

# Report of the directors

The directors submit their report and the audited financial statements of the company, British Telecommunications plc, and the group, which includes its subsidiary undertakings, for the year ended 31 March 1999.

## Introduction

The business review on pages 8 to 23, the financial review on pages 26 to 39, the discussion on corporate governance on pages 44 to 46 and the report on directors' remuneration on pages 47 to 55 form part of this report. The audited financial statements are presented on pages 59 to 103.

## Principal activity

The group's principal activity is the supply of communication services and equipment. In the year, 96% of group turnover arose from operations in the UK.

## Directors

The names and biographical details of the directors of the company are given on pages 40 and 41. All served throughout the financial year, with the exception of Helen Alexander, Neville Isdell and Sir John Weston who joined the Board on 1 June 1998, 1 July 1998 and 1 October 1998, respectively.

In addition, Malcolm Argent and Sir Ewen Fergusson served on the Board until their retirement as directors on 31 December 1998 and 31 March 1999, respectively.

In accordance with the articles of association, Sir John Weston, having been appointed to the Board since the last annual general meeting, retires at the forthcoming annual general meeting and will be proposed for election. Dr Iain Anderson, Sir Peter Bonfield, Robert Brace and Sir Iain Vallance retire by rotation and will be proposed for re-election. Details of these directors' service contracts or contracts of appointment are included in the report on directors' remuneration on page 49 and the discussion on corporate governance on page 44, respectively.

## Substantial shareholdings

At 25 May 1999, the company had received no notification under Part VI of the Companies Act 1985 in respect of holdings of 3% or more of the company's issued ordinary share capital.

## Interest of management in certain transactions

During and at the end of the 1999 financial year, none of the company's directors was materially interested in any material transaction in relation to the group's business and none is materially interested in any presently proposed material transactions.

## Policy on the payment of suppliers

BT's policy is to use its purchasing power fairly and to pay promptly and as agreed.

BT has a variety of payment terms with its suppliers. The terms for payments for purchases under major contracts are settled when agreeing the other terms negotiated with the individual suppliers. It is BT's policy to make payments for other purchases within 30 working days of the invoice date, provided that the relevant invoice is presented to the company in a timely fashion and is complete. BT's payment terms are printed on the company's standard purchase order forms or, where appropriate, specified in individual contracts agreed with the supplier. The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year ended 31 March 1999 and the amounts owed to its trade creditors at the end of the year was 28 days.

**Auditors**

Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Coopers & Lybrand resigned as auditors and the directors appointed PricewaterhouseCoopers to fill the vacancy created by the resignation. A resolution to reappoint PricewaterhouseCoopers as auditors of the company will be proposed at the annual general meeting.

**Authority to purchase shares**

The authority for the company to purchase 641 million of its shares, representing 10% of the issued share capital, in the market expires on 14 October 1999. This authority was not used during the year and shareholders will be asked to give a similar authority at the annual general meeting.

**Annual general meeting resolutions**

The resolutions to be proposed at the annual general meeting to be held on 14 July 1999, together with explanatory notes, appear in the separate Notice of Annual General Meeting sent to all shareholders.

By order of the Board

**C R Green**

*Secretary*

25 MAY 1999

Registered office: 81 Newgate Street, London EC1A 7AJ

Registered in England: No 1800000