



Summary directors' report

Summary Financial Statement

BT's operating performance in the year has been satisfactory and in line with market expectations. Group turnover increased 9.1% in the year and total operating profit before amortisation and exceptional items was 2% lower than the previous year.

The principal areas of turnover growth were through the acquisition of interests in Europe and from interconnect with UK operators.

Profits were affected by a number of exceptional items, in particular a £3 billion charge taken against goodwill in Viag Interkom. Before these items, earnings per share were 20.5 pence, compared with 34.2 pence in the previous financial year. The lower earnings in the current year were mainly due to higher interest charges following the acquisition of businesses and 3G licences over the past 18 months.

During 2001, we began a radical restructuring of BT, with the emphasis on setting up a number of separate highly-focused businesses with potential for growth. We intend to demerge BT Wireless and will sell or demerge Yell. >>



Acquisitions and disposals

We have taken full control of Telfort in The Netherlands, Viag Interkom in Germany and, in April 2001, full control of Esat Digifone in the Republic of Ireland.

More recently we have announced the prospective disposal of our interests in Airtel in Spain, Japan Telecom and J-Phone in Japan and Maxis Communications in Malaysia.

In the UK

Calls on our fixed network accounted for about 28% of group turnover. Call volumes continued to grow with, on average, 90 million UK local and national calls being made every day.

Many other telecommunications operators use our network to help deliver their customers' calls. This interconnect activity has increased

rapidly and accounted for about 14% of group turnover.

We continued to invest in our UK network to meet increasing demand for high-quality fixed-network products and services. In less than a year we have replaced nearly half of the trunk exchanges which took five years to install in the 1980s.



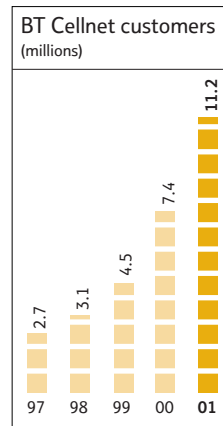


We have continued to reduce prices and simplify our pricing structure, and have introduced new options, such as BT Together, to give customers greater choice and control over how they are charged for our services.

Mobility

BT Cellnet had 11.2 million customers as at 31 March 2001, an increase of more than 50% during the 2001 financial year. In the UK, BT Cellnet acquired a 3G licence for £4.03 billion.

Through Telfort, Viag Interkom and Esat Digifone we have 5.7 million mobile customers outside the UK. >>



Internet

We have launched a range of mass-market broadband internet services aimed at consumers, small businesses and teleworkers. We continue to develop a range of tools, including communications, navigation and personalisation, all of which will be linked and made available through a Personal openworld Portal accessible across a number of devices.

Research and development

We invested £364 million in research and development on areas including next-generation internet, broadband wireless and network management.

BT people

At 31 March 2001, BT employed around 137,000 people throughout the world, with 117,900 in the UK, making us one of the UK's largest employers. During the year we formed a joint venture with Accenture (formerly Andersen Consulting) to deliver outsourced human resources services to large organisations. BT prides itself on being a learning organisation. Increasingly, we are using the internet to deliver training and development programmes.

Our commitment to society

BT takes seriously the responsibility that comes with being a company that has the potential to improve people's lives through better communication. We make regular donations in the UK to direct activities in support of society, such as education.



Our UK operations have ISO 14001 certification, the international standard for environmental management systems.

Statement of Business Practice

To reinforce our commitment to achieve best practice in our standard of business integrity, a copy of BT's Statement of Business Practice has been sent to every employee. We also require our agents and contractors to apply these principles when representing BT.

Auditors' statement

Summary Financial Statement

Auditors' statement to the members of British Telecommunications plc

We have examined the summary financial statement set out on pages 23 to 31.

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 BT shareholder annual review 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 2001 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

22 May 2001

The auditors' report on the full annual accounts for the year ended 31 March 2001 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 22 May 2001 and was signed on its behalf by:

Sir Christopher Bland *Chairman*
Sir Peter Bonfield CBE *Chief Executive*
Philip Hampton *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 2001 and/or future years, free of charge, by completing and returning the request card that accompanies this annual review.

Notes:

(a) The maintenance and integrity of the British Telecommunications plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the summary financial statement since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.