single plan that offers the best savings for that company –

savings of up to 20 per cent or more on standard tariffs.

### **Mobility leaders**

Our determination to ensure that our customers get the best from their mobile services has led to mobilityleaders – a new form of industry partnership and a powerful knowledge network. Sponsored by BT, mobilityleaders provides a website and organises regular workshops and conferences at which mobile operators in the BT family of alliances and leading suppliers share ideas, experience and expertise.

► For more information, visit [www.bt.com](http://www.bt.com)





It's just arrived. Same again next week? Ciao!

e-business is turning traditional business assumptions on their heads. It's changing everything about the way companies work: how they communicate with their customers and suppliers, how they buy materials and turn them into products, how they market and how they sell, how they communicate with their employees – and even with their shareholders. Small companies can become international traders; large companies can deal personally with *each of their customers*.

## *e-business*

The global value of e-business is predicted to increase a thousand times in just the next couple of years.

Shopping over the internet may make the headlines, but by far the *biggest share* of e-business takes place in the business-to-business (B2B) marketplace.

BT is among those spearheading developments in e-business. We are developing the products and services that our business customers need to give *their* customers the best possible service in the “e-world”.

And, because we know that different customers will have different experiences and different needs, we have made sure that there's something in our portfolio for every kind of business, however large or small, however "e-literate".

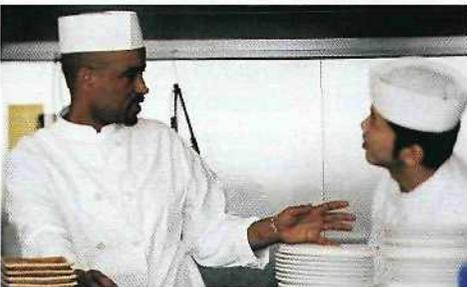
We design internet sites for companies that want to promote themselves or sell on-line. As our *BT WebWorld* website says – for just over £500, your company can look like a million dollars.

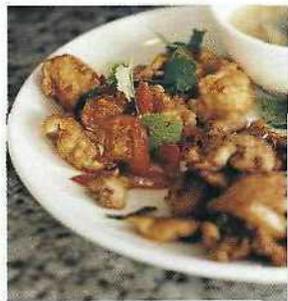
Many companies are using our services to sell products to their customers.

*BT StoreCentre* enables any company to set up an on-line shop, if it has a computer with internet access and a product that can be delivered easily.

*BT MarketSite* is used by large companies to buy goods such as furniture, stationery and office supplies. Buyers simply select products from an on-line catalogue – these are then automatically dispatched by the suppliers and payment takes place over the internet. We use the system ourselves and have already saved more than £50 million.

- The Original Architectural Antiques Company is just one business that has used *BT Connect* as a way of joining the e-world. The Cirencester-based company, which deals in salvaged objects such as fireplaces and statues, uses the internet to advertise its wares and to attract potential suppliers, not just in the UK but also throughout Europe.





► For more information, visit [www.bt.com](http://www.bt.com) or call **Freefone 0800 515 585**

- The National Council for Voluntary Organisations, which represents more than 1,400 voluntary organisations in the UK, came to BT when it needed a host for its website, which it uses as a way of adding value to NCVO memberships and to track policy issues, as well as communicating cost-effectively with its own staff.
- Nottinghamshire County Cricket Club uses *BT StoreCentre* to sell tickets, merchandise, cricketing clothes and equipment. Fans can buy anything – from a ticket for the Trent Bridge test match to a pair of batting gloves.

### **Intranet**

Internet technology can be harnessed within companies by using an intranet – an internal company network which works in the same

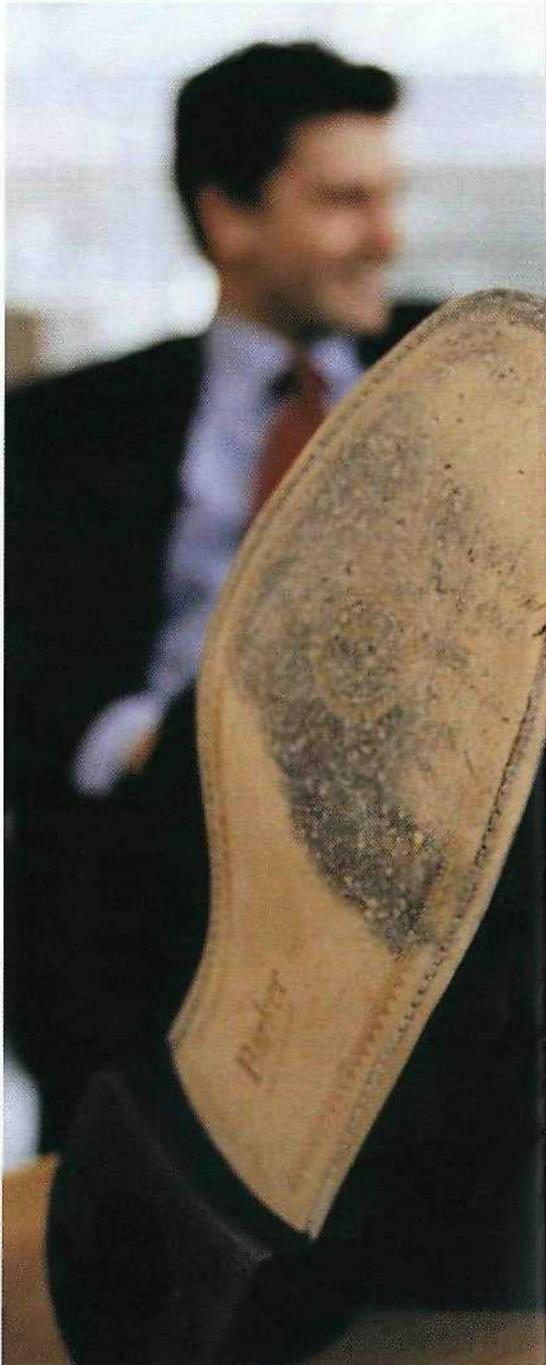
way as the public internet. Intranets can help companies work more effectively, cutting down on bureaucracy and waste. Just think of the savings on stationery when the bulk of in-house communication is done on-line.

