

## ITEM 8 – SELECTED FINANCIAL DATA

The information set forth under the heading “Five year financial summary” on pages 43 and 44 of the 1998 Report and Accounts contained in the company’s Report on Form 6-K dated 9 June 1998 is incorporated herein by reference.

BT’s consolidated financial statements are prepared in accordance with accounting policies generally accepted in the United Kingdom (“UK GAAP”), which differ in certain significant respects from those applicable in the United States (“US GAAP”).

### *Exchange rates*

For information regarding the exchange rates for pounds sterling into US dollars for the five most recent financial years and at a recent date, see “Exchange rates” on page 1.

### *Dividends*

The Board expects to recommend in respect of each financial year an interim and a final dividend, which will normally be payable in February and September, respectively. Additionally, a special dividend was paid to shareholders of BT in September 1997. See “Item 9 – Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

The following table sets forth dividends paid or payable in respect of Ordinary Shares and ADSs for each of the financial years, including the associated UK tax credit available to certain beneficial owners of Ordinary Shares or ADSs who are resident in the United States or Canada for tax purposes, but before deduction of UK withholding taxes. The amounts shown are not those that were actually paid to holders of Ordinary Shares and ADSs. See “Taxation of dividends” below. Dividends have been translated from pounds sterling into US dollars using exchange rates prevailing on the date the dividends were paid to holders of Ordinary Shares. Each ADS represents 10 Ordinary Shares.

Financial year	Pounds sterling per ADS			US Dollars per ADS			Pence per Ordinary Share		
	Interim	Final	Total	Interim	Final	Total	Interim	Final	Total
1994	£0.8312	£1.2563	£2.0875	\$1.217	\$1.964	\$3.181	8.312p	12.563p	20.875p
1995	0.8812	1.3313	2.2125	1.375	2.055	3.430	8.812	13.313	22.125
1996	0.9312	1.4063	2.3375	1.422	2.181	3.603	9.312	14.063	23.375
1997(a)	0.9875	1.4937	2.4812	1.582	2.391	3.973	9.875	14.937	24.812
1998	0.9437	1.4313	2.3750	1.540	(b)	(b)	9.437	14.313	23.750

(a) In addition, a special dividend of £4.375 (\$7.002) per ADS, (43.75 pence per Ordinary Share), including the associated UK tax credit, was paid at the same time as the final dividend for the 1997 financial year, to those qualifying holders of ADSs on record as of 15 August 1997.

(b) Qualifying holders of ADSs on record as of 7 August 1998 are entitled to receive the final dividend which will be paid on 28 September 1998. The US dollar amount of the final dividend to be paid to holders of ADSs will be based on the exchange rate in effect on 21 September 1998, the date of payment to holders of Ordinary Shares.

The Board stated its intention to adjust the level of ongoing annual dividends to take into account the effect of the 1997 special dividend in order broadly to maintain the yield on the company’s Ordinary Shares. This adjustment was first made for the interim dividend for the 1998 financial year.

The level of dividends will continue to be influenced by such factors as the effects of competition and regulation in the United Kingdom, together with investment needs and opportunities in the United Kingdom and overseas. Past relationships between the interim and final dividends are not necessarily indicative of the future.

As dividends paid by the company are in pounds sterling, exchange rate fluctuations will affect the US dollar amounts received by holders of ADSs on conversion by the Depository of such cash dividends.

### *Taxation of dividends*

Beneficial owners of ADSs or Ordinary Shares who are residents of the United States for tax purposes may be entitled to receive payment of the associated UK tax credit in respect of dividends paid to them. The amount of such dividends and any such credit is subject to UK withholding taxes, currently at the rate of 15% in most cases. Subject to certain limitations, this withholding tax will be treated as a foreign income tax eligible for credit against a holder's US or Canadian federal income taxes.

Certain beneficial owners of ADSs and Ordinary Shares may be entitled to receive payment of the associated UK tax credit at the same time as they receive the dividend payments (subject to UK withholding taxes) if they meet certain requirements including, with respect to beneficial owners of Ordinary Shares, that they hold their shares through a nominee approved by the UK Inland Revenue. Other beneficial owners of ADSs and Ordinary Shares will not be entitled to receive payment of the associated UK tax credit at the same time as they receive their dividend and must make individual claims for refunds of such tax credit.

HM Government announced tax measures on 2 July 1997 that would result in changes to the associated UK tax credit system having a negative impact on the amount of dividends received or receivable by some shareholders, particularly residents in the United States or Canada after April 1999. See "Item 7 – Taxation – United Kingdom Tax Consequences of the Ownership of Ordinary Shares and ADSs – Taxation of Distributions".