

Auditors' report on corporate governance matters

TO BRITISH TELECOMMUNICATIONS plc

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 18, 24 and 25 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange's Listing Rules and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with paragraphs 12.43(j) and 12.43(v) of the Listing Rules.

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control on page 25 and going concern on page 18, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 24 appropriately reflects the company's compliance with the other aspects of the Code specified for our review by paragraph 12.43(j) of the Listing Rules.

Coopers & Lybrand

Chartered Accountants

London

20 MAY 1997