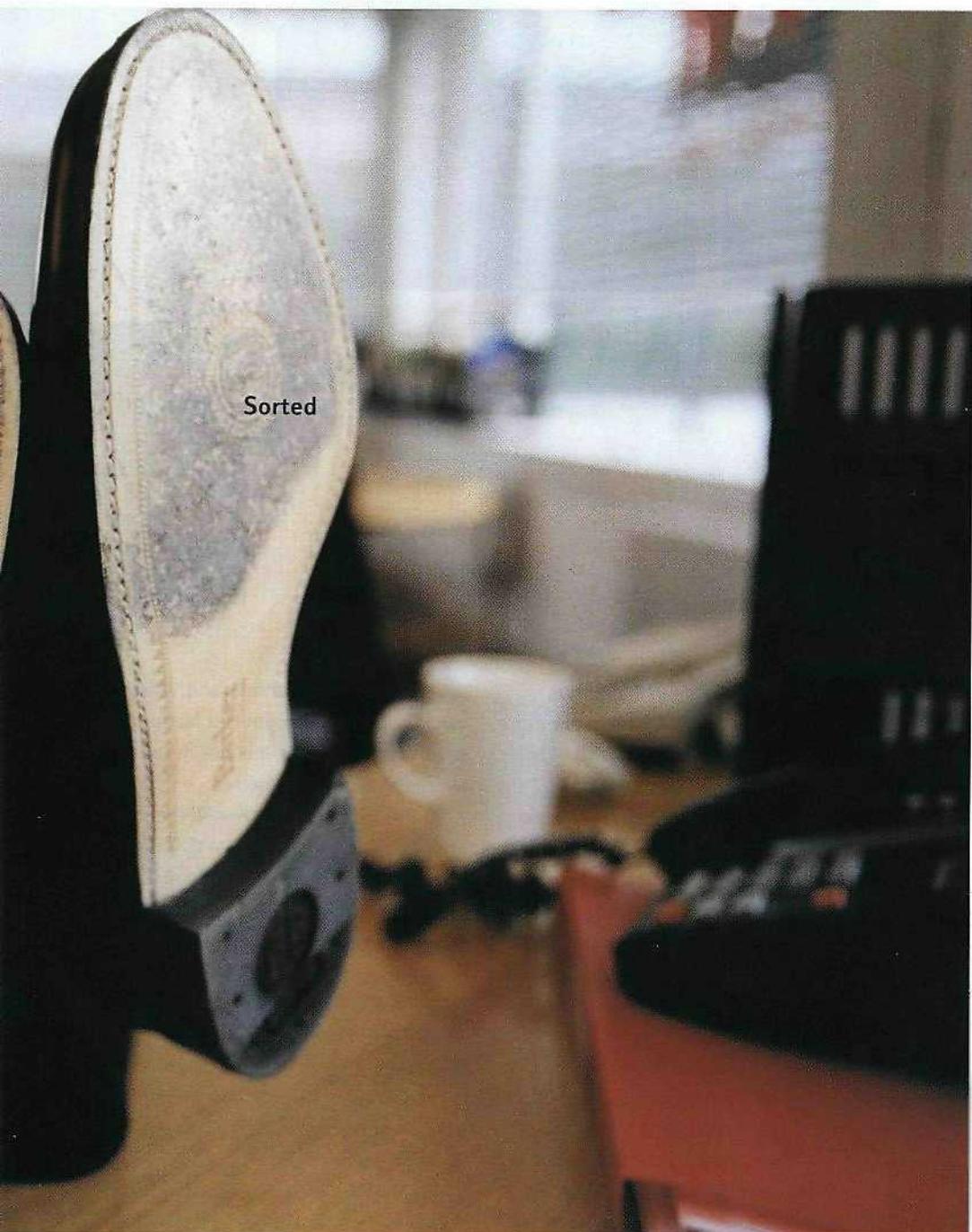
### **e-BT**

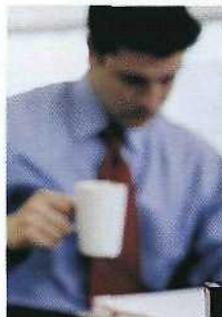
And, not surprisingly, we are turning ourselves into an e-business – from BT to e-BT. Already, through our website, [www.bt.com](http://www.bt.com), you can buy our products and services, look at your current bill and change your *Friends & Family* numbers, all on-line. And we are using our extensive intranet to streamline the way we run the business. For example, we aim to do 95 per cent of our routine purchasing over the Web by 2001, saving us both time and money.

Information and communications technology is becoming ever more critical to people's lifestyles and business success. Increasingly, individuals want access to information and on-demand entertainment at home. And communication for businesses is big business. Very big business. This is why our relationships with many of our business customers are about much more than just selling them products and services. We help them plan and implement business change by delivering complete business solutions, enabling them to work more effectively and improve the service they provide to *their* customers. We put the full power of networked technology at their disposal.

# *networks and solutions*







BT's networks are the foundation of our business. And today these networks are more powerful and more intelligent than they have ever been.

In the last year, we have been developing and building backbone networks to carry massive volumes of internet traffic, as well as voice calls. Our new business, Ignite, will bring together our outstanding broadband networks in the UK and Europe and, through Concert (*see page 36*) – our global venture with AT&T – the rest of the world.

In mainland Europe, we have created a major pan-European high-speed transport network. This network connects the domestic networks of BT and its partners (including Concert) in Europe. It already has some 45,000 kilometres of fibre in seven

major European countries, and, starting in summer 2000, will connect a further five countries, increasing the size of the network to around 65,000 kilometres.

In the UK, we have created the definitive broadband internet protocol (IP) backbone network. IP is the technology *behind* the internet.

And Concert is rolling out one of the most advanced, high-capacity IP networks in the world.

Ignite will offer a suite of solutions and applications, based on these networks, to corporate customers, dot.com companies, internet service providers (ISPs) and other licensed operators.

Meanwhile, local access networks are also being strengthened. In the UK, we are

rolling out asymmetric digital subscriber line (ADSL) – the technology that converts a standard telephone line into an “always-on” high-speed, high-capacity line capable of delivering super-fast internet access, videos or entertainment.

BT’s solutions companies – Syntegra and BT Syncordia Solutions (which will both be part of Ignite) – are at the heart of the information revolution.

### Syntegra

As a leading global consulting and information systems business, Syntegra creates new systems that, through the use of the internet and associated technologies, are transforming business-to-business interactions around the world.

For example, Syntegra developed the first seamless worldwide automatic referral service for VISA, which minimises the delay when a customer’s credit card requires additional verification. And Syntegra has just launched *CargoChorus*, a new e-business air logistics information technology system.

Syntegra has substantial operations in Europe, the USA and Asia, and more than 60 per cent of its revenues come from outside the UK.

### Syncordia Solutions

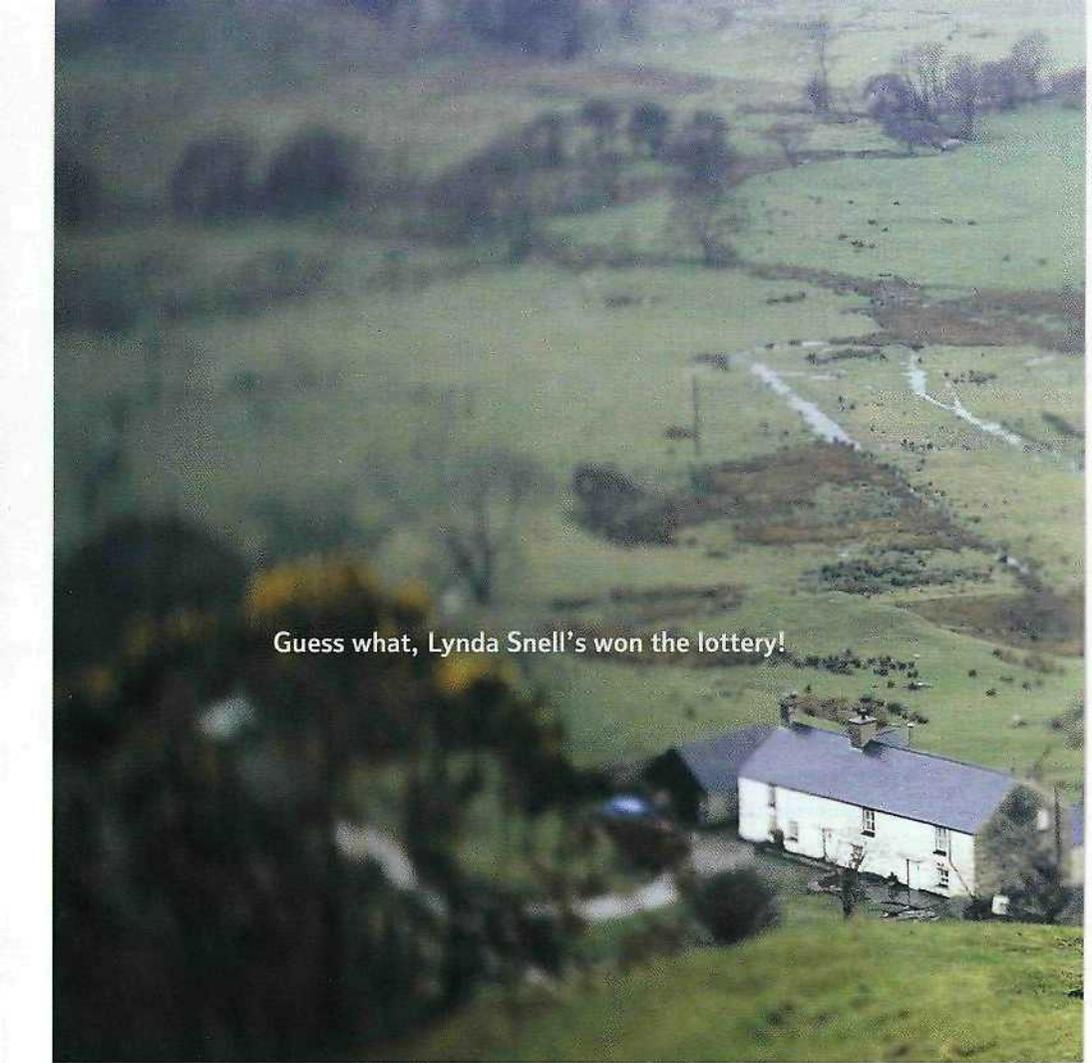
BT Syncordia Solutions’ strengths are outsourcing and managing corporate networks. It has grown rapidly by meeting customers’ global requirements for business solutions focused on e-business, electronic customer relationship management (e-CRM) and IP networks.

Recent major contracts include a £250 million deal with Barclays Bank to provide and manage the bank’s IP network.

BT Syncordia Solutions is also helping clients move into the world of e-business. For example, it worked with Iceland – the frozen food people – when they launched an internet home shopping service.

► For more information, visit [www.bt.com](http://www.bt.com)



An aerial photograph of a white, two-story house with a dark roof, situated in a lush green valley. The house has a chimney and several windows. The surrounding landscape is a mix of green fields and trees, with a winding path or road visible in the distance. The overall scene is peaceful and rural.

Guess what, Lynda Snell's won the lottery!

Everyone, from the largest multinational company to people at home, makes phone calls. And the money we get from these phone calls still accounts for a significant proportion of our revenue.

We are continually working to help customers get the best from what we have to offer. Services such as *Caller Display*, *Call Waiting* and *Call Diversion* bring the power and flexibility of our network right into homes and offices, giving people much more

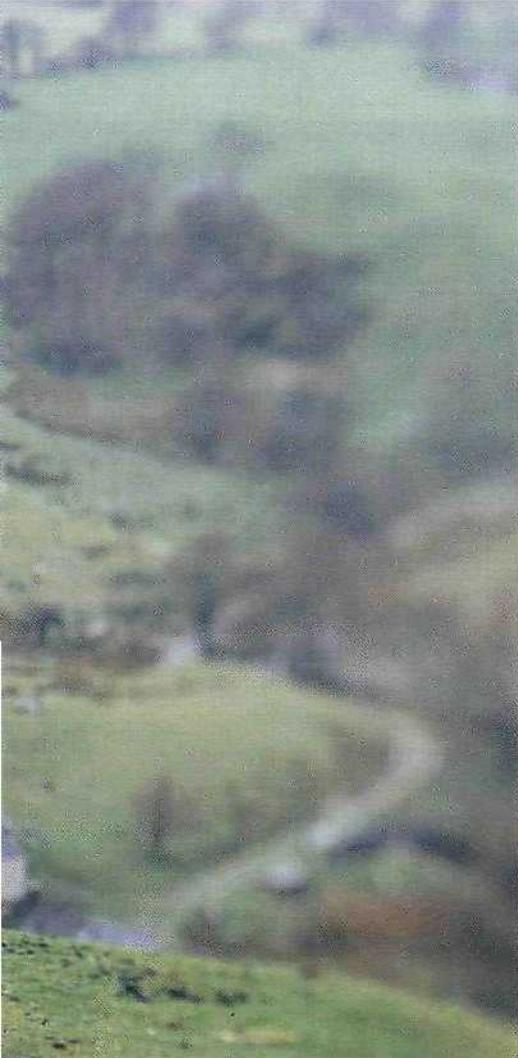
control over how they use the phone. Just think what a difference *1471*, the last number recall service, has made. No wonder it's now being used some 14 million times a day. And now there's *1471 Extra* that, for a fee, lets you access the date, time and number of the last five calls received.

And there's control over cost too. With *Friends & Family* and *BestFriend* you get discounts on calls to the numbers you ring most frequently.

# talk

Technology transforms the way we communicate with each other, but not the reasons why. People will always want to chat with friends, congratulate or console relatives, or gossip with work mates.

Voice phone calls have always been close to the heart of everything we do and will continue to be so, no matter how much the rest of the communications world changes.



With one of our *BT Together* pricing packages you get line rental, up to 50 per cent off standard BT call charges, a free call allowance every month and a range of other benefits in return for a fixed fee. There are a number of *BT Together* packages designed to suit residential customers, and small and medium-sized businesses. More than six million of our customers are already enjoying the benefits of *BT Together*.

And you can add to these more advanced

products for businesses, such as audio and videoconferencing, free or low-cost number services – like *0800*, *0845* and *0870* – messaging services and *FeatureNet*, a network-based switchboard service.

It won't be long now until the worlds of voice and the internet come together, offering phone calls over the Net. BT will be there, as ever, helping people to stay in touch.

► For more information, visit [www.bt.com](http://www.bt.com)

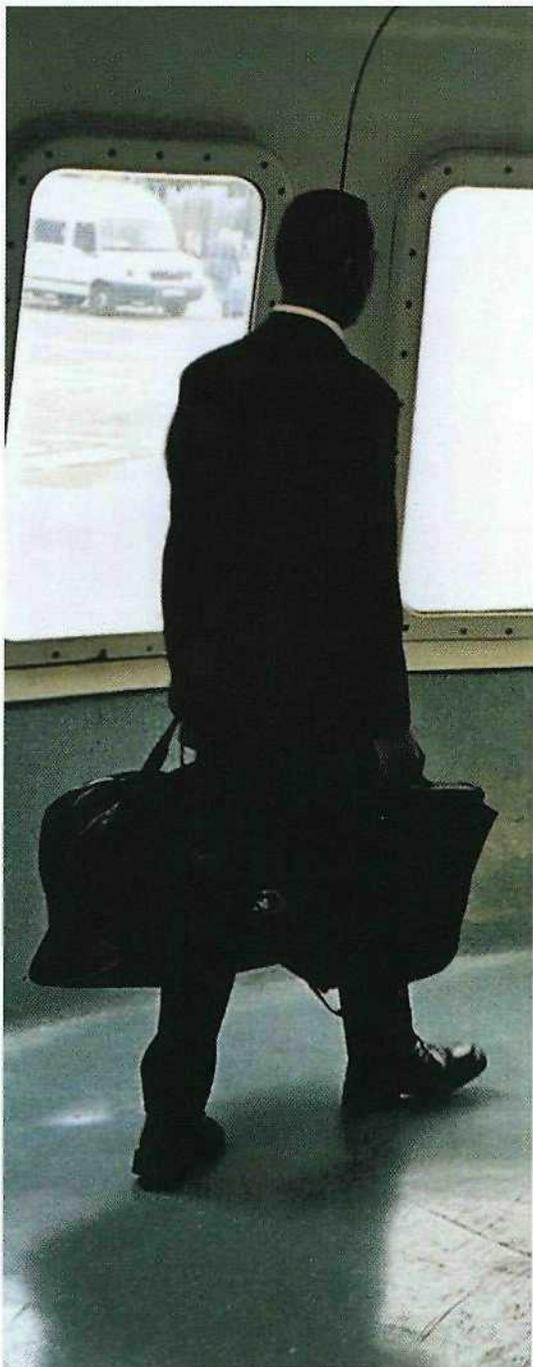
Communications has always been about breaking down the barriers of distance, bringing people together and enabling them to exchange ideas and information – even if they are hundreds, or even thousands, of miles apart. In the past, this could be difficult and expensive. Nowadays, geographical boundaries and time zones are becoming increasingly irrelevant. Thanks to the huge investments we have made and the partnerships we have built, all around the globe, it's just as easy to call the other side of the world as the other side of the street.

## *global*

BT is transforming itself into a world-class, worldwide communications group.

We have expanded rapidly our worldwide operations, focusing on the core regions of Europe – where we have partnerships in all the key markets: France, Germany, Italy, the Netherlands, Spain and Switzerland – the Asia-Pacific region and North and South America.

BT has a worldwide family, including some 30 equity-based ventures and nearly 50 distributors, as well as our own operations.





We can't go on meeting like this

Directly or indirectly, we have access to 85 per cent of the European and all of the open markets in the Asia-Pacific region.

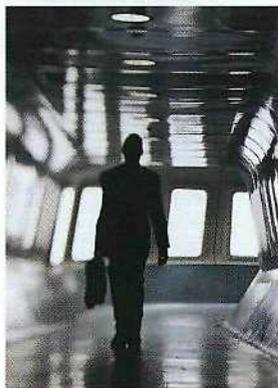
We have also taken our first steps into the exciting Latin American market with the acquisition of a stake in ImpSat, a network services company based in Argentina, which operates a satellite and fibre network covering the whole of South America.

Our family of ventures and alliances is an increasingly valuable asset for BT.

Today, revenues from outside the UK account for 18 per cent of turnover, a number that will almost certainly continue to rise in the years ahead.

We have formed a series of equity investments, joint ventures and wholly-owned subsidiaries to compete on a national level in major telecommunications markets as they open up to competition. Our focus in all markets is on the key growth areas of mobility, internet and data, as well as traditional voice communications.

Concert, our global joint venture with AT&T, which started operations during the year, meets the complete global communications needs of multinational companies, carriers and internet service providers. Concert offers a wide range of advanced global products and services and





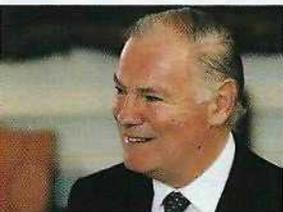
carries cross-border traffic on a greater scale and more efficiently than ever before.

### Investing for growth

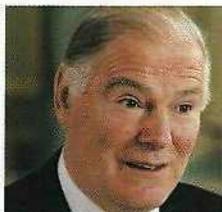
BT is looking to expand wherever it can add value. In the past financial year, we have continued to invest around the world. For example, during the year, we acquired:

- a 30 per cent stake in Japan Telecom, jointly with AT&T. Japan Telecom is the major competitor to NTT, the Japanese market leader. It offers a full range of mobile, international, long-distance, data, internet and local services to business and residential customers;
- Yellow Book USA, the largest independent yellow pages publisher in the USA (the most valuable classified advertising market in the world) for £415 million; and
- in April 2000, we announced that we would acquire the 50 per cent that we did not already own of our Dutch communications venture, Telfort, at a cost of around £1.2 billion. Telfort runs fixed and mobile services in the Netherlands for businesses and consumers.

More than ever before, communications is a global business – and, as you would expect, BT is well positioned to play a leading role.



*Sir Peter Bonfield CBE*



*Sir Iain Vallance*



*Robert Brace FCA*



## *BT board of directors*

### **Sir Iain Vallance** *Chairman*<sup>D\*F</sup>

Appointed a director in 1984, Sir Iain Vallance was Chief Executive from 1986 through 1995. He has been Chairman of BT since 1987, becoming part-time Chairman on 1 August 1998. Sir Iain is also chairman of Concert, BT's global venture with AT&T. Aged 57.

*Other appointments:* Deputy president of the CBI; a vice-chairman of The Royal Bank of Scotland Group; non-executive director of Scottish Enterprise; vice-chairman of the European advisory committee of The New York Stock Exchange; vice president of the Princess Royal Trust for Carers.

### **Executive directors**

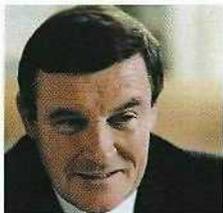
#### **Sir Peter Bonfield CBE** *Chief Executive*<sup>A\*</sup>

Sir Peter Bonfield FEng FIEE joined BT in January 1996 as Chief Executive. Aged 55.

*Other appointments:* Non-executive deputy chairman of ICL; non-executive director of AstraZeneca Group; vice president of the British Quality Foundation.

#### **Robert Brace FCA** *Group Finance Director*<sup>A E</sup>

Robert Brace FCA joined BT in 1989 and was appointed to the Board in 1993 as Group Finance Director. Aged 50.



*Lord Marshall*



*Bill Cockburn CBE, TD*



*Helen Alexander*

### **Bill Cockburn CBE, TD**

*Group Managing Director, BT UK<sup>A</sup>*

Bill Cockburn joined the company in October 1997 as Group Managing Director of BT's UK business and was appointed to the Board on 1 April 1998. Aged 57. *Other appointments:* Non-executive director of Lex Service; member of the Business in the Community board; trustee of the Princess Royal Trust for Carers.

### **Non-executive directors**

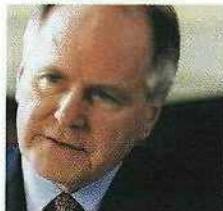
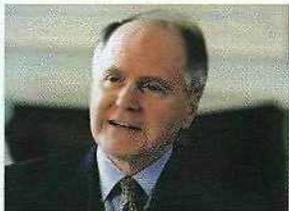
**Lord Marshall of Knightsbridge**

*Deputy Chairman<sup>B\* C\* D</sup>*

Lord Marshall joined the Board in 1995 and has been non-executive Deputy Chairman of BT since January 1996. Aged 66. *Other appointments:* Chairman of British Airways, Inchcape and InvenSys; non-executive director of HSBC Holdings and The New York Stock Exchange.

**Helen Alexander<sup>B D</sup>**

Helen Alexander joined the Board on 1 June 1998. Aged 43. *Other appointments:* Chief executive of the Economist Group and non-executive director of Northern Foods.



*Dr Iain Anderson*



*Louis R Hughes*

*Neville Isdell*



**Dr Iain Anderson**<sup>B C D E\*</sup>

Dr Anderson was appointed to the Board in 1995 and is chairman of the BT Scotland Board. He was strategy and technology director of Unilever until he retired in May 1998. Aged 61. *Other appointments:* Non-executive director of Scottish & Newcastle.

**Louis R Hughes**<sup>B</sup>

Louis Hughes, a US national, joined the Board on 1 January 2000. He was appointed to the board of the Lockheed Martin Corporation as president and chief operating officer in April 2000, having formerly been executive

vice president of General Motors since 1992. Aged 51. *Other appointments:* Member of the supervisory board of Deutsche Bank; non-executive director of Electrolux.

**Neville Isdell**<sup>B C D</sup>

Neville Isdell, an Irish national, joined the Board on 1 July 1998. Aged 56. *Other appointments:* Chairman and chief executive of Coca-Cola Beverages.

**June de Moller**<sup>C E</sup>

June de Moller joined the Board on 1 September 1999. Appointed a director of

**Key to membership of principal Board committees**

<sup>A</sup>Group Executive <sup>B</sup>Audit <sup>C</sup>Remuneration <sup>D</sup>Nominating <sup>E</sup>Pensions <sup>F</sup>Community Support

<sup>\*</sup>Chairs committee All of the non-executive directors are considered independent of the management of the company.

*June de Moller*



*Keith Oates*



*Sir John Weston*



Carlton Communications in 1983, she became Carlton's managing director in 1993, stepping down from that position in January 1999.

Aged 52. *Other appointments:* Non-executive director of Cookson Group, Lynx Group and J. Sainsbury.

**Keith Oates**<sup>BCD</sup>

Keith Oates was appointed a director in 1994. He is a former deputy chairman and managing director of Marks & Spencer. Aged 57. *Other appointments:* Non-executive director of Diageo; member of the Financial Services Authority.

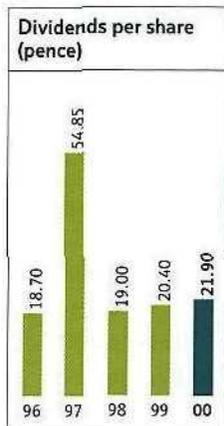
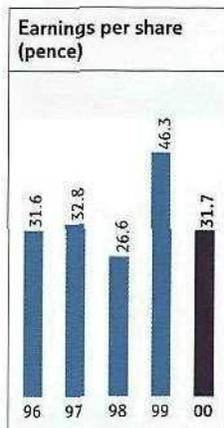
**Sir John Weston**<sup>BEF</sup>

Sir John Weston joined the Board on 1 October 1998. He retired as Britain's Ambassador to the United Nations in July 1998. Sir John was formerly British Ambassador to NATO. Aged 62. *Other appointments:* Non-executive director of Rolls-Royce; honorary president of the UK-wide Community Foundation Network.

**Colin R Green** *Company Secretary*<sup>A</sup> Colin Green, a solicitor, has been Secretary of BT since 1994. On 1 April 1999, he became Group Commercial Director and Secretary. Aged 51.

## summary group profit and loss account

for the year ended 31 March 2000



The 1997 dividends included a special dividend of 35 pence per share.

	2000 £m	1999 £m
<b>Total turnover</b>	<b>21,903</b>	<b>18,223</b>
Less group's share of ventures' turnover, excluding inter-group trading	(3,188)	(1,270)
<b>Group turnover</b>	<b>18,715</b>	<b>16,953</b>
Group's share of operating loss of ventures	(400)	(342)
Total operating profit	3,198	3,474
Profit on sale of subsidiaries and investments	126	1,107
Net interest payable	(382)	(286)
<b>Profit before taxation (a)</b>	<b>2,942</b>	<b>4,295</b>
Taxation	(897)	(1,293)
<b>Profit after taxation</b>	<b>2,045</b>	<b>3,002</b>
Minority interests	10	(19)
Profit for the financial year	2,055	2,983
Dividends	(1,426)	(1,322)
<b>Retained profit</b>	<b>629</b>	<b>1,661</b>
<b>Earnings per share</b>	<b>31.7p</b>	<b>46.3p</b>
<b>Dividends per share</b>	<b>21.9p</b>	<b>20.4p</b>
<b>Profit before goodwill amortisation, exceptional items and taxation (a)</b>	<b>3,100</b>	<b>3,274</b>
<b>Earnings per share before goodwill amortisation and exceptional items (a)</b>	<b>34.2p</b>	<b>35.0p</b>
Directors' emoluments	4.2	5.1
Directors' gains on exercise of share options	-	0.9
Value of shares received by directors under long-term incentive schemes	1.8	-

The executive directors receive pensions on retirement.

**Total turnover**  
Products and services sold to customers by BT, together with our share of our ventures' sales.

**Retained profit**  
The result for the year, after taking off tax, minority interests and dividends, which is kept in the business.

**Earnings per share**  
Our profit for the financial year divided by the average number of shares in issue during the period.

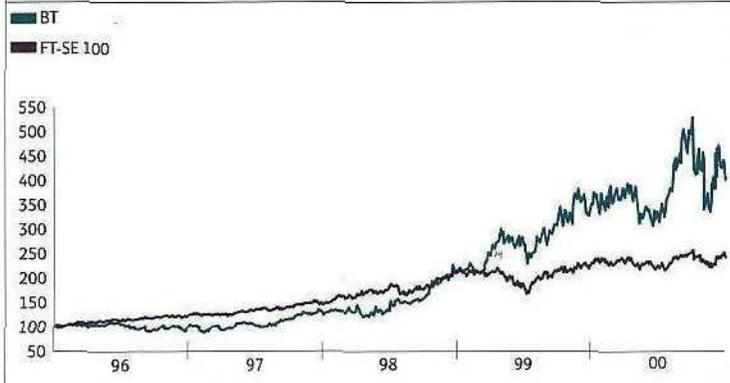
## summary group balance sheet

at 31 March 2000

	2000 £m	1999 £m
Fixed assets	29,818	20,428
Current assets	7,770	7,534
Creditors: amounts falling due within one year	(14,885)	(8,029)
Net current liabilities	(7,115)	(495)
Total assets less current liabilities	22,703	19,933
Creditors: amounts falling due after one year	5,354	3,386
Provisions for liabilities and charges	1,056	1,391
Minority interests	498	216
Capital and reserves	15,795	14,940
	22,703	19,933

(a) The 2000 figures include goodwill amortisation of £173 million (1999 – £17 million) and net exceptional pre-tax gains of £15 million (1999 – £1,038 million). The 1999 net exceptional gains principally comprised the gain on sale of MCI shares, less associated disengagement costs.

### Relative TSR performance over the five financial years to 31 March 2000



1 April 1995 = 100  
Source: Primark Datastream

### Total shareholder return (TSR)

The measure of the returns that a company has provided for its shareholders – the product of share price movement plus dividends reinvested – a good indicator of a company's overall performance.

#### Fixed assets

This is mainly exchange and network equipment, property and similar items which we own and use to run our business, and investments in our ventures.

#### Current assets

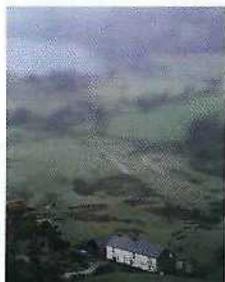
Principally, amounts which we have billed our customers but not yet received and short-term investments.

#### Creditors: amounts falling due after one year

Money borrowed on a long-term basis to fund our operations.

#### Provisions for liabilities and charges

Amounts set aside for liabilities that are not yet certain.



## summary directors' report

The 1999/2000 financial year saw an increasing emphasis on the high-growth sectors of the internet, mobility, data and solutions. To enable us to move forward even more swiftly in these areas, in April 2000, we announced a radical restructuring of the company in line with market sectors rather than geography.

Total turnover increased by 20 per cent to £21,903 million, including our proportionate share of our ventures' revenues. Pre-tax profit at £2,942 million included goodwill amortisation of £173 million and net exceptional gains of £15 million. Excluding these items, pre-tax profit declined by 5.3 per cent against the 1998/99 results, on a comparable basis.

The reduction in earnings was caused partly by a reduction in UK call prices, and a rise in interest costs as a consequence of investment in non-UK ventures.

Our share of our ventures' turnover,

less inter-company trading, grew to £3,188 million, predominately from the Concert global venture with AT&T launched in January 2000, and our stakes in Japan Telecom and our mainland European ventures.

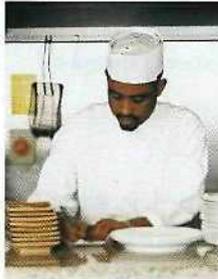
Capital expenditure rose by 12.6 per cent to £3,680 million.

The Board is recommending a final dividend of 13.2 pence per share, giving a total dividend for the year of 21.9 pence – an increase of 7.4 per cent on 1998/99.

### Restructuring

The most important recent development was the announcement of our plans fundamentally to restructure BT.

Four new, independent, international businesses are being established: **Ignite** an international broadband IP business; **BTopenworld** an international mass-market consumer internet business; **BT Wireless** an international mobile business; and **Yell** an international directories and e-commerce



business. These four businesses will work alongside Concert, which will continue to focus on meeting the global communications needs of multinational customers.

We took an equally radical approach in the UK and announced plans to separate the fixed-network business into a wholesale and a retail business.

In addition to enhanced management focus, this new structure is designed to facilitate separate listings of the new businesses, if that proves to be in the long-term interests of shareholders. And we have announced our intention to list Yell by the end of the year.

### Outside the UK

During the year, we took a number of opportunities to build up our international operations, including:

- the launch of Concert, which incorporates major parts of BT's and AT&T's international networks, and a state-of-the-art IP network spanning 21 cities in 17 countries;

- the acquisition, with AT&T, of a 30 per cent stake in Japan Telecom, one of Japan's largest telecommunications groups;
- again with AT&T, the acquisition of approximately 33 per cent of Rogers Candel Mobile Communications – one of Canada's leading mobile operators – and a nine per cent stake in AT&T Canada;
- obtaining control of Esat Telecom and Esat Digifone. These companies operate fixed-line and mobile networks in the Republic of Ireland; and
- in April 2000, we announced that we would acquire the 50 per cent that we did not already own of Telfort – which provides fixed and mobile services in the Netherlands.

### In the UK

Calls on the fixed network accounted for 32 per cent of group turnover.

Call volumes continued to grow – on average, about 94 million UK local and national calls are made every day.

We continued to invest heavily in our networks. And we are rolling out ADSL technology – that turns the standard telephone line into a high-speed, always-on internet connection.

### Mobility

In November 1999, we acquired Securicor's 40 per cent minority interest in BT Cellnet.

As at March 2000, BT Cellnet had 7.4 million customers – an increase of 64 per cent on March 1999 – and mobile communication turnover in the UK grew by 55 per cent.

With our partners in 15 countries, we have more than 31 million mobile customers – 145 per cent more than a year ago.

And, in addition to forming Advance – a global mobile business – with AT&T, and acquiring an interest in Japan's J-Phone Communications, we were successful in our

bid (in April 2000) for a new third generation mobile licence in the UK.

### Internet

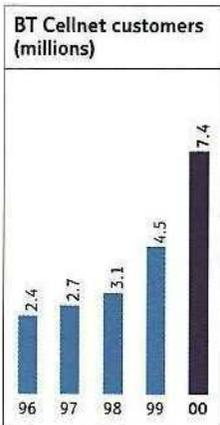
In the internet market, we developed and launched a series of services and innovative pricing packages, established a joint venture with LookSmart to create and distribute portal services throughout Europe and Asia, and acquired further interests in ISPs around the world.

### Research and development

We invested £345 million in research and development. Key technologies include: next generation internet, broadband networks (fixed and wireless), advanced data services, third generation mobile multimedia services and network security.

### Marketing and pricing

The focus of our marketing is changing from call stimulation towards "communications stimulation".



And we are continuing to provide customers with innovative pricing packages, such as *BT Together* and *BT SurfTime*. Due to be launched in June 2000, *BT SurfTime* will mean that surfing the Net at peak time in the UK can be cheaper than in the United States.

### Quality of service

We operate one of the UK's largest programmes of customer research and have learnt, for example, that customers want to communicate with us in new ways. This is why customer transactions such as "View my Bill" and changing *Friends & Family* numbers are now available on-line, via [www.bt.com](http://www.bt.com). Our quality of service results, including those for the six-month period to 31 March 2000, are also published on [www.bt.com](http://www.bt.com).

### BT people

At 31 March 2000, BT employed around 137,000 people, of whom around 11,000 were based outside the UK.

BT remains committed to supporting and rewarding its people, to valuing diversity, and to encouraging equal opportunities.

During the year, we achieved company-wide Investors in People re-accreditation.

### The community

BT recognises its responsibility to the communities in which it operates.

BT was presented with Business in the Community's Company of the Year Award by the Prime Minister and achieved ISO 14001 certification, the international environmental management system, for its UK operations.

In this millennial year, we are sponsors of the Talk zone at the Dome and have launched one of the UK's largest education and drama programmes – BT FutureTalk in Education – to encourage children to develop their communications skills.



## **auditors' statement**

### **Auditors' statement to the members of British Telecommunications plc**

We have examined the summary financial statement set out on pages 38 to 48.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the summarised annual report. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the annual review for shareholders with the annual financial statements and directors' report and its compliance with the relevant requirements of section 251 of the United Kingdom Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the summarised annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

### **Basis of opinion**

We conducted our work in accordance with "The auditors' statement on the summary financial statement" issued 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 2000 and complies with the applicable requirements of Section 251 of the Companies Act 1985, and the regulations made thereunder.

### **PricewaterhouseCoopers**

*Chartered Accountants and*

*Registered Auditors*

London 24 May 2000

The auditors' report on the full annual accounts for the year ended 31 March 2000 is unqualified and does not contain any statement concerning accounting records or failure to obtain necessary information and explanations.

This summary financial statement was approved by the Board on 24 May 2000 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 annual report.

Shareholders who would like more detailed information may obtain a copy of the full annual report for 2000 and/or future years, free of charge, by completing and returning the request card that accompanies this annual review.

## shareholder information

### Shareholder enquiries

For all enquiries about your shareholding, please call the BT Shareholder Helpline on: **Freefone 0808 100 4141** (UK only) +44 121 433 4404 (from outside the UK).

Or write (remembering to include your daytime telephone number) to:  
**Lloyds TSB Registrars (450) The Causeway, Worthing,**  
West Sussex BN99 6DA, England.

**e-mail** [bt@lloydstsb-registrars.co.uk](mailto:bt@lloydstsb-registrars.co.uk)

**Fax** 01903 833 371 (UK only) +44 1903 833 371 (from outside the UK)

*Lloyds TSB Registrars will only acknowledge notifications of change of address on request.*

### Shareholders and the internet

Further information about BT can be obtained from the company's website: **www.bt.com**. BT shareholders have their own dedicated section of the site at the Shareholder Centre: **www.bt.com/shares**



### Share price information

#### Shareline

**Lo-call 0845 701 0707** (UK callers only). Shareline reports the daily 9.00am BT share price, together with recorded news about the company (updated by 10.00am each weekday).

When you use one of BT's **Lo-call** numbers from anywhere in the UK, you pay only the price of a local call.\*



#### Share Price Line

**0906 8222 334** (UK callers only). The BT Share Price Line gives real-time buying and selling prices for BT shares, plus the FT-SE 100 index and the very latest news from the stock market.

This service is provided by Teleshare, London EC2A 4PF. Calls are charged at 60p per minute, per second billing, including VAT.\* (Price correct as at May 2000.)

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

### ShareGift

The Orr Mackintosh Foundation operates a charity share donation scheme for shareholders with small parcels of shares whose value makes it uneconomic to sell them. Details of the scheme are available on the ShareGift internet site, **www.sharegift.org**, or can be obtained from the BT Shareholder Helpline.



### Offices worldwide

British Telecommunications plc  
Registered office: 81 Newgate Street,  
London EC1A 7AJ  
Registered in England No. 1800000



INVESTOR IN PEOPLE

Designed by Pauffley  
Printed in England by Pindar plc  
Printed on paper awarded the Nordic  
White Swan label, an internationally  
recognised environmental standard